

ERICKSON INC.  
Form 10-Q  
May 11, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

☐ 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 001-35482

ERICKSON INCORPORATED  
(Exact name of registrant as specified in its charter)

|                                                                |                                      |
|----------------------------------------------------------------|--------------------------------------|
| Delaware                                                       | 93-1307561                           |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 5550 SW Macadam Avenue, Suite 200, Portland, Oregon            | 97239                                |
| (Address of principal executive offices)                       | (Zip Code)                           |
| (503) 505-5800                                                 |                                      |

(Registrant's telephone number, including area code)

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

|                                  |                                           |
|----------------------------------|-------------------------------------------|
| Title of each class              | Name of each exchange on which registered |
| Common Stock, \$0.0001 par value | The NASDAQ Stock Market LLC               |

Securities registered pursuant to Section 12(g) of the Act: N/A

(Title of each class)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|                                                                                              |                                                       |
|----------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Large accelerated filer <input type="checkbox"/>                                             | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/>    |

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

On April 30, 2015, 13,833,174 shares of common stock, par value \$0.0001, were outstanding.

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ERICKSON INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

(Unaudited)

|                                                                                                                                                                         | March 31,<br>2015 | December 31,<br>2014 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Assets                                                                                                                                                                  |                   |                      |
| Current assets:                                                                                                                                                         |                   |                      |
| Cash and cash equivalents                                                                                                                                               | \$2,874           | \$5,097              |
| Restricted cash                                                                                                                                                         | 518               | 567                  |
| Accounts receivable, net of allowances for doubtful accounts of \$188 and \$739 in 2015 and 2014, respectively                                                          | 51,932            | 44,350               |
| Inventory                                                                                                                                                               | 9,153             | —                    |
| Prepaid expenses and other current assets                                                                                                                               | 8,783             | 8,780                |
| Income tax receivable                                                                                                                                                   | 739               | 677                  |
| Deferred tax assets                                                                                                                                                     | 1,286             | 1,230                |
| Total current assets                                                                                                                                                    | 75,285            | 60,701               |
| Aircraft support parts, net                                                                                                                                             | 138,898           | 137,593              |
| Assets held for sale                                                                                                                                                    | 8,350             | —                    |
| Aircraft, net                                                                                                                                                           | 115,099           | 128,221              |
| Property, plant and equipment, net                                                                                                                                      | 117,127           | 120,635              |
| Goodwill                                                                                                                                                                | 164,550           | 215,241              |
| Other intangible assets, net                                                                                                                                            | 19,413            | 20,053               |
| Other non-current assets                                                                                                                                                | 21,932            | 23,077               |
| Total assets                                                                                                                                                            | \$660,654         | \$705,521            |
| Liabilities and stockholders' equity                                                                                                                                    |                   |                      |
| Current liabilities:                                                                                                                                                    |                   |                      |
| Accounts payable                                                                                                                                                        | \$17,149          | \$19,844             |
| Current portion of long-term debt                                                                                                                                       | 3,793             | 4,144                |
| Accrued and other current liabilities                                                                                                                                   | 35,612            | 19,034               |
| Income tax payable                                                                                                                                                      | —                 | 315                  |
| Deferred tax liabilities                                                                                                                                                | —                 | 884                  |
| Total current liabilities                                                                                                                                               | 56,554            | 44,221               |
| Long-term debt                                                                                                                                                          | 12,185            | 12,751               |
| Long-term revolving credit facilities                                                                                                                                   | 103,925           | 89,339               |
| Long-term notes payable                                                                                                                                                 | 355,000           | 355,000              |
| Other long-term liabilities                                                                                                                                             | 19,513            | 13,181               |
| Uncertain tax positions                                                                                                                                                 | 6,581             | 6,313                |
| Deferred tax liabilities                                                                                                                                                | 3,412             | 3,703                |
| Total liabilities                                                                                                                                                       | 557,170           | 524,508              |
| Stockholders' equity:                                                                                                                                                   |                   |                      |
| Common stock; \$0.0001 par value; 110,000,000 shares authorized; 13,823,818 and 13,823,818 issued and outstanding at March 31, 2015 and December 31, 2014, respectively | 1                 | 1                    |
| Additional paid-in capital                                                                                                                                              | 181,163           | 181,018              |

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|                                                                  |           |            |
|------------------------------------------------------------------|-----------|------------|
| Retained earnings (accumulated deficit)                          | (73,158   | ) 1,812    |
| Accumulated other comprehensive loss, net of tax                 | (5,012    | ) (2,544 ) |
| Total stockholders' equity attributable to Erickson Incorporated | 102,994   | 180,287    |
| Noncontrolling interest                                          | 490       | 726        |
| Total stockholders' equity                                       | 103,484   | 181,013    |
| Total liabilities and stockholders' equity                       | \$660,654 | \$705,521  |

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

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ERICKSON INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(in thousands, except share and per share data)  
(Unaudited)

|                                                                        | Three Months Ended March 31, |            |
|------------------------------------------------------------------------|------------------------------|------------|
|                                                                        | 2015                         | 2014       |
| Net revenues                                                           | \$66,162                     | \$74,184   |
| Cost of revenues                                                       | 64,788                       | 66,658     |
| Gross profit                                                           | 1,374                        | 7,526      |
| Operating expenses:                                                    |                              |            |
| General and administrative                                             | 6,938                        | 6,797      |
| Research and development                                               | 878                          | 1,318      |
| Selling and marketing                                                  | 1,755                        | 2,234      |
| Impairment of goodwill                                                 | 49,823                       | —          |
| Other asset impairment                                                 | 7,143                        | —          |
| Total operating expenses                                               | 66,537                       | 10,349     |
| Operating loss                                                         | (65,163)                     | (2,823)    |
| Other income (expense):                                                |                              |            |
| Interest expense, net                                                  | (9,212)                      | (8,753)    |
| Amortization of debt issuance costs                                    | (624)                        | (621)      |
| Unrealized foreign exchange gain (loss)                                | (436)                        | 217        |
| Realized foreign exchange gain (loss)                                  | (68)                         | (57)       |
| Gain (loss) on disposal of equipment                                   | (6)                          | 130        |
| Other expense, net                                                     | (191)                        | (188)      |
| Total other income (expense)                                           | (10,537)                     | (9,272)    |
| Net loss before income taxes and noncontrolling interest               | (75,700)                     | (12,095)   |
| Income tax benefit                                                     | (617)                        | (4,570)    |
| Net loss                                                               | (75,083)                     | (7,525)    |
| Less: Net (income) loss related to noncontrolling interest             | 113                          | (69)       |
| Net loss attributable to Erickson Incorporated and common stockholders | \$(74,970)                   | \$(7,594)  |
| Net loss                                                               | \$(75,083)                   | \$(7,525)  |
| Other comprehensive income (loss):                                     |                              |            |
| Foreign currency translation adjustment                                | (2,591)                      | 330        |
| Comprehensive loss                                                     | (77,674)                     | (7,195)    |
| Comprehensive (income) loss attributable to noncontrolling interest    | 236                          | (69)       |
| Comprehensive loss attributable to Erickson Incorporated               | \$(77,438)                   | \$(7,264)  |
| Net loss per share attributable to common stockholders                 |                              |            |
| Basic                                                                  | \$(5.42)                     | \$(0.55)   |
| Diluted                                                                | \$(5.42)                     | \$(0.55)   |
| Weighted average shares outstanding                                    |                              |            |
| Basic                                                                  | 13,823,818                   | 13,789,426 |
| Diluted                                                                | 13,823,818                   | 13,789,426 |

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share data)

(Unaudited)

|                                            | Common Stock |        | Additional<br>Paid-in<br>Capital | Retained<br>Earnings<br>(Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Loss | Total Stockholders'<br>Equity (Deficit) of<br>Erickson<br>Incorporated |        | Noncontrolling<br>Interest<br>Amount | Total<br>Stockholders'<br>Equity |
|--------------------------------------------|--------------|--------|----------------------------------|--------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------|--------|--------------------------------------|----------------------------------|
|                                            | Shares       | Amount |                                  |                                                  |                                               |                                                                        |        |                                      |                                  |
| Balance at December 31, 2013               | 13,787,914   | \$ 1   | \$ 179,954                       | \$ 12,104                                        | \$ (42 )                                      | \$ 192,017                                                             | \$ 890 |                                      | \$ 192,907                       |
| Issuance of Restricted Stock Units         | 50,695       | —      | —                                | —                                                | —                                             | —                                                                      | —      | —                                    | —                                |
| Noncontrolling interest dividend           | —            | —      | —                                | —                                                | —                                             | —                                                                      | (69 )  | (69 )                                | (69 )                            |
| Stock-based compensation                   | —            | —      | 861                              | —                                                | —                                             | 861                                                                    | —      | —                                    | 861                              |
| Shares withheld for payment of taxes       | (14,791 )    | —      | (211 )                           | —                                                | —                                             | (211 )                                                                 | —      | —                                    | (211 )                           |
| Proceeds from shareholder, net             | —            | —      | 414                              | —                                                | —                                             | 414                                                                    | —      | —                                    | 414                              |
| Components of comprehensive income (loss): |              |        |                                  |                                                  |                                               |                                                                        |        |                                      |                                  |
| Net income (loss)                          | —            | —      | —                                | (10,292 )                                        | —                                             | (10,292 )                                                              | 61     | (10,231 )                            | (10,231 )                        |
| Foreign currency translation               | —            | —      | —                                | —                                                | (2,502 )                                      | (2,502 )                                                               | (156 ) | (2,658 )                             | (2,658 )                         |
| Comprehensive loss                         |              |        |                                  |                                                  |                                               |                                                                        |        |                                      | (12,889 )                        |
| Balance at December 31, 2014               | 13,823,818   | \$ 1   | \$ 181,018                       | \$ 1,812                                         | \$ (2,544 )                                   | \$ 180,287                                                             | \$ 726 |                                      | \$ 181,013                       |
| Stock-based compensation                   | —            | —      | 145                              | —                                                | —                                             | 145                                                                    | —      | —                                    | 145                              |
| Components of comprehensive income (loss): |              |        |                                  |                                                  |                                               |                                                                        |        |                                      |                                  |
| Net loss                                   | —            | —      | —                                | (74,970 )                                        | —                                             | (74,970 )                                                              | (113 ) | (75,083 )                            | (75,083 )                        |
| Foreign currency translation               | —            | —      | —                                | —                                                | (2,468 )                                      | (2,468 )                                                               | (123 ) | (2,591 )                             | (2,591 )                         |
| Comprehensive loss                         |              |        |                                  |                                                  |                                               |                                                                        |        |                                      | (77,674 )                        |
| Balance at March 31, 2015                  | 13,823,818   | \$ 1   | \$ 181,163                       | \$ (73,158 )                                     | \$ (5,012 )                                   | \$ 102,994                                                             | \$ 490 |                                      | \$ 103,484                       |

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

|                                                                         | Three Months Ended March<br>31, |              |
|-------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                         | 2015                            | 2014         |
| Cash flows from operating activities:                                   |                                 |              |
| Net loss                                                                | \$(75,083                       | ) \$(7,525 ) |
| Adjustments to reconcile loss to net cash used in operating activities: |                                 |              |
| Depreciation and amortization                                           | 8,818                           | 7,953        |
| Impairment of goodwill                                                  | 49,823                          | —            |
| Other asset impairment                                                  | 7,143                           | —            |
| Deferred income taxes                                                   | (1,418                          | ) (3,984 )   |
| Non-cash interest expense on debt                                       | 177                             | 37           |
| Stock-based compensation                                                | 145                             | 160          |
| Amortization of debt issuance costs                                     | 624                             | 621          |
| Loss (gain) on sale of equipment                                        | 6                               | (130 )       |
| Changes in operating assets and liabilities:                            |                                 |              |
| Accounts receivable                                                     | (8,059                          | ) 13,876     |
| Inventory                                                               | (9,153                          | ) —          |
| Prepaid expenses and other current assets                               | (224                            | ) (599 )     |
| Income tax receivable                                                   | 263                             | (785 )       |
| Aircraft support parts, net                                             | (1,523                          | ) (7,864 )   |
| Other non-current assets                                                | 2,390                           | 1,545        |
| Accounts payable                                                        | (2,205                          | ) 1,995      |
| Accrued and other current liabilities                                   | 17,447                          | (4,043 )     |
| Income tax payable                                                      | (601                            | ) 943        |
| Other long-term liabilities                                             | 3,689                           | 294          |
| Net cash provided by (used in) operating activities                     | (7,741                          | ) 2,494      |
| Cash flows from investing activities:                                   |                                 |              |
| Purchases of aircraft and property, plant and equipment, net            | (5,674                          | ) (17,483 )  |
| Restricted cash                                                         | (51                             | ) 200        |
| Net cash used in investing activities                                   | (5,725                          | ) (17,283 )  |
| Cash flows from financing activities:                                   |                                 |              |
| Proceeds from shareholders, net                                         | —                               | 414          |
| Repayments of subordinated notes                                        | (1,000                          | ) —          |
| Repayments of credit facilities                                         | (34,211                         | ) (24,400 )  |
| Borrowings from credit facilities                                       | 48,797                          | 39,867       |
| Other long-term borrowings                                              | (48                             | ) —          |
| Payments under capital leases                                           | (140                            | ) —          |
| Debt issuance costs                                                     | (70                             | ) (230 )     |
| Net cash provided by financing activities                               | 13,328                          | 15,651       |
| Effect of foreign currency exchange rates on cash and cash equivalents  | (2,085                          | ) 467        |
| Net increase (decrease) in cash and cash equivalents                    | (2,223                          | ) 1,329      |
| Cash and cash equivalents at beginning of period                        | 5,097                           | 1,881        |
| Cash and cash equivalents at end of period                              | \$2,874                         | \$3,210      |
| Supplemental disclosure of cash flow information:                       |                                 |              |
| Cash paid for interest                                                  | \$1,594                         | \$1,269      |



|                                 |       |       |
|---------------------------------|-------|-------|
| Cash paid for income taxes, net | \$768 | \$486 |
|---------------------------------|-------|-------|

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

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ERICKSON INCORPORATED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Description of the Business

The consolidated financial statements include the accounts of Erickson Incorporated (“EAC”) and its subsidiaries and affiliated companies: EAC Acquisition Corporation (“EAC Acq.”), Erickson Helicopters, Inc. and its subsidiaries (“EHI”, formerly known as Evergreen Helicopters, Inc.), CAC Development Ltd. (“Canada”), Canadian Air-Crane Ltd. (“CAC”), Erickson Air-Crane Malaysia Sdn. Bhd. (“EACM”), European Air-Crane S.p.A. (“EuAC”), Air Amazonia Serviços Aeronáuticos Ltda. (“Air Amazonia”), Dutch Air-Crane B.V. (“DAC”), and Erickson Aviation Peru S.A.C. (“Peru”) (collectively referred to as “the Company”). EuAC owns a 60% equity interest in Societa Italiana de Manutenzioni Aeroautiche S.p.A. (“SIMA”), which is an aircraft maintenance organization located in Lucca, Italy; and EACM owns a 49% equity interest in Layang-Layang Services Sdn. Bhd., which provides aircraft rental services in Malaysia.

As of March 31, 2015, the Company owned a fleet of 19 heavy lift helicopters, comprised of 13 S-64E and six S-64F model Aircranes, and 34 medium and light lift aircraft of varying model types, comprised of 28 rotor wing aircraft and six fixed-wing aircraft. As of March 31, 2015, the Company leased a fleet of one heavy lift S-64F model Aircrane, 31 medium and light lift aircraft of varying types, comprised of 26 rotor wing aircraft and five fixed-wing aircraft. The Company’s fleet operations span the globe with a presence on six continents. As of March 31, 2015, 24 of the owned aircraft and 20 of the leased aircraft were deployed outside of North America.

The Company owns the Type Certificate and Production Certificate for the S-64 Aircrane which gives it the authorization to convert and remanufacture the S-64 Aircrane for its own use or to sell to third parties. The Company holds a Type Certificate issued by the European Aviation Safety Agency (“EASA”) certifying the S-64F model which allows the Aircrane to be sold to third parties in the European Union. The Company holds a Repair Station Certificate which allows the Company to repair and overhaul airframes and components for Aircranes and certain other aircraft, and the Company owns the Type Certificate for engines used in the S-64 Aircrane. The Company also holds the production certificate to manufacture engine parts for the Pratt & Whitney JT12 and JFTD12 engines.

Fiscal 2015

On January 1, 2015, as a result of an organizational restructuring, the Company established new operating reportable segments to assess performance by type of customer and end market: Government Aviation Services, Commercial Aviation Services and Manufacturing & MRO.

Fiscal 2014

On April 1, 2014, the Company completed a rebranding initiative which included the following changes in legal names of entities: Erickson Air-Crane, Incorporated became Erickson Incorporated, Evergreen Helicopters, Inc. became Erickson Helicopters, Inc., and Evergreen Helicopters of Alaska, Inc. became Erickson Transport, Inc.

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts and transactions of all majority owned subsidiaries and variable interest entities in which the Company is the primary beneficiary. In presenting these unaudited consolidated financial statements, management makes estimates and assumptions that affect reported amounts of assets and liabilities and related disclosures, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting periods. Estimates, by their nature, are based on judgments and available information at a point in time. As such, actual results could differ from those estimates. In management’s opinion, the unaudited consolidated financial statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported.

All intercompany accounts and transactions have been eliminated in consolidation.

The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and following the guidance of Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the

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U.S. Securities and Exchange Commission (the “SEC”). As permitted under such rules, certain notes and other financial information normally required by accounting principles generally accepted in the United States of America (“U.S. GAAP”)

have been condensed or omitted; however, the unaudited consolidated financial statements do include such notes and financial information sufficient so as to make the interim information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of December 31, 2014 included in the Company’s annual report on Form 10-K filed with the SEC on March 10, 2015.

The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

### Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Reclassification has been made to prior period amounts of external commissions from sales and marketing operating expenses to cost of revenues on the consolidated statements of comprehensive loss. Such reclassification had no effect on previously reported consolidated statements of stockholders’ equity or the consolidated balance sheet. The prior period reclassification includes \$0.8 million of external commissions reclassified from sales and marketing operating expenses to cost of revenues on the consolidated statements of comprehensive loss for the three months ended March 31, 2014.

### Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued accounting standards update (“ASU”) No. 2013-11 “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,” to resolve the diversity in practice in the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Although permitted by the ASU, the Company did not elect early adoption or retrospective application. As such, the ASU became effective prospectively for the Company as of its first quarter of 2014. As of March 31, 2015, the Company did not have any unrecognized tax benefits that meet the conditions described by the ASU; accordingly, the ASU did not have any impact on the Company’s results of operations or financial position. In May 2014, the FASB issued ASU 2014-9, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in ASC 605, “Revenue Recognition.” This ASU requires revenue to be recognized to reflect the consideration an entity expects to be entitled to in exchange for the transfer of goods or services to customers in the appropriate period. This ASU also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract are required. The Company will be required to implement this guidance in the first quarter of fiscal year 2017, using one of the two prescribed retrospective methods. No early adoption is permitted. The Company has not yet determined the effect of the adoption on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard will have on the consolidated financial statements.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the quarter ended March 31, 2015 that are of significance, or potential significance, to the Company.

### Note 3. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consisted of the following (in thousands):

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|                                       | March 31, 2015 | December 31,<br>2014 |
|---------------------------------------|----------------|----------------------|
| Trade accounts receivable             | \$49,597       | \$42,296             |
| Other receivables                     | 2,523          | 2,793                |
| Less: allowance for doubtful accounts | (188           | ) (739               |
|                                       | \$51,932       | \$44,350             |

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The Company had bad debt expense of zero in the three months ended March 31, 2015. During the three months ended March 31, 2014, the Company had bad debt recoveries of \$0.3 million.

The Company performs ongoing credit evaluations of its customers and believes it has made adequate provisions for potential credit losses. The Company does not generally require collateral on accounts receivable; however, under certain circumstances, the Company may require from its customers a letter of credit, a parent corporation guarantee, or full or partial prepayment prior to performing services. The Company estimates its allowance for doubtful accounts using a specific identification method based on an evaluation of payment history, the customer's credit situation, and other factors.

The following is a summary of customers that accounted for at least 10% of the total current and non-current trade receivables as of March 31, 2015 or December 31, 2014:

|                                          | Segment                      | March 31, 2015 |   | December 31, 2014 |   |
|------------------------------------------|------------------------------|----------------|---|-------------------|---|
| Fluor                                    | Government Aviation Services | 15.9           | % | 14.4              | % |
| Alion Science and Technology Corporation | Government Aviation Services | 9.6            | % | 11.8              | % |
| Hellenic Fire Brigade <sup>(1)</sup>     | Commercial Aviation Services | 8.4            | % | 10.8              | % |
|                                          |                              | 33.9           | % | 37.0              | % |

On May 23, 2012, the Company entered into a three year agreement with the NATO Support Agency ("NSPA"), pursuant to which the Company agreed to supply aerial firefighting services in Greece for the 2012 to 2014 firefighting seasons. Prior to the agreement with NAMSA, the Company contracted directly with the Hellenic Fire Brigade to provide firefighting services in Greece. At March 31, 2015 and December 31, 2014, the receivable from Hellenic Fire Brigade was classified in other non-current assets due to the long-term nature of obtaining resolution regarding the Company's permanent establishment status in Greece.

The following is a summary of customers that accounted for at least 10% of the Company's net revenues in the three months ended March 31, 2015 or March 31, 2014:

|                                          | Three Months Ended March 31, 2015 |   | 2014 |   |
|------------------------------------------|-----------------------------------|---|------|---|
| Fluor                                    | 20.5                              | % | 20.4 | % |
| Kestrel (Australia)                      | 12.8                              | % | 14.9 | % |
| Alion Science and Technology Corporation | 10.3                              | % | —    | % |
| Army Contracting Command - Rock Island   | —                                 | % | 11.2 | % |
|                                          | 43.6                              | % | 46.5 | % |

The Company operates in portions of Europe that have been significantly affected by the global recession, such as Greece and Italy, and the Company bears risk that existing or future accounts receivable may be uncollectible if the customers experience curtailed government spending.

#### Note 4. Inventory

Inventory consists of the following (in thousands):

|                | March 31, 2015 | December 31, 2014 |
|----------------|----------------|-------------------|
| Finished goods | \$9,153        | \$—               |

In the first quarter of 2015, the Company entered into an exclusive agreement with Bell Helicopters Textron Inc. (Bell) to provide support for the Bell 214 B and ST models, including spare parts supply, technical assistance, maintenance training, and maintenance, repair and overhaul (MRO) services. As a part of the agreement the Company acquired \$9.4 million of inventory from Bell in exchange for a two year promissory note. When acquired, the Company classified the assets as inventory within current assets in the consolidated balance sheet.

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## Note 5. Aircraft Support Parts, net

Aircraft support parts, net consists of aircraft parts and work-in-process which are valued at the lower of cost or market utilizing the first-in first-out method. Costs capitalized in aircraft support parts include materials, labor, and operating overhead. Work-in-process consists of remanufactured aircraft in various stages of production and in-process aircraft support parts. Upon completion of an aircraft remanufacture, based on the demand for the Company's services, the Company may transfer an aircraft into its fleet. As of both March 31, 2015 and December 31, 2014, there was one aircraft being remanufactured.

Aircraft support parts consisted of the following (in thousands):

|                                   | March 31, 2015 | December 31, 2014 |
|-----------------------------------|----------------|-------------------|
| Aircraft parts                    | \$126,580      | \$124,629         |
| Work-in-process                   | 17,868         | 18,604            |
| Less: Excess and obsolete reserve | (5,550)        | (5,640)           |
|                                   | \$138,898      | \$137,593         |

## Note 6. Assets Held for Sale

We have classified certain assets as held for sale as these assets are ready for immediate sale and the Company expects these assets to be sold within one year. The changes in assets held for sale during the three months ended March 31, 2015, are as follows (dollars in thousands):

|                                                                           | Assets Held for Sale<br># of Aircraft |         |
|---------------------------------------------------------------------------|---------------------------------------|---------|
| Aircraft held for sale                                                    |                                       |         |
| Book value, January 1, 2015                                               | —                                     | \$—     |
| Classified as held for sale, net of impairment                            | 9                                     | 5,779   |
| Aircraft held for sale, March 31, 2015                                    | 9                                     | 5,779   |
| Deferred overhauls associated with aircraft held for sale, March 31, 2015 |                                       | 2,571   |
| Total assets held for sale, March 31, 2015                                |                                       | \$8,350 |

During the first quarter of 2015, nine aircraft were reclassified to assets held for sale as the Company reviewed its fleet strategy for fiscal 2015. The Company recorded an impairment charge of \$7.1 million to write down the carrying value of the aircraft to their estimated fair value less the costs to sell. The charge is included in other asset impairment in the consolidated statement of comprehensive loss for the three months ended March 31, 2015. The fair value of assets held for sale is considered a level 2 measurement in the fair value hierarchy as the measurement is based on the recent sales and listed prices in the active markets for similar aircraft. The assets will no longer be depreciated or amortized effective March 31, 2015.

## Note 7. Aircraft and Property, Plant and Equipment

Aircraft, net consisted of the following (in thousands):

|                                | March 31, 2015 | December 31, 2014 |
|--------------------------------|----------------|-------------------|
| Aircraft                       | \$149,634      | \$162,246         |
| Less: Accumulated depreciation | (34,535)       | (34,025)          |
|                                | \$115,099      | \$128,221         |

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Property, plant, and equipment, net consisted of the following (in thousands):

|                                                 | March 31, 2015 | December 31, 2014 |
|-------------------------------------------------|----------------|-------------------|
| Land and land improvements                      | \$308          | \$308             |
| Buildings                                       | 9,372          | 7,926             |
| Vehicles and equipment                          | 30,198         | 29,500            |
| Deferred overhauls, net                         | 82,881         | 86,768            |
| Construction-in-progress                        | 15,126         | 15,926            |
|                                                 | 137,885        | 140,428           |
| Less: Accumulated depreciation and amortization | (20,758)       | (19,793)          |
|                                                 | \$117,127      | \$120,635         |

During the three months ended March 31, 2015 and 2014, depreciation expense was \$4.7 million and \$4.2 million, respectively. During the three months ended March 31, 2015 and 2014, amortization expense associated with deferred overhauls was \$3.4 million and \$3.2 million, respectively.

During the first quarter of 2015, the Company completed a nonmonetary exchange of aircraft pursuant to which the Company transferred four Bell 212 helicopters to a third party in exchange for two Sikorsky S-76C+ helicopters. Independent appraisal confirmed that the fair values of the two aircraft received approximated the book values of the four aircraft transferred, and no gain or loss was recorded on the transaction. Prior to the exchange the aircraft were recorded in aircraft, net and their major components were recorded in deferred overhauls, net within property, plant, and equipment, net in the Company's consolidated balance sheets. The aircraft received and their major components were also recorded in aircraft, net and deferred overhauls, net, respectively, in the consolidated balance sheets.

During the second quarter of 2014, the Company completed a sale-leaseback transaction pursuant to which the Company sold one S-64 Airplane for a total purchase price of \$24.7 million. The net book value of the Airplane at the date of the transaction was \$12.3 million. The lease had an initial term of seven years commencing on June 30, 2014, and base lease payments of approximately \$264 thousand per month. The Company has the right to purchase the aircraft back from the lessor at the end of the fourth year of the lease term at a purchase price based upon the fair market value at that time. At the end of the term of the lease, the lessor has a put right to sell the aircraft back at a purchase price based on the fair market value at that time. The Company has accounted for the transaction as a sale-leaseback under ASC 840-40 "Sale-Leaseback Transactions". The profit on the sale was deferred and will be recognized ratably over the term of the lease as a reduction to rent expense. The current portion of the deferred gain of \$1.8 million is included in accrued and other current liabilities, and the non-current portion of deferred gain of \$9.2 million is included in other long-term liabilities in the consolidated balance sheet as of March 31, 2015.

#### Note 8. Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2015, are as follows (in thousands):

|                                                              | Government<br>Aviation<br>Services | Commercial<br>Aviation<br>Services | Manufacturing<br>& MRO | Total     |
|--------------------------------------------------------------|------------------------------------|------------------------------------|------------------------|-----------|
| Balance at January 1, 2015                                   |                                    |                                    |                        |           |
| Goodwill, gross                                              | \$207,128                          | \$23,843                           | \$5,542                | \$236,513 |
| Accumulated impairment losses                                | (21,272)                           | —                                  | —                      | (21,272)  |
| Goodwill, net                                                | 185,856                            | 23,843                             | 5,542                  | 215,241   |
| Activity during 2015                                         |                                    |                                    |                        |           |
| Impairment losses                                            | (49,823)                           | —                                  | —                      | (49,823)  |
| Fluctuations due to foreign currency translation adjustments | —                                  | (868)                              | —                      | (868)     |
| Balance at March 31, 2015                                    |                                    |                                    |                        |           |
| Goodwill, gross                                              | 207,128                            | 22,975                             | 5,542                  | 235,645   |



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|                               |            |           |          |            |   |
|-------------------------------|------------|-----------|----------|------------|---|
| Accumulated impairment losses | (71,095    | ) —       | —        | (71,095    | ) |
| Goodwill, net                 | \$ 136,033 | \$ 22,975 | \$ 5,542 | \$ 164,550 |   |

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Conditions that would trigger an impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate.

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The goodwill impairment test involves a two-step process pursuant to ASC 350-20 "Intangibles - Goodwill and Other". The first step compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the second step of the impairment test is to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

During the second quarter of 2014, the Company performed the annual impairment review for EHI, which was considered a reporting unit for the purposes of that analysis. As a result, the Company recorded an impairment charge of \$21.3 million against the carrying amount of goodwill during the year ended December 31, 2014.

On January 1, 2015, the Company re-evaluated its reporting units and determined four reporting units under its three operating reportable segments. The Company reassigned its goodwill to each of the four reporting units as of January 1, 2015 using a relative fair value approach.

During the first quarter of 2015, the Company performed a qualitative and quantitative analysis which indicated that it is more likely than not that the fair value of the Government Aviation Services reporting unit is less than its carrying amount. The Company compared the business unit book value to its fair value, determined through the income approach, and concluded step two of the impairment test should be performed. For the purposes of the step two analysis, the Company estimated the fair value of the reporting unit using the income approach. The income approach estimates fair value by discounting the future cash flows expected to be generated by the business unit to their present value. The Company believes this is the most reliable indicator of fair value and is consistent with the approach a market place participant would use. Based on the Company's step two analysis, the implied fair value of goodwill was lower than its carrying value. As a result, the Company recorded an impairment charge of \$49.8 million during the quarter ended March 31, 2015.

The estimation of fair value utilizing the above approach includes numerous uncertainties which require significant judgment when making assumptions of the cost of capital, expected growth rates, selection of discount rates, as well as assumptions regarding general economic and business conditions, among other factors. Key assumptions used in measuring the implied fair value of goodwill included a discount rate of 10%, an effective tax rate of 38%, a terminal EBITDA multiple of 7.0, and utilizing the excess earnings method to value the customer relationship intangible.

Note 9. Other Intangible Assets, net

Other intangible assets, net consisted of the following (in thousands):

|                                 | Reportable Segment           | Useful Life<br>(in years) | March 31,<br>2015 | December 31,<br>2014 |
|---------------------------------|------------------------------|---------------------------|-------------------|----------------------|
| Customer Relationships          | Government Aviation Services | 9                         | \$19,300          | \$19,300             |
| Customer Relationships          | Commercial Aviation Services | 2 <sup>(1)</sup>          | 2,500             | 2,500                |
| Type Certificate <sup>(2)</sup> | Manufacturing & MRO          | Indefinite                | 2,205             | 2,205                |
|                                 |                              |                           | 24,005            | 24,005               |
| Less: accumulated amortization  |                              |                           | (4,592)           | (3,952)              |
|                                 |                              |                           | \$19,413          | \$20,053             |

(1) During the first quarter of 2015 the Company reevaluated the customer relationship intangible related to the acquisition of Air Amazonia and reduced the useful life from 9 years to 2 years.

(2) The Type Certificate included in intangible assets is the Type Certificate for engines used in the Airplane, purchased individually during 2013.

During the three months ended March 31, 2015 and 2014, amortization expense for intangible assets was \$0.6 million and \$0.6 million, respectively, and was recorded in cost of revenues. Estimated amortization expense for intangible

assets for future periods, including remaining amounts to be recorded in 2015 as of March 31, 2015, is as follows (in thousands):

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|            | Intangible Asset Amortization |
|------------|-------------------------------|
| 2015       | \$ 2,398                      |
| 2016       | 3,197                         |
| 2017       | 2,320                         |
| 2018       | 2,144                         |
| 2019       | 2,144                         |
| Thereafter | 5,005                         |
| Total      | \$ 17,208                     |

## Note 10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

|                                                 | March 31, 2015 | December 31, 2014 |
|-------------------------------------------------|----------------|-------------------|
| Interest                                        | \$13,002       | \$5,542           |
| Payroll and related taxes                       | 7,739          | 6,069             |
| Promissory note, net of discount <sup>(1)</sup> | 4,568          | —                 |
| Deferred revenue                                | 2,011          | 795               |
| Deferred gain on sale-leaseback                 | 1,760          | 1,760             |
| Accrued commissions                             | 1,369          | 1,301             |
| Capital lease obligations                       | 834            | —                 |
| Other                                           | 4,329          | 3,567             |
|                                                 | \$35,612       | \$19,034          |

In the first quarter of 2015, the Company entered into a \$10.0 million promissory note with Bell Helicopter Textron Inc. (Bell) in exchange for inventory delivered to the Company. The promissory note has no stated interest rate and matures on March 1, 2017. The Company has agreed to pay, beginning on March 1, 2015, semi-annual principal payments, in cash, until the date of maturity. For the purposes of recording the initial liability, the fair value of the promissory note was estimated at \$9.4 million, assuming a market level borrowing rate of 6.5% per annum. Interest expense is recorded as the discount is amortized over the term of the note. As of March 31, 2015, the carrying value of the promissory note was \$8.4 million, made up of the face value of the remaining principal of \$9.0 million, net of the unamortized discount of \$0.6 million. The non-current portion of the note of \$3.8 million is included in other long-term liabilities in the consolidated balance sheet as of March 31, 2015.

## Note 11. Debt

Outstanding debt consisted of the following (in thousands):

|                                          | March 31, 2015 |           | December 31, 2014 |           |
|------------------------------------------|----------------|-----------|-------------------|-----------|
|                                          | Current        | Long-term | Current           | Long-term |
| 2020 Senior Notes                        | \$—            | \$355,000 | \$—               | \$355,000 |
| Revolving Credit Facility                | —              | 103,925   | —                 | 89,339    |
| 2020 subordinated notes, net of discount | 3,647          | 11,969    | 4,000             | 12,486    |
| Fixtures financing                       | 146            | 216       | 144               | 265       |
| Total                                    | \$3,793        | \$471,110 | \$4,144           | \$457,090 |

## 2020 Senior Notes Offering

The 2020 Senior Notes bear interest at 8.25%, are second priority senior secured obligations, and are due in 2020. The 2020 Senior Notes are guaranteed by certain of the Company's existing and future domestic subsidiaries. The Company used the net proceeds of the offering primarily to finance a portion of the purchase price for the EHI acquisition and refinance its 2015 Subordinated Notes and 2016 Subordinated Notes.

The indenture under which the 2020 Senior Notes were issued, among other things, limits the Company's ability and the ability of its restricted subsidiaries to: (i) pay dividends or distributions, repurchase equity, prepay subordinated

debt or make certain investments; (ii) incur additional debt or issue certain disqualified stock and preferred stock;  
(iii) incur liens on assets;

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(iv) merge or consolidate with another company or sell all or substantially all assets; (v) enter into transactions with affiliates; and (vi) allow to exist certain restrictions on the ability of the guarantors to pay dividends or make other payments to the Company.

The 2020 Senior Notes are secured by second-position liens, subject to certain exceptions and permitted liens, on substantially all of the Company and the guarantors' existing and future assets that secure the Company's new Revolving Credit Facility.

The interest rate on the 2020 Senior Notes is fixed at 8.25%. The outstanding balance under the 2020 Senior Notes at March 31, 2015 and December 31, 2014 was \$355.0 million.

On May 2, 2014, the Company commenced an offer (the "Exchange Offer") to exchange all \$355.0 aggregate principal amount of its outstanding 8.25% Second Priority Senior Secured Notes due 2020, which were not registered under the Securities Act of 1933 (the "Old Notes"), for an equal principal amount of new 8.25% Second Priority Senior Secured Notes due 2020 which have been registered under the Securities Act of 1933 (the "New Notes"). The Exchange Offer was completed on June 6, 2014.

### Revolving Credit Facility

On March 11, 2014 the Revolving Credit Facility was amended to increase the maximum amount that the Company may borrow from \$125.0 million to \$140.0 million. The interest rate under the Revolving Credit Facility is 225-450 basis points over LIBOR/Prime base rate depending on the Company's senior leverage ratio. The proceeds under the Revolving Credit Facility are primarily used for general corporate purposes.

The Company and each of the Company's current and future, direct and indirect, material subsidiaries guarantee the indebtedness under the Revolving Credit Facility on a senior secured first lien basis.

The Revolving Credit Facility contains certain financial covenants including, without limitation, a minimum fixed charge coverage ratio of 1.20:1.00 if the Company's average excess availability, as calculated pursuant to the terms of the Revolving Credit Facility, is greater than \$16.8 million or 1.05:1.00 if the Company's average excess availability, as calculated pursuant to the terms of the Revolving Credit Facility, is less than or equal to \$16.8 million. The fixed charge coverage ratio has multiple inputs, including, but not limited to, bank EBITDA, maintenance capital expenditures, and cash paid for interest and taxes. The Revolving Credit Facility also imposes an annual growth capital expenditures limit of approximately \$25.0 million which is subject to standard carry-over provisions. The Company was in compliance with the financial covenants as of March 31, 2015 and December 31, 2014.

The Revolving Credit Facility includes mandatory prepayment requirements for the certain types of transactions, including, without limitation, requiring prepayment from (a) proceeds that the Company receives as a result of certain asset sales, subject to re-investment provisions on terms to be determined, and (b) proceeds from extraordinary receipts.

The outstanding balance under the Revolving Credit Facility at March 31, 2015 and December 31, 2014 was \$103.9 million and \$89.3 million, respectively. The weighted average interest rate for borrowings under the Revolving Credit Facility for the three months period ended March 31, 2015 was 5.07%. The interest rate at March 31, 2015 and December 31, 2014 was 5.00% and 5.02%, respectively. As of March 31, 2015 and December 31, 2014 the Company had \$1.8 million and \$4.7 million in outstanding standby letters of credit under the Revolving Credit Facility, respectively, and maximum borrowing availability was \$34.3 million and \$46.0 million as of March 31, 2015 and December 31, 2014, respectively.

### 2020 Subordinated Notes

Pursuant to the terms of the EHI stock purchase agreement, the consideration included \$17.5 million of the Company's subordinated notes. The subordinated notes accrue interest at a fixed rate of 6.0% per annum, mature on November 2, 2020, and may be prepaid at the Company's option. Upon an event of default under the subordinated notes, the interest rate will increase to 8.0% per annum until the event of default is cured. The Company has agreed to pay, in cash, quarterly installments of interest only (in arrears) until March 31, 2015, after which date the Company has agreed to pay, in addition to such interest, on a quarterly basis \$1.0 million in principal. Upon any refinancing of the 2020 Senior Notes or the Revolving Credit Facility the principal amount of the subordinated notes with all accrued interest thereon will become due and payable. Upon a change of control, the principal amount together with all accrued interest shall forthwith be due and payable. Until the principal amount of the subordinated notes together with all accrued interest thereon has been paid in full, the Company and its subsidiaries may not declare or pay any dividend, make any payment on account of, or take certain other actions in respect of any of the Company or its subsidiaries' equity interests, subject to certain exceptions.

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For purchase accounting of the EHI acquisition, the fair value of the subordinated notes was estimated at \$15.9 million, assuming a market level borrowing rate of 9.00%. As of March 31, 2015, the carrying value of the 2020 Subordinated Notes was \$15.6 million, made up of the face value of the remaining principal of \$16.5 million net of the unamortized discount of \$0.9 million. As of December 31, 2014, the carrying value of the 2020 Subordinated Notes was \$16.5 million, made up of the face value of \$17.5 million net of the unamortized discount of \$1.0 million. The weighted average interest rate for borrowings under the 2020 Subordinated Notes was 6.00% during the three months period ended March 31, 2015.

## Note 12. Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

|                                                | March 31, 2015 | December 31, 2014 |
|------------------------------------------------|----------------|-------------------|
| Deferred gain on sale-leaseback                | \$9,238        | \$9,678           |
| Promissory note, net of discount (see Note 10) | 3,833          | —                 |
| Capital lease obligations                      | 2,892          | —                 |
| Other                                          | 3,550          | 3,503             |
|                                                | \$19,513       | \$13,181          |

## Note 13. Consolidating Financial Information

Certain of the Company's subsidiaries have guaranteed its obligations under the \$355.0 million outstanding principal amount of 8.25% notes due 2020. The following presents the condensed consolidating financial information for:

Erickson Incorporated (the "Parent Company"), the issuer of the guaranteed obligations;

Guarantor subsidiaries, on a combined basis, as specified in the indenture related to the Company's obligations under the 2020 Senior Notes;

Non-guarantor subsidiaries, on a combined basis;

Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among the Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate the investments in the Company's subsidiaries, and (c) record consolidating entries; and

Erickson Incorporated and Subsidiaries on a consolidated basis.

Each guarantor subsidiary was 100% owned by the Parent Company as of the date of each condensed consolidating balance sheet presented. The 2020 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. All figures presented are in thousands. Figures presented as of March 31, 2015 and 2014, and for the three months ended March 31, 2015 and 2014 are unaudited.



Table of ContentsCondensed Consolidating Balance Sheet  
March 31, 2015

|                                                                               | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |   |
|-------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|---|
| Assets                                                                        |                   |                           |                               |                                              |              |   |
| Current assets:                                                               |                   |                           |                               |                                              |              |   |
| Cash and cash equivalents                                                     | \$90              | \$44                      | \$ 2,740                      | \$—                                          | \$2,874      |   |
| Restricted cash                                                               | 135               | —                         | 383                           | —                                            | 518          |   |
| Accounts receivable, net                                                      | 16,522            | 25,626                    | 9,746                         | 38                                           | 51,932       |   |
| Inventory                                                                     | 9,153             | —                         | —                             | —                                            | 9,153        |   |
| Prepaid expenses and other current assets                                     | 5,984             | 824                       | 1,975                         | —                                            | 8,783        |   |
| Income tax receivable                                                         | 652               | —                         | 87                            | —                                            | 739          |   |
| Deferred tax assets                                                           | 1,188             | —                         | (154                          | ) 252                                        | 1,286        |   |
| Total current assets                                                          | 33,724            | 26,494                    | 14,777                        | 290                                          | 75,285       |   |
| Aircraft support parts, net                                                   | 108,113           | 30,486                    | 344                           | (45                                          | ) 138,898    |   |
| Assets held for sale                                                          | 3,800             | 2,550                     | 2,000                         | —                                            | 8,350        |   |
| Aircraft, net                                                                 | 83,087            | 32,009                    | 3                             | —                                            | 115,099      |   |
| Property, plant and equipment, net                                            | 72,353            | 43,280                    | 1,494                         | —                                            | 117,127      |   |
| Goodwill                                                                      | —                 | 160,533                   | 4,779                         | (762                                         | ) 164,550    |   |
| Other intangible assets, net                                                  | 2,205             | 15,190                    | 2,018                         | —                                            | 19,413       |   |
| Other non-current assets                                                      | 322,076           | 4,313                     | 637                           | (305,094                                     | ) 21,932     |   |
| Total assets                                                                  | \$625,358         | \$314,855                 | \$ 26,052                     | \$(305,611                                   | ) \$660,654  |   |
| Liabilities and stockholders' equity<br>(deficit)                             |                   |                           |                               |                                              |              |   |
| Current liabilities:                                                          |                   |                           |                               |                                              |              |   |
| Accounts payable                                                              | 5,030             | 9,712                     | 2,407                         | —                                            | \$17,149     |   |
| Current portion of long-term debt                                             | 3,793             | —                         | —                             | —                                            | 3,793        |   |
| Accrued and other current liabilities                                         | (26,744           | ) 34,212                  | 28,144                        | —                                            | 35,612       |   |
| Income tax payable                                                            | —                 | —                         | —                             | —                                            | —            |   |
| Deferred tax liabilities                                                      | 226               | —                         | —                             | (226                                         | ) —          |   |
| Total current liabilities                                                     | (17,695           | ) 43,924                  | 30,551                        | (226                                         | ) 56,554     |   |
| Long-term debt, less current portion                                          | 12,185            | —                         | —                             | —                                            | 12,185       |   |
| Long-term revolving credit facilities                                         | 103,925           | —                         | —                             | —                                            | 103,925      |   |
| Long-term notes payable                                                       | 355,000           | —                         | —                             | —                                            | 355,000      |   |
| Other long-term liabilities                                                   | 15,912            | 3,538                     | 63                            | —                                            | 19,513       |   |
| Uncertain tax positions                                                       | 6,581             | —                         | —                             | —                                            | 6,581        |   |
| Deferred tax liabilities                                                      | 4,051             | —                         | (1,116                        | ) 477                                        | 3,412        |   |
| Total liabilities                                                             | 479,959           | 47,462                    | 29,498                        | 251                                          | 557,170      |   |
| Stockholders' equity (deficit):                                               |                   |                           |                               |                                              |              |   |
| Common stock                                                                  | 1                 | —                         | 1,675                         | (1,675                                       | ) 1          |   |
| Additional paid-in capital                                                    | 181,163           | 297,994                   | 33                            | (298,027                                     | ) 181,163    |   |
| Retained earnings (accumulated deficit)                                       | (32,150           | ) (30,601                 | ) (5,110                      | ) (5,297                                     | ) (73,158    | ) |
| Accumulated other comprehensive loss                                          | (3,615            | ) —                       | (678                          | ) (719                                       | ) (5,012     | ) |
| Total stockholders' equity (deficit)<br>attributable to Erickson Incorporated | 145,399           | 267,393                   | (4,080                        | ) (305,718                                   | ) 102,994    |   |
| Noncontrolling interest                                                       | —                 | —                         | 634                           | (144                                         | ) 490        |   |
| Total stockholders' equity (deficit)                                          | 145,399           | 267,393                   | (3,446                        | ) (305,862                                   | ) 103,484    |   |
| Total liabilities and stockholders' equity                                    | \$625,358         | \$314,855                 | \$ 26,052                     | \$(305,611                                   | ) \$660,654  |   |



Table of ContentsCondensed Consolidating Balance Sheet  
December 31, 2014

|                                                                               | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|-------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|
| Assets                                                                        |                   |                           |                               |                                              |              |
| Current assets:                                                               |                   |                           |                               |                                              |              |
| Cash and cash equivalents                                                     | \$7               | \$274                     | \$ 4,816                      | \$—                                          | \$5,097      |
| Restricted cash                                                               | 136               | —                         | 431                           | —                                            | 567          |
| Accounts receivable, net                                                      | 13,117            | 26,199                    | 4,990                         | 44                                           | 44,350       |
| Prepaid expenses and other current assets                                     | 6,506             | 1,171                     | 1,103                         | —                                            | 8,780        |
| Income tax receivable                                                         | 320               | —                         | 335                           | 22                                           | 677          |
| Deferred tax assets                                                           | 1,440             | —                         | (210 )                        | —                                            | 1,230        |
| Total current assets                                                          | 21,526            | 27,644                    | 11,465                        | 66                                           | 60,701       |
| Aircraft support parts, net                                                   | 106,721           | 30,482                    | 435                           | (45 )                                        | 137,593      |
| Aircraft, net                                                                 | 82,799            | 42,405                    | 3,017                         | —                                            | 128,221      |
| Property, plant and equipment, net                                            | 70,732            | 47,762                    | 2,141                         | —                                            | 120,635      |
| Other intangible assets, net                                                  | 2,205             | 15,726                    | 2,122                         | —                                            | 20,053       |
| Goodwill                                                                      | —                 | 210,356                   | 5,647                         | (762 )                                       | 215,241      |
| Other non-current assets                                                      | 323,332           | 4,337                     | 501                           | (305,093 )                                   | 23,077       |
| Total assets                                                                  | \$607,315         | \$378,712                 | \$ 25,328                     | \$(305,834 )                                 | \$705,521    |
| Liabilities and stockholders' equity<br>(deficit)                             |                   |                           |                               |                                              |              |
| Current liabilities:                                                          |                   |                           |                               |                                              |              |
| Accounts Payable                                                              | 6,021             | 11,465                    | 2,358                         | —                                            | \$19,844     |
| Current portion of long-term debt                                             | 4,144             | —                         | —                             | —                                            | 4,144        |
| Accrued and other current liabilities                                         | (54,577 )         | 49,166                    | 24,998                        | (553 )                                       | 19,034       |
| Income tax payable                                                            | (397 )            | —                         | 137                           | 575                                          | 315          |
| Deferred tax liabilities                                                      | 884               | —                         | —                             | —                                            | 884          |
| Total current liabilities                                                     | (43,925 )         | 60,631                    | 27,493                        | 22                                           | 44,221       |
| Long-term debt, less current portion                                          | 12,751            | —                         | —                             | —                                            | 12,751       |
| Long-term revolving credit facilities                                         | 89,339            | —                         | —                             | —                                            | 89,339       |
| Long-term notes payable                                                       | 355,000           | —                         | —                             | —                                            | 355,000      |
| Other long-term liabilities                                                   | 12,410            | 708                       | 63                            | —                                            | 13,181       |
| Uncertain tax positions                                                       | 6,313             | —                         | —                             | —                                            | 6,313        |
| Deferred tax liabilities                                                      | 5,061             | —                         | (1,358 )                      | —                                            | 3,703        |
| Total liabilities                                                             | 436,949           | 61,339                    | 26,198                        | 22                                           | 524,508      |
| Stockholders' equity (deficit):                                               |                   |                           |                               |                                              |              |
| Common stock                                                                  | 1                 | —                         | 1,675                         | (1,675 )                                     | 1            |
| Additional paid-in capital                                                    | 181,018           | 297,994                   | 33                            | (298,027 )                                   | 181,018      |
| Retained earnings (accumulated deficit)                                       | (8,993 )          | 19,379                    | (3,171 )                      | (5,403 )                                     | 1,812        |
| Accumulated other comprehensive loss                                          | (1,660 )          | —                         | (41 )                         | (843 )                                       | (2,544 )     |
| Total stockholders' equity (deficit)<br>attributable to Erickson Incorporated | 170,366           | 317,373                   | (1,504 )                      | (305,948 )                                   | 180,287      |
| Noncontrolling interest                                                       | —                 | —                         | 634                           | 92                                           | 726          |
| Total stockholders' equity (deficit)                                          | 170,366           | 317,373                   | (870 )                        | (305,856 )                                   | 181,013      |
| Total liabilities and stockholders' equity                                    | \$607,315         | \$378,712                 | \$ 25,328                     | \$(305,834 )                                 | \$705,521    |



Table of ContentsCondensed Consolidating Statement of Operations  
Quarter Ended March 31, 2015

|                                                                                       | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|---------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|
| Net revenues:                                                                         | \$24,329          | \$37,544                  | \$ 12,892                     | \$(8,603 )                                   | \$66,162     |
| Cost of revenues                                                                      | 25,197            | 34,642                    | 13,517                        | (8,568 )                                     | 64,788       |
| Gross profit                                                                          | (868 )            | 2,902                     | (625 )                        | (35 )                                        | 1,374        |
| Operating expenses:                                                                   |                   |                           |                               |                                              |              |
| General and administrative                                                            | 6,038             | 202                       | 698                           | —                                            | 6,938        |
| Research and development                                                              | 878               | —                         | —                             | —                                            | 878          |
| Selling and marketing                                                                 | 1,707             | 50                        | 33                            | (35 )                                        | 1,755        |
| Impairment of goodwill                                                                | —                 | 49,823                    | —                             | —                                            | 49,823       |
| Other asset impairment                                                                | 3,441             | 2,749                     | 953                           | —                                            | 7,143        |
| Total operating expenses                                                              | 12,064            | 52,824                    | 1,684                         | (35 )                                        | 66,537       |
| Operating loss                                                                        | (12,932 )         | (49,922 )                 | (2,309 )                      | —                                            | (65,163 )    |
| Other income (expense):                                                               |                   |                           |                               |                                              |              |
| Interest expense, net                                                                 | (9,030 )          | (76 )                     | (106 )                        | —                                            | (9,212 )     |
| Other income (expense), net                                                           | (1,743 )          | 19                        | 405                           | (6 )                                         | (1,325 )     |
| Total other income (expense)                                                          | (10,773 )         | (57 )                     | 299                           | (6 )                                         | (10,537 )    |
| Net loss before income taxes and<br>noncontrolling interest                           | (23,705 )         | (49,979 )                 | (2,010 )                      | (6 )                                         | (75,700 )    |
| Income tax benefit                                                                    | (542 )            | —                         | (75 )                         | —                                            | (617 )       |
| Net loss                                                                              | (23,163 )         | (49,979 )                 | (1,935 )                      | (6 )                                         | (75,083 )    |
| Less: Net loss related to noncontrolling<br>interest                                  | —                 | —                         | —                             | 113                                          | 113          |
| Net income (loss) attributable to<br>Erickson Incorporated and common<br>stockholders | \$(23,163 )       | \$(49,979 )               | \$(1,935 )                    | \$107                                        | \$(74,970 )  |

Table of ContentsCondensed Consolidating Statement of Operations  
Quarter Ended March 31, 2014

|                                                                                       | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|---------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|
| Net revenues:                                                                         | \$24,627          | \$42,752                  | \$ 11,560                     | \$(4,755 )                                   | \$74,184     |
| Cost of revenues                                                                      | 21,896            | 37,776                    | 11,741                        | (4,755 )                                     | 66,658       |
| Gross profit                                                                          | 2,731             | 4,976                     | (181 )                        | —                                            | 7,526        |
| Operating expenses:                                                                   |                   |                           |                               |                                              |              |
| General and administrative                                                            | 5,642             | 420                       | 735                           | —                                            | 6,797        |
| Research and development                                                              | 1,318             | —                         | —                             | —                                            | 1,318        |
| Selling and marketing                                                                 | 2,047             | 157                       | 30                            | —                                            | 2,234        |
| Total operating expenses                                                              | 9,007             | 577                       | 765                           | —                                            | 10,349       |
| Operating income (loss)                                                               | (6,276 )          | 4,399                     | (946 )                        | —                                            | (2,823 )     |
| Other income (expense):                                                               |                   |                           |                               |                                              |              |
| Interest income (expense), net                                                        | (8,508 )          | 16                        | (261 )                        | —                                            | (8,753 )     |
| Other income (expense), net                                                           | (598 )            | 26                        | 66                            | (13 )                                        | (519 )       |
| Total other income (expense)                                                          | (9,106 )          | 42                        | (195 )                        | (13 )                                        | (9,272 )     |
| Net income (loss) before income taxes<br>and noncontrolling interest                  | (15,382 )         | 4,441                     | (1,141 )                      | (13 )                                        | (12,095 )    |
| Income tax expense (benefit)                                                          | (3,807 )          | —                         | (763 )                        | —                                            | (4,570 )     |
| Net income (loss)                                                                     | (11,575 )         | 4,441                     | (378 )                        | (13 )                                        | (7,525 )     |
| Less: Net loss related to noncontrolling<br>interest                                  | —                 | —                         | —                             | (69 )                                        | (69 )        |
| Net income (loss) attributable to<br>Erickson Incorporated and common<br>stockholders | \$(11,575 )       | \$4,441                   | \$(378 )                      | \$(82 )                                      | \$(7,594 )   |

Table of ContentsCondensed Consolidating Statement of Cash Flows  
Quarter Ended March 31, 2015

|                                                                                                | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|------------------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|
| Cash flows from operating activities:                                                          |                   |                           |                               |                                              |              |
| Net loss                                                                                       | \$(23,163 )       | \$(49,979 )               | \$(1,935 )                    | \$(6 )                                       | \$(75,083 )  |
| Adjustments to reconcile net income<br>(loss) to net cash provided by operating<br>activities: |                   |                           |                               |                                              |              |
| Depreciation and amortization                                                                  | 5,272             | 3,328                     | 218                           | —                                            | 8,818        |
| Impairment of goodwill                                                                         | —                 | 49,823                    | —                             | —                                            | 49,823       |
| Other asset impairment                                                                         | 3,441             | 2,749                     | 953                           | —                                            | 7,143        |
| Deferred income taxes                                                                          | (1,418 )          | —                         | —                             | —                                            | (1,418 )     |
| Non-cash interest expense on debt                                                              | 177               | —                         | —                             | —                                            | 177          |
| Stock-based compensation                                                                       | 145               | —                         | —                             | —                                            | 145          |
| Amortization of debt issuance costs                                                            | 624               | —                         | —                             | —                                            | 624          |
| Loss (gain) on sale of equipment                                                               | (22 )             | —                         | 28                            | —                                            | 6            |
| Changes in operating assets and<br>liabilities:                                                |                   |                           |                               |                                              |              |
| Accounts receivable                                                                            | (3,404 )          | 571                       | (5,232 )                      | 6                                            | (8,059 )     |
| Inventory                                                                                      | (9,153 )          | —                         | —                             | —                                            | (9,153 )     |
| Prepaid expenses and other current assets                                                      | 522               | 347                       | (1,093 )                      | —                                            | (224 )       |
| Income tax receivable                                                                          | —                 | —                         | 241                           | 22                                           | 263          |
| Aircraft support parts, net                                                                    | (1,536 )          | (3 )                      | 16                            | —                                            | (1,523 )     |
| Other non-current assets                                                                       | 702               | 1,839                     | (151 )                        | —                                            | 2,390        |
| Accounts payable                                                                               | (990 )            | (1,753 )                  | 538                           | —                                            | (2,205 )     |
| Accrued and other current liabilities                                                          | 18,293            | (6,270 )                  | 4,871                         | 553                                          | 17,447       |
| Income tax payable                                                                             | 61                | —                         | (87 )                         | (575 )                                       | (601 )       |
| Other long-term liabilities                                                                    | 3,751             | (62 )                     | —                             | —                                            | 3,689        |
| Net cash provided by (used in) operating<br>activities                                         | (6,698 )          | 590                       | (1,633 )                      | —                                            | (7,741 )     |
| Cash flows from investing activities:                                                          |                   |                           |                               |                                              |              |
| Restricted cash                                                                                | —                 | —                         | (51 )                         | —                                            | (51 )        |
| Purchases of aircraft and property, plant<br>and equipment                                     | (4,735 )          | (680 )                    | (259 )                        | —                                            | (5,674 )     |
| Net cash used in investing activities                                                          | (4,735 )          | (680 )                    | (310 )                        | —                                            | (5,725 )     |
| Cash flows from financing activities:                                                          |                   |                           |                               |                                              |              |
| Repayments of subordinated notes                                                               | (1,000 )          | —                         | —                             | —                                            | (1,000 )     |
| Repayments of credit facilities                                                                | (34,211 )         | —                         | —                             | —                                            | (34,211 )    |
| Borrowings from credit facilities                                                              | 48,797            | —                         | —                             | —                                            | 48,797       |
| Other long-term borrowings                                                                     | (48 )             | —                         | —                             | —                                            | (48 )        |
| Payments under capital leases                                                                  | —                 | (140 )                    | —                             | —                                            | (140 )       |
| Debt issuance costs                                                                            | (70 )             | —                         | —                             | —                                            | (70 )        |
| Net cash provided by (used) in financing<br>activities                                         | 13,468            | (140 )                    | —                             | —                                            | 13,328       |
| Effect of foreign currency exchange rates<br>on cash and cash equivalents                      | (1,952 )          | —                         | (133 )                        | —                                            | (2,085 )     |
|                                                                                                | 83                | (230 )                    | (2,076 )                      | —                                            | (2,223 )     |

Net increase (decrease) in cash and cash  
equivalents

|                                                     |      |      |          |     |         |
|-----------------------------------------------------|------|------|----------|-----|---------|
| Cash and cash equivalents at beginning<br>of period | 7    | 274  | 4,816    | —   | 5,097   |
| Cash and cash equivalents at end of<br>period       | \$90 | \$44 | \$ 2,740 | \$— | \$2,874 |

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Table of ContentsCondensed Consolidating Statement of Cash Flows  
Quarter Ended March 31, 2014

|                                                                                                          | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|----------------------------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------------------|----------------------------------------------|--------------|
| Cash flows from operating activities:                                                                    |                   |                           |                               |                                              |              |
| Net income (loss)                                                                                        | \$(11,575 )       | \$4,441                   | \$(378 )                      | \$(13 )                                      | \$(7,525 )   |
| Adjustments to reconcile net income<br>(loss) to net cash provided by (used in)<br>operating activities: |                   |                           |                               |                                              |              |
| Depreciation and amortization                                                                            | 5,311             | 2,452                     | 190                           | —                                            | 7,953        |
| Deferred income taxes                                                                                    | (4,119 )          | —                         | 135                           | —                                            | (3,984 )     |
| Non-cash interest expense on debt                                                                        | 37                | —                         | —                             | —                                            | 37           |
| Non-cash interest expense on tax<br>contingencies                                                        | —                 | —                         | —                             | —                                            | —            |
| Stock-based compensation                                                                                 | 160               | —                         | —                             | —                                            | 160          |
| Non-cash interest income on loans                                                                        | —                 | —                         | —                             | —                                            | —            |
| Loss (gain) on sale of equipment                                                                         | (61 )             | (25 )                     | (44 )                         | —                                            | (130 )       |
| Amortization of debt issuance costs                                                                      | 621               | —                         | —                             | —                                            | 621          |
| Changes in operating assets and<br>liabilities:                                                          |                   |                           |                               |                                              |              |
| Accounts receivable                                                                                      | 4,884             | 9,764                     | (785 )                        | 13                                           | 13,876       |
| Prepaid expenses and other current assets                                                                | (266 )            | (332 )                    | (1 )                          | —                                            | (599 )       |
| Income tax receivable, net                                                                               | 18                | —                         | (803 )                        | —                                            | (785 )       |
| Aircraft support parts, net                                                                              | (3,335 )          | (4,325 )                  | (204 )                        | —                                            | (7,864 )     |
| Other non-current assets                                                                                 | (57 )             | 1,596                     | 6                             | —                                            | 1,545        |
| Accounts payable                                                                                         | 1,774             | (197 )                    | 418                           | —                                            | 1,995        |
| Accrued and other current liabilities                                                                    | 208               | (6,582 )                  | 2,331                         | —                                            | (4,043 )     |
| Income tax payable                                                                                       | 39                | —                         | 904                           | —                                            | 943          |
| Other long-term liabilities                                                                              | 294               | —                         | —                             | —                                            | 294          |
| Net cash provided by (used in) operating<br>activities                                                   | (6,067 )          | 6,792                     | 1,769                         | —                                            | 2,494        |
| Cash flows from investing activities:                                                                    |                   |                           |                               |                                              |              |
| Acquisition of businesses, net of cash<br>acquired                                                       | —                 | —                         | —                             | —                                            | —            |
| Purchases of aircraft and property, plant<br>and equipment                                               | (10,635 )         | (6,777 )                  | (71 )                         | —                                            | (17,483 )    |
| Restricted cash                                                                                          | —                 | —                         | 200                           | —                                            | 200          |
| Purchase of intangible assets                                                                            | —                 | —                         | —                             | —                                            | —            |
| Net cash provided by investing activities                                                                | (10,635 )         | (6,777 )                  | 129                           | —                                            | (17,283 )    |
| Cash flows from financing activities:                                                                    |                   |                           |                               |                                              |              |
| Proceeds from shareholders, net                                                                          | 414               | —                         | —                             | —                                            | 414          |
| Repayments of credit facilities                                                                          | (24,400 )         | —                         | —                             | —                                            | (24,400 )    |
| Borrowings from credit facilities                                                                        | 39,867            | —                         | —                             | —                                            | 39,867       |
| Repayment of notes                                                                                       | —                 | —                         | —                             | —                                            | —            |
| Debt issuance costs                                                                                      | (230 )            | —                         | —                             | —                                            | (230 )       |
| Shares withheld for payment of taxes                                                                     | —                 | —                         | —                             | —                                            | —            |
| Net cash used in financing activities                                                                    | 15,651            | —                         | —                             | —                                            | 15,651       |
|                                                                                                          | 482               | —                         | (15 )                         | —                                            | 467          |

Effect of foreign currency exchange rates  
on cash and cash equivalents

|                                                      |      |      |          |     |         |
|------------------------------------------------------|------|------|----------|-----|---------|
| Net increase (decrease) in cash and cash equivalents | (569 | ) 15 | 1,883    | —   | 1,329   |
| Cash and cash equivalents at beginning of period     | 576  | (12  | ) 1,317  | —   | 1,881   |
| Cash and cash equivalents at end of period           | \$7  | \$3  | \$ 3,200 | \$— | \$3,210 |

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Note 14. Income Taxes

The Company's effective tax rate for the three months ended March 31, 2015 was 0.8% and differs from the federal statutory rate of 35% primarily due to a full valuation allowance position against U.S. Federal and State deferred tax assets. The effective tax rate for the three months ended March 31, 2015 includes withholding taxes for which no net deferred tax assets will be recognized in 2015 due to the full valuation allowance position, as well as tax expense for deferred tax liabilities associated with indefinite lived assets, which liabilities cannot be offset against deferred tax assets to reduce the amount of the valuation allowance. The tax benefit from applying the effective tax rate to pretax loss results for the three months ended March 31, 2015 was reduced by \$0.2 million reflecting limitation of interim period loss benefit to the full year expected forecast benefit of Federal and State taxes.

For the quarter ended March 31, 2014, the Company's effective income tax rate was 37.8% and differed from the statutory rate primarily due to recurring items such as tax rates in foreign jurisdictions and the relative amount of income it earns in those jurisdictions.

The Company recognizes deferred tax assets if realization of such assets is more likely than not. In order to make this determination the Company evaluates factors for each jurisdiction including, but not limited to, the ability to generate future taxable income from reversing taxable temporary differences and forecasts of financial and taxable income or loss by jurisdiction. The cumulative loss incurred in the U.S. over the past twelve quarter period ending March 31, 2015 was significant negative objective evidence against the Company's ability to realize a benefit from its U.S. deferred tax assets which include net operating loss, tax credit carryforwards and other deferred tax assets. Such objective evidence limited the ability of the Company to consider in its evaluation other subjective evidence such as the Company's projections for future growth. On the basis of its evaluation the Company determined that its U.S. deferred tax assets were not more likely than not to be realized and that a full valuation allowance against net U.S. deferred tax assets was appropriate.

As of March 31, 2015, for foreign jurisdictions, the Company believes it is more likely than not that it will realize all of its deferred tax assets, including its net operating loss carryforwards, with the exception of those related to Malaysia and Costa do Sol in Brazil where the Company has recorded a full valuation allowance against its net operating loss carryforwards.

As of March 31, 2015, there have been no material changes to the Company's uncertain tax position as provided at December 31, 2014. The Company's unrecognized tax benefits and related interest and penalties during the three months ended March 31, 2015 increased by \$0.2 million due to the uncertain tax positions associated with certain tax matters in Greece. The ending balance for the unrecognized tax benefits was approximately \$8.9 million at March 31, 2015 and included penalties of approximately \$2.6 million and the related interest was immaterial. It is the Company's policy to recognize interest and penalties related to uncertain tax positions in other income (expense).

The IRS has completed the information gathering phase of their income tax examination of the 2012 tax year and has started the information gathering phase of their examination of the 2013 tax year. The Italian tax authorities have examined our fiscal years 2008 to 2010 and all assessments issued by the taxing authorities have either been appealed or await hearing. The Malaysian tax authorities have examined our fiscal years 2008 through 2011 and have proposed adjustments relating to certain withholding tax liabilities. The Greek tax authorities have completed their permanent establishment examination and at this time we are waiting for the Athens Tax Office to issue their written audit report.

As of March 31, 2015, the Company is not aware of any adjustments that will have a material impact on the Company's consolidated financial position, results of operations, or cash flows from the aforementioned income tax examinations. All material uncertain tax positions associated with the examinations have been taken into account in the ending balance of the unrecognized tax benefits at March 31, 2015.

The Company is not under income or withholding tax examination by tax authorities in any other jurisdictions.

Note 15. Reportable Segments

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments. On January 1, 2015, as a part of a reorganization, the Company established reportable operating segments to assess performance by type of customer and end market: Government Aviation Services, Commercial Aviation Services, and Manufacturing & MRO.

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**Government Aviation Services.** The Company's Government Aviation Services revenue is derived primarily from contracts with the United States Department of Defense, international governments, and other organizations such as the United Nations and NATO who use its services for defense and security, and transportation and other government-related activities. Many of the Company's contracts for Government services are multi-year and provide the majority of its current revenue backlog.

**Defense, Security Contracts and Other Government-Related Activities.** The Company generally charges a daily standby fee for the contract period with an additional rate for hours flown; some contracts include a minimum number of hours to be flown before the hourly rate is charged. The Company has both domestic and international contracts, but the majority of its defense and security-related work is performed outside of the United States. This line of business also captures several types of government services including transportation of items for various government entities that are not defense or security related, as well as other government-related services.

**Commercial Aviation Services.** The Company's Commercial Aviation Services revenue is derived primarily from firefighting, timber harvesting, infrastructure construction, oil and gas services, and other commercial services.

**Firefighting Contracts.** The Company generally charges a daily standby fee for the contract period with an additional rate for hours flown; some contracts include a minimum number of hours to be flown before the hourly rate is charged. The Company has both domestic and international contracts, which may be exclusive-use or call-when-needed in nature. Exclusive-use contracts denote that the Company is obligated to provide, and its customers are obligated to take and pay for, the use of the Company's services. Call-when-needed contracts are contracts with pre-negotiated terms under which the Company may elect to provide services if requested.

**Timber Harvesting Contracts.** The Company generally operates on either an hourly rate structure or a per cubic meter of high grade timber delivered basis. The Company serves a variety of customers in North America.

**Infrastructure Construction Contracts.** The Company's infrastructure construction operations vary from short-term construction jobs (generally one to five days in duration) to longer-term jobs (several months or years in duration) within the construction, energy transmission, and energy generation industries.

**Oil & Gas Services Contracts.** The Company's oil and gas operations are generally longer-term jobs (several months or years in duration). The Company typically charges a daily standby fee for the contract period with an additional rate for flight hours flown; some contracts include a guaranteed minimum quantity of billable flight hours. The majority of oil and gas related work is performed in South America.

**Manufacturing & MRO.** The Company's Manufacturing & MRO revenues is derived primarily from manufacturing; maintenance, repair, and overhaul services; as well as aircraft sales.

**Manufacturing / MRO.** The Company has an ongoing revenue stream from customers who own or operate either Aircranes or the military version CH-54s, or other aircraft, and require parts support for their helicopters. Further, the Company provides services to customers who own or operate Aircranes, CH-54s, or other aircraft and need their aircraft components repaired or overhauled by a certified facility. The Company also has an agreement with Bell Helicopter whereby the Company provides product support for the Bell 214 B and ST models, providing maintenance, repair, or overhaul. for other aircraft components.

In the Company's Central Point, Oregon facility it has the capability to remanufacture Aircranes on existing S-64 and CH-54 airframes for either resale or to induct into the Company's fleet, and this remains a core business competency. Customers who identify a year-round or otherwise critical application for an Aircrane may find it advantageous to own an Aircrane rather than leasing the Company's fleet services. The Company has sold ten Aircranes since 2002, including a sale-leaseback transaction executed in the second quarter of 2014, and subsequently re-purchased one of these Aircranes in 2012. While the Company continues to pursue Aircranes sales and will make sales strategically when opportunities arise, it does not rely on Aircrane sales as an essential part of its business planning.

• Trade. This line of business captures sales of types of aircraft and aircraft related assets other than Airplanes to external commercial and governmental customers by the Trade group.

The following table sets forth information about the Company's operations by its three reportable segments:

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## Revenue by Reportable Segment (in thousands):

|                              | Three Months Ended March 31, |          |
|------------------------------|------------------------------|----------|
|                              | 2015                         | 2014     |
| Net revenues:                |                              |          |
| Government Aviation Services | \$32,875                     | \$41,533 |
| Commercial Aviation Services | 26,253                       | 29,906   |
| Manufacturing & MRO          | 7,034                        | 2,745    |
| Total net revenues           | \$66,162                     | \$74,184 |

## Gross Profit by Reportable Segment (in thousands):

|                              | Three Months Ended March 31, |         |
|------------------------------|------------------------------|---------|
|                              | 2015                         | 2014    |
| Gross Profit:                |                              |         |
| Government Aviation Services | \$4,362                      | \$6,313 |
| Commercial Aviation Services | (4,687                       | ) 296   |
| Manufacturing & MRO          | 1,699                        | 917     |
| Total gross profit           | \$1,374                      | \$7,526 |

## Assets by Reportable Segment (in thousands):

|                              | March 31, 2015 | December 31, 2014 |
|------------------------------|----------------|-------------------|
| Assets:                      |                |                   |
| Government Aviation Services | \$183,398      | \$232,775         |
| Commercial Aviation Services | 58,660         | 56,456            |
| Manufacturing & MRO          | 22,574         | 16,207            |
| Corporate <sup>(1)</sup>     | 16,548         | 13,633            |
| Fixed Assets <sup>(2)</sup>  | 379,474        | 386,450           |
| Total assets                 | \$660,654      | \$705,521         |

(1) Corporate assets are comprised primarily of cash, deferred tax assets, and deferred offering costs.

Fixed assets are comprised of the aircraft fleet and fleet support assets including aircraft, net, aircraft support parts, (2) net, and property, plant, and equipment, net. Property, plant, and equipment, net are primarily used to support the aircraft fleet, with minimal amounts allocated to the corporate function.

A reconciliation of the Company's segment gross profit to operating loss for the three months ended March 31, 2015 and 2014 is as follows (in thousands):

|                                           | Three Months Ended March 31, |            |
|-------------------------------------------|------------------------------|------------|
|                                           | 2015                         | 2014       |
| Reconciliation to operating loss:         |                              |            |
| Government Aviation Services gross profit | \$4,362                      | \$6,313    |
| Commercial Aviation Services gross profit | (4,687                       | ) 296      |
| Manufacturing & MRO gross profit          | 1,699                        | 917        |
| Operating expenses, net <sup>(1)</sup>    | (66,537                      | ) (10,349  |
| Total operating loss                      | \$(65,163                    | ) \$(2,823 |

Corporate expenses include research and development, corporate sales and marketing expenses, stock-based (1) compensation expense, certain tax expenses, various nonrecurring charges, and other separately managed general and administrative costs.





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|                    | Three Months Ended March 31, |          |
|--------------------|------------------------------|----------|
|                    | 2015                         | 2014     |
| Net revenues:      |                              |          |
| North America      | \$16,857                     | \$17,715 |
| Middle East        | 16,557                       | 19,951   |
| Europe             | 853                          | 3,314    |
| Asia               | 5,615                        | 5,757    |
| South America      | 11,037                       | 8,107    |
| Africa             | 6,793                        | 8,287    |
| Australia          | 8,450                        | 11,053   |
| Total net revenues | \$66,162                     | \$74,184 |

For each operating segment, revenues are attributed to geographic area based on the country where the services were performed; for the Manufacturing & MRO reportable segment, revenues are attributed to geographic area based on the country in which the customer is located.

#### Note 16. Commitments and Contingencies

##### Environmental Remediation Matters

The Company is continuing to participate in remediating environmental damage resulting from the identification of hazardous substances at its Central Point, Oregon facility. Under the Asset Purchase Agreement with Erickson Group, Ltd. (“Erickson Group”), a previous owner of the Company, Erickson Group agreed to bear the financial responsibility for the payment of the first \$1.5 million of the cleanup costs. Erickson Group and the Company shall each bear one-half of the financial responsibility for the payment of the next \$1.0 million of cleanup costs, and any aggregate costs in excess of \$2.5 million will be the sole responsibility of Erickson Group. Erickson Group is responsible for directing and controlling the remediation efforts. Since 2000, the Company has paid \$0.4 million to Erickson Group for a portion of its exposure on the \$0.5 million layer of financial responsibility and has recorded a liability for the remaining \$0.1 million exposure on its remaining share. Environmental consultants indicate that the Central Point site may require monitoring for another 20 years; therefore, the Company believes the full amount of its financial share will ultimately be paid.

##### Legal Proceedings

##### Arizona Environmental Matter

In August 2012, EHI received a request for information from the State of Arizona regarding the Broadway-Pantano Site in Tucson, Arizona, which is comprised of two landfills at which the State has been conducting soil and groundwater investigations and cleanups. In addition, EHI has been served with various petitions to perpetuate testimony regarding the State’s investigation into contamination at the Site. According to these documents, the State has identified approximately 101 parties that are potentially responsible for the contamination. Based on the information request and the petition to perpetuate testimony, it is possible that the State or other liable parties may assert that EHI is liable for the alleged contamination at the Site. There were no material developments with respect to this matter in 2014 or during the three months period ended March 31, 2015. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

##### World Fuel Claim

In December 2013, World Fuel, a former fuel supplier of Evergreen International Aviation (“EIA”) and Evergreen Airlines (“EA”), filed suit against EIA, EA and other named parties claiming approximately \$9 million of accounts payable due and owing to World Fuel for fuel purchases made by EIA and EA. Evergreen Helicopters, Inc. (Erickson’s wholly-owned subsidiary, “EHI”) was a named party in the lawsuit since it was alleged that EHI signed a joint and several guaranty of payment in favor of World Fuel in 2012. In April 2014, the Company filed its Amended Answer

which included certain counterclaims against World Fuel and certain cross claims against Mr. Delford Smith. Discovery in this matter is ongoing. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

#### Stockholder Action

In August 2013, a putative stockholder of the Company filed a class and derivative action in the Court of Chancery for the State of Delaware against the Company, the members of its board of directors, EAC Acquisition Corp., and the ZM Funds and

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certain of their affiliates. The plaintiff asserted claims for breach of fiduciary duty and unjust enrichment in connection with the EHI acquisition and requested an award of unspecified monetary damages to the stockholders and to the Company, disgorgement and restitution, certain other equitable relief, and an award of plaintiff's costs and disbursements, including legal fees. On October 3, 2013, the defendants moved to dismiss the plaintiff's complaint on the ground that all of the plaintiff's claims in reality were derivative in nature and that the plaintiff had failed to allege facts sufficient to excuse pre-suit demand. On December 4, 2013, rather than oppose the motion to dismiss, the plaintiff chose to file an amended complaint. On January 24, 2014, the defendants again moved to dismiss the plaintiff's amended complaint on the same grounds. On April 15, 2014, the Court denied the defendants' motion, holding that one aspect of the plaintiff's claim was direct and that, in any event, the plaintiff had pled facts sufficient to excuse pre-suit demand. Although the Company is unable to predict the final outcome of the proceeding, the Company believes the allegations lack merit, intends to vigorously defend against them, and believes that the final results will not have a material effect on its consolidated financial position, results of operations, or cash flows.

In addition to the foregoing litigation, the Company is subject to ongoing litigation and claims as part of its normal business operations. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company recognizes expenses for legal costs in connection with defending a loss contingency as those costs are incurred. In the Company's opinion, none of these claims will have a material adverse effect on it.

### Note 17. Related Party Transactions

In addition to the stated items and transaction below, the Company reimbursed various entities affiliated with the ZM Funds and Quinn Morgan for expenses and other costs totaling zero during the three months ended March 31, 2015 and \$0.2 million for the three months ended March 31, 2014.

During the first quarter of 2014, the Company received \$0.4 million, net from short-swing profit disgorgement remitted by the ZM Funds. This activity was classified on the consolidated balance sheet as of December 31, 2014 as an increase to additional paid-in capital and as a component of financing activity within the consolidated statement of cash flows for the three months ended March 31, 2014.

During the three months period ending March 31, 2015 and 2014, the Company had incurred no legal costs associated with stockholder lawsuit filed against the Company, the members of its board of directors, EAC Acquisition Corp., and the ZM Funds and certain of their affiliates. See Note 16 "Commitments and Contingencies" for further discussion.

### Registration Rights

The Company is party to an amended and restated registration rights agreement among the Company and the ZM Funds, which are beneficial owners of more than 5% of the Company's common stock. Pursuant to the registration rights agreement, ZM EAC LLC has the right to require that the Company register its shares under the Securities Act for sale to the public. If ZM EAC LLC exercises its demand registration right, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. will have the opportunity to include their shares in the registration. The Company must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with the exercise of these demand registration rights.

In addition, the ZM Funds have piggyback registration rights, which mean that they have the right to include their shares in any registration that the Company effects under the Securities Act, other than a registration affected pursuant to an exercise of demand registration rights, subject to specified exceptions. The Company must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these piggyback registration rights.

The Company is unable to estimate the dollar value of registration rights to the holders of these rights. The amount of reimbursable expenses under the registration rights agreement depends on a number of variables, including whether registration rights are exercised incident to a primary offering by the Company, the form on which the Company is eligible to register such a transaction, and whether the Company has a shelf registration in place at the time of any

future offering.

Note 18. Derivative Instruments and Hedging Activities

The Company enters into foreign currency forward contracts as it is considered necessary. The purpose of these transactions is to reduce the impact of future currency fluctuations related to anticipated cash receipts from expected future revenue that is denominated in a currency other than U.S. dollars. The change in the valuation of the foreign currency forwards portfolio is recorded within unrecognized or recognized gain (loss) in the accompanying consolidated statements of comprehensive income (loss). Outstanding balances of foreign currency forward contracts in asset positions are included in prepaid expenses and other assets if maturing within one year, or other non-current assets if maturing beyond one year within the consolidated balance

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sheet. Outstanding balances of foreign currency forward contracts in liability positions are included in accrued and other current liabilities if maturing within one year, or other long-term liabilities if maturing beyond one year within the consolidated balance sheet.

The Company was not party to any foreign currency forward contracts as of March 31, 2015 or December 31, 2014.

### Note 19. Variable Interest Entities

An entity is generally considered a variable interest entity (a "VIE") that is subject to consolidation under ASC Topic 810 "Consolidation", if the total equity investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support; or as a group, the holders of the equity investment at risk lack any one of the following characteristics: (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the entity's economic performance; (b) the obligation to absorb expected losses of the entity; or (c) the right to receive the expected residual returns of the entity.

European Air-Crane, S.p.A. ("EuAC") is 49% owned by Erickson Incorporated ("EAC"); 49% owned by Grupo Inaer ("Inaer" formerly Elilario Italia S.p.A.); and 2% owned by Fiduciaria Centro Nord ("FCN"). EAC provided FCN with the financial means to purchase and transfer the shares of EuAC, in exchange for the patrimonial and administrative rights derived from the shares. These rights include the right to decide whether and how to vote in shareholders' meetings and the right to decide whether, when and to whom the shares should be transferred and endorsed.

The Company believes that EuAC is a VIE and that the Company is the primary beneficiary of the VIE due to its ability to make decisions about the entity's activities, the exposure to the expected losses of the entity if they occur, and the right to receive the expected residual returns of the entity if they occur. As such, the consolidated financial statements include the balances of EuAC.

At March 31, 2015, EuAC consolidated assets and liabilities were \$3.3 million and \$1.5 million, respectively. At December 31, 2014, EuAC consolidated VIE assets and liabilities were \$4.1 million and \$1.9 million, respectively. As of March 31, 2015 and December 31, 2014, \$0.6 million and \$0.7 million, respectively, of net income related to noncontrolling interest is reflected in stockholders' equity in the accompanying consolidated balance sheets.

In the third quarter of 2014 through its Brazilian subsidiary Air Amazonia, the Company had entered into a purchase agreement to acquire a 60% interest in Costa Do Sol Taxi Aero Corporation ("Costa Do Sol") and obtained control of the entity effective December 1, 2014.

The Company believes that Costa Do Sol is a VIE and that the Company is the primary beneficiary of the VIE due to its ability to make decisions about the entity's activities, the exposure to the expected losses of the entity if they occur, and the right to receive the expected residual returns of the entity if they occur. As such, the consolidated financial statements include the balances of Costa Do Sol.

At March 31, 2015, Costa Do Sol consolidated assets and liabilities were \$1.1 million and \$1.3 million, respectively. As of December 31, 2014, Costa Do Sol consolidated assets and liabilities were \$0.1 million and \$0.1 million, respectively. As of March 31, 2015 and December 31, 2014, \$0.1 million and zero, respectively, of net loss related to noncontrolling interest is reflected in stockholders' equity in the accompanying consolidated balance sheets.

### Note 20. Seasonality

The Company's flight hours are substantially reduced in winter or monsoon seasons. The global deployment of the Company's aircraft and crews helps to limit the effect of seasonality, but the Company's operations tend to peak in June through October and to be at a low point in January through April.

Note 21. Earnings (Loss) Per Share

The Company calculates basic earnings (loss) per share by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Shares issuable upon the satisfaction of certain conditions are considered outstanding and included in the computation of basic earnings (loss) per share.

The following table shows the computation of earnings (loss) per share (net earnings (loss) in thousands):

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|                                                                            | Three Months Ended March 31, |            |
|----------------------------------------------------------------------------|------------------------------|------------|
|                                                                            | 2015                         | 2014       |
| Net loss attributable to common shareholders                               | \$(74,970)                   | \$(7,594)  |
| Basic weighted average shares outstanding                                  | 13,823,818                   | 13,789,426 |
| Dilutive effect of stock-based awards                                      | —                            | —          |
| Dilutive weighted average shares outstanding                               | 13,823,818                   | 13,789,426 |
| Basic loss per share                                                       | \$(5.42)                     | \$(0.55)   |
| Diluted loss per share                                                     | \$(5.42)                     | \$(0.55)   |
| Antidilutive common stock equivalents excluded from diluted loss per share | 20,357                       | 41,723     |

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## Note 22. Stock-based Compensation

In 2012, the Company adopted a Long Term Incentive Plan and reserved for issuance 417,649 shares of its common stock. The goal of the plan is to align the interests of the Company's eligible participants with the interests of its stockholders by providing long-term incentive compensation opportunities tied to the performance of the Company and its common stock. Because vesting is based on continued employment, these equity based incentives are also intended to attract, retain and motivate key personnel upon whose judgment, initiative and effort the successful conduct of the Company's business is largely dependent. There were 7,808 shares available for grant under the Long Term Incentive Plan as of March 31, 2015. The fair value of restricted stock units is determined based on the quoted closing price of the Company's common stock on the date of grant.

The following table summarizes the Company's restricted stock unit awards activity during the three months ended March 31, 2015:

|                                           | Restricted Stock<br>Award Units | Weighted-Average<br>Grant Date<br>Fair Value |
|-------------------------------------------|---------------------------------|----------------------------------------------|
| Outstanding unvested at December 31, 2014 | 55,603                          | \$ 13.59                                     |
| Granted                                   | —                               | —                                            |
| Vested restricted stock units             | —                               | —                                            |
| Forfeited                                 | —                               | —                                            |
| Outstanding unvested at March 31, 2015    | 55,603                          | \$ 13.59                                     |

During the three months ended March 31, 2015 and March 31, 2014, the Company granted zero and 15,500 restricted stock units, respectively. The Company recognized stock-based compensation expense during the three months ended March 31, 2015 and 2014 as follows (in thousands):

|                                   | Three Months Ended March 31, |       |
|-----------------------------------|------------------------------|-------|
|                                   | 2015                         | 2014  |
| Stock-based compensation expense: |                              |       |
| Cost of revenues                  | \$12                         | \$16  |
| Operating expenses                | 133                          | 144   |
| Total                             | \$145                        | \$160 |

Unrecognized stock-based compensation expense related to outstanding unvested restricted stock unit awards as of March 31, 2015 is expected to be recognized over a weighted average period of 0.4 years, as follows (in thousands):

|            | Unamortized<br>Compensation<br>Expense |
|------------|----------------------------------------|
| 2015       | \$291                                  |
| 2016       | 91                                     |
| Thereafter | 7                                      |
| Total      | \$389                                  |



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### FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those reflected in any forward-looking statements. You can identify forward-looking statements by words such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other comparable terminology. These forward-looking statements are based on management’s current expectations but they involve a number of risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of risks and uncertainties, which include: that we recently completed both the Air Amazonia and Evergreen Helicopters, Inc. (“EHI”) acquisitions and we may not realize the benefits of these acquisitions on a timely basis or at all; our ability to integrate these businesses successfully or in a timely and cost-efficient manner; our ability to successfully expand these businesses, enter new markets and manage international expansion; that we do not have extensive operating history in the aerial services segments, in the geographic areas, or with the types of aircraft historically operated by EHI and Air Amazonia; that the anticipated reduction in troops in Afghanistan in the near-term may adversely affect us; that we have recorded goodwill impairment charges in our second quarter of 2014 and first quarter of 2015 associated with EHI and our Government Aviation Services segment, and may record similar charges in the future; that we operate in certain dangerous and war-affected areas, which may result in hazards to our fleet and personnel; the hazards associated with our helicopter operations, which involve significant risks and which may result in hazards that may not be covered by our insurance or may increase the cost of our insurance; our safety record; our substantial indebtedness; that we and our subsidiaries may still incur significant additional indebtedness; our failure to obtain any required financing on favorable terms; compliance with debt obligations, which could adversely affect our financial condition and impair our ability to grow and operate our business; cancellations, reductions or delays in customer orders; our ability to collect on customer receivables; weather and seasonal fluctuations that impact aerial services activities; competition; reliance on a small number of large customers; the impact of short-term contracts; the availability and size of our fleet; the impact of government spending; the impact of product liability and product warranties; the ability to attract and retain qualified personnel; the impact of environmental and other regulations, including FAA regulations and similar international regulations; our ability to accurately forecast financial guidance; our ability to convert backlog into revenues and appropriately plan expenses; worldwide economic conditions (including conditions in the geographic areas in which we operate); our reliance on a small number of manufacturers; the necessity to provide components or services to owners and operators of aircraft; our ability to effectively manage our growth; our ability to keep pace with changes in technology; our ability to adequately protect our intellectual property; our ability to successfully enter new markets and manage international expansion; our ability to expand and market manufacturing and maintenance, repair and overhaul services; the potential unionization of our employees; the fluctuation in the price of fuel; the impact of changes in the value of foreign currencies; and the risks of doing business in developing countries and politically or economically volatile areas; as well as other risks and uncertainties more fully described under the heading “Risk Factors” in our most recently filed Annual Report on Form 10-K as well as the other reports we file with the SEC from time to time.

You should not place undue reliance on any forward-looking statements. Erickson assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws.

### ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand our business and operations. The following discussion and analysis should be read together with the selected consolidated financial data and our consolidated financial statements and notes thereto set forth in this quarterly report on Form 10-Q. Certain statements contained in this discussion may constitute

forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those reflected in any forward-looking statements. See “Forward-Looking Statements.”

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This overview summarizes the MD&A, which includes the following sections:

**Recent Developments** — highlights from the first quarter of 2015 outlining some of the major events that happened during the quarter and how they affected our financial performance, as well as other recent developments.

**Overview of the Business** — a review of our business and our business operating segments.

**Trends and Uncertainties Affecting our Business** — some of the known trends, demands, events, and uncertainties that have had material effects on our results of operations for the periods presented in our consolidated financial statements or we believe are reasonably likely to have material effects in the future.

**Results of Operations** — an analysis of the results of our operations for the quarterly period presented for 2015 in our consolidated financial statements. We believe this analysis will help the reader better understand our consolidated statements of comprehensive income. This section also includes financial and statistical data regarding our view of the quarterly period presented for 2015.

**Liquidity and Capital Resources** — an analysis of cash flows and sources and uses of cash, including some of the known trends, demands, events, and uncertainties that will or are reasonably likely to have a material impact on our liquidity and capital resources.

**Off-balance-sheet Arrangements** — an overview of off-balance-sheet arrangements outstanding as of March 31, 2015.

**Critical Accounting Policies and Estimates** — critical accounting policies and estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

## RECENT DEVELOPMENTS

On January 1, 2015, we established new reportable operating segments to assess performance by type of customer and end market: Government Aviation Services, Commercial Aviation Services, and Manufacturing & MRO.

In February 2015, we entered into an exclusive MRO relationship with Bell Helicopter, a division of Textron, Inc. (NYSE:TXT), to provide parts and maintenance support for the globally deployed fleet of Bell 214-ST and 214-B helicopters.

In February 2015, we received a production certificate from the FAA to manufacture engine parts for the Pratt & Whitney JT12 and JFTD12 engines. This certificate establishes us as the OEM for these engines and allows us to manufacture and sell engine parts to external customers.

In April 2015, we successfully renewed key Commercial Aviation Services contracts with the U.S. Forest Service as well as Canadian heavy lift company Helifor Canada, under which it will continue to provide multiple S-64 Aircranes for use in firefighting and timber harvesting in North America.

In April 2015, we were awarded a contract for an infrastructure construction water diversion project in the Philippines and a contract for an infrastructure construction pipeline project, the first for us involving construction services in Mexico.

**Financial Highlights** – quarter ended March 31, 2015 compared to quarter ended March 31, 2014

Our revenue for the quarter ended March 31, 2015 was \$66.2 million, or \$8.0 million lower than for the quarter ended March 31, 2014. This 10.8% decrease was primarily driven by decreases in defense and security revenues and

firefighting revenues, partially offset by increases in oil and gas revenues, and manufacturing, MRO, and aircraft sales. Operating loss was \$65.2 million, as compared to a \$2.8 million loss in the same quarter of 2014. Net loss attributable to Erickson for the quarter ended March 31, 2015 was \$75.0 million, as compared to a \$7.6 million loss in 2014. First quarter adjusted EBITDA decreased to \$2.2 million as compared to \$5.8 million in the prior year period and first quarter adjusted EBITDAR decreased to \$6.7 million as compared to \$10.7 million. See “Non-GAAP Financial Measures” for a reconciliation of Adjusted EBITDA and EBITDAR to their most directly comparable GAAP financial measures.

Table of Contents**Aircraft Fleet**

As of March 31, 2015, we operated a fleet of 85 Aircraft, 44 of which were providing aerial services for our customers during the quarter. Aircraft fleet size and utilization are major drivers of our revenues. Throughout the course of any year we may remove aircraft from service for maintenance or for sale, or add aircraft to the fleet through our own production or through a purchase or lease. We intend to actively manage our aircraft fleet mix to capture new opportunities and maximize returns. Our aircraft can be deployed into our various aviation services segments. As of March 31, 2015, a total of 61 aircraft were air-worthy and available to be on contract with customers. We maintain a master fleet schedule and attempt to maximize aircraft utilization and revenues by minimizing our aircraft idle time, or “white space”.

Our heavy lift fleet utilization (calculated as the number of days on contract as a percentage of total available days) decreased to 48% in the first quarter of 2015 from 53% in the first quarter of 2014. Our medium and light rotor wing and fixed wing fleet utilization decreased to 30% for the first quarter of 2015 from 48% in the first quarter of 2014.

The following table presents the changes in aircraft employed in our fleet as of March 31, 2015:

|                                            | Aircraft | Total Aircraft Employed |
|--------------------------------------------|----------|-------------------------|
| Aircraft in our fleet at December 31, 2014 |          | 86                      |
| Aircraft leased                            | 2        |                         |
| Net aircraft exchanged                     | (2)      | )                       |
| Aircraft sold                              | (1)      | )                       |
| Aircraft in our fleet at March 31, 2015    |          | 85                      |
| Aircraft being remanufactured              |          | 1                       |

**OVERVIEW OF THE BUSINESS**

We are a leading global provider of aviation services to a worldwide mix of commercial and government customers. Our 2013 acquisitions have expanded the type of aircraft and services we can provide to our customers. We currently operate a diverse fleet of 85 rotor-wing and fixed-wing aircraft. Our fleet supports a variety of government and commercial customers, across a broad range of aerial services, including critical supply and logistics for deployed military forces, humanitarian relief, firefighting, timber harvesting, infrastructure construction, and crewing. We also maintain a vertically-integrated manufacturing capability for the select aircraft, related components, and other aftermarket support and maintenance, repair, and overhaul services. We typically lease our aircraft to customers for specific missions, with customers generally paying for the aircraft, maintenance, and crewing services, and in some cases, fuel expense. Our diverse fleet has a lift capacity of up to 25,000 pounds.

We own the Type and Production Certificates for the Airplane, granting us exclusive design, manufacturing and related rights for the aircraft and OEM components. During the third quarter of 2013, we purchased the Type Certificate for engines used in the Airplane as well as other aircraft. We also invest in new technologies and proprietary solutions with a goal of increasing our market share and entering new markets.

**Sales and Marketing**

To maintain and strengthen our position in the aerial services market, we monitor aggregate revenues and backlog revenues for our aerial services operating segments (Government Aviation Services and Commercial Aviation Services) and each of their lines of business, and compare these against budgeted and forecasted targets to measure performance. We monitor our sales pipeline to evaluate our market share of each of our addressable end markets for all of our services.

In an effort to continue to build and develop our Manufacturing & MRO segment, we focus on the number of bids and win-rate associated with bids for MRO and component manufacturing opportunities. We compare revenues against budgeted and forecasted targets to measure performance.

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### Safety and Operations

Safety is critical to the operation of our business, and we measure a variety of safety metrics including detail by ground and aerial operations and by mechanical and human factor related causes. We measure all metrics for both the current period and long-term trending, both in absolute terms and on a per-flight-hour basis.

Our subsidiary EHI is a Wyvern Wingman Certified operator. The Wyvern Wingman Standard has been recognized as the industry's gold standard in aviation safety for twenty-two years, and is constantly updated to reflect a commitment to current industry best practices and the highest level of safety culture and protocol.

A key operating measure used by management in evaluating each of our business segments is gross profit, which is calculated as revenues less cost of revenues. Our most significant costs of revenues are material (including raw materials and plant labor and overhead including related employee benefits, fuel, and labor). We closely monitor material costs and fuel costs measured on a per-flight-hour basis. We also measure the costs of crewing (our pilots and field mechanics) and related expenses such as travel and local contract-related expenses, and compare these metrics against budgeted and forecasted targets to measure performance. We target all contracts to have positive gross profit; however, due to the seasonality of our business, we often have unabsorbed costs in the first quarter and the fourth quarter.

We evaluate key corporate projects and research and development projects based on projected returns on investment. We monitor implementation and development schedules and costs and compare performance to budgeted amounts.

### Financial and Overall Performance Measures

We measure overall business performance according to seven critical metrics: Revenue growth, EBITDA, Adjusted EBITDA, Adjusted EBITDAR, net income, earnings per share and free cash flow.

Our key liquidity measures include free cash flow, revolver availability, receivables aging, capital investments, and bank covenant compliance.

We annually update a long-term strategic plan encompassing expected results of operations and key growth opportunities.

### Our Operating Revenue

Government Aviation Services. Our Government Aviation Services revenue is derived primarily from contracts with the United States Department of Defense, international governments, and other organizations such as the United Nations and NATO who use its services for defense and security, and transportation and other government-related activities. Many of our contracts for Government Aviation Services are multi-year and provide the majority of our current revenue backlog.

Defense, Security Contracts and Other Government-Related Activities. We generally charge a daily standby fee for the contract period with an additional rate for hours flown; some contracts include a minimum number of hours to be flown before the hourly rate is charged. We have both domestic and international contracts, but the majority of its defense and security-related work is performed outside of the United States. This line of business also captures several types of government services including transportation of items for various government entities that are not defense or security related, as well as other government-related services.

Commercial Aviation Services. Our Commercial Aviation Services revenue is derived primarily from firefighting, timber harvesting, infrastructure construction, oil and gas services, and other commercial services.

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Firefighting Contracts. We generally charge a daily standby fee for the contract period with an additional rate for hours flown; some contracts include a minimum number of hours to be flown before the hourly rate is charged. We have both domestic and international contracts, which may be exclusive-use or call-when-needed in nature. Exclusive-use contracts denote that we are obligated to provide, and our customers are obligated to take and pay for, the use of our services. Call-when-needed contracts are contracts with pre-negotiated terms under which we may elect to provide services if requested.

Timber Harvesting Contracts. We generally operate on either an hourly rate structure or a per cubic meter of high grade timber delivered basis. We serve a variety of customers in North America.



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**Infrastructure Construction Contracts.** Our infrastructure construction operations vary from short-term construction jobs (generally one to five days in duration) to longer-term jobs (several months or years in duration) within the construction, energy transmission, and energy generation industries.

**Oil & Gas Services Contracts.** Our oil and gas operations are generally longer-term jobs (several months or years in duration). We typically charge a daily standby fee for the contract period with an additional rate for flight hours flown; some contracts include a guaranteed minimum quantity of billable flight hours. The majority of oil and gas related work is performed in South America.

**Manufacturing & MRO.** Our Manufacturing & MRO revenues are derived primarily from manufacturing, maintenance, repair, and overhaul services, as well as aircraft sales.

**Manufacturing / MRO.** We have an ongoing revenue stream from customers who own or operate either Aircranes or the military version CH-54s, or other aircraft, and require parts support for their helicopters. Further, we provide services to customers who own or operate Aircranes, CH-54s, or other aircraft and need their aircraft components repaired or overhauled by a certified facility. We also have an agreement with Bell Helicopter whereby we provide product support for the Bell 214 B and ST models, providing maintenance, repair, or overhaul for other aircraft components.

In our Central Point, Oregon facility we have the capability to remanufacture Aircranes on existing S-64 and CH-54 airframes for either resale or to induct into our fleet, and this remains a core business competency. Customers who identify a year-round or otherwise critical application for an Airplane may find it advantageous to own an Airplane rather than leasing our fleet services. We have sold ten Aircranes since 2002, including a sale-leaseback transaction executed in the second quarter of 2014, and subsequently re-purchased one of these Aircranes in 2012. While we continue to pursue Airplane sales and will make sales strategically when opportunities arise, we do not rely on Airplane sales as an essential part of our business planning.

**Trade.** This line of business captures sales of types of aircraft and aircraft related assets other than Aircranes to external commercial and governmental customers by our Trade group.

## **Our Operating Expenses**

**Cost of Revenues.** Our cost of revenues consists of purchased materials; consumed inventory; plant labor and overhead; aviation fuel; aircraft insurance; contract specific expenses associated with operating in various geographies; external commissions; shipping costs for transporting our aircraft; depreciation and amortization of our aircraft, plant, property, and equipment, aircraft lease costs and pilot and field mechanic wages, benefits, amortization of intangible assets and other related costs.

**Selling and Marketing.** Our selling and marketing expenses consist primarily of compensation, benefits, and travel related costs for sales and marketing employees and fees paid to contractors and consultants. Also included are expenses for trade shows, customer demonstrations, and public relations and other promotional and marketing activities, as well as cost of bad debts.

**Research and Development.** Our research and development expenses consist primarily of wages, benefits, and travel costs for our engineering employees and fees paid to contractors and consultants. Also included are expenses for materials needed to support research and development efforts and expenses associated with testing and certification.

**General and Administrative.** Our general and administrative expenses consist primarily of wages, benefits, and travel costs for general and administrative employees and fees paid to contractors and consultants in executive, finance, accounting, information technology, human resources, and legal roles, including employees in our foreign subsidiaries involved in these activities. Also included are expenses for legal, accounting, and other professional services and bank fees.

Other Income (Expense), Net. Our other income (expense) consists primarily of the interest paid on outstanding indebtedness, realized/unrealized foreign exchange gains and losses, amortization of debt issuance costs, and interest and penalties related to tax contingencies, as well as certain other charges and income, such as gain and loss on the disposal of equipment, amortization and write-off of deferred financing fees, and insurance settlements. With regard to foreign exchange gains and losses, our operations in foreign countries are partially self-hedged, with the majority of our European, Canadian, Australian, and South American contracts having both revenues and expenses paid in the local currency; in addition, some of our contracts provide

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for rate adjustments based on changes in currency exchange rates. For currency exposure that is not self-hedged, we sometimes enter into forward contracts to reduce our currency risk.

### TRENDS AND UNCERTAINTIES AFFECTING OUR BUSINESS

**Afghanistan and Other DoD Contracts.** The United States government has announced plans to reduce its military activities in Afghanistan in 2014 and beyond, although the exact timing and number of troops to be withdrawn is not entirely understood at this time. This reduction has had and will likely continue to have a negative impact on our overall Government revenue. As a result of the already reduced level of flight activity in the Afghanistan region, we have seen increased pressure from our competitors in connection with new DoD contracts in other regions of the world where we operate, which we believe may negatively impact our pricing with respect to some of the new DoD contracts on which we bid. While we do not yet fully understand the magnitude of this reduction in service levels, this uncertainty may have a negative impact on the Government segment of our business. As the number of the aircraft being utilized by our DoD customers changes, we will actively manage our leased aircraft portfolio. If we are not successful, the fixed lease costs may negatively impact our margins.

**Oil and Gas Commodity Prices.** With the changes in crude oil prices we may see increased downward pricing pressure from our existing and prospective customers, which we believe may negatively impact our margins as well as limit our ability to obtain future work. These near-term challenges, while significant, do not change our long-term view of the growth opportunity in this business. While we do not yet fully understand the magnitude, this uncertainty may have a negative impact on the Commercial Aviation Services segment of our business.

**Effect of 2007 Acquisition.** We were acquired on September 27, 2007, in which the buyers acquired 100% of our outstanding common stock for \$93.1 million, which amount included direct acquisition costs of \$3.4 million. The acquisition was accounted for as a purchase in accordance with the Financial Accounting Standard Board's ("FASB") ASC No. 805, Business Combinations. As a result, we allocated the purchase price to the assets acquired and the liabilities assumed at the date of the acquisition based on their estimated fair value as of the closing date. The difference between the aggregate purchase price and the estimated fair value of the assets acquired and liabilities assumed was approximately \$553.7 million. Our management determined that the fair value of the various assets acquired and liabilities assumed was \$646.8 million on the date of acquisition and that, based in part on a valuation provided by an independent third party as required by U.S. GAAP in connection with such determination, the fair value of the 18 Airplanes in our fleet on the date of acquisition was \$317.7 million. The negative goodwill was used to reduce the value of Airplanes and support parts and other property, plant and equipment. As a result of this adjustment, the cost of revenues in each of the successor periods included in this Form 10-K reflects the lower carrying value of our aircraft support parts that we have sold or used in our maintenance, repair, and overhaul operations. The aggregate effect of the purchase accounting adjustment with respect to our inventory was approximately \$40.8 million from the date of acquisition through March 31, 2015. Based on our past experience and historical inventory usage patterns, we expect to largely realize the benefit of the approximately \$2.4 million remaining fair value purchase accounting adjustment to aircraft support parts over the remaining year as we sell and use our legacy inventory. Our legacy inventory consists of aircraft parts and components purchased over multiple years for which there is no liquid market; therefore, there is no guarantee that we will be able to purchase new inventory at the carrying values of our legacy inventory currently reflected on our balance sheet.

**Aircraft Sales.** The sale of an aircraft to an existing or potential aerial services customer may reduce future aerial services revenues we may have received for services provided to such customers or other third parties. We would expect to maintain our level of operations through more efficient scheduling of our remaining fleet or by remanufacturing additional Airplanes to add to our fleet or leasing or acquiring aircraft. However, we may not always have the ability to maintain our desired level of aerial services operations with a reduced fleet, which could reduce our ability to generate aerial services revenues.

We expect to recognize revenue for our long-term construction contracts for aircraft builds in the future using the percentage of completion method, when all required criteria are met. Revenue on contracts using the percentage of completion method is based on estimates, including estimated labor hours. Because the percentage of completion method requires management estimates of aggregate contract costs, changes in estimates between periods could affect our anticipated earnings.

We have expanded our aircraft sales business to include the sale of other types of aircraft to various customers through the addition of our Erickson Trade group. The Erickson Trade group is focused on selling both aircraft and inventory held by the company as well as aircraft and inventory acquired for sale. During the first quarter the Erickson Trade group completed the sale of one aircraft, and as of March 31, 2015 we held nine aircraft as assets held for sale.

Costs Associated with our Financing Arrangements. We are a leveraged company and, as a result, have significant debt service obligations. We are subject to financial covenants under our Revolving Credit Facility and 2020 Senior Notes. We were in compliance with our financial covenants at March 31, 2015 and December 31, 2014. Our ability to service our debt and

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comply with the financial covenants under our Revolving Credit Facility and 2020 Senior Notes is subject to various risks and uncertainties, and among other factors may be adversely affected by any of the following:

• If our business does not perform as expected, including if we generate less than anticipated revenue from our aerial services operations or encounter significant unexpected costs;

• If we fail to timely collect our receivables, including those from our major customers.

Failure to service our debt and comply with our financial covenants could materially and adversely affect our business and financial condition. The senior secured asset-based credit facility under our Revolving Credit Facility matures on May 2, 2018. Our 2020 Senior Notes mature on May 1, 2020.

**Greece Receivable.** As of March 31, 2015, included within our other non-current assets balance was \$4.8 million (€4.4 million) due from the Hellenic Fire Brigade for final payment of firefighting services performed in 2011. In 2012, the Greek taxing authorities asserted that we had a permanent establishment in Greece for 2011 and 2010, which would require us to file Greek tax returns and pay related taxes. The Hellenic Fire Brigade is withholding payment to us until a resolution is made regarding our permanent establishment status. No formal tax assessments have been made, and we are continuing to pursue various options to settle this dispute. As of March 31, 2015, there have been no material changes to our uncertain tax position as provided at December 31, 2014. Our unrecognized tax benefits and related interest and penalties during the three months ended March 31, 2015 increased by \$0.2 million due to the uncertain tax positions associated with certain tax matters in Greece. The ending balance for the unrecognized tax benefits was approximately \$8.2 million at March 31, 2015 and included penalties of approximately \$2.5 million and the related interest was immaterial. Our policy is to recognize interest and penalties related to uncertain tax positions in other income (expense).

**Seasonality.** Our aerial services operations in any given location are heavily seasonal and depend on prevailing weather conditions and the intensity and duration of the summer fire season. Our flight hours are substantially reduced in winter or monsoon seasons. The global deployment of our helicopters and crews helps to limit the effect of seasonality, but our aerial services operations tend to peak in June through October and to be at a low point in January through April.

**Fluctuations in our Mix of Services.** We derive the majority of our total revenues from aviation services. The margins we make on these activities vary substantially by contract and may vary from year to year, and the amount of our flight hours dedicated to these activities can also vary from year to year. The margins may also differ between the different segments of our business. Changes in the composition of daily standby fees relative to the number of hours flown could impact our total revenues.

**Expenses Associated with Expansion.** As part of our business strategy, we may acquire businesses or specific assets or engage in other strategic transactions. Such transactions may result in expenses that impact our financial results, including expenses associated with the negotiation and closing of the transaction, funding the transaction, attracting and retaining qualified talent and to finance our expansion, and integrating the business or assets acquired.

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## RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

The following table presents our consolidated operating results for the three months ended March 31, 2015 compared to the three months ended March 31, 2014:

| (Dollars in thousands)                                     | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change     | % Change |
|------------------------------------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|------------|----------|
| Net revenues:                                              |                                               |                  |                                               |                  |            |          |
| Government Aviation Services                               | \$32,875                                      | 49.7             | \$41,533                                      | 56.0             | \$(8,658)  | (20.8)   |
| Commercial Aviation Services                               | 26,253                                        | 39.7             | 29,906                                        | 40.3             | (3,653)    | (12.2)   |
| Manufacturing & MRO                                        | 7,034                                         | 10.6             | 2,745                                         | 3.7              | 4,289      | 156.2    |
| Total revenues                                             | 66,162                                        | 100.0            | 74,184                                        | 100.0            | (8,022)    | (10.8)   |
| Cost of revenues:                                          |                                               |                  |                                               |                  |            |          |
| Government Aviation Services <sup>(1)</sup>                | 28,513                                        | 86.7             | 35,220                                        | 84.8             | (6,707)    | (19.0)   |
| Commercial Aviation Services <sup>(1)</sup>                | 30,940                                        | 117.9            | 29,610                                        | 99.0             | 1,330      | 4.5      |
| Manufacturing & MRO <sup>(1)</sup>                         | 5,335                                         | 75.8             | 1,828                                         | 66.6             | 3,507      | 191.8    |
| Total cost of revenues                                     | 64,788                                        | 97.9             | 66,658                                        | 89.9             | (1,870)    | (2.8)    |
| Gross profit                                               | 1,374                                         | 2.1              | 7,526                                         | 10.1             | (6,152)    | (81.7)   |
| Operating expenses:                                        |                                               |                  |                                               |                  |            |          |
| General and administrative                                 | 6,938                                         | 10.5             | 6,797                                         | 9.2              | 141        | 2.1      |
| Research and development                                   | 878                                           | 1.3              | 1,318                                         | 1.8              | (440)      | (33.4)   |
| Selling and marketing                                      | 1,755                                         | 2.7              | 2,234                                         | 3.0              | (479)      | (21.4)   |
| Impairment of goodwill                                     | 49,823                                        | 75.3             | —                                             | —                | 49,823     | NM       |
| Other asset impairment                                     | 7,143                                         | 10.8             | —                                             | —                | 7,143      | NM       |
| Total operating expenses                                   | 66,537                                        | 100.6            | 10,349                                        | 14.0             | 56,188     | NM       |
| Operating loss                                             | (65,163)                                      | (98.5)           | (2,823)                                       | (3.8)            | (62,340)   | NM       |
| Other income (expense)                                     |                                               |                  |                                               |                  |            |          |
| Interest expense, net                                      | (9,212)                                       | (13.9)           | (8,753)                                       | (11.8)           | (459)      | 5.2      |
| Other expense, net                                         | (1,325)                                       | (2.0)            | (519)                                         | (0.7)            | (806)      | 155.3    |
| Total other income (expense)                               | (10,537)                                      | (15.9)           | (9,272)                                       | (12.5)           | (1,265)    | 13.6     |
| Net loss before taxes and noncontrolling interest          | (75,700)                                      | (114.4)          | (12,095)                                      | (16.3)           | (63,605)   | NM       |
| Income tax benefit                                         | (617)                                         | (0.9)            | (4,570)                                       | (6.2)            | 3,953      | (86.5)   |
| Net loss                                                   | (75,083)                                      | (113.5)          | (7,525)                                       | (10.1)           | (67,558)   | NM       |
| Less: Net (income) loss related to noncontrolling interest | 113                                           | 0.2              | (69)                                          | (0.1)            | 182        | (263.8)  |
| Net loss attributable to Erickson Incorporated             | \$(74,970)                                    | (113.3)          | \$(7,594)                                     | (10.2)           | \$(67,376) | NM       |

(1)Percentage of net revenues of segment.

(2)We use the abbreviation “NM” throughout this Form 10-Q to refer to changes that are not meaningful.

## Revenues

Consolidated revenues decreased by \$8.0 million to \$66.2 million in the first quarter of 2015 from \$74.2 million in the first quarter of 2014. The decrease in revenues was attributable to an \$8.7 million decrease in Government Aviation Services revenues coupled with a \$3.7 million decrease in Commercial Aviation Services revenues partially offset by a \$4.3 million increase in Manufacturing & MRO compared to the first quarter of 2014.



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| (Dollars in thousands)       | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change     | % Change |
|------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|------------|----------|
| Net revenues:                |                                               |                  |                                               |                  |            |          |
| Government Aviation Services | \$32,875                                      | 49.7             | \$41,533                                      | 56.0             | \$(8,658 ) | (20.8 )  |
| Commercial Aviation Services | 26,253                                        | 39.7             | 29,906                                        | 40.3             | (3,653 )   | (12.2 )  |
| Manufacturing & MRO          | 7,034                                         | 10.6             | 2,745                                         | 3.7              | 4,289      | 156.2    |
| Total Revenues               | \$66,162                                      | 100.0            | \$74,184                                      | 100.0            | \$(8,022 ) | (10.8 )  |

**Government Aviation Services Revenues**

Government Aviation Services revenues decreased \$8.7 million, or 20.8%, to \$32.9 million for the first quarter of 2015 from \$41.5 million in the first quarter of 2014 due to softness in the Department of Defense market. Approximately \$7.5 million of the decrease was driven by the continued de-scoping of Department of Defense activity in Afghanistan.

**Commercial Aviation Services Revenues**

Commercial Aviation Services revenues decreased \$3.7 million, or 12.2%, to \$26.3 million in the first quarter of 2015 from \$29.9 million in the first quarter of 2014 primarily due to a decrease in firefighting and related services revenues of \$5.8 million primarily related to a decrease in revenues from firefighting in Australia and decreased revenues generated from our contract in Turkey that was in place for majority of 2014 but did not start until after the first quarter of 2015. The decrease in firefighting revenue was partially offset by an increase in oil and gas services revenues of \$2.9 million primarily due to our existing oil and gas contracts in Peru and Ecuador which started in late 2014. The remaining changes were related to timber harvesting and infrastructure construction revenues.

**Manufacturing & MRO Revenues**

Manufacturing & MRO revenues increased \$4.3 million, or 156.2%, to \$7.0 million in the first quarter of 2015 from \$2.7 million in the first quarter of 2014. This increase was due to an increase in revenues generated by our Trade group to \$3.5 million in the first quarter of 2015 compared to zero in the first quarter of 2014 due to aircraft sales of \$2.2 million as well as the revenue from other aircraft support components.

**Cost of Revenues**

Consolidated cost of revenues decreased by \$1.9 million, or 2.8%, to \$64.8 million for the first quarter of 2015 from \$66.7 million for the first quarter of 2014. The decrease was attributable to a decrease of \$6.7 million in Government Aviation Services costs, partially offset by an increase of \$3.5 million in Manufacturing & MRO costs and an increase of \$1.3 million in Commercial Aviation Services costs compared to the first quarter of 2014.

| (Dollars in thousands)                      | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change     | % Change |
|---------------------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|------------|----------|
| Cost of revenues:                           |                                               |                  |                                               |                  |            |          |
| Government Aviation Services <sup>(1)</sup> | \$28,513                                      | 86.7             | \$35,220                                      | 84.8             | \$(6,707 ) | (19.0 )  |
| Commercial Aviation Services <sup>(1)</sup> | 30,940                                        | 117.9            | 29,610                                        | 99.0             | 1,330      | 4.5      |
| Manufacturing & MRO <sup>(1)</sup>          | 5,335                                         | 75.8             | 1,828                                         | 66.6             | 3,507      | 191.8    |
| Total cost of revenues                      | \$64,788                                      | 97.9             | \$66,658                                      | 89.9             | \$(1,870 ) | (2.8 )   |

(1)Percent of net revenues of applicable segment



Government Aviation Services Cost of Revenues

Costs of revenues for our Government Aviation Services segment are primarily comprised of venue costs. For the first quarter of 2015, these costs were \$28.5 million, or 86.7% of revenues, as compared to \$35.2 million, or 84.8% in the first quarter of 2014. The decrease of \$6.7 million was primarily correlated to decreased revenues for defense and security and transport and other government-related services. Costs as a percentage of revenues increased by 190 basis points primarily due to mobilization costs incurred to support our defense work in the Middle East.

Table of Contents**Commercial Aviation Services Cost of Revenues**

Costs of revenues for our Commercial Aviation Services segment are primarily comprised of venue costs associated with firefighting, timber harvesting, infrastructure construction, and oil and gas services. For the first quarter of 2015, these costs were \$30.9 million, or 117.9% of revenues, as compared to \$29.6 million, or 99.0% of net revenues in the first quarter of 2014. The increase of \$1.3 million was primarily due to increased revenues for oil and gas services and costs associated with discontinued timber harvesting operations in Malaysia, partially offset by decreased firefighting activity in Australia and Turkey. Costs as a percentage of revenues increased to 117.9% from 99.0%, primarily due to the costs incurred in Turkey against no revenues in the first quarter of 2015, the negative impact of lower oil and gas prices on our margins, the highly fixed nature of the business, and the weakening of both the Australian and Canadian currencies.

**Manufacturing & MRO Cost of Revenues**

Costs of revenues for our Manufacturing and MRO segment are primarily comprised of direct and indirect costs associated with manufacturing and MRO sales. For first quarter of 2015, these costs were \$5.3 million, or 75.8% of revenues for the segment, as compared to \$1.8 million, or 66.6% in the first quarter of 2014. The increase of \$3.5 million was primarily due to sales of the aircraft and aircraft support components. Cost of revenues as a percentage of revenues increased to 75.8% from 66.6%, primarily due to sales of aircraft that have relatively low margins.

**Gross Profit**

Consolidated gross profit decreased by \$6.2 million, or 81.7%, to \$1.4 million in the first quarter of 2015 from \$7.5 million in the first quarter of 2014. A combination of a decrease in Commercial Aviation Services gross profit of \$5.0 million, a decrease in Government Aviation Services gross profit of \$2.0 million were partially offset by an increase in Manufacturing & MRO gross profit of \$0.8 million.

| (Dollars in thousands)                      | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change    | % Change |
|---------------------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|-----------|----------|
| Gross profit:                               |                                               |                  |                                               |                  |           |          |
| Government Aviation Services <sup>(1)</sup> | \$4,362                                       | 13.3             | \$6,313                                       | 15.2             | \$(1,951) | (30.9)   |
| Commercial Aviation Services <sup>(1)</sup> | (4,687)                                       | (17.9)           | 296                                           | 1.0              | (4,983)   | NM       |
| Manufacturing & MRO <sup>(1)</sup>          | 1,699                                         | 24.2             | 917                                           | 33.4             | 782       | 85.3     |
| Total gross profit                          | \$1,374                                       | 2.1              | \$7,526                                       | 10.1             | \$(6,152) | (81.7)   |

(1) Percentage of net revenues of applicable segment

**Government Aviation Services.** Primarily as a result of the factors discussed above, Government Aviation Services gross profit decreased by \$2.0 million, or 30.9%, to \$4.4 million in the first quarter of 2015 from \$6.3 million in the first quarter of 2014. Gross profit margin was 13.3% in the first quarter of 2015 compared to 15.2% in the first quarter of 2014.

**Commercial Aviation Services.** Primarily as a result of the factors discussed above, Commercial Aviation Services gross profit decreased by \$5.0 million, to \$4.7 million loss in the first quarter of 2015 from \$0.3 million profit in the first quarter of 2014. Gross profit margin was negative 17.9% in the first quarter of 2015 compared to positive 1.0% in the first quarter of 2014.

**Manufacturing & MRO.** Primarily as a result of the factors discussed above, Manufacturing and MRO gross profit increased by \$0.8 million, or 85.3%, to \$1.7 million in the first quarter of 2015 from \$0.9 million in the first quarter of 2014. Gross profit margin was 24.2% in the first quarter of 2015 compared to 33.4% in the first quarter of 2014.



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## Operating Expenses

| (Dollars in thousands)     | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change     | % Change |
|----------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|------------|----------|
| Operating expenses:        |                                               |                  |                                               |                  |            |          |
| General and administrative | \$6,938                                       | 10.5             | \$6,797                                       | 9.2              | \$141      | 2.1      |
| Research and development   | 878                                           | 1.3              | 1,318                                         | 1.8              | (440)      | (33.4)   |
| Selling and marketing      | 1,755                                         | 2.7              | 2,234                                         | 3.0              | (479)      | (21.4)   |
| Impairment of goodwill     | 49,823                                        | 75.3             | —                                             | —                | 49,823     | NM       |
| Other asset impairment     | 7,143                                         | 10.8             | —                                             | —                | 7,143      | NM       |
| Total operating expenses   | 66,537                                        | 100.6            | 10,349                                        | 14.0             | 56,188     | NM       |
| Operating loss             | \$(65,163)                                    | (98.5)           | \$(2,823)                                     | (3.8)            | \$(62,340) | NM       |

Operating expenses increased by \$56.2 million, to \$66.5 million in the first quarter of 2015 from \$10.3 million in the first quarter of 2014. The increase was primarily due to goodwill impairment loss associated with our Government Aviation Services segment of \$49.8 million, coupled with \$7.1 million in other asset impairments related to aircraft that were reclassified to available for sale and written down to their fair values. Selling and marketing costs decreased \$0.5 million primarily due to lower trade show costs as well as reductions due to the cost saving initiatives previously discussed. Research and development costs decreased to \$0.9 million in the first quarter of 2015 from \$1.3 million in the first quarter of 2014, primarily due to the lower costs associated with our composite main rotor blade program.

## Other Income (Expense)

| (Dollars in thousands) | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change    | % Change |
|------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|-----------|----------|
| Other income (expense) |                                               |                  |                                               |                  |           |          |
| Interest expense, net  | \$(9,212)                                     | (13.9)           | \$(8,753)                                     | (11.8)           | \$(459)   | 5.2      |
| Other expense, net     | (1,325)                                       | (2.0)            | (519)                                         | (0.7)            | (806)     | 155.3    |
| Total other expense    | \$(10,537)                                    | (15.9)           | \$(9,272)                                     | (12.5)           | \$(1,265) | 13.6     |

Total other expense, net increased by \$1.3 million to \$10.5 million of net expense in the first quarter of 2015 from \$9.3 million of net expense in the first quarter of 2014. Interest expense, net increased by \$0.5 million to \$9.2 million in the first quarter of 2015, from \$8.8 million in the first quarter of 2014, primarily due to an increase in our average outstanding borrowings. Other expense, net increased by \$0.8 million to \$1.3 million in other expense in the first quarter of 2015 from \$0.5 million in other expense in the first quarter of 2014 due to the factors described below.

| (Dollars in thousands)                  | Three Months Ended March<br>31, |         |         |  |
|-----------------------------------------|---------------------------------|---------|---------|--|
|                                         | 2015                            | 2014    | Change  |  |
| Other income (expense), net:            |                                 |         |         |  |
| Unrealized foreign exchange gain (loss) | \$(436)                         | \$217   | \$(653) |  |
| Realized foreign exchange loss          | (68)                            | (57)    | (11)    |  |
| Amortization of debt issuance costs     | (624)                           | (621)   | (3)     |  |
| Gain (loss) on disposal of equipment    | (6)                             | 130     | (136)   |  |
| Other income (expense), net             | (191)                           | (188)   | (3)     |  |
| Total other expense, net                | \$(1,325)                       | \$(519) | \$(806) |  |

Other expense, net increased by \$0.8 million to \$1.3 million in the first quarter of 2015 from \$0.5 million in the first quarter of 2014. The increase in net expense was primarily due to unrealized foreign exchange losses of \$0.4 million in 2015 compared to unrealized gains of \$0.2 million in 2014 due to a strengthening U.S. dollar in 2015, coupled with a minor loss on disposal of assets in 2015 compared to a \$0.1 million gain in the first quarter of 2014.

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## Income Tax Benefit

| (Dollars in thousands)                                   | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change      | % Change |
|----------------------------------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|-------------|----------|
| Net loss before income taxes and noncontrolling interest | \$(75,700 )                                   | (114.4 )         | \$(12,095 )                                   | (16.3 )          | \$(63,605 ) | NM       |
| Income tax benefit                                       | (617 )                                        | (0.9 )           | (4,570 )                                      | (6.2 )           | 3,953       | (86.5 )  |
| Net loss                                                 | \$(75,083 )                                   | (113.5 )         | \$(7,525 )                                    | (10.1 )          | \$(67,558 ) | NM       |

Income tax benefit decreased by \$4.0 million to \$0.6 million for the first quarter of 2015, as compared to \$4.6 million for the first quarter of 2014, primarily due to a decrease in effective tax rate to 0.8% for the first quarter of 2015 from 37.8% for the first quarter of 2014. The decrease in rate was primarily due to the full valuation allowance placed against net U.S. deferred tax assets as a result of the \$49.8 million goodwill impairment recognized in the first quarter of 2015.

## Net Loss Attributable to Erickson Incorporated

| (Dollars in thousands)                                                 | Three<br>Months<br>Ended<br>March 31,<br>2015 | % of<br>Revenues | Three<br>Months<br>Ended<br>March 31,<br>2014 | % of<br>Revenues | Change      | % Change |
|------------------------------------------------------------------------|-----------------------------------------------|------------------|-----------------------------------------------|------------------|-------------|----------|
| Net loss                                                               | \$(75,083 )                                   | (113.5 )         | \$(7,525 )                                    | (10.1 )          | \$(67,558 ) | NM       |
| Less: Net (income) loss related to noncontrolling interest             | 113                                           | 0.2              | (69 )                                         | (0.1 )           | 182         | (263.8 ) |
| Net loss attributable to Erickson Incorporated and common stockholders | \$(74,970 )                                   | (113.3 )         | \$(7,594 )                                    | (10.2 )          | \$(67,376 ) | NM       |

Net loss attributable to Erickson increased by \$67.4 million to \$75.0 million in the first quarter of 2015 from \$7.6 million in the first quarter of 2014, primarily due to the changes in revenues, expenses, and taxes discussed above. As there were no dividends during the first quarters of 2015 or 2014, net loss attributable to common stockholders was also \$75.0 million for the first quarter of 2015 and \$7.6 million for the first quarter of 2014.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are borrowings available under our Revolving Credit Facility, cash flows from operations, and current balances of cash and cash equivalents. Our primary cash needs are debt service payments, capital expenditures and funding working capital requirements. Cash and cash equivalents in excess of our needs are held in interest bearing accounts with financial institutions.

We have a concentration of large customers, several of which are U.S. and foreign government agencies or entities, and our cash flows depend on being able to collect our receivables from them. If, in the future, we cannot generate sufficient cash from operations to comply with our debt service obligations, we will need to refinance such debt obligations, obtain additional financing, or sell assets. We believe that our cash from operations and borrowings available to us under our Revolving Credit Facility will be adequate to meet our liquidity needs, capital expenditure requirements and debt service payments for at least the next 12 months. Our Revolving Credit Facility has a maturity date of May 2, 2018.

In addition, we may need to fund our debt service obligations or capital expenditures through the issuance of debt or equity securities or other external financing sources to the extent we are unable to fund such debt service obligations

or capital expenditures out of our cash from operations.

As part of our business strategy, we may acquire businesses or specific assets or engage in other strategic transactions. However, our cash from operations and borrowings available under our existing credit facility may not be sufficient to fund any acquisitions or strategic transactions we choose to make. As a result, in the event we engage in any acquisitions or strategic transactions we may need to seek additional funds through the issuance of additional equity or debt securities or other sources of financing.

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## Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

The following chart is a condensed presentation of our statement of cash flows for the three months ended March 31, 2015 and March 31, 2014 (in thousands):

| (Dollars in thousands)                               | Three Months Ended March 31, |            |            |
|------------------------------------------------------|------------------------------|------------|------------|
|                                                      | 2015                         | 2014       | Change     |
| Net cash provided by (used in) operating activities  | \$(7,741)                    | ) \$2,494  | \$(10,235) |
| Net cash used in investing activities                | (5,725)                      | ) (17,283) | ) 11,558   |
| Net cash provided by financing activities            | 13,328                       | 15,651     | (2,323)    |
| Foreign-currency effect on cash and cash equivalents | (2,085)                      | ) 467      | (2,552)    |
| Net increase (decrease) in cash and cash equivalents | (2,223)                      | ) 1,329    | (3,552)    |
| Cash and cash equivalents at beginning of period     | 5,097                        | 1,881      | 3,216      |
| Cash and cash equivalents at end of period           | \$2,874                      | \$3,210    | \$(336)    |

## Sources and Uses of Cash

At March 31, 2015, we had cash and cash equivalents of \$2.9 million compared to \$5.1 million at December 31, 2014. At March 31, 2015, we had restricted cash of \$0.5 million compared to \$0.6 million at December 31, 2014. Our cash and cash equivalents are intended to be used for working capital, capital expenditures, and debt repayments. Our restricted cash includes cash to secure performance bonds on certain contracts.

Net cash provided by (used in) operating activities. For the quarter ended March 31, 2015 net cash used in operating activities before the change in operating assets and liabilities was \$9.8 million, which included net loss of \$75.1 million and non-cash adjustments reconciling net loss to net cash used by operating activities of \$65.3 million (impairment of goodwill of \$49.8 million, depreciation and amortization of \$8.8 million, other asset impairment of \$7.1 million, amortization of debt issuance costs of \$0.6 million, non-cash interest on debt of \$0.2 million, and stock-based compensation of \$0.1 million, partially offset by a \$1.4 million net decrease in deferred income taxes). The change in operating assets and liabilities was a \$2.0 million source of cash primarily consisting of the following: a \$17.4 million increase in accrued and other liabilities, a \$3.7 million increase in other long term liabilities, and a \$2.4 million decrease in other non-current assets, partially offset by a \$9.2 million net increase in inventory related to the Bell 214 support program, an \$8.1 million increase in accounts receivable, a \$2.2 million decrease in accounts payable, a \$1.5 million increase in aircraft support parts, a \$0.6 million decrease in income taxes payable, a \$0.2 million increase in prepaid expenses and other assets, and a \$0.3 million decrease in income taxes receivable. As a result of these factors, operating activities used \$7.7 million of cash during the quarter ended March 31, 2015.

For the quarter ended March 31, 2014 net cash used in operating activities before the change in operating assets and liabilities was \$2.9 million, which included net loss of \$7.5 million and non-cash adjustments reconciling net loss to net cash provided by operating activities of \$4.7 million (depreciation and amortization of \$8.0 million, amortization of debt issuance costs of \$0.6 million and stock-based compensation of \$0.2 million, partially offset by a \$4.0 million net decrease in deferred income taxes). The change in operating assets and liabilities was a \$5.4 million source of cash primarily consisting of the following: a \$13.9 million decrease in accounts receivable (primarily attributable to decreased revenues), a \$2.0 million increase in accounts payable, a \$1.5 million decrease in other non-current assets, a \$0.9 million increase in income taxes payable, and a \$0.3 million increase in other long-term liabilities, partially offset by a \$7.9 million increase in Aircraft support parts, net (primarily attributable to increases in inventory levels needed in preparation for the active fire season), a \$4.0 million decrease in accrued other current liabilities, a \$0.8 million increase in income tax receivable, and a \$0.6 million increase in prepaid expenses and other current assets. As a result of these factors, operating activities provided \$2.5 million of cash during the quarter ended March 31, 2014.

Net cash used by investing activities. Net cash used in investing activities was \$5.7 million for the quarter ended March 31, 2015 compared to net cash used in investing activities of \$17.3 million for the quarter ended March 31, 2014. In the quarter ended March 31, 2015, we used net cash of \$5.7 million for purchases of aircraft and property,



plant and equipment. In the quarter ended March 31, 2014, we used net cash of \$17.5 million for purchases of aircraft and property, plant, and equipment and the release of restricted cash provided \$0.2 million.

Net cash provided by financing activities. During the quarter ended March 31, 2015, financing activities provided \$13.3 million of cash compared \$15.7 million of cash provided during the quarter ended March 31, 2014. For the first quarter of 2015, borrowings from credit facilities of \$48.8 million exceeded repayments of credit facilities of \$34.2 million, providing \$14.6

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million of net cash and repayments of subordinated notes used \$1.0 million. In the quarter ended March 31, 2014, net cash provided by financing activities of \$15.7 million was primarily net borrowing on the revolving credit facility of \$15.5 million.

### Description of Indebtedness

The following summary of certain provisions of the instruments evidencing our material indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the corresponding agreements, including the definitions of certain terms therein that are not otherwise defined in this Form 10-Q.

#### 2020 Senior Notes Offering

The 2020 Senior Notes bear interest at 8.25%, are second priority senior secured obligations, and are due in 2020. The 2020 Senior Notes are guaranteed by certain of the Company's existing and future domestic subsidiaries.

The indenture under which the 2020 Senior Notes were issued, among other things, limits the Company's ability and the ability of its restricted subsidiaries to: (i) pay dividends or distributions, repurchase equity, prepay subordinated debt or make certain investments; (ii) incur additional debt or issue certain disqualified stock and preferred stock; (iii) incur liens on assets; (iv) merge or consolidate with another company or sell all or substantially all assets; (v) enter into transactions with affiliates; and (vi) allow to exist certain restrictions on the ability of the guarantors to pay dividends or make other payments to the Company.

The 2020 Senior Notes are secured by second-position liens, subject to certain exceptions and permitted liens, on substantially all of the Company and the guarantors' existing and future assets that secure the Company's new Revolving Credit Facility.

The interest rate on the 2020 Senior Notes is fixed at 8.25%. The outstanding balance under the 2020 Senior Notes at March 31, 2015 and December 31, 2014 was \$355.0 million.

On May 2, 2014, the Company commenced an offer (the "Exchange Offer") to exchange all \$355.0 aggregate principal amount of its outstanding 8.25% Second Priority Senior Secured Notes due 2020, which were not registered under the Securities Act of 1933 (the "Old Notes"), for an equal principal amount of new 8.25% Second Priority Senior Secured Notes due 2020 which have been registered under the Securities Act of 1933 (the "New Notes"). The Exchange Offer was completed on June 6, 2014.

#### Revolving Credit Facility

On March 11, 2014 the Revolving Credit Facility was amended to increase the maximum amount that the Company may borrow from \$125.0 million to \$140.0 million. The interest rate under the Revolving Credit Facility is 225-450 basis points over LIBOR/Prime base rate depending on the Company's senior leverage ratio. The proceeds under the Revolving Credit Facility are primarily used for general corporate purposes.

The Company and each of the Company's current and future, direct and indirect, material subsidiaries guarantee the indebtedness under the Revolving Credit Facility on a senior secured first lien basis.

The Revolving Credit Facility contains certain financial covenants including, without limitation, a minimum fixed charge coverage ratio of 1.20:1.00 if the Company's average excess availability, as calculated pursuant to the terms of the Revolving Credit Facility, is greater than \$16.8 million or 1.05:1.00 if the Company's average excess availability, as calculated pursuant to the terms of the Revolving Credit Facility, is less than or equal to \$16.8 million. The fixed charge coverage ratio has multiple inputs, including, but not limited to, bank EBITDA, maintenance capital expenditures, and cash paid for interest and taxes. The Revolving Credit Facility also imposes an annual growth capital expenditures limit of approximately \$25.0 million, subject to standard carry-over provisions. The Company

was in compliance with the financial covenants as of March 31, 2015 and December 31, 2014.

The Revolving Credit Facility includes mandatory prepayment requirements for the certain types of transactions, including, without limitation, requiring prepayment from (a) proceeds that the Company receives as a result of certain asset sales, subject to re-investment provisions on terms to be determined, and (b) proceeds from extraordinary receipts.

The outstanding balance under the Revolving Credit Facility at March 31, 2015 and December 31, 2014 was \$103.9 million and \$89.3 million, respectively. The weighted average interest rate for borrowings under the Revolving Credit Facility for the three months period ended March 31, 2015 was 5.07%. The interest rate at March 31, 2015 and December 31, 2014 was 5.00% and 5.02%, respectively. As of March 31, 2015 and December 31, 2014 the Company had \$1.8 million and \$4.7 million in

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outstanding standby letters of credit under the Revolving Credit Facility, respectively, and maximum borrowing availability was \$34.3 million and \$46.0 million as of March 31, 2015 and December 31, 2014, respectively.

### 2020 Subordinated Notes

Pursuant to the terms of the EHI stock purchase agreement, the consideration included \$17.5 million of the Company's subordinated notes. The subordinated notes accrue interest at a fixed rate of 6.0% per annum, mature on November 2, 2020, and may be prepaid at the Company's option. Upon an event of default under the subordinated notes, the interest rate will increase to 8.0% per annum until the event of default is cured. The Company has agreed to pay, in cash, quarterly installments of interest only (in arrears) until March 31, 2015, after which date the Company has agreed to pay, in addition to such interest, on a quarterly basis \$1.0 million in principal. Upon any refinancing of the 2020 Senior Notes or the Revolving Credit Facility the principal amount of the subordinated notes with all accrued interest thereon will become due and payable. Upon a change of control, the principal amount together with all accrued interest shall forthwith be due and payable. Until the principal amount of the subordinated notes together with all accrued interest thereon has been paid in full, the Company and its subsidiaries may not declare or pay any dividend, make any payment on account of, or take certain other actions in respect of any of the Company or its subsidiaries' equity interests, subject to certain exceptions.

For purchase accounting of the EHI acquisition, the fair value of the subordinated notes was estimated at \$15.9 million, assuming a market level borrowing rate of 9.00%. As of March 31, 2015, the carrying value of the 2020 Subordinated Notes was \$15.6 million, made up of the face value of the remaining principal of \$16.5 million net of the unamortized discount of \$0.9 million. As of December 31, 2014, the carrying value of the 2020 Subordinated Notes was \$16.5 million, made up of the face value of \$17.5 million net of the unamortized discount of \$1.0 million. The weighted average interest rate for borrowings under the 2020 Subordinated Notes was 6.00% during the three months period ended March 31, 2015.

### Non-GAAP Financial Measures

We use EBITDA, Adjusted EBITDA and Adjusted EBITDAR to monitor our overall business performance. We define EBITDA as net income (loss) before interest expense, net, provision for (benefit from) income taxes, depreciation and amortization, and non-cash charges relating to financings. We include the amortization of overhaul costs as an add-back to EBITDA. We believe that such adjustments to arrive at EBITDA are common industry practice amongst our peers and we believe this provides us with a more comparable measure for managing our business. We also believe that it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry.

Adjusted EBITDA means, as defined by our Revolving Credit Facility agreement, with respect to any fiscal period, our EBITDA, adjusted for, without duplication, the sum of the following amounts for such period to the extent included in determining consolidated net earnings (or loss) for such period: (i) extraordinary gains, (ii) non-cash items increasing consolidated net earnings for such period, excluding any items representing the impact of purchase accounting or the reversal of any accrual of, or cash reserve for, anticipated changes in any period, (iii) non-cash extraordinary losses, (iv) any other non-cash charges reducing consolidated net earnings for such period, excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period or amortization of a prepaid cash expense that was paid in a prior period, (v) to the extent not capitalized, (A) non-recurring expenses, fees, costs and charges incurred and funded prior to, on or within nine months after the closing date in connection with the Revolving Credit Facility and the EHI acquisition; and (B) expenses incurred and funded prior to, on, or within two years of the closing date in connection with the termination of the lease for the location of the chief executive office of EHI as of the closing date; and (vi) transaction-related expenditures incurred and funded prior to, on or within nine months of the date of consummation of (A) the HRT acquisition, (B) any permitted acquisition under the Revolving Credit Facility, or (C) any investment that is permitted pursuant to the Revolving Credit Facility, in the case of each of (A), (B), and (C), that arise out of cash charges related to deferred stock compensation, management

bonuses, strategic market reviews, restructuring, retention bonuses, consolidation, severance or discontinuance of any portion of operations, termination of the lease for the headquarters of EHI, employees or management of the target of such permitted acquisition, accrued vacation payments and working notices payments and other non-cash accounting adjustments. We have further adjusted EBITDA for continued acquisition and integration costs beyond the nine months defined by our Revolving Credit Facility agreement and the restructuring costs associated with exiting the Malaysian timber harvesting market and right-sizing of our business.

We also use Adjusted EBITDAR in managing our business. Adjusted EBITDAR is determined by adding aircraft lease expense to Adjusted EBITDA. We present Adjusted EBITDAR because we believe this provides us with a more comparable measure for managing our business.

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EBITDA, Adjusted EBITDA, and Adjusted EBITDAR are supplemental measures of our performance that are not required by or presented in accordance with U.S. GAAP. EBITDA, Adjusted EBITDA and Adjusted EBITDAR are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to revenue, net income (loss), cash flow, or any other performance measure derived in accordance with U.S. GAAP. Our presentation of EBITDA, Adjusted EBITDA, and Adjusted EBITDAR may not be comparable to similarly titled measures of other companies. A reconciliation of net loss to EBITDA, Adjusted EBITDA, and Adjusted EBITDAR is provided below.

|                                                                    | Three Months Ended March 31, |           |
|--------------------------------------------------------------------|------------------------------|-----------|
| (Dollars in thousands)                                             | 2015                         | 2014      |
| EBITDA, Adjusted EBITDA and Adjusted EBITDAR Reconciliation:       |                              |           |
| Net loss attributable to Erickson Incorporated                     | \$(74,970)                   | \$(7,594) |
| Interest expense, net                                              | 9,212                        | 8,753     |
| Tax benefit                                                        | (617)                        | (4,570)   |
| Depreciation and amortization                                      | 8,818                        | 7,953     |
| Amortization of debt issuance costs                                | 624                          | 621       |
| EBITDA                                                             | \$(56,933)                   | \$5,163   |
| Acquisition and integration related expenses                       | —                            | 791       |
| Non-cash unrealized mark-to-market foreign exchange (gains) losses | 436                          | (217)     |
| Non-cash charges from awards to employees of equity interests      | 145                          | 160       |
| Non-cash goodwill impairment loss                                  | 49,823                       | —         |
| Non-cash other asset impairment losses                             | 7,143                        | —         |
| Restructuring costs                                                | 1,545                        | —         |
| Loss (gain) on sale of equipment                                   | 6                            | (130)     |
| Adjusted EBITDA                                                    | \$2,165                      | \$5,767   |
| Aircraft lease expenses                                            | 4,517                        | 4,959     |
| Adjusted EBITDAR                                                   | \$6,682                      | \$10,726  |

## OFF-BALANCE SHEET ARRANGEMENTS

With the exception of operating leases, letters of credit, and an advance agreement with a foreign bank, we are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, or cash flows.

**Operating Leases.** We lease light and medium lift aircraft, certain premises on a short-term basis, and a minor amount of our facilities and certain other property and equipment under noncancelable operating lease agreements that expire on various dates through August 2064. Certain leases have renewal options. During the second quarter of 2014, we entered into a sale-leaseback transaction for one S-64 Airplane for a total purchase price of \$24.7 million. The lease has an initial term of seven years commencing on June 30, 2014, and base monthly lease payments of approximately \$264,000.

**Letters of Credit.** To meet certain customer requirements, we issue letters of credit which are used as collateral for performance bonds, bid bonds, or advance customer payment on contracts. These instruments involve a degree of risk that is not recorded on our balance sheet. At March 31, 2015, we had letters of credit with various expiration dates extending into 2016 valued at approximately \$2.2 million outstanding, including \$1.8 million outstanding under our Revolving Credit Facility and \$0.4 million (€0.4 million) outstanding under a performance bond issued by Banca Di Credito Cooperativo Di Cambiano that we have secured with \$0.4 million (€0.4 million) in restricted cash.

**Advance Agreements with Foreign Banks.** In order to provide short-term liquidity needs of our subsidiaries, we may allow those subsidiaries to enter into agreements with banks to obtain advances on key accounts receivable. At

March 31, 2015 and December 31, 2014, there were no advances outstanding under these types of arrangement.

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**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates could have reasonably been used, or if changes in the accounting estimates that are reasonably likely to occur periodically could materially impact our consolidated financial statements. Our critical accounting policies and estimates are discussed in our Form 10-K filed with the SEC on March 10, 2015. We believe that there have been no significant changes to our critical accounting policies during the three months period ended March 31, 2015.

We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes in laws and regulations on a regular basis and update the assumptions and estimates used to prepare our financial statements when we deem it necessary.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk in the normal course of our business operations due to changes in interest rates, increase in cost of aircraft fuel, and our exposure to fluctuations in foreign currency exchange rates. We have established policies and procedures to govern our management of market risks.

**Interest Rate Risk**

At March 31, 2015 we had total indebtedness of \$474.9 million (excluding \$2.2 million of letters of credit). Our exposure to market risk from adverse changes in interest rates is primarily associated with our Revolving Credit Facility as our other debt obligations maintain fixed interest rates. Market risks associated with our Revolving Credit Facility include the potential reductions in fair value and negative impacts to future earnings from an increase in interest rates. Under our pre-acquisition debt, composed of the Term Debt and Revolving Line of Credit terminated on May 2, 2013, the applicable interest rate on our borrowings was calculated based on either LIBOR (London Interbank Offered Rate) or a base rate plus a margin depending on the level of the senior debt leverage covenant ratio as defined in our prior credit agreement. The rates applicable to outstanding borrowings fluctuated based on many factors including, but not limited to, general economic conditions and interest rates, including the LIBOR, Federal Funds, and prime rates. Under our Revolving Credit Facility, the applicable interest rate on our borrowings is 225—450 basis points over LIBOR/Prime base rate depending on the Company's senior leverage ratio. We estimate that a hypothetical 10% change in the interest rates experienced on our debt would have impacted interest expense for the quarter ended March 31, 2015 by approximately \$0.3 million (after a normalized 40% tax rate).

**Aircraft Fuel**

Our results of operations are affected by changes in the price and availability of aircraft fuel. For the quarter ended March 31, 2015, a deviation of 10% in the average price per gallon of fuel would have impacted our cost of revenues by approximately \$0.2 million. Many of our contracts allow for recovery of all or part of any fuel cost change through pricing adjustments. We do not currently purchase fuel under long-term contracts or enter into futures or swap contracts. We are not exposed to material commodity price risks except with respect to the purchase of aircraft fuel.

**Foreign Currency Exchange Rate Risk**

A significant portion of our revenues are denominated in a currency other than the U.S. dollar. We are subject to exposures that arise from foreign currency movements between the date the foreign currency transactions are recorded and the date they are settled. Our exposure to foreign currency movements is somewhat mitigated through naturally offsetting asset and liability currency positions. We periodically enter into foreign currency hedging transactions to mitigate the risk of foreign currency movements and minimize the impact of exchange rate fluctuations on our profits. A hypothetical 10% decrease in the value of the foreign currencies in which our business is denominated relative to



the U.S. dollar for the quarter ended March 31, 2015 would have resulted in an estimated pre-hedged decrease of \$0.3 million in our net income (after a normalized 40% tax rate).

#### ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, or the Exchange Act, 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 Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions to be made regarding required disclosure. We

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have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a quarterly basis, and as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at March 31, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at March 31, 2015, our disclosure controls and procedures were effective.

There have been no changes in internal control over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### Arizona Environmental Matter

In August 2012, EHI received a request for information from the State of Arizona regarding the Broadway-Pantano Site in Tucson, Arizona, which is comprised of two landfills at which the State has been conducting soil and groundwater investigations and cleanups. In addition, EHI has been served with various petitions to perpetuate testimony regarding the State's investigation into contamination at the Site. According to these documents, the State has identified approximately 101 parties that are potentially responsible for the contamination. Based on the information request and the petition to perpetuate testimony, it is possible that the State or other liable parties may assert that EHI is liable for the alleged contamination at the Site. There were no material developments with respect to this matter in 2014 or during the three months period ended March 31, 2015. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

#### World Fuel Claim

In December 2013, World Fuel, a former fuel supplier of Evergreen International Aviation ("EIA") and Evergreen Airlines ("EA"), filed suit against EIA, EA and other named parties claiming approximately \$9 million of accounts payable due and owing to World Fuel for fuel purchases made by EIA and EA. Evergreen Helicopters, Inc. (Erickson's wholly-owned subsidiary, "EHI") was a named party in the lawsuit since it was alleged that EHI signed a joint and several guaranty of payment in favor of World Fuel in 2012. In April 2014, the Company filed its Amended Answer which included certain counterclaims against World Fuel and certain cross claims against Mr. Delford Smith. Discovery in this matter is ongoing. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

#### Stockholder Action

In August 2013, a putative stockholder of the Company filed a class and derivative action in the Court of Chancery for the State of Delaware against the Company, the members of its board of directors, EAC Acquisition Corp., and the ZM Funds and certain of their affiliates. The plaintiff asserted claims for breach of fiduciary duty and unjust enrichment in connection with the EHI acquisition and requested an award of unspecified monetary damages to the stockholders and to the Company, disgorgement and restitution, certain other equitable relief, and an award of plaintiff's costs and disbursements, including legal fees. On October 3, 2013, the defendants moved to dismiss the plaintiff's complaint on the ground that all of the plaintiff's claims in reality were derivative in nature and that the plaintiff had failed to allege facts sufficient to excuse pre-suit demand. On December 4, 2013, rather than oppose the motion to dismiss, the plaintiff chose to file an amended complaint. On January 24, 2014, the defendants again moved to dismiss the plaintiff's amended complaint on the same grounds. On April 15, 2014, the Court denied the defendants' motion, holding that one aspect of the plaintiff's claim was direct and that, in any event, the plaintiff had pled facts sufficient to excuse pre-suit demand. Although the Company is unable to predict the final outcome of the proceeding,

the Company believes the allegations lack merit, intends to vigorously defend against them, and believes that the final results will not have a material effect on its consolidated financial position, results of operations, or cash flows.

In addition to the foregoing litigation, the Company is subject to ongoing litigation and claims as part of its normal business operations. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company recognizes expenses for legal costs in connection with defending a loss contingency as those costs are incurred. In the Company's opinion, none of these claims will have a material adverse effect on it.

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ITEM 6. EXHIBITS

Please see the Exhibit Index immediately following the signature page to this Quarterly Report on Form 10-Q.

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SIGNATURES

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.

Erickson Incorporated

Date: May 11, 2015

By: /s/ ERIC STRUIK  
Eric Struik  
Chief Financial Officer  
(signing on behalf of the registrant as principal financial officer)

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## EXHIBIT INDEX

| Exhibit No. | Exhibit Title                                                                                                                                                                  | Filed Herewith | Form | Exhibit No. | File No. | Filing Date |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------|-------------|----------|-------------|
| 31.1        | Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | X              |      |             |          |             |
| 31.2        | Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | X              |      |             |          |             |
| 32.1        | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  | X              |      |             |          |             |
| 101.INS     | XBRL Instance Document                                                                                                                                                         | X              |      |             |          |             |
| 101.SCH     | XBRL Taxonomy Extension Schema Document                                                                                                                                        | X              |      |             |          |             |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                          | X              |      |             |          |             |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                           | X              |      |             |          |             |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                | X              |      |             |          |             |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                         | X              |      |             |          |             |