ERICKSON INC.
Form 10-K
March 10, 2015

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

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

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 ý 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 ý No ¨

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

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	ý
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 ý

The aggregate market value of common equity held by non-affiliates of the Registrant as of June 30, 2014 was approximately $100,342,385.

On February 27, 2015, 13,823,818 shares of common stock, par value $0.0001, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant has incorporated by reference into Part III of this Form 10-K, portions of its Proxy Statement for its 2015 Annual Meeting of Shareholders.

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PART I.
ITEM 1. BUSINESS

This annual report on Form 10-K (including, but not limited to, the following section regarding our Business) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of su words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this annual report on Form 10-K. Additionally, statements concerning future matters such as the development of new products, services, enhancements or technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements.

Although forward-looking statements in this annual report on Form 10-K reflect our good faith judgment, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed under the heading “Risk Factors” below, as well as those discussed elsewhere in this annual report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report on Form 10-K. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this annual report on Form 10-K, except as required by law. Readers are urged to carefully review and consider the various disclosures made in this annual report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview

We are a leading global provider of aviation services to a worldwide mix of Commercial and Government customers. As of December 31, 2014 we operated a diverse fleet of 86 rotary-wing and fixed-wing aircraft, including a fleet of 20 heavy-lift Erickson S-64 Aircranes ("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 9 Aircranes.

During the year ended December 31, 2014, 29.8% of our net revenues was generated in the United States and 70.2% was generated outside of the United States. We operate under Federal Aviation Administration (“FAA”) Part 135, U.S. Air Carrier, and hold Commercial Airlift Review Board (“CARB”) authority to operate both fixed wing and rotary wing aircraft for the United States Department of Defense (“DoD”). The acquisition of Evergreen Helicopters, Inc. (“EHI”) brought us the experience of working with the DoD for over 50 years, and we are currently participating in operations on six continents. We have the capability of deploying aircraft to support external load operations, passenger and cargo transportation, combination loads, low cost/low altitude (“LCLA”) airdrops, short takeoff and landing (“STOL”), and MEDEVAC/CASEVAC. Our aircraft can be equipped with Supplemental Type Certificated (“STC’d”) Night Vision Goggles, Ballistic Protection, and roller systems.

We are a corporation organized under the laws of the State of Delaware in 2000. We are headquartered at 5550 SW Macadam Avenue, Suite 200, Portland, Oregon 97239 and our phone number is (503) 505-5800. We have production, maintenance, and logistics facilities in Central Point, Oregon. We file annual, quarterly and current reports, proxy statements and other

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information with the U.S. Securities and Exchange Commission (the "SEC"). You may read and copy any such document at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC's website at www.sec.gov or from our website at www.ericksonaviation.com. The information on, or accessible through, our website is not a part of this annual report on Form 10-K or any other report we file or furnish with the SEC.

Acquisitions

On May 2, 2013, we closed our acquisition of EHI from Evergreen International Aviation, Inc. EHI, based in McMinnville, Oregon, contributed a fleet of 65 aircraft of varying rotary-wing and fixed-wing types capable of a wide range of passenger transport and light, medium and heavy load-carrying missions. The EHI business serves both government and commercial customers, including significant and critical 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.

On September 4, 2013, we completed our acquisition of Air Amazonia Serviços Aeronauticos Ltda. ("Air Amazonia") and certain related assets from HRT Participações em Petróleo S.A. ("HRT"). The acquisition provided us with significant operating infrastructure in Brazil, including six aircraft, two ground facilities, 59 employees, and repair station certification.

We believe that this acquisition supports our growth and enhances our competitive position in South America. In addition to adding HRT as a significant customer, this acquisition accelerated our ability to offer a comprehensive array of services to other existing and new customers throughout the region.

Operating Segments

Prior to our acquisition of EHI, 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 services for the Aircrane and other aircraft and the remanufacture of Aircranes and related components. Following our acquisition of EHI, we established new reportable operating segments to assess performance by type of customer, Government and Commercial. We used these segments through the year ended December 31, 2014. Our Government segment was comprised primarily of contracts with various governmental authorities who used our services for firefighting, defense and security, transportation and other government related activities. Our Commercial segment was comprised primarily of timber harvesting, infrastructure construction, and manufacturing/ MRO contracts. On January 1, 2015, as a result of an organizational restructuring, we established new reportable operating segments to assess performance by type of customer and end market: Government Aviation Services, Commercial Aviation Services, Oil & Gas Aviation Services and Manufacturing/MRO, which we will be using for reporting period ending after January 1, 2015. Set forth below is a description of the services we provide.

Aerial Services

We provide heavy-, medium-, and light-lift aerial helicopter solutions to both government and commercial customers in both the domestic and international markets. As of December 31, 2014 we operated a diverse fleet of 86 aircraft capable of a wide variety of mission roles. The diversity of our fleet, in terms of size, function, speed, lift capacity, and passenger and cargo capacity allows us to provide solutions for our customers in a wide variety of industries in countries around the world.

Our crews consist of two to four pilots per aircraft who are capable of flying daily missions of up to 10 hours. Missions are highly specialized and require pilots, mechanics, technicians, and support crews with extensive experience in helicopter operations and in specific mission training. To support our commitment to safety and quality service, we recruit pilots with exceptional long-term flight hour helicopter experience and require that new hires spend significant time as co-pilots before graduating to full pilots, regardless of previous experience in other aircraft. We believe that our attractiveness to customers depends not only on the capabilities of our aircraft but also on the high level of training and abilities of our air crews and support personnel, as well as our safety practices.

Periodically, our aircraft are removed from service and undergo heavy maintenance activities, including inspections and repairs of the airframe and related parts as required. The actual time between heavy maintenance depends on many factors, including hours of operation, calendar time and nature of use. Heavy maintenance can require several months to complete, during which time the aircraft is unavailable for aerial services.

Defense-Related Programs

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The acquisition of EHI provided us with significant business with the DoD, including an ongoing role supporting operations in Afghanistan. During 2014, 44% of our net revenues were derived from either prime or sub contracts for the DoD. On a geographic basis, 22% of our net revenues were related to operations in Afghanistan. We believe the DoD is among the world's single largest customers for aerial services, although the work is funded through multiple contract vehicles.

Over the past two decades, the DoD has transitioned a significant portion of support contracts of all types to commercial providers. With outside pressures, such as a desire to limit troop counts, and increased attention to defense budgets, the DoD has turned to subcontracted support to meet its needs. The Iraq and Afghanistan campaigns accelerated growth of the civilian contractor industry, as the government turned to regional and service-specific experts to deploy in support of rapidly growing U.S. footprints in these conflict areas. Over time, the contracting process has been refined to ensure fair procurement for contractors and price competition resulting in cost savings to the government. This regulation has also created barriers to entry, benefiting companies who entered these markets early.

Aviation operations are among the most complex services provided by commercial companies. Beginning in 1992, the DoD founded the CARB DoD, with the mission of ensuring civilian air carriers transporting passengers are sufficiently regulated. In order to transport any DoD passengers or cargo in a civilian aircraft, the operator must undergo a rigorous set of audits to become certified, with follow-up inspections thereafter. The combination of FAA and CARB regulations creates the most stringent standards in civil aviation, resulting in a significant barrier to entry into the market.

CARB certification allows the DoD to utilize approved civilian air carriers to provide mission-critical support service at a lower cost than their military alternatives. Furthermore, contract aviation operators are specialists in their respective areas of expertise, providing greater skills and efficiency. Finally, contractor personnel are not factored against troop count ceilings in an operating area, leaving the DoD free to optimize their troop limitations and deploy maximum combat-oriented personnel supported by contract aviation assets.

CARB carriers support the U.S. Army, U.S. Navy, Air Force, Marines, and Special Operations units domestically and around the world. On a macro scale, we believe the DoD will transition focus from large occupying ground forces, like those in Iraq and Afghanistan, to smaller and faster "kinetic" combat units. Commercial airlift is frequently utilized to maintain low profile operations with these groups. Future operations are likely to focus on Special Operations and short-term deployments to complete objectives and exit the region quickly. Opportunity to deploy resources to support special operations teams in remote locations are likely to grow in new regions of focus, such as Africa and Southeast Asia. We have already begun seeing this transition take place following the Arab Spring in Northern Africa, rebel conflicts in Central Africa, and recent events with both U.S. and foreign forces in the Western African regions.

In Afghanistan specifically, we anticipate there will be three groups that will maintain a presence following the drawdown of conventional forces.

1. DoD (Special Operations): Ensuring security for remaining U.S. government and contractor personnel
2. U.S. Government (Department of State): Facilitating economic development and reconstruction projects
3. Civilian Contractors: Supporting security or economic growth and reconstruction

Using Iraq as a current example of Afghanistan's possible future, in Iraq commercial contractors realized an increase in activity following the withdrawal of U.S. conventional forces, and we anticipate a similar pattern with groups in support of security operations, economic development, and reconstruction in Afghanistan. Today, aviation is the primary means of transportation within Afghanistan. As conventional forces exit, and land based transportation security deteriorates further, we expect demand for contractor aviation will likely increase in this region.

Firefighting

Aerial firefighting has a long and established history and is becoming a larger part of firefighting strategies around the world, especially as fire seasons in some areas seem to be growing more intense and lasting longer, due to variables in climate and large buildups of ladder fuels in protected forest areas. This is consistent with findings in the 2009 Quadrennial Fire Review ("QFR"), an integrated strategic assessment process conducted by the U.S. Fire Executive Council and other government agencies to evaluate the future environment of fire management, which reports that climate change will continue to result in a greater probability of longer fire seasons in various regions in the U.S. Over the past five years, longer and drier summers in the U.S. have contributed to an increase in the quantity and severity of annual fires. The QFR suggests that in the coming decade, fire mitigation efforts must address a potential 10-12 million annual wildfire acres in the U.S. alone, up from the previous estimate in 2005 of 8-10 million acres.

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Aerial firefighting can be one of the most efficient means of combating wildfires, because of the speed, mobility, and large carrying capacity of firefighting aircraft. With its attached 2,650-gallon fire tank, the Aircrane is a versatile, powerful, and cost-competitive aerial firefighter. The tank features electronically-controlled tank doors that allow for eight different coverage levels. It provides the Aircrane with a delivery capacity comparable to fixed-wing tanker planes with the superior maneuvering capabilities of a helicopter. Fixed-wing alternatives must land to reload or skim-load from large bodies of water. Our Aircrane reloads while in flight in 45 seconds or less from almost any available open water source deeper than 18 inches, including rivers, lakes, oceans, and cisterns. As a result, if there is an available water source nearby, the Aircrane can reload and return to its target significantly faster than fixed-wing alternatives, resulting in a substantially larger total drop capacity and a more cost-effective solution for fighting most fires. This effectiveness in delivered payload has resulted in fire agencies utilizing our Aircranes more and more for rapid initial attack on fires, which increases our utilization rate compared to other aircraft.

The Aircrane has provided firefighting services on a global basis, including the U.S., Canada, Italy, Greece, Australia and, recently, Turkey. Our firefighting customers include federal, state, local and international government and commercial agencies. Under our typical firefighting contracts, aircraft are deployed to locations prone to seasonal fires, where they remain on standby throughout the fire season. For these contracts, which we refer to as exclusive-use contracts, we typically charge on a per-day basis for availability and on a per-hour basis for actual aircraft use. In some circumstances, we only charge for actual aircraft use; these contracts, which we refer to as "call-when-needed" contracts, have considerably higher daily and/or hourly rates than our exclusive-use contracts. Because of the inverse timing of fire seasons in the Northern and Southern Hemispheres, we are able to capitalize on year-round demand for firefighting services by moving aircraft from one hemisphere to another.

Our proprietary accessories, including our water cannon, sea and pond snorkel, and hydro-mulch loading manifold have helped us remain a leader in the firefighting market. As we endeavor to increase our market share within the international firefighting markets, we will continue to pursue new product innovations.

With our expanded fleet, including medium and light aircraft, we now have capabilities for multi-role firefighting missions that include passenger transport as well as external load water drops for global firefighting activities.

Timber Harvesting

There are a few main reasons that companies use heavy-lift helicopters in harvesting timber. Given its relatively high operational cost, when compared to traditional logging practices, aerial timber harvesting is often used to harvest high-value timber to be used in high-grade products such as furniture and flooring. It can also be a cost-effective strategy for reaching timber located in challenging terrain, where building access roads is cost-prohibitive or logistically impossible. This is especially true of tropical timber species, which are often found in dense forests that are difficult to access.

Additionally, environmental concerns are playing an ever-increasing role in companies' decisions to utilize aerial timber harvesting. In many locations around the world, local governments are beginning to limit-or forbid entirely-the construction of access roads, in order to protect and preserve forest lands. As global environmental pressures increase, we expect an expansion of our opportunities in this sector.

Opportunities are also available in North America, which remains an attractive market for aerial timber harvesting. The demand for sawlogs, or softwood that typically carries a significant premium over pulpwood logs, remains strong. We believe demand for our timber harvesting services in North America is correlated to estimated housing starts in the United States, as well as demand from China.

Consumer demand is another reason why we see a strong demand in the use of aerial timber harvesting. Environmental awareness and consumer demand for more socially responsible businesses helped third-party forest certification emerge in the 1990s as a tool for communicating the environmental and social performance of forest operations. As of January 2014, more than 181 million hectares of forest in 81 countries have received Forest Stewardship Council (“FSC”) certification. Approximately 43% of these certifications are located in Europe, 41% in North America, seven percent in South America and the Caribbean, five percent in Asia and Oceania and four percent in Africa. Timber logged from certified forests is often more expensive and must be harvested in a sustainable manner, yielding growth opportunities for aerial timber harvesting as environmentally friendly forest resource management continues to grow in importance.

We have been conducting high performance, low impact aerial timber harvesting since 1971. Aerial timber harvesting with the Aircrane is a cost-competitive, sustainable and environmentally friendly method of harvesting high-value and difficult to access timber. Timber is vertically lifted and transported with our proprietary hydraulic grapple, minimizing the need for road development and large support crews on the ground. We believe one Aircrane can harvest and transport the same amount of timber in a day as

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approximately 50 ground tractors. The environmental benefits of this sustainable forest practice include far less damage to adjacent stands of trees, soil and riparian areas, resulting in less erosion and long term damage to the terrain.

Infrastructure Construction

Heavy-lift helicopters are used in a variety of infrastructure construction projects, transmission and utility grid construction, wind turbine construction, building construction, HVAC unit placement, ski lift construction and mine conveyor belt construction. Aerial services are often the most efficient means to accomplish heavy-lift project goals. Heavy-lift helicopters are playing an enhanced role in support of electric transmission line construction, allowing utilities and construction services firms to install infrastructure in remote or hard-to-access locations where traditional access methods may be too costly or impossible. Additionally, heavy-lift helicopters allow utilities to construct large lines faster and with minimal environmental impact, an increasing concern for asset owners.

We believe growth prospects exist on a global basis, as infrastructure development opportunities arise in both developing and developed countries for power and telecommunications construction, especially as these services are delivered to remote, less accessible regions, where the Aircrane is the ideal solution. This growth will also support the need for more high-rise buildings, and transportation infrastructure like bridges, tunnels, and ports. We expect government agencies around the world to increase the amount of these types of projects to meet population demands. We believe opportunities in South America, Asia, Europe, China and Africa will continue to make this a growth market for us.

The Aircrane's rear load-facing pilot seat, combined with the skill and experience of our pilots, makes the aircraft particularly well-suited for infrastructure projects that require extreme precision in load delivery, as well as heavy lifting of cargo items in locations where ground transportation would be challenging, cost-prohibitive, or impossible. To further meet our customers’ needs, we have developed a number of innovative mission-specific tools and accessories that further enhance our capabilities and increase our versatility, including our anti-rotation device and hoist, hydraulic grapple, and material transport bucket.

The oil and gas industry uses helicopters in a variety of stages of their production process. Light helicopters are used to perform initial seismic surveying before and after blocks are acquired. Medium helicopters are used for transporting passengers, lighter construction needs and for pipeline placement. Heavy lift helicopters are used for heavy drill rig moves and site infrastructure construction.

With the acquisition of Air Amazonia, we broadened our services from a strong foothold in drill rig moves, pipeline and site construction to include capability across the full spectrum of helicopter services for on-shore and near-shore oil and gas exploration and drilling activities. The acquisition also expanded operations to include Brazil, a market which has high barriers to entry for foreign companies and strict regulations on foreign pilot flight hours.

Aircraft Manufacturing and Maintenance, Repair, and Overhaul (“Manufacturing / MRO”)

As the owner of the S-64 Type and Production Certificates, as well as the Type Certificate for engines used in the S-64 Aircrane, we have the exclusive authority and ability to remanufacture an Aircrane, both for our customers and for our own fleet. This work takes place at our facilities in Southern Oregon, enabling us to remanufacture an Aircrane to new specifications in approximately 10 to 14 months, depending on specifications and complexity. We have remanufactured a total of 36 Aircranes for our own use and for sale to customers, and have sold one for domestic construction operations and eight for international firefighting operations. The sale of an Aircrane to an existing or potential Aerial Services customer may reduce future Aerial Services revenue opportunities with such customers or other third parties.

In addition to the remanufacturing of the Aircrane, we provide parts, major maintenance, and overhaul services for every Aircrane we have sold. We manufacture new aircraft components on a contract basis for key original equipment manufacturers of helicopters, as well as provide a wide array of MRO services to helicopter operators globally. These services include the disassembly, cleaning, inspection, repair, and reassembly of airframes, engines, components, and accessories, as well as the testing of complete engines and components to FAA, EASA and ANAC standards. We provide all these services out of our AS9100-certified facilities in Southern Oregon, which we complement with field support and airframe base maintenance out of a facility in Lucca, Italy. Additionally, our MRO business brings innovative engineered solutions to the market, from product redesign to cost-effective repair schemes.

We offer “Cost per Hour” (CPH) contracts, in which we provide a full suite of parts and services (e.g., replacement parts, spare parts replenishment, scheduled and unscheduled engine maintenance) for a customer's aircraft at a fixed hourly rate, increasing our customers' ability to predict and manage their maintenance costs. Entering into a CPH contract also allows us to deepen our ongoing relationship with our customers, monitor the performance of their aircraft, and generate additional contracted revenue.

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We also offer similar operations and services on engines and other components for owners of other aircraft platforms.

We have extensive capabilities in new parts production of airframes, aircraft systems, and avionics components for a wide variety of rotary aircraft. Our highly skilled mechanics and technicians regularly manufacture airframe subassemblies and other sheet metal parts and have machining capabilities that include computer numerical control milling, grinding, and lathing. Our manufacturing operations can fabricate hard-to-locate parts, or even reverse engineer and reproduce parts that may no longer be available from traditional sources, providing a valuable alternative on platforms where the supply chain faces obsolescence issues. And, beyond the usual capabilities of a repair station, we have a team of engineers and resident Designated Engineering Representatives (“DER”) to assist in repair salvages and modifications, as well as to address any engineering issues that arise during the maintenance process.

The Aircrane was originally manufactured by Sikorsky Aircraft Corporation. We purchased the S-64 Type Certificate from Sikorsky in 1992 and our in-house engineers have designed custom modifications to the Aircrane to meet our customers’ industry-specific needs, like our “heli-harvester” hydraulic logging grapple, a 2,650-gallon water tank and snorkel for aerial firefighting, an anti-rotation device and hoist for construction, and composite main rotor blades designed to improve performance. We are committed to continuous innovation and the allocation of resources to the design, engineering, and development of new and improved Aircrane tools and accessories for existing and new markets.

Research and Development

Our research and development efforts have been critical to our success, and we dedicate significant resources to improving our aircraft's performance and developing new applications and products. We spent $3.8 million, $4.0 million and $4.7 million on research and development in 2014, 2013 and 2012, respectively. We have recently completed several new product applications and aircraft accessories and have others under development, including our composite main rotor blades, with respect to which the detailed design is complete and manufacturing tooling is fabricated, and prototype blades have been fabricated.

We believe innovative new products and capabilities enhance the reliability and versatility of our aircraft in existing and new markets, enabling us to expand our markets, increase our customer base, and capture additional market share.

Backlog

Backlog represents the amount of revenue that we expect to derive from signed contracts, including oral contracts that have been subsequently memorialized in writing, or customer extension options. Our backlog consists of contracts with a duration of six months or more. For contracts that include both a daily and an hourly rate component, only the daily component of revenue is included in backlog and an estimate of the expected hourly revenue is not included. For contracts that include a guaranteed number of hours, the value of the guaranteed hours is included in backlog. For CPH contracts, which depend on hours flown by our customers, we calculate the contribution to backlog based on contracted minimum hours. When a binding aircraft sale contract has been signed with a customer, the purchase price of the aircraft not included in current revenues is included in backlog. When we sign a contract giving a potential purchaser an option to purchase an aircraft which only becomes binding on a non-refundable payment of a material option fee, we do not include the purchase price of the aircraft in backlog until the non-refundable payment has been made and the contract is a binding purchase contract.

Our backlog as of December 31, 2014 was $325.4 million, of which $159.7 million was attributable to signed contracts and $165.7 million was attributable to anticipated exercises of customer extension options. We had total backlog of $428.3 million as of December 31, 2013, of which $139.7 million was attributable to signed contracts and $288.6 million was attributable to anticipated exercises of customer extension options.

A material portion of our contracts are subject to a cancellation notice period of 90 days or less.

Sales and Marketing

Our sales and marketing team is built around our diverse end markets. We have added significant depth in expertise in sales to government agencies and to South American oil and gas sectors. We also retain independent representatives in specific countries on a commission basis. Our independent representatives operate under contracts in which they pledge to act in full compliance with the Foreign Corrupt Practices Act ("FCPA") and other applicable legislation.

Our marketing functions are principally directed at identifying and understanding geographic markets and developing new applications for our products and services. We are currently focused on potential energy applications for oil and gas exploration, transmission towers, and pipeline development in South America, Europe, North America, Africa and Asia. Our

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government sector includes support for the DoD, State Department and other governmental agencies in the Middle East, Africa, South Pacific, Hawaii, and Alaska. In firefighting applications, we are focused on North America, Australia, and Europe. We are pursuing timber harvesting applications in North America, and construction applications in North America, Europe, the Middle East, South America, and Asia.

Significant Customers

Each of Fluor Corporation ("Fluor") and the U.S. Forest Service accounted for 10% or more of our net revenues in 2014, and we have existing contracts with each of these customers, with which we believe that we have good relationships.

The table below sets forth all customers that accounted for at least 10% of our net revenues in 2014, 2013, or 2012:

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
Fluor[1]	17.4	%	14.8	%	—	
U.S. Forest Service	13.0	%	14.7	%	28.6	%
Italian Ministry of Civil Protection [2]	—	%	3.0	%	12.9	%
	30.4	%	32.5	%	41.5	%

(1) Fluor was a customer serviced by Evergreen Helicopters for the year ended December 31, 2012.
(2) Our contract to provide services to the Italian Ministry of Civil Protection expired in June 2013.

Intellectual Property

Because we own the S-64 Type and Production Certificates, we are the only company authorized to remanufacture the Aircrane and manufacture OEM components for the Aircrane. In addition, our core technologies are protected through a combination of intellectual property rights, including trade secrets, patents, copyrights, and trademarks, as well as through contractual restrictions. We enter into confidentiality and inventions assignment agreements with our designers, engineers, consultants, and business partners, and we control access to and distribution of our proprietary information.

We have patents related to our sea snorkel in the U.S., Canada, Korea, China, certain countries in Europe, and elsewhere. Our sea snorkel patents expire in the U.S. in 2021. We may file for additional patent protection as we deem appropriate to protect new products.

We have registered the AIR CRANE word mark in the United States and we have registered the Erickson logo, featuring a design of an Aircrane. We have also registered the A.I.R.S. word mark in the United States. We have a pending trademark filing in the United States for the AIRCRANE INCIDENT RESPONSE SYSTEMS word mark. In 2013, as part of our re-branding effort, we filed a trademark application for our new Erickson name with stylized design, which application is currently pending in the U.S. Trademark Office.

During the year ended December 31, 2013, we purchased the Type Certificate for engines used in the S-64 Aircrane.

Insurance and Risk Management

We complement our risk management strategy by maintaining hull insurance on our aircraft covering us for loss of or damage to the aircraft, and liability insurance for the cost of defending against and paying any claims brought by a third party. We also insure the aircraft against war risk and related perils. In addition, we maintain insurance for other risks inherent in doing business, such as automobile liability, pollution liability, and workers' compensation coