ERICKSON INC.
Form 10-Q
May 08, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014.

¨ **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 x 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 x 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	¨	Accelerated filer	x

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

On May 1, 2014, 13,810,936 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, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 3,210	$ 1,881
Restricted cash	2,543	2,883
Accounts receivable, net of allowances for doubtful accounts of $654 and $991 in 2014 and 2013, respectively	52,270	65,987
Prepaid expenses and other current assets	3,972	3,360
Income tax receivable	1,106	135
Deferred tax assets	3,605	3,715
Total current assets	66,706	77,961
Aircraft support parts, net	134,568	126,696
Aircraft, net	134,357	127,179
Property, plant and equipment, net	112,594	109,382
Goodwill	235,122	234,978
Other intangible assets, net	21,878	22,484
Other non-current assets	26,828	28,625
Total assets	$ 732,053	$ 727,305
Liabilities and stockholders equity (deficit)		
Current liabilities:		
Accounts payable	$ 31,062	$ 29,035
Accrued and other current liabilities	39,516	41,233
Income tax payable		621
Total current liabilities	70,578	70,889
Long-term debt	16,198	16,160
Long-term revolving credit facilities	83,553	68,086

Long-term notes payable	355,000	355,000
Other long-term liabilities	2,113	1,819
Uncertain tax positions	5,669	5,669
Deferred tax liabilities	12,656	16,775
Total liabilities	545,767	534,398
Stockholders equity (deficit):		
Common stock; $0.0001 par value; 110,000,000 shares authorized; 13,789,534 and 13,787,914 issued and outstanding at March 31, 2014 and December 31, 2013, respectively	1	1
Additional paid-in capital	180,528	179,954
Retained earnings (accumulated deficit)	4,510	12,104
Accumulated other comprehensive income (loss), net of tax	288	(42)
Total stockholders equity (deficit) attributable to Erickson Incorporated	185,327	192,017
Noncontrolling interest	959	890
Total stockholders equity (deficit)	186,286	192,907
Total liabilities and stockholders equity	$ 732,053	$ 727,305

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

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ERICKSON INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands, except share and per share data)

(Unaudited)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Net revenues:	$ 74,184	$ 36,940
Cost of revenues	65,904	27,666
Gross profit	8,280	9,274
Operating expenses:		
General and administrative	6,797	6,311
Research and development	1,318	913
Selling and marketing	2,988	2,390
Total operating expenses	11,103	9,614
Operating income (loss)	(2,823)	(340)
Other income (expense):		
Interest income (expense), net	(8,753)	(1,357)
Amortization of debt issuance costs	(621)	(322)
Unrealized foreign exchange gain (loss)	217	206
Realized foreign exchange gain (loss)	(57)	(37)
Gain (loss) on disposal of equipment	130	
Other income (expense), net	(188)	(281)
Total other income (expense)	(9,272)	(1,791)
Net income (loss) before income taxes and noncontrolling interest	(12,095)	(2,131)
Income tax expense (benefit)	(4,570)	(1,136)
Net income (loss)	(7,525)	(995)
Less: Net (income) loss related to noncontrolling interest	(69)	(221)
Net income (loss) attributable to Erickson Incorporated and common stockholders	$ (7,594)	$ (1,216)
Net income (loss)	$ (7,525)	$ (995)
Other comprehensive income (loss):		
Foreign currency translation adjustment	330	(129)

Comprehensive income (loss)		(7,195)		(1,124)
Comprehensive (income) loss attributable to noncontrolling interest		(69)		(180)
Comprehensive income (loss) attributable to Erickson Incorporated	$	(7,264)	$	(1,304)
Net income (loss) per share attributable to common stockholders				
Basic	$	(0.55)	$	(0.13)
Diluted	$	(0.55)	$	(0.13)
Weighted average shares outstanding				
Basic		13,789,426		9,727,127
Diluted		13,789,426		9,727,127

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

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ERICKSON INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)

(In thousands, except share and per share data)

(Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity (Deficit) Of Erickson Incorporated	Noncontrolling Interest Amount	Total Stockholde Equity (Deficit)
alance at ecember 31, 012					9,726,785	1	101,833	2,447	71	104,352	1,016	105,368
suance of eries A referred Stock	4,008,439	78,044										
oncontrolling terest vidend											(341)	(341
suance of estricted ock Units					87,634							
ock-based ompensation							792			792		792
onversion of eries A referred Stock Common ock	(4,008,439)	(78,044)			4,008,439		78,044			78,044		78,044
hares ithheld for ayment of xes					(34,944)		(715)			(715)		(715
omponents of omprehensive come (loss):												
et income oss)								9,657		9,657	209	9,866
									(113)	(113)	6	(107

oreign urrency anslation										
omprehensive come (loss)										9,759
alance at ecember 31, 013	$	$	13,787,914	$ 1	$ 179,954	$ 12,104	$ (42)	$ 192,017	$ 890	$ 192,907
suance of estricted ock Units			1,620							
ock-based ompensation					160			160		160
roceeds from areholder, net					414			414		414
omponents of omprehensive come (loss):										
et income oss)						(7,594)		(7,594)	69	(7,525
oreign urrency anslation							330	330		330
omprehensive come (loss)										(7,195
alance at arch 31, 014	$	$	13,789,534	$ 1	$ 180,528	$ 4,510	$ 288	$ 185,327	$ 959	$ 186,286

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

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ERICKSON INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Cash flows from operating activities:		
Net income (loss)	$ (7,525)	$ (995)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,953	5,400
Deferred income taxes	(3,984)	(1,533)
Non-cash interest expense on debt	37	657
Stock-based compensation	160	180
Amortization of debt issuance costs	621	322
Gain on sale of equipment	(130)	
Changes in operating assets and liabilities:		
Accounts receivable	13,876	(6,252)
Prepaid expenses and other current assets	(599)	(1,669)
Income tax receivable, net	158	527
Aircraft support parts, net	(7,864)	(7,282)
Other non-current assets	1,545	
Accounts payable	1,995	(316)
Accrued and other current liabilities	(4,043)	4,673
Other long-term liabilities	294	
Net cash provided by (used in) operating activities	2,494	(6,288)
Cash flows from investing activities:		
Purchases of aircraft and property, plant and equipment	(17,483)	(2,924)
Restricted cash	200	(50)
Decrease (increase) in other assets		(35)
Net cash provided by (used in) investing activities	(17,283)	(3,009)
Cash flows from financing activities:		
Proceeds from shareholders, net	414	
Repayments of credit facilities	(24,400)	(59,270)
Borrowings from credit facilities	39,867	68,590
Debt issuance costs	(230)	(199)

Net cash provided by (used in) financing activities		15,651		9,121
Effect of foreign currency exchange rates on cash and cash equivalents		467		31
Net increase (decrease) in cash and cash equivalents		1,329		(145)
Cash and cash equivalents at beginning of period		1,881		1,468
Cash and cash equivalents at end of period	$	3,210	$	1,323
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	1,269	$	758
Cash paid for (received from) income taxes, net	$	486	$	(105)

The accompanying notes are an integral part of these financial statements

ERICKSON INCORPORATED AND SUBSIDIARIES

NOTES TO 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) and Dutch Air-Crane B.V. (DAC) (collectively referred to as the Company). EuAC owns a 60% equity interest in Societa Italiania 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, 2014, the Company owned a fleet of 20 heavy lift helicopters, comprised of 13 S-64E and seven S-64F model Aircranes, and 36 medium and light lift aircraft of varying model types, comprised of 28 rotor wing aircraft and 8 fixed-wing aircraft. As of March 31, 2014, the Company leased a fleet of 34 medium and light lift aircraft of varying types, comprised of 29 rotary wing aircraft and 5 fixed-wing aircraft. The Company s fleet operations span the globe, including a presence in North America, South America, Europe, the Middle East, Africa, Asia, Australia and Turkey. As of March 31, 2014, 25 of the owned aircraft and 21 of the leased aircraft were deployed outside of North America. Of the total fleet of 90 aircraft, 67 were air-worthy and available to be on contract with customers as of March 31, 2014.

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.

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.

Fiscal 2013

On May 2, 2013, the Company closed its $400.0 million aggregate principal note offering of 8.25% second priority senior secured obligations due 2020 (the 2020 Senior Notes). Net proceeds from the offering were approximately $386.4 million after deducting the initial purchasers commissions and estimated transaction fees and expenses. The Company used the net proceeds of the offering to (i) finance a portion of the purchase price for the EHI acquisition (see Note 6 Acquisitions), (ii) refinance its 2015 Subordinated Notes and 2016 Subordinated Notes, (iii) refinance its prior senior secured asset-based revolving credit facility, comprised of the Term Debt and Revolving Line of Credit, (iv) pay related fees and expenses and (v) record the remaining cash to the balance sheet. A total of $46.0 million of the net proceeds were deposited in escrow on May 2, 2013, consisting of $45.0 million of aggregate principal and $1.0 million related to anticipated interest, to be used toward the acquisition of Air Amazonia, the aerial services business of Brazil-based HRT Participações em Petroleo, S.A.(HRT). These proceeds of the offering were not released from escrow to consummate the Air Amazonia acquisition before July 31, 2013, and as a result, pursuant to the terms of the 2020 Senior Notes, an aggregate principal amount of Notes equal to $45.0 million were redeemed, on a pro rata basis, on August 5, 2013 pursuant to a special mandatory redemption, at a price equal to 100% of the principal amount of the 2020 Senior Notes being redeemed, plus accrued and unpaid interest to, but not including, August 5, 2013. The Company completed the acquisition of Air Amazonia on September 3, 2013, funding the purchase price with borrowings from its senior secured asset-based credit facility also entered into on May 2, 2013 (the Revolving Credit Facility). See Note 6 Acquisitions for further information.

On May 2, 2013, the Company completed its acquisition of EHI, based in McMinnville, Oregon, and prior to the acquisition, a wholly owned subsidiary of Evergreen International Aviation, Inc. (EIA). EHI operated a fleet that consisted of 63 aircraft as of May 2, 2013, which included varying rotary-wing and fixed-wing types for a wide range of passenger transport and light, medium and heavy load-carrying missions. This diverse fleet serves both government and commercial customers, including programs with the U.S. military in support of overseas operations. EHI maintains a global presence with operations in North America, the Middle East, Africa, and Asia-Pacific (see Note 6 Acquisitions).

On September 3, 2013, the Company completed its acquisition of Air Amazonia, which included a fleet of six rotor wing aircraft and ground facilities. This fleet serves oil and gas activities in the Solimoes region of Brazil. In addition to the acquired fleet, the Company also has the right of first refusal to purchase any or all of HRT s remaining 8 aircraft over the 12 months from the closing date of the acquisition and the right of first refusal on all helicopter services in the Solimoes region of Brazil from HRT as operator, as well as on all helicopter services in all of Brazil (including offshore) from HRT (see Note 6 Acquisitions).

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.

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 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, 2013 included in the Company s annual report on Form 10-K filed with the SEC on March 14, 2014.

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The balance sheet at December 31, 2013 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.

In order to conform to current period presentation, reclassification has been made to prior period amounts of amortization of deferred overhauls on the consolidated statements of cash flows to reflect the balance sheet reclassification of deferred overhauls from aircraft support parts, net to property, plant, and equipment, net conform to current period presentation. Such reclassification had no effect on previously reported consolidated statements of stockholders equity or statements of comprehensive income (loss) or on prior period consolidated balance sheets presented herein.

Recent Accounting Pronouncements

In July 2013, the 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, 2014, 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.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the quarter ended March 31, 2014 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):

	March 31, 2014	December 31, 2013
Trade accounts receivable	$ 48,056	$ 60,190
Other receivables	4,868	6,788
Less: allowance for doubtful accounts	(654)	(991)
	$ 52,270	$ 65,987

During the quarter ended March 31, 2014, the Company had a net recovery of bad debt of $0.3 million, and during the quarter ended March 31, 2013, the Company had bad debt expense 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 for the Company as of March 31, 2014 or December 31, 2013:

	March 31, 2014	**December 31, 2013**
Fluor	16.9%	19.4%
Hellenic Fire Brigade[(1)]	10.5%	8.5%
Army Contracting Command Rock Island	9.7%	13.8%
	37.1%	41.7%

(1) On May 23, 2012, the Company entered into a three year agreement with the NATO Maintenance and Supply Agency (NAMSA), 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, 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 for the quarter ended March 31, 2014 or March 31, 2013:

	Quarter Ended March 31, 2014	**Quarter Ended March 31, 2013**
Fluor	20.4%	%
Kestrel (Australia)[(1)]	14.9%	%
Army Contracting Command Rock Island	11.2%	%
Helicorp (Australia)[(1)]	%	39.4%
	46.5%	39.4%

(1) The Company s firefighting contract in Australia was with Kestrel during the quarter ended March 31, 2014 and Helicorp for the quarter ended March 31, 2013.

The Company operates within the aviation industry where certain vendors constitute the sole source for FAA-approved parts. The loss of certain suppliers could cause a material business disruption to the Company.

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 these customers experience curtailed government spending.

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Note 4. 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 March 31, 2014 and December 31, 2013, there were zero aircraft being remanufactured.

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

	March 31, 2014	December 31, 2013
Aircraft parts	$ 123,292	$ 115,400
Work-in-process[(1)]	17,216	17,296
Less: Excess and obsolete reserve	(5,940)	(6,000)
	$ 134,568	$ 126,696

Note 5. Aircraft and Property, Plant and Equipment

Aircraft consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Aircraft	$ 160,592	$ 151,044
Less: Accumulated depreciation	(26,235)	(23,865)
	$ 134,357	$ 127,179

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

	March 31, 2014	December 31, 2013
Land and land improvements	$ 308	$ 308
Buildings	7,569	7,597
Vehicles and equipment	31,795	29,598
Deferred overhauls, net	72,908	68,773
Construction-in-progress	17,906	19,923
	130,486	126,199
Less: Accumulated depreciation and amortization	(17,892)	(16,817)
	$ 112,594	$ 109,382

During the quarters ended March 31, 2014 and March 31, 2013, depreciation expense was $4.2 million and $2.7 million, respectively. During the quarters ended March 31, 2014 and 2013, amortization expense associated with deferred overhauls was $3.2 million and $2.7 million, respectively.

Note 6. Acquisitions

Pro Forma Results of Operations (Unaudited)

The following pro forma information presents a summary of the Company s results of operations assuming the EHI acquisition had occurred at the beginning of the period presented. The pro forma results include the straight-line amortization associated with acquired intangible assets consisting of customer relationships of $19.3 million amortized over a period of nine years and trade names of $0.4 million amortized over a period of six months, fair value adjustments to depreciable property, plant, and equipment assets, and interest expense associated with debt used to fund the acquisition. The following pro forma information assumes the shares of Series A Preferred Stock had converted into the same number of shares of common stock at the beginning of the period presented. To better reflect the combined operating results, significant nonrecurring acquisition-related expenses directly attributable to the transaction have been excluded. In addition, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma information is not necessarily indicative of the results that would have occurred if the acquisition had been completed at the beginning of the period presented, nor is it necessarily indicative of future results.

	Quarter Ended March 31, 2013	
Net revenues	$	81,668
Net income (loss) attributable to common stockholders		(1,383)
Net income (loss) per share attributable to common stockholders:		
Basic		(0.10)
Diluted		(0.10)
Weighted average shares outstanding[(1)]:		
Basic		13,735,566
Diluted		13,735,566

(1) Weighted average shares outstanding for the purposes of the above pro forma calculation assume the Convertible Redeemable Preferred Stock of 4,008,439 shares converted to the same number of shares of common stock at the beginning of the period presented.

Total net revenues of $42.8 million for EHI and net income before income taxes and noncontrolling interest of $4.4 million for EHI were included in the consolidated statements of comprehensive income (loss) for the quarter ended March 31, 2014.

During the quarters ended March 31, 2014 and March 31, 2013, the Company incurred approximately $0.7 million and $2.0 million in EHI acquisition and integration-related expenses, respectively, which are included in general and administrative expenses.

Air Amazonia

On September 3, 2013, the Company completed its acquisition of Air Amazonia, the aerial services business of HRT, based in Brazil, including a fleet of six rotor wing aircraft and ground facilities. This fleet serves oil and gas activities in the Solimoes region of Brazil. In addition to the acquired fleet, the Company also has the right of first refusal to purchase any or all of HRT s remaining eight aircraft over the 12 months from the closing date of the acquisition and the right of first refusal on all helicopter services in the Solimoes region of Brazil from HRT as operator, as well as on all helicopter services in all of Brazil (including offshore) from HRT.

In connection with the acquisition of Air Amazonia, consideration transferred included cash of $23.1 million at closing for the business, which includes a fully-operational fleet of six rotary-wing aircraft of varying types and mission capabilities, and an additional $3.0 million due within 12 months of closing.

During the quarters ended March 31, 2014 and March 31, 2013, the Company incurred approximately $0.1 million and $0.3 million in Air Amazonia acquisition and integration-related expenses, respectively, which are included in general and administrative expenses.

The assets purchased and liabilities assumed for Air Amazonia have been reflected in the Company s consolidated balance sheet as of March 31, 2014 and December 31, 2013, and the results of operations of Air Amazonia are included in the Company s consolidated statements of comprehensive income (loss) since the closing date of the acquisition. The preliminary assessment included aircraft of $20.0 million and goodwill and other intangible assets of $6.6 million. The Company is in the process of finalizing the purchase accounting related to the acquisition, including the working capital adjustment under the purchase agreement, goodwill, other intangible assets, and certain tax assets and liabilities; thus, the estimated amounts presented herein are subject to change.

Note 7. Other Intangible Assets, net

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

	Useful Life (in years)	March 31, 2014	December 31, 2013
Customer Relationships (EHI)	9	$ 19,300	$ 19,300
Customer Relationships (Air Amazonia)	9	2,500	2,500
Type Certificate[1]	Indefinite	2,205	2,205
		24,005	24,005
Less: accumulated amortization		(2,127)	(1,521)
Total other intangible assets, net		$ 21,878	$ 22,484

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

During the quarter ended March 31, 2014, amortization expense for intangible assets was $0.6 million and was recorded in cost of sales. Estimated amortization expense for intangible assets for future periods, including remaining amounts to be recorded in 2014 as of March 31, 2014, is as follows (in thousands):

	Intangible Asset Amortization	
2014	$	1,817
2015		2,422
2016		2,422
2017		2,422
2018		2,422
Thereafter		8,169
Total	$	19,674

Note 8. Accrued and Other Current Liabilities

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

	March 31, 2014		December 31, 2013	
Payroll and related taxes	$	11,300	$	12,004
Deferred maintenance on aircraft		4,421		9,694
Interest		12,660		5,142
Deferred revenue		996		1,210
Other		10,139		13,183
Total	$	39,516	$	41,233

Note 9. Debt

Outstanding debt consisted of the following (in thousands):

	March 31, 2014		December 31, 2013	
2020 Senior Notes	$	355,000	$	355,000
Revolving Credit Facility		83,553		68,086
2020 subordinated notes, net of discount		16,198		16,160
	$	454,751	$	439,246

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2020 Senior Notes Offering

On May 2, 2013, the Company closed its $400.0 million aggregate principal note 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 to (i) finance a portion of the purchase price for the EHI acquisition, (ii) refinance its 2015 Subordinated Notes and 2016 Subordinated Notes, (iii) refinance its prior senior secured asset-based revolving credit facility, comprised of the Term Debt and Revolving Line of Credit, (iv) pay related fees and expenses, and (v) used the remaining cash to fund operations.

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, 2014 and December 31, 2013 was $355.0 million.

A total of $46.0 million of the net proceeds were initially deposited in escrow, consisting of $45.0 million of aggregate principal and $1.0 million related to anticipated interest, to be used toward the acquisition of Air Amazonia. Pursuant to the terms of the 2020 Senior Notes, these proceeds of the offering were not released from escrow to consummate the Air Amazonia acquisition before July 31, 2013, and as a result, an aggregate principal amount of 2020 Senior Notes equal to $45.0 million were redeemed, on a pro rata basis, on August 5, 2013 pursuant to a special mandatory redemption, at a price equal to 100% of the principal amount of the 2020 Senior Notes being redeemed, plus accrued and unpaid interest to, but not including, August 5, 2013. The Company funded the purchase price of the Air Amazonia acquisition with borrowings from its Revolving Credit Facility during 2013 (see Note 6 Acquisitions).

On May 2, 2014, the Company commenced an offer to exchange all $355.0 aggregate principal amount of the 2020 Senior Notes, which were not registered under the Securities Act of 1933, for an equal principal amount of new 8.25% Second Priority Senior Secured Notes due 2020 which are substantially identical except that they will be registered under the Act and will not bear any legend restricting their transfer (see Note 20 Subsequent Events).

Revolving Credit Facility

On May 2, 2013, the Company entered into the Revolving Credit Facility, providing a new $100.0 million, five-year revolving credit facility with a group of financial institutions led by Wells Fargo Bank N.A. and including Bank of the West, Deutsche Bank Trust Company Americas, and HSBC Bank USA NA. On June 14, 2013, the Revolving Credit Facility was amended to increase the maximum aggregate amount that the Company may borrow from $100.0 million to $125.0 million, and on March 11, 2014 it was amended to increase the maximum amount that the Company may borrow 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 and the Company used a portion of the proceeds to fund the purchase price of the Air Amazonia acquisition.

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 as of March 31, 2014, 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 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, 2014 and December 31, 2013.

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, 2014 and December 31, 2013 was $83.6 million and $68.1 million, respectively. The weighted average interest rate for borrowings under the Revolving Credit Facility for the quarter ended March 31, 2014 was 5.15%. The interest rate at March 31, 2014 and December 31, 2013 was 5.25% and 5.06%, respectively. As of March 31, 2014 and December 31, 2013 the Company had $0.9 million and $5.1 million in outstanding standby letters of credit under the Revolving Credit Facility, respectively, and maximum borrowing availability was $55.6 million and $51.8 million as of March 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the carrying value of the 2020 Subordinated Notes was $16.2 million, made up of the face value of $17.5 million net of the unamortized discount of $1.3 million. The weighted average interest rate for borrowings under the 2020 Subordinated Notes was 6.00% during the quarter ended March 31, 2014.

Advance from Cambiano

EuAC is party to an Amended Agreement with Banca Di Credito Cooperativo Di Cambiano (Cambiano) whereby EuAC may request advances up to 4.0 million. Advances are based on documentary proof of receivables due from the Italian government. The purpose of this Agreement is to provide short term liquidity needs. There were no advances outstanding as of March 31, 2014 and December 31, 2013. The agreement may be canceled by either party at any time.

On August 4, 2008, EuAC executed a bank guarantee and pledged 3.0 million as restricted cash in connection with a performance guarantee for a four-year leasing contract in Italy. Following receipt of the restricted cash, Cambiano issued a letter of credit for the performance bond. In the third quarter of 2012, the restricted cash amount was reduced to $2.6 million (2.0 million), in conjunction with the reduction in the corresponding letter of credit. The restrictions renewed in June 2013 through the remainder of the 2013 fire season and the Company has classified the restricted cash related to the pledges as current assets based on the anticipated release date of the restriction.

Note 10. 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, 2014 and for the quarter ended March 31, 2014 are unaudited.

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	Condensed Consolidating Balance Sheet March 31, 2014				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 10	$	$ 3,200	$	$ 3,210
Restricted cash	152	364	2,027		2,543
Accounts receivable, net	12,405	30,796	8,996	73	52,270
Prepaid expenses and other current assets	2,143	915	914		3,972
Income tax receivable	10		1,096		1,106
Deferred tax assets	3,372		233		3,605
Total current assets	18,092	32,075	16,466	73	66,706
Aircraft support parts, net	97,054	37,346	213	(45)	134,568
Aircraft, net	95,289	35,290	3,778		134,357
Property, plant and equipment, net	68,484	42,657	1,453		112,594
Goodwill		231,627	4,257	(762)	235,122
Other intangible assets, net	2,205	17,334	2,339		21,878
Other non-current assets	325,436	5,537	947	(305,092)	26,828
Total assets	$ 606,560	$ 401,866	$ 29,453	$ (305,826)	$ 732,053
Liabilities and stockholders equity (deficit)					
Current liabilities:					
Accounts Payable	9,954	17,691	3,417		$ 31,062
Current portion of long-term debt					
Accrued and other current liabilities	(48,691)	59,930	28,277		39,516
Income tax payable					
Total current liabilities	(38,737)	77,621	31,694		70,578
Long-term debt, less current portion	16,198				16,198
Long-term revolving credit facilities	83,553				83,553
Long-term notes payable	355,000				355,000
Other long-term liabilities	2,050		63		2,113
Uncertain tax positions	5,669				5,669
Deferred tax liabilities	12,628		28		12,656
Total liabilities	436,361	77,621	31,785		545,767
Stockholders equity (deficit):					
Common stock	1		1,674	(1,674)	1
Additional paid-in capital	180,528	297,994	33	(298,027)	180,528
Retained earnings (accumulated deficit)	(10,769)	26,251	(5,520)	(5,452)	4,510
	439		848	(999)	288

Accumulated other comprehensive income (loss)					
Total stockholders equity (deficit) attributable to Erickson Incorporated	170,199	324,245	(2,965)	(306,152)	185,327
Noncontrolling interest			633	326	959
Total stockholders equity (deficit)	170,199	324,245	(2,332)	(305,826)	186,286
Total liabilities and stockholders equity	$ 606,560	$ 401,866	$ 29,453	$ (305,826)	$ 732,053

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Condensed Consolidating Balance Sheet
December 31, 2013

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 576	$ (12)	$ 1,317	$	$ 1,881
Restricted cash	151	364	2,368		2,883
Accounts receivable, net	17,290	40,560	8,024	113	65,987
Prepaid expenses and other current assets	1,878	582	900		3,360
Income tax receivable	70		65		135
Deferred tax assets	3,372		343		3,715
Total current assets	23,337	41,494	13,017	113	77,961
Aircraft support parts, net	93,719	33,022		(45)	126,696
Aircraft, net	88,242	35,236	3,701		127,179
Property, plant and equipment, net	70,145	37,825	1,412		109,382
Other intangible assets, net	2,205	17,870	2,409		22,484
Goodwill		231,626	4,114	(762)	234,978
Other non-current assets	325,768	7,133	816	(305,092)	28,625
Total assets	$ 603,416	$ 404,206	$ 25,469	$ (305,786)	$ 727,305
Liabilities and stockholders equity (deficit)					
Current liabilities:					
Accounts Payable	8,179	17,889	2,967		$ 29,035
Current portion of long-term debt					
Accrued and other current liabilities	(48,899)	66,513	23,592	27	41,233
Income tax payable			621		621
Total current liabilities	(40,720)	84,402	27,180	27	70,889
Long-term debt, less current portion	16,160				16,160
Long-term revolving credit facilities	68,086				68,086
Long-term notes payable	355,000				355,000
Other long-term liabilities	1,756		63		1,819
Uncertain tax positions	5,669				5,669
Deferred tax liabilities	16,745		30		16,775
Total liabilities	422,696	84,402	27,273	27	534,398
Stockholders equity (deficit):					
Common stock	1		1,674	(1,674)	1
Additional paid-in capital	179,954	297,994	33	(298,027)	179,954
Retained earnings (accumulated deficit)	806	21,810	(5,142)	(5,370)	12,104

Accumulated other comprehensive income (loss)	(41)		997	(998)	(42)
Total stockholders equity (deficit) attributable to Erickson Incorporated	180,720	319,804	(2,438)	(306,069)	192,017
Noncontrolling interest			634	256	890
Total stockholders equity (deficit)	180,720	319,804	(1,804)	(305,813)	192,907
Total liabilities and stockholders equity	$ 603,416	$ 404,206	$ 25,469	$ (305,786)	$ 727,305

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Condensed Consolidating Statement of Operations
Quarter Ended March 31, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues:	$ 24,627	$ 42,752	$ 11,560	$ (4,755)	$ 74,184
Cost of revenues	21,142	37,776	11,741	(4,755)	65,904
Gross profit	3,485	4,976	(181)		8,280
Operating expenses:					
General and administrative	5,642	420	735		6,797
Research and development	1,318				1,318
Selling and marketing	2,801	157	30		2,988
Total operating expenses	9,761	577	765		11,103
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 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 income (loss) related to noncontrolling interest				(69)	(69)
Net income (loss) attributable to Erickson Incorporated and common stockholders	$ (11,575)	$ 4,441	$ (378)	$ (82)	$ (7,594)

Condensed Consolidating Statement of Operations
Quarter Ended March 31, 2013

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues:	$ 31,650	$	$ 9,768	$ (4,478)	$ 36,940
Cost of revenues	23,164		8,956	(4,454)	27,666
Gross profit	8,486		812	(24)	9,274

Operating expenses:					
General and administrative	5,488		823		6,311
Research and development	913				913
Selling and marketing	2,397		35	(42)	2,390
Total operating expenses	8,798		858	(42)	9,614
Operating income (loss)	(312)		(46)	(18)	(340)
Other income (expense):					
Interest income (expense), net	(1,351)		(6)		(1,357)
Other income (expense), net	(426)		12	(20)	(434)
Total other income (expense)	(1,777)		6	(20)	(1,791)
Net income (loss) before income taxes and noncontrolling interest	(2,089)		(40)	(2)	(2,131)
Income tax expense (benefit)	(1,533)		397		(1,136)
Net income (loss)	(556)		(437)	(2)	(995)
Less: Net income (loss) related to noncontrolling interest				(221)	(221)
Net income (loss) attributable to Erickson Incorporated and common stockholders	$ (556)	$	$ (437)	$ (223)	$ (1,216)

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Condensed Consolidating Statement of Cash Flows
Quarter Ended March 31, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (11,575)	$ 4,441	$ (378)	$ (13)	$ (7,525)
Adjustments to reconcile net income (loss) to net cash provided by (used in) 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
Stock-based compensation	160				160
Amortization of debt issuance costs	621				621
Gain on sale of equipment	(61)	(25)	(44)		(130)
Changes in operating assets and liabilities					
Accounts receivable	4,884	9,764	(785)	13	13,876
Prepaid expenses and other current assets	(266)	(332)	(1)		(599)
Income tax receivable	60	(3)	101		158
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)
Other long-term liabilities	294				294
Net cash provided by (used in) operating activities	(6,064)	6,789	1,769		2,494
Cash flows from investing activities:					
Restricted cash			200		200
Purchases of aircraft and property, plant and equipment	(10,635)	(6,777)	(71)		(17,483)
Net cash provided by (used in) 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
Debt issuance costs	(230)				(230)
Net cash provided by (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	(566)	12	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	$ 10	$	$ 3,200	$	$ 3,210

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Condensed Consolidating Statement of Cash Flows
Quarter Ended March 31, 2013

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (556)	$	$ (437)	$ (2)	$ (995)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,347		53		5,400
Deferred income taxes	(1,533)				(1,533)
Non-cash interest expense on debt	657				657
Stock-based compensation	180				180
Amortization of debt issuance costs	322				322
Changes in operating assets and liabilities:					
Accounts receivable	(5,176)		(1,078)	2	(6,252)
Prepaid expenses and other current assets	(1,554)		(115)		(1,669)
Income tax receivable, net	(452)		979		527
Aircraft support parts, net	(7,282)				(7,282)
Accounts payable	(635)		319		(316)
Accrued and other current liabilities	4,445		228		4,673
Net cash provided by (used in) operating activities	(6,237)		(51)		(6,288)
Cash flows from investing activities:					
Purchases of aircraft and property, plant and equipment	(2,921)		(3)		(2,924)
Restricted cash	3		(53)		(50)
Decrease (increase) in other assets			(35)		(35)
Net cash provided by (used in) investing activities	(2,918)		(91)		(3,009)
Cash flows from financing activities:					
Repayments of credit facilities	(59,270)				(59,270)
Borrowings from credit facilities	68,590				68,590
Debt issuance costs	(199)				(199)
Net cash provided by (used in) financing activities	9,121				9,121
Effect of foreign currency exchange rates on cash and cash equivalents			31		31
	(34)		(111)		(145)

Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of period	41		1,427		1,468
Cash and cash equivalents at end of period	$ 7	$	$ 1,316	$	$ 1,323

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Note 11. Income Taxes

The Company s effective income tax rate for the quarter ended March 31, 2014 was 37.8%. For the quarter ended March 31, 2013, the Company s effective income tax rate was 53.3%, inclusive of $0.3 million of unfavorable discrete items. The Company s effective income tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income it earns in those jurisdictions, and discrete items, which may occur in any given period.

In accounting for income taxes, the Company recognizes deferred tax assets if realization of such assets is more likely than not. The Company believes, based on factors 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, that as of March 31, 2014, it is more likely than not that the Company will realize all of its deferred tax assets, including its net operating loss carry forwards and tax credits. The Company s utilization of net operating loss carryforwards and credits may be subject to annual limitations in accordance with ownership change provisions of Internal Revenue Code §382.

As of March 31, 2014, there have been no material changes to the Company s uncertain tax position as provided at December 31, 2013. It is the Company s policy to recognize interest and penalties related to uncertain tax positions in other income (expense).

The Company intends to make a 338(g) election in 2014 in connection with its September 3, 2013 acquisition of Air Amazonia. The Company intends to record goodwill for Brazilian income tax purposes for the amount paid in excess of the net equity of Air Amazonia, which may result in the generation of an amortizable premium or a step-up in the tax bases of otherwise depreciable or amortizable assets.

The Italian tax authorities completed their examination of the Company s operations in Italy for the 2010 financial year on October 7, 2013 and subsequently issued proposed adjustments. The proposed adjustments are not expected to have a significant impact on the Company s consolidated financial position, results of operations, or cash flows. In February 2014, the Company filed an appeal with the Italian Court on this matter.

The Greek tax authorities are currently conducting a permanent establishment examination of the Company for the Company s 2010 and 2011 financial years. Unrecognized tax benefits as of March 31, 2014 and December 31, 2013 include all material uncertain tax positions associated with this examination.

The Malaysian tax authorities have initiated an examination into the 2008 through 2011 tax return years. The tax audit is in the information gathering phase and no formal assessment has been made.

The IRS is currently conducting an examination for the Company s 2012 tax year. The examination is in the information gathering phase and no formal assessment has been made.

The Company is not under examination by tax authorities in any of its other jurisdictions.

Note 12. 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. Prior to May 2, 2013, the Company s reportable operating segments were Aerial services, which consisted of firefighting, timber harvesting, infrastructure construction, and crewing, and

Manufacturing/MRO, which consisted of aftermarket support and maintenance, repair, and overhaul (MRO) services for the Aircrane and other aircraft and the remanufacture of Aircranes and related components. On May 2, 2013, the Company completed its acquisition of EHI. As a result of the acquisition, the Company established new reportable operating segments to assess performance by type of customer: Government and Commercial. Segment data for prior periods has been reclassified to reflect the establishment of the Government and Commercial segments. The Government segment includes firefighting, defense and security, and transportation and other operating segments, as these lines of business are primarily contracted with government customers. The Commercial segment includes both logging and construction operating segments, as these lines of business are primarily contracted with commercial customers.

Government. The Company s Government revenue is derived primarily from contracts with various governments who use its services for firefighting, 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.

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.

Defense and Security. 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 U.S.

Transportation and Other Government-Related Activities. This line of business captures several types of government services including transportation of items for various government entities that are not defense or security related, crewing and cost per hour (CPH) services for government customers, as well as other government-related services. Crewing services are typically for customers who have purchased an Aircrane but lack trained or certified operating personnel-related to the Aircrane. The Company offers pilots and field maintenance crews as part of its crewing services. For government customers who desire better predictability and stability in their aircraft operating costs, the Company offers CPH contracts in which it provides major components and rotable parts at a fixed cost per flight hour.

Commercial. The Company s Commercial revenue is derived primarily from timber harvesting, infrastructure construction, and manufacturing/ MRO.

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 and Asia.

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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 oil and gas, construction, energy transmission, and energy generation industries.

MRO, Component Part Sale, and Other. 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 is also pursuing aftermarket opportunities to manufacture and sell parts or provide 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 nine Aircranes since 2002 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

The following table sets forth information about the Company s operations by its two reportable segments. Amounts identified as Corporate are assets or expenses that are not directly attributable to a specific segment:

Revenue by Reportable Segment (in thousands):

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Net revenues:		
Government	$ 55,917	$ 17,607
Commercial	18,267	19,333
Total net revenues	$ 74,184	$ 36,940

Gross Profit by Reportable Segment (in thousands):

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Gross Profit:		
Government	$ 34,850	$ 11,076
Commercial	9,471	10,712
Non-allocated costs[1]	(36,041)	(12,514)
Total gross profit	$ 8,280	$ 9,274

(1) Non-allocated costs include costs that are shared by both of the reporting segments but are not allocated to the operating segments for the use of the CODM and expenses that are not directly attributable to the operating segments.

Assets by Reportable Segment (in thousands):

	March 31, 2014	December 31, 2013
Assets:		
Government	$ 284,696	$ 295,153
Commercial	18,590	21,070
Corporate[1]	51,099	51,756
Fixed assets[2]	377,668	359,326
Total assets	$ 732,053	$ 727,305

(1) Corporate assets are comprised primarily of cash, prepaid and other current assets, and deferred tax assets

(2) Fixed assets are comprised of the aircraft fleet and fleet support assets including aircraft, net, aircraft support parts, 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 income (loss) for the quarters ended March 31, 2014 and March 31, 2013 is as follows (in thousands):

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Reconciliation to operating income (loss):		
Government gross profit	$ 34,850	$ 11,076
Commercial gross profit	9,471	10,712
Non-allocated costs of revenue[1]	(36,041)	(12,514)
Operating expenses, net[2]	(11,103)	(9,614)
Total operating income (loss)	$ (2,823)	$ (340)

(1) Non-allocated costs include costs that are shared by both of the reporting segments but are not allocated to the operating segments for the use of the CODM and expenses that are not directly attributable to the operating segments.

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

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Revenue by Geographic Area (in thousands):

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Net revenues:		
North America	$ 17,715	$ 11,380
Middle East	19,951	
Europe	3,314	3,038
Asia	5,757	2,093
South America	8,107	5,872
Africa	8,287	
Australia	11,053	14,557
Total net revenues	$ 74,184	$ 36,940

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

Note 13. 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

Priority 1 Matter

In November 2012, Priority 1 Air Rescue Services, Inc., or Priority 1, brought breach of contract claims against EHI in Multnomah County (Oregon) Circuit Court related to two subcontracts between Priority 1 and EHI. The primary contracts were between EHI and the U.S. Government for air medical evacuation, fire suppression, and other related services in Hawaii and Alaska. Priority 1 alleges that EHI failed to pay invoices for work performed in the amount of approximately $0.7 million. Priority 1 also claims an additional amount for consequential damages and interest. The total amount claimed by Priority 1 is approximately $2.0 million. EHI answered the complaint in December 2012, and denied all allegations. In March 2014, the Company and Priority 1 entered into a settlement agreement pursuant to which the Company paid $225,000 to Priority 1 in full and final settlement of this matter.

Fortis Matter

A complaint was served on EHI on August 27, 2012, by the plaintiff, Fortis Lease Deutschland GmbH, in the Regional Court, 7th Chamber for Commercial Matters, Cologne, Germany. The plaintiff claims approximately 0.8 million in damages for the payment of VAT levied on the purchase price relating to EHI s purchase of two helicopters from the plaintiff in 2011. The complaint lodged by plaintiff resulted in a default judgment against EHI issued on February 26, 2013. In a brief filed with the court on May 10, 2013, EHI objected to the default judgment, arguing that the sale of the two helicopters was tax exempt as they both were exported to a third country outside the European Union. In January 2014, Erickson agreed to pay 40,000 in full and final settlement of this matter.

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 2013 or during the quarter ended March 31, 2014. 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 of 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. 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. In the Company s opinion, none of these claims will have a material adverse effect on it.

Note 14. 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 $0.2 million and zero during the quarters ended March 31, 2014 and March 31, 2013.

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 March 31, 2014 as an increase to additional paid-in capital and as a component of investing activity within the Consolidated Statement of Cash Flows for the quarter ended March 31, 2014.

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 15. Derivative Instruments and Hedging Activities

The Company enters into foreign currency forward contracts from time to time. 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. Outstanding balances of foreign currency forward contracts in asset positions at year end are included in prepaid expenses and other assets if maturing within one year, or other noncurrent assets if maturing beyond one year within the accompanying consolidated balance sheets. Outstanding balances of foreign currency forward contracts in liability positions at year end 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 accompanying consolidated balance sheets.

A summary of open foreign currency forward contracts as of March 31, 2014 are as follows (all contracts are obligations for the Company to deliver foreign currency i.e., short positions) (in thousands):

Purpose/Maturity	Foreign Quantity	Contract Value	Market Value	Asset (Liability)
March 31, 2014:				
Australia Aerial operations maturing through June 2014	AUD 2,500	$ 2,235	$ 2,306	$ (71)

The Company was not party to any foreign currency forward contracts as of December 31, 2013.

Note 16. Variable Interest Entity

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, 2014, EuAC consolidated assets and liabilities were $5.9 million and $3.3 million, respectively. At December 31, 2013, EuAC consolidated VIE assets and liabilities were $5.5 million and $3.0 million, respectively. As of March 31, 2014 and December 31, 2013, $1.0 million and $0.9 million, respectively, of noncontrolling interest relating to the other owners stockholdings in EuAC is reflected in stockholders equity in the accompanying consolidated balance sheets.

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Note 17. Seasonality

The Company s flight hours are substantially reduced in winter or monsoon seasons. The global deployment of the Company s helicopters 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. The Company believes the acquisitions of EHI, which primarily services the Department of Defense, and Air Amazonia, which services an oil and gas related customer in Brazil, will continue to reduce seasonality and further diversify its end market and customer mix.

Note 18. 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 basic and diluted earnings (loss) per share (net income in thousands).

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Net income (loss) attributable to common shareholders	$ (7,594)	$ (1,216)
Basic weighted average shares outstanding	13,789,426	9,727,127
Dilutive effect of stock-based awards		
Dilutive weighted average shares outstanding	13,789,426	9,727,127
Basic earnings (loss) per share	$ (0.55)	$ (0.13)
Diluted earnings (loss) per share	$ (0.55)	$ (0.13)
Antidilutive common stock equivalents excluded from diluted earnings (loss) per share	41,723	153,047

Note 19. 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 25,263 shares available for grant under the Long Term Incentive Plan as of March 31, 2014. 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 quarter ended March 31, 2014:

	Restricted Stock Award Units	Weighted-Average Grant Date Fair Value
Outstanding unvested at December 31, 2013	91,218	$ 11.75
Granted	15,500	21.53
Vested restricted stock units	(1,620)	8.00
Forfeited	(17,875)	12.39
Outstanding unvested at March 31, 2014	87,223	$ 13.42

During the quarters ended March 31, 2014 and March 31, 2013, the Company granted 15,500 and no restricted stock unit awards, respectively. The Company recognized approximately $0.2 million in stock-based compensation expense during the quarters ended March 31, 2014 and March 31, 2013.

Unrecognized stock-based compensation expense related to outstanding unvested restricted stock unit awards as of March 31, 2014 is expected to be recognized over a weighted average period of 0.8 years, as follows (dollars in thousands):

	Unamortized Compensation Expense
2014	$ 741
2015	278
2016	9
2017	7
2018	
Thereafter	
Total	$ 1,035

Note 20. Subsequent Events

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 will expire on June 2, 2014, unless extended. The New Notes are substantially identical to the Original Notes, except that the New Notes will be registered under the Act and will not bear any legend restricting their transfer.

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 compar terminology. These forward-looking statements are based on management s

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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 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.

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

Recent Developments   highlights from the first quarter of 2014 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 our 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 2014 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 2014.

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, 2014.

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

In March 2014, we signed a four-year contract with Hunt Oil Exploration and Production Company of Peru, L.L.C. Sucursal de Peru (Hunt Oil), under which we will provide one S-64 Aircrane and one Bell 214ST for year-round use.

In April 2014, we signed a five-year contract with Pluspetrol Peru Corporation S.A., under which we will provide one S-64 Aircrane and related support for year-round use.

We experienced no aircraft accidents, maintained our SHARP certification, and maintained zero findings on all FAA certificates.

Financial Highlights   quarter ended March 31, 2014 compared to quarter ended March 31, 2013

Our revenue for the quarter ended March 31, 2014 was $74.2 million, or $37.2 million higher than for the quarter ended March 31, 2013. This 100.8% increase was primarily driven by the acquisition of EHI, coupled with increases in South American oil and gas construction primarily driven by the acquisition of Air Amazonia, partially offset by decreases in Australian firefighting, Malaysian timber harvesting and transportation and other government related activities provided to our Italian customer. Operating loss was $2.8 million, an increase of $2.5 million as compared to $0.3 million in the same quarter of 2013, primarily driven by lower contribution from our Aircrane fleet as well as startup costs related to our new contracts, weather delays and increased pilot and field maintenance personnel costs. Net loss attributable to Erickson for the quarter ended March 31, 2014 was $7.6 million, as compared to $1.2 million in 2013, an increase of $6.4 million. First quarter adjusted EBITDA decreased 16.1% to $5.8 million as compared to $7.0 million in the prior year period primarily due to the items discussed above.

Our heavy lift fleet utilization (calculated as the number of days on contract as a percentage of total available days) decreased from 57.1% in the first quarter of 2013 to 52.8% in the first quarter of 2014 primarily as a result of weather delays and delays in new contract starts. Our medium and light rotary wing fleet utilization was 48% for the first quarter of 2014. Our fixed-wing fleet utilization was 46% for the first quarter of 2014.

Aircraft Fleet

As of March 31, 2014, we operated a fleet of 90 Aircraft, 59 of which were providing aerial services for our customers during the quarter. Aircraft fleet size is a major driver 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. Of the total aircraft in our fleet as of March 31, 2014, 20 were Aircranes, one of which is in the process of heavy maintenance. As of March 31, 2014, a total of 67 aircraft were air-worthy and available to be on contract with customers.

The following table presents the changes in aircraft employed in our fleet as of March 31, 2014:

	Aircraft	Total Aircraft Employed
Aircraft in our fleet at December 31, 2013		90
Aircraft restored to fleet from maintenance	1	
Aircraft removed from fleet for maintenance	(1)	
Aircraft in our fleet at March 31, 2014		90

OVERVIEW OF THE BUSINESS

We are a leading global provider of aviation services to a worldwide mix of Commercial and Government customers. We currently operate a diverse fleet of 90 rotary-wing and fixed-wing aircraft, including a fleet of 20 heavy-lift S-64 Aircranes. 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 Aircrane, related components, and other aftermarket support and maintenance, repair, and overhaul services for the Aircrane and other aircraft. 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. Within our fleet we have 20 Aircranes, versatile and powerful heavy-lift helicopters that we manufacture in-house. The Aircrane has two models, the S-64E and the S-64F, and our fleet of 20 contains 13 and 7 of each model respectively, making us the largest operator of Aircranes in the world. The Aircrane has a lift capacity of up to 25,000 pounds and is the only commercial aircraft built specifically as a flying crane, without a fuselage for internal loads. It is also unique in that it is the only commercial heavy-lift helicopter with a rear load-facing cockpit, combining an unobstructed view and complete aircraft control for precision lift and load placement capabilities.

We own the Type and Production Certificates for the Aircrane, 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 Aircrane 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. We have remanufactured 36 Aircranes for our own fleet and for our customers in several countries worldwide. To date, we have sold and delivered nine Aircranes. We also offer CPH contracts pursuant to which we provide components and expendable supplies for a customer s aircraft at a fixed cost per flight hour. We believe CPH contracts help our customers better predict and manage their maintenance costs. This sector of our business is referred to as Manufacturing/MRO.

Prior to May 2, 2013, our reportable operating segments were Aerial services, which consisted of firefighting, timber harvesting, infrastructure construction, and crewing, and Manufacturing/MRO, which consisted of aftermarket support and maintenance, repair, and overhaul (MRO) services for the Aircrane and other aircraft and the remanufacture of Aircranes and related components. On May 2, 2013, we completed our acquisition of EHI, and on September 3, 2013, we completed the acquisition of Air Amazonia. As a result of the EHI acquisition, we established new reportable operating segments to assess performance by type of customer: Government and Commercial. Our Government segment is comprised primarily from contracts with various governments who use our services for firefighting, defense and security, transportation and other government-related activities. Our Commercial segment is comprised primarily from timber harvesting, construction, and manufacturing/MRO contracts.

Sales and Marketing

To maintain and strengthen our position in the aerial services market, we monitor revenue flight hours by our operating segments and their underlying lines of business, aggregate revenues, and backlog revenues for our Government segment by firefighting, defense and security, transport and other government-related activities and our Commercial segment for timber harvesting and infrastructure construction, and compare these against budgeted and forecasted targets to measure performance. We monitor our sales pipeline for each of these services, and maintain a master fleet schedule and attempt to maximize aircraft utilization and revenues by minimizing our aircraft idle time, or white space .

Contained in our Commercial segment is our Manufacturing / MRO line of business. In an effort to continue to build and develop our Manufacturing / MRO business, 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.

Operations and Safety

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 cost 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 which could lead to negative reported gross profit in these quarters. The additions of EHI and Air Amazonia significantly increase the diversity of the end markets we serve and we believe this addition reduces the seasonality of our business.

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.

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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.

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. Our Government revenue is derived primarily from contracts with various governments who use our services for firefighting, defense and security, and transportation and other government-related activities. Many of our contracts for Government services are multi-year, and provide the majority of our current revenue backlog.

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 customer is 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.

Defense and Security. 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 our defense and security related work is performed outside of the U.S.

Transportation and Other Government-Related Activities. This line of service captures several types of government services including transportation of items for various government entities that are not defense or security related, crewing and/or cost per hour (CPH) for government customers, as well as other government-related services. Crewing services are typically for customers who have purchased an Aircrane but lack trained or certified operating personnel related to the Aircrane. We offer pilots and field maintenance crews under our crewing services. For government customers who desire better predictability and stability in their aircraft operating costs, we offer CPH contracts in which we provide major components and rotable parts at a fixed cost per flight hour.

Commercial. Our Commercial revenue is derived primarily from timber harvesting, infrastructure construction, and manufacturing/ MRO.

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

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 oil and gas, construction, energy transmission, and energy generation industries.

Manufacturing / MRO. We have an ongoing revenue stream from customers who own or operate either Aircranes or the military version CH-54s 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 are also pursuing aftermarket opportunities to manufacture and sell parts or provide 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 Aircrane may find it advantageous to own an Aircrane rather than lease our fleet s services. We have sold nine Aircranes since 2002 and subsequently re-purchased one of these Aircranes in 2012. While we continue to pursue Aircrane sales and will make sales strategically when opportunities arise, we do not rely on Aircrane sales as an essential part of our business planning.

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; 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.

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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, Brazilian and Asian contracts having both revenues and expenses paid in the local currency; in addition, some of our contracts provide 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

Acquisition of Evergreen Helicopters, Inc. On May 2, 2013, we acquired EHI. The EHI acquisition significantly enhances and diversifies our business. As a result of the EHI acquisition, we now offer a full spectrum of heavy, medium, and light-lift helicopter solutions, including fixed-wing solutions. Our solutions include the design, engineering, development, certification, testing, and manufacturing of the Aircrane, as well as aerial services and MRO capabilities for these and other aircraft. The EHI acquisition also changed our mix of customers, most significantly to include defense and security.

The completion of the EHI acquisition provided us with an incremental fleet of 63 aircraft on the acquisition date, consisting of 50 medium and light lift helicopters as well as 13 fixed-wing aircraft. This diverse fleet serves a wide range of customers, including significant passenger transport and airlift services for the Department of Defense (DOD) and State Department. EHI s operations span the globe, including a presence in North America, the Middle East, Africa, and Asia.

Acquisition of Air Amazonia. On September 3, 2013, we acquired Air Amazonia, which expanded our operations in Brazil. Air Amazonia primarily operates in the oil and gas business, a component of our infrastructure construction business. The acquisition added six medium and light lift helicopters to our fleet.

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 and margins with respect to some of the new DOD contracts on which we bid. In addition, our end-customer in the Philippines has indicated that certain portions or all of the contracted work in that region may be concluding towards the end of 2014. 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 sector 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 Aircranes in our fleet on the date of acquisition was $317.7 million. The negative goodwill was used to reduce the value of Aircranes 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-Q 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 $37.1 million from the date of acquisition through March 31, 2014. Based on our past experience and historical inventory usage patterns, we expect to largely realize the benefit of the approximately $6.1 million remaining fair value purchase accounting adjustment to aircraft support parts over the next three years 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 Aircranes 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 will be focused on selling both aircraft and inventory held by the company as well as aircraft and inventory that will be acquired for sale.

Costs Associated with our Financing Arrangements. We are a highly 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, 2014 and December 31, 2013. Our ability to service our debt and 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, 2014, included within our non-current assets balance was $6.1 million (4.4 million) due from the Hellenic Fire Brigade for final payment of firefighting services performed in 2011. In 2012, the government of Greece communicated with us its belief 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 have asked the U.S. Competent Authority Office to assist us in settling the dispute. We anticipate that any Greek taxes we are compelled to pay will be allowed as a foreign tax credit on our U.S. tax return. For the quarter ended March 31, 2014, we recognized $0.2 million for potential penalties associated with the tax liability for Greece.

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Crewing and CPH Contracts with Italian Forestry Service. We have provided crewing services on a multi-year basis to the Italian Forestry Service in respect of four aircraft we previously sold to the Italian Forestry Service. We also provided maintenance and CPH for parts to this customer. Our contracts to provide services to the Italian Forestry Service expired in June 2013. We entered into a short term contract with the Italian Forestry Service to provide crewing services for the fire season. As part of the new contract the Italian Forestry Service elected to purchase MRO parts directly from us in lieu of utilizing our CPH services.

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. The additions of EHI and Air Amazonia significantly increase the diversity of end markets we serve and we believe this addition will ultimately continue to reduce the seasonality of our business.

Fluctuations in our Mix of Services. We derive most of our total revenues from our government segment, which is composed of revenues from firefighting, defense and security, and transport and other government-related activities. 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 Government and Commercial segment of our business. For example, in the first quarter of 2014 we generated average revenues per flight hour for firefighting, timber harvesting, and infrastructure construction of $28,819, $6,565, and $16,455, respectively, compared to average revenues per flight hour for firefighting, timber harvesting, and infrastructure construction of $30,450, $7,271, and $14,294 in the first quarter of 2013. Our Government segment has also fluctuated compared to the prior year period as a result of the addition of EHI and its revenue earned associated with DOD contracts. Changes in the composition of our flight hours for any reason could impact our total revenues. Many of our contracts, particularly firefighting and defense and security contracts contain a daily standby fee as well as an hourly rate based on flight activity. Changes in the composition of daily standby fees relative to the number of hours flown could impact our total revenues. In addition, the acquisitions of EHI and Air Amazonia will continue to impact our mix of services and the regions in which we provide them.

Expenses Associated with Expansion. As part of our business strategy, we may acquire businesses or specific assets or engage in other strategic transactions. For instance, we acquired EHI in May 2013 and Air Amazonia in September 2013. 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.

RESULTS OF OPERATIONS

Quarter Ended March 31, 2014 Compared to Quarter Ended March 31, 2013

The following table presents our consolidated operating results for the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013:

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Net revenues:						

Government	$	55,917		75.4	$	17,607		47.7	$	38,310	217.6
Commercial		18,267		24.6		19,333		52.3		(1,066)	(5.5)
Total revenues		74,184		100.0		36,940		100.0		37,244	100.8
Cost of revenues:											
Government(1)		21,067		37.7		6,531		37.1		14,536	222.6
Commercial(1)		8,796		48.2		8,621		44.6		175	2.0
Non-allocated		36,041		48.6		12,514		33.9		23,527	188.0
Total cost of revenues		65,904		88.8		27,666		74.9		38,238	138.2
Gross profit											
Government(1)		34,850		62.3		11,076		62.9		23,774	214.6
Commercial(1)		9,471		51.8		10,712		55.4		(1,241)	(11.6)
Non-allocated		(36,041)		(48.6)		(12,514)		(33.9)		(23,527)	188.0
Total gross profit		8,280		11.2		9,274		25.1		(994)	(10.7)
Operating expenses:											
General and administrative		6,797		9.2		6,311		17.1		486	7.7
Research and development		1,318		1.8		913		2.5		405	44.4
Selling and marketing		2,988		4.0		2,390		6.5		598	25.0
Total operating expenses		11,103		15.0		9,614		26.0		1,489	15.5
Operating income (loss)		(2,823)		(3.8)		(340)		(0.9)		(2,483)	NM
Other income (expense)											
Interest income (expense), net		(8,753)		(11.8)		(1,357)		(3.7)		(7,396)	NM
Other income (expense), net		(519)		(0.7)		(434)		(1.2)		(85)	19.6
Total other income (expense)		(9,272)		(12.5)		(1,791)		(4.8)		(7,481)	NM
Net income (loss) before taxes and noncontrolling interest		(12,095)		(16.3)		(2,131)		(5.8)		(9,964)	NM
Income tax expense (benefit)		(4,570)		(6.1)		(1,136)		(3.1)		(3,434)	NM
Net income (loss)		(7,525)		(10.2)		(995)		(2.7)		(6,530)	NM
Less: Net (income) loss related to noncontrolling interest		(69)		(0.1)		(221)		(0.6)		152	(68.8)
Net income (loss) attributable to Erickson Incorporated.	$	(7,594)	$	(10.3)	$	(1,216)	$	(3.3)	$	(6,378)	$ 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 increased by $37.2 million, or 100.8%, to $74.2 million in the first quarter of 2014 from $36.9 million in the first quarter of 2013. The increase in revenues was attributable to a $38.3 million increase in Government revenues, partially offset by a $1.1 million decrease in Commercial revenues compared to the first quarter of 2013.

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(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Net revenues:						
Government	$ 55,917	75.4	$ 17,607	47.7	$ 38,310	217.6
Commercial	18,267	24.6	19,333	52.3	(1,066)	(5.5)
Total revenues	$ 74,184	100.0	$ 36,940	100.0	$ 37,244	100.8

Government. Government revenues increased by $38.3 million, or 217.6%, to $55.9 million in the first quarter of 2014 from $17.6 million in the first quarter of 2013. This increase was primarily due to the acquisition of EHI and the introduction of defense and security contracts, offset by a decrease in firefighting revenues primarily due to lower flight hours in Australia, coupled with lower transport and other government-related services, primarily due to lower revenues associated with our Italian CPH and crewing customer.

Commercial. Commercial revenues decreased $1.1 million, or 5.5%, to $18.3 million in the first quarter of 2014 from $19.3 million in the first quarter of 2013. This decrease was primarily due to the lower timber harvesting revenues primarily in Malaysia coupled with lower North American infrastructure construction of $2.8 million, partially offset by an increase in South American infrastructure construction of $2.2 million and an increase in MRO revenues of $1.1 million.

The following are our revenues and revenue flight hours by type of service for the quarters ended March 31, 2014 and 2013:

(Dollars in thousands)	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	Change	% Change
Government revenues:				
Firefighting	$ 12,882	$ 14,555	$ (1,673)	(11.5)
Defense and security	41,067		41,067	NM
Transport and other government-related services	1,968	3,052	(1,084)	(35.5)
Total Government revenues	$ 55,917	$ 17,607	$ 38,310	217.6

(Dollars in thousands)	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	Change	% Change
Commercial revenues:				
Timber harvesting	$ 4,530	$ 6,224	$ (1,694)	(27.2)
Infrastructure construction	10,992	11,464	(472)	(4.1)
Manufacturing / MRO	2,745	1,645	1,100	66.9
Total Commercial revenues	$ 18,267	$ 19,333	$ (1,066)	(5.5)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	Change	% Change
Government revenue flight hours:				
Firefighting	447	478	(31)	(6.5)
Defense and security	3,787		3,787	NM
Transport and other government-related services	83	23	60	NM
Total Government flight hours	4,317	501	3,816	NM

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	Change	% Change
Commercial revenue flight hours:				
Timber harvesting	690	856	(166)	(19.4)
Infrastructure construction	668	802	(134)	(16.7)
Total Commercial flight hours	1,358	1,658	(300)	(18.1)

Government Revenues

Firefighting revenues decreased $1.7 million, or 11.5%, to $12.9 million for the first quarter of 2014 from $14.6 million in the first quarter in 2013. This decrease was primarily due to a decrease in the number of flight hours in Australia, partially offset by revenues generated from our contract in Turkey that we did not have in 2013. Firefighting flight hours decreased to 447 from 478 in the first quarter of 2013, primarily due to lower flight hours in Australia of 112 flight hours, partially offset by the 78 flight hours in Turkey.

Defense and security revenues increased to $41.1 million for the first quarter of 2014 from zero in 2013 due to the acquisition of EHI.

Transport and other government-related activities revenues decreased $1.1 million, or 35.5%, to $2.0 million for the first quarter of 2014 from $3.1 million in the first quarter of 2013. The decrease was primarily due to the decrease in services being performed for our largest Italian customer as compared to the first quarter of 2013.

Commercial Revenues

Timber harvesting revenues decreased $1.7 million, or 27.2%, to $4.5 million in the first quarter of 2014 from $6.2 million in the first quarter of 2013. The decrease in revenues was primarily due to decreased revenues in Malaysia of $1.2 million due to lower customer demand coupled with a decrease in revenues for our Canadian customers of $0.5 million, primarily due to weather. Timber harvesting flight hours decreased

166 hours to 690 in the first quarter of 2014 from 856 in the first quarter of 2013. The decrease in flight hours were primarily due to decreased flight hours in Malaysia of 154, coupled with a decrease in Canada of 12.

Infrastructure construction revenues decreased $0.5 million, or 4.1%, to $11.0 million in the first quarter of 2014 from $11.5 million in the first quarter of 2013. The decrease in revenues was primarily due to decreased revenues in North American infrastructure construction of $2.8 million driven by weather delays,

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partially offset by an increase of $2.2 million in South American oil and gas infrastructure construction primarily driven by our acquisition of Air Amazonia. Infrastructure construction flight hours decreased 134 hours to 668 in the first quarter of 2014 from 802 in the first quarter of 2013. The decrease in flight hours was primarily due to decreased flight hours in South America of 220 hours partially offset by increased flight hours in North America of 91.

Manufacturing / MRO revenues increased $1.1 million, or 66.9%, to $2.7 million in the first quarter of 2014 from $1.6 million in the first quarter of 2013. The increase was primarily due to sales to customers associated with the EHI acquisition and sales of S-64 parts to our Italian customer. For 2014, our Italian customer is purchasing parts as needed as compared to the first quarter of 2013 when they utilized a cost per hour agreement with us for their parts needs to support their fleet of S-64 Aircranes. .

Cost of Revenues

Consolidated cost of revenues increased by $38.2 million, or 138.2%, to $65.9 million for the first quarter of 2014 from $27.7 million for the first quarter of 2013. The increase was attributable to an increase in non-allocated costs of $23.5 million, an increase of $14.5 million in Government costs and an increase of $0.2 million in Commercial costs for the first quarter of 2014 compared to the same quarter of 2013.

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Cost of revenues:						
Government(1)	$ 21,067	37.7	$ 6,531	37.1	$ 14,536	222.6
Commercial(1)	8,796	48.2	8,621	44.6	175	2.0
Non-allocated	36,041	48.6	12,514	33.9	23,527	188.0
Total cost of revenues	$ 65,904	88.8	$ 27,666	74.9	$ 38,238	138.2

(1) Percent of net revenues of applicable segment

Government Cost of Revenues

Costs of revenues for our Government segment are primarily comprised of variable and fixed venue costs associated with firefighting, defense and security, and transport and other government-related activities. For the first quarter of 2014, these costs were $21.1 million, or 37.7% of revenues for the segment, as compared to $6.5 million, or 37.1% of net revenues for the segment for the first quarter of 2013. The increase of $14.5 million was primarily due to the addition of the defense and security work associated with the acquisition of EHI, partially offset by decreased costs associated with firefighting in Australia and transport and other governmental-related activities primarily related to our Italian crewing customer.

Commercial Cost of Revenues

Costs of revenues for our Commercial segment are primarily comprised of variable and fixed venue costs associated with timber harvesting, infrastructure construction, and MRO / Manufacturing. For the first quarter of 2014, these costs were $8.8 million, or 48.2% of revenues for the segment, as compared to $8.6 million, or 44.6% of net revenues for the segment for the first quarter of 2013. The increase of $0.2 million was primarily due to higher fixed venue costs in infrastructure construction primarily due to delayed starts for several key projects and timber harvesting primarily resulting from the fixed costs associated with operations in Malaysia.

Non-allocated Cost of Revenues

Non-allocated costs of revenues are primarily comprised of costs that are mostly fixed in nature and are shared costs between the segments. These costs are primarily salaries and benefit costs of our pilots and field mechanics, depreciation and amortization costs related to the aircraft, aircraft lease costs, insurance costs and other similar costs. For the first quarter of 2014, these costs were $36.0 million, or 48.6% of net revenues, as compared to $12.5 million, or 33.9% of net revenues for the first quarter of 2013. The increase was primarily driven by the increased costs associated with operating the EHI fleet and leasing aircraft, increased labor costs associated with pilots and field maintenance, coupled with an increase in training and other costs primarily associated with increasing the number of qualified pilots and field maintenance personnel as well as costs associated with general maintenance on aircraft that are off contract.

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Gross Profit

Consolidated gross profit decreased by $1.0 million, or 10.7%, to $8.3 million in the first quarter of 2014 from $9.3 million in the first quarter of 2013. A combination of an increase in non-allocated costs of $23.5 million and a decrease in Commercial gross profit of $1.2 million offset a $23.8 million increase in Government gross profit.

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Gross profit						
Government[(1)]	$ 34,850	62.3	$ 11,076	62.9	$ 23,774	214.6
Commercial[(1)]	9,471	51.8	10,712	55.4	(1,241)	(11.6)
Non-allocated	(36,041)	(48.6)	(12,514)	(33.9)	(23,527)	188.0
Total gross profit	$ 8,280	11.2	$ 9,274	25.1	$ (994)	(10.7)

(1) Percentage of net revenues of applicable segment

Government. Primarily as a result of the factors discussed above, Government gross profit increased by $23.8 million, or 214.6%, to $34.9 million in the first quarter of 2014 from $11.1 million in the first quarter of 2013. Gross profit margin was 62.3% in the first quarter of 2014 compared to 62.9% in the first quarter of 2013.

Commercial. Primarily as a result of the factors discussed above, Commercial gross profit decreased by $1.2 million, or 11.6%, to $9.5 million in the first quarter of 2014 from $10.7 million in the first quarter of 2013. Gross profit margin was 51.8% in the first quarter of 2014 compared to 55.4% in the first quarter of 2013.

Non-allocated. Primarily as a result of the factors discussed above, non-allocated costs for 2013 were $36.0 million in the first quarter of 2014 compared to $12.5 million in the first quarter of 2013.

Operating Expenses

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Operating expenses:						
General and administrative	$ 6,797	9.2	$ 6,311	17.1	$ 486	7.7
Research and development	1,318	1.8	913	2.5	405	44.4
Selling and marketing	2,988	4.0	2,390	6.5	598	25.0
Total operating expenses	11,103	15.0	9,614	26.0	1,489	15.5
Operating income (loss)	$ (2,823)	(3.8)	$ (340)	(0.9)	$ (2,483)	NM

Operating expenses increased by $1.5 million, or 15.5%, to $11.1 million in the first quarter of 2014 from $9.6 million in the first quarter of 2013. The increase was primarily due to the increase in general and administrative costs resulting from the addition of EHI and Air Amazonia, coupled with $0.8 million of acquisition and integration costs associated with the addition of EHI and Air Amazonia.

Other Income (Expense), Net

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Other income (expense)						
Interest income (expense), net	$ (8,753)	(11.8)	$ (1,357)	(3.7)	$ (7,396)	NM
Other income (expense), net	(519)	(0.7)	(434)	(1.2)	(85)	19.6
Total other income (expense)	$ (9,272)	(12.5)	$ (1,791)	(4.8)	$ (7,481)	NM

Total other income (expense), net increased by $7.5 million to $9.3 million of net expense in the first quarter of 2014 from $1.8 million of net expense in the first quarter of 2013. Interest expense, net increased by $7.4 million to $8.8 million in the first quarter of 2014, from $1.4 million in the first quarter of 2013, primarily due to an increase in our average outstanding borrowings. Other income (expense), net increased by $0.1 million to $0.5 million in other expense in the first quarter of 2014 from $0.4 million in other expense in the first quarter of 2013 due to the factors described below.

(Dollars in thousands)	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	Change
Other income (expense), net:			
Unrealized foreign exchange gain (loss)	$ 217	$ 206	$ 11
Realized foreign exchange gain (loss)	(57)	(37)	(20)
Amortization of debt issuance costs	(621)	(322)	(299)
Gain (loss) on disposal of equipment	130		130
Other income (expense), net	(188)	(281)	93
Total other income (expense), net	$ (519)	$ (434)	$ (85)

Other income (expense), net increased by $0.1 million to $0.5 million of other expense in the first quarter of 2014 from $0.4 million of other expense in the first quarter of 2013. The increase in net expense was primarily due to an increase in amortization of debt issuance costs of $0.3 million resulting from the addition of the 2020 Senior Notes offering and the new Revolving Credit Agreement entered into during 2013.

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Income Tax Expense (Benefit)

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Net income (loss) before income taxes and noncontrolling interest	$ (12,095)	(16.3)	$ (2,131)	(5.8)	$ (9,964)	NM
Income tax expense (benefit)	(4,570)	(6.2)	(1,136)	(3.1)	(3,434)	NM
Net income (loss)	$ (7,525)	(10.2)	$ (995)	(2.7)	$ (6,530)	NM

Income tax benefit increased by $3.4 million to $4.6 million in the first quarter of 2014 from $1.1 million in the first quarter of 2013. The increase was primarily due to the $10.0 million increase in net loss before income taxes and noncontrolling interest and the change from a 53.3% effective tax rate including discrete items of $0.3 million for the three months ended March 31, 2013 to a 37.8% effective tax rate and no discrete items for the three months ended March 31, 2014.

Net Income (Loss) Attributable to Erickson Incorporated

(Dollars in thousands)	Quarter Ended March 31, 2014	% of Revenues	Quarter Ended March 31, 2013	% of Revenues	Change	% Change
Net income (loss)	$ (7,525)	(10.1)	$ (995)	(2.7)	$ (6,530)	NM
Less: Net (income) loss related to noncontrolling interest	(69)	(0.1)	(221)	(0.6)	152	(68.8)
Net income (loss) attributable to Erickson Incorporated and common stockholders	$ (7,594)	(10.2)	$ (1,216)	(3.3)	$ (6,378)	NM

Net loss attributable to Erickson increased by $6.4 million to $7.6 million in the first quarter of 2014 from $1.2 million in the first quarter of 2013, primarily due to the changes in revenues, expenses, and taxes discussed above. As there were no dividends on our Series A Redeemable Preferred Stock during the first quarters of 2014 or 2013, net loss attributable to common stockholders was also $7.6 million for the first quarter of 2014 and $1.2 million for the first quarter of 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are current balances of cash and cash equivalents, cash flows from operations and borrowings available under our revolving credit facility. 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.

Specifically, 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 with the anticipated refinancing 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.

Quarter Ended March 31, 2014 Compared to Quarter Ended March 31, 2013

The following chart is a condensed presentation of our statement of cash flows for the quarters ended March 31, 2014 and March 31, 2013 (in thousands):

(Dollars in thousands)	**Quarter Ended March 31, 2014**	**Quarter Ended March 31, 2013**	**Change**
Net cash provided by (used in) operating activities	$ 2,494	$ (6,288)	$ 8,782
Net cash provided by (used in) investing activities	(17,283)	(3,009)	(14,274)
Net cash provided by (used in) financing activities	15,651	9,121	6,530
Foreign-currency effect on cash and cash equivalents	467	31	436
Net increase (decrease) in cash and cash equivalents	1,329	(145)	1,474
Cash and cash equivalents at beginning of period	1,881	1,468	413
Cash and cash equivalents at end of period	$ 3,210	$ 1,323	$ 1,887

Sources and Uses of Cash

At March 31, 2014, we had cash and cash equivalents of $3.2 million compared to $1.9 million at December 31, 2013. At March 31, 2014, we had restricted cash of $2.5 million compared to $2.9 million at December 31, 2013. 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, 2014 net cash used by 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 income 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.

For the quarter ended March 31, 2013, net cash provided by operating activities before the change in operating assets and liabilities was $4.0 million, which included net loss of $1.0 million coupled with non-cash adjustments reconciling net income to net cash provided by operating activities of $5.0 million (depreciation and amortization of $5.4 million, non-cash interest on subordinated notes of $0.7 million, amortization of debt issuance costs of $0.3 million, and $0.2 million in stock based compensation, partially offset by a net increase in deferred income taxes of $1.5 million). The change in operating assets and liabilities was a $10.3 million use consisting of the following: a $7.3 million increase in Aircraft support parts, net (primarily attributable to increases in inventory levels and continued progress on an Aircrane being remanufactured), a $6.3 million increase in accounts receivable (primarily attributable to the receivables related to our Australian and Peruvian customer), a $1.7 million increase in prepaid expenses and other, a $0.3 million decrease in accounts payable, partially offset by a $4.7 million increase in accrued and other current liabilities (primarily attributable to increases in accrued legal fees associated with the acquisitions, accrued payroll and related taxes, coupled with an increase in accrued mobilization costs for Australia), a $0.4 million increase in income taxes payable, and a $0.1 million increase in income tax receivable. As a result of these factors, we used $6.3 million of cash in operating activities in the quarter ended March 31, 2013.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $17.3 million for the quarter ended March 31, 2014 compared to net cash used in investing activities of $3.0 million for the quarter ended March 31, 2013. In the quarter ended March 31, 2014, we used net cash of $17.5 million for purchases of aircraft and property, plant and equipment primarily in support of our legacy business and expanded operations subsequent to the EHI acquisition and releases of restricted cash provided $0.2 million. In the quarter ended March 31, 2013, we used net cash of $3.0 million for the purchase of aircraft and routine capital expenditures.

Net cash provided by (used in) financing activities. During the quarter ended March 31, 2014, financing activities provided $15.7 million of cash compared to $9.1 million during the quarter ended March 31, 2013. For the first quarter of 2014, borrowings from credit facilities of $39.9 million exceeded repayments of $24.4 million, providing $15.5 million of net cash. For the first quarter of 2013, borrowings from credit facilities of $68.6 million exceeded repayments of $59.3 million, providing $9.3 million of net cash.

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-K.

2020 Senior Notes Offering

On May 2, 2013, we closed our $400.0 million aggregate principal note offering of the 2020 Senior Notes. 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 our existing and future domestic subsidiaries.

We used the net proceeds of the offering to (i) finance a portion of the purchase price for the EHI acquisition, (ii) refinance our 2015 Subordinated Notes and 2016 Subordinated Notes, (iii) refinance our prior senior secured asset-based revolving credit facility, comprised of the Term Debt and Revolving Line of Credit, (iv) pay related fees and expenses, and (v) record the remaining cash to the balance sheet.

The indenture under which the 2020 Senior Notes were issued, among other things, limits our ability and the ability of our 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 us.

The 2020 Senior Notes are secured by second-position liens, subject to certain exceptions and permitted liens, on substantially all of our and the guarantors existing and future assets that secure our 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, 2014 and December 31, 2013 was $355.0 million.

A total of $46.0 million of the net proceeds were initially deposited in escrow, consisting of $45.0 million of aggregate principal and $1.0 million related to anticipated interest, to be used toward the acquisition of Air Amazonia. Pursuant to the terms of the 2020 Senior Notes, these proceeds of the offering were not released from escrow to consummate the Air Amazonia acquisition before July 31, 2013, and as a result, an aggregate principal amount of 2020 Senior Notes equal to $45.0 million were redeemed, on a pro rata basis, on August 5, 2013 pursuant to a special mandatory redemption, at a price equal to 100% of the principal amount of the 2020 Senior Notes being redeemed, plus accrued and unpaid interest to, but not including, August 5, 2013. We funded the purchase price of the Air Amazonia acquisition with our Revolving Credit Facility during 2013.

On May 2, 2014, we commenced an offer to exchange all $355.0 aggregate principal amount of the 2020 Senior Notes, which were not registered under the Securities Act of 1933, for an equal principal amount of new 8.25% Second Priority Senior Secured Notes due 2020 which are substantially identical except that they will be registered under the Act and will not bear any legend restricting their transfer (see Note 20 Subsequent Events).

Revolving Credit Facility

On May 2, 2013, we entered into the Revolving Credit Facility, providing a new $100.0 million, five-year revolving credit facility with a group of financial institutions led by Wells Fargo Bank N.A. and including Bank of the West, Deutsche Bank Trust Company Americas, and HSBC Bank USA NA. On June 14, 2013, the Revolving Credit Facility was amended to increase the maximum aggregate amount that we may borrow from $100.0 million to $125.0 million, and on March 11, 2014 it was amended to increase the maximum aggregate amount that we may borrow 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 and we used a portion of the proceeds to fund the purchase price of the Air Amazonia acquisition.

We, and each of our current and future, direct and indirect, material domestic subsidiaries guarantee the indebtedness under the Revolving Credit Facility on a senior secured first lien basis.

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The Revolving Credit Facility contains certain financial covenants, including, without limitation, a minimum fixed charge coverage ratio of 1.20:1.00 if our 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 our average excess availability, as calculated pursuant to the terms of the Revolving Credit Facility, is less than or equal to $16.8 million, and an annual growth capital expenditures limit of approximately $25.0 million, subject to standard carry-over provisions.

The Revolving Credit Facility includes mandatory prepayment requirements for the certain types of transactions, including, without limitation, requiring prepayment from (a) proceeds that we receive 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, 2014 was $83.6 million. The weighted average interest rate for borrowings under the Revolving Credit Facility for the quarter ended March 31, 2014 was 5.15%. The interest rate at March 31, 2014 was 5.25%. As of March 31, 2014 we had $0.9 million in outstanding standby letters of credit under the Revolving Credit Facility and maximum borrowing availability was $55.6 million.

2020 Subordinated Notes

Pursuant to the terms of the EHI stock purchase agreement, the consideration included $17.5 million of our 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 our 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. We have agreed to pay, in cash, quarterly installments of interest only (in arrears) until March 31, 2015, after which date we have 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, we and our subsidiaries may not declare or pay any dividend, make any payment on account of, or take certain other actions in respect of any of our or our 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%. The outstanding balance under the 2020 Subordinated Notes at March 31, 2014 was $17.5 million, comprised of the $16.2 million fair value and $1.3 million related to the unamortized discount on the debt. The weighted average interest rate for borrowings under the 2020 Subordinated Notes was 6.00% during the quarter ended March 31, 2014.

Advance from Cambiano

On July 29, 2008, EuAC entered into an Agreement with Banca Di Credito Cooperativo Di Cambiano (Cambiano) whereby EuAC may request advances up to 6.0 million. On July 29, 2013, EuAC entered into an Amended Agreement which reduced the available advances from 6.0 million to 4.0 million. Advances are based on documentary proof of receivables due from the Italian government. The purpose of this Agreement is to provide short term liquidity needs. There were no advances outstanding as of March 31, 2014 and December 31, 2013. The agreement may be canceled by either party at any time.

On August 4, 2008, EuAC executed a bank guarantee and pledged 3.0 million as restricted cash in connection with a performance guarantee for a four-year leasing contract in Italy. Following receipt of the restricted cash, Cambiano issued a letter of credit for the performance bond. In the third quarter of 2012, the restricted cash amount was reduced to $2.6 million (2.0 million), in conjunction with the reduction in the corresponding letter of credit. The restrictions renewed in June 2013 through the remainder of the 2013 fire season and we have classified the restricted cash related to the pledges as current assets based on the anticipated release date of the restriction.

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 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.

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 income to EBITDA, Adjusted EBITDA, and Adjusted EBITDAR is provided below.

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(Dollars in thousands)	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
EBITDA, Adjusted EBITDA and Adjusted EBITDAR Reconciliation:		
Net income (loss) attributable to Erickson Incorporated	$ (7,594)	$ (1,216)
Interest expense, net	8,753	1,357
Tax expense (benefit)	(4,570)	(1,136)
Depreciation and amortization	7,953	5,400
Amortization of debt issuance costs	621	322
EBITDA	$ 5,163	$ 4,727
Acquisition and integration related expenses	791	2,263
Non-cash unrealized mark-to-market foreign exchange (gains) losses	(217)	(206)
Non-cash charges from awards to employees of equity interests	160	180
Other non-cash (gains) losses	(130)	
Adjusted EBITDA	$ 5,767	$ 6,964
Aircraft lease expenses	4,959	
Adjusted EBITDAR	$ 10,726	$ 6,964

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.

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, 2014, we had letters of credit with various expiration dates extending into 2016 valued at approximately $1.1 million outstanding, including $0.9 million outstanding under our Revolving Credit Facility and $0.2 million (0.2 million) outstanding under a performance bond issued by Banca Di Credito Cooperativo Di Cambiano that we have secured with $2.2 million (1.6 million) in restricted cash. At December 31, 2013, we had letters of credit with various expiration dates extending into 2014 valued at approximately $5.3 million outstanding, including $5.1 million outstanding under our revolving credit agreement and $0.2 million (0.2 million) outstanding under a performance bond issued by Banca Di Credito Cooperativo Di Cambiano that we had secured with $2.6 million (2.0 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, 2014 and December 31, 2013, there were no advances outstanding under these types of arrangement.

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 14, 2014. We believe that there have been no significant changes to our critical accounting policies during the quarter ended March 31, 2014 other than the effects of the acquisitions disclosed.

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, 2014 we had total indebtedness of $456.1 million (excluding $1.1 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 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, and the supply of and demand for credit in the London interbank market. 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, 2014 by approximately $0.9 million.

Aircraft Fuel

Our results of operations are affected by changes in the price and availability of aircraft fuel. For the quarter ended March 31, 2014, a deviation of 10% in the average price per gallon of fuel would have impacted our cost of revenues by approximately $0.3 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.

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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, 2014 would have resulted in an estimated pre-hedged decrease of $0.5 million in our net income.

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 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, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at March 31, 2014, our disclosure controls and procedures were effective.

We are in the process of integrating the control environments of EHI and Air Amazonia, which we acquired on May 2, 2013 and September 3, 2013, respectively, with our existing control environment. Except for that integration process, there have been no changes in internal control over financial reporting that occurred during the quarter ended March 31, 2014 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

ST Aerospace Matter

ST Aerospace Services, Co. (ST Aerospace), a judgment creditor of EIA, served a Writ of Garnishment on us on April 11, 2013, in connection with a judgment entered against EIA in favor of ST Aerospace, in the amount of approximately $3.6 million, also the amount of the garnishment. EIA is the former parent company of EHI. We responded that, at the time of our receipt of the Writ of Garnishment on April 11, 2013, we did not owe any money or property to EIA. ST Aerospace has since filed an Order for Appearance and requested discovery. This claim was dismissed in November of 2013.

Priority 1 Matter

In November 2012, Priority 1 Air Rescue Services, Inc., or Priority 1, brought breach of contract claims against EHI in Multnomah County (Oregon) Circuit Court related to two subcontracts between Priority 1 and EHI. The primary contracts were between EHI and the U.S. government for air medical evacuation, fire suppression, and other related services in Hawaii and Alaska. Priority 1 alleges that EHI failed to pay invoices for work performed in the amount of approximately $0.7 million. Priority 1 also claims an additional amount for consequential damages and interest. The total amount claimed by Priority 1 is approximately $2.0 million. EHI answered the complaint in December 2012, and denied all allegations. In March 2014, we entered into a settlement agreement with Priority 1 pursuant to which we paid $225,000 to Priority 1 in full and final settlement of this matter.

Fortis Matter

A complaint was served on EHI on August 27, 2012, by the plaintiff, Fortis Lease Deutschland GmbH, in the Regional Court, 7th Chamber for Commercial Matters, Cologne, Germany. The plaintiff claims approximately 0.8 million in damages for the payment of VAT levied on the purchase price relating to EHI s purchase of two helicopters from the plaintiff in 2011. The complaint lodged by plaintiff resulted in a default judgment against EHI issued on February 26, 2013. In a brief filed with the court on May 10, 2013, EHI objected to the default judgment, arguing that the sale of the two helicopters was tax exempt as they both were exported to a third country outside the European Union. In January 2014, we agreed to pay 40,000 in full and final settlement of this matter.

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 2013. At this time, we are not able to determine the likelihood of any outcome in this matter, nor are we able to estimate the amount or range of loss or the impact on our financial condition in the event of an unfavorable outcome.

World Fuel Claim

In December of 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. 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 we filed our Amended Answer which included certain counterclaims against World Fuel and certain cross claims against Mr. Delford Smith. At this time, we are not able to determine the likelihood of any outcome in this matter, nor are we able to estimate the amount or range of loss or the impact on our financial condition in the event of an unfavorable outcome.

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Stockholder Action

In August 2013, a putative stockholder filed a class and derivative action in the Court of Chancery for the State of Delaware against us, the members of our board of directors, EAC Acq., 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 our 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 defendant s 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 we are unable to predict the final outcome of the proceeding, we believe the allegations lack merit, intend to vigorously defend against them, and believe that the final results will not have a material effect on our consolidated financial position, results of operations, or cash flows.

In addition to the foregoing litigation, we are subject to ongoing litigation and claims as part of our normal business operations. In our opinion, none of these claims will have a material adverse effect on us.

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 8, 2014

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
10.1	Offer Letter of Brian Clegg, dated February 24, 2014	X				
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				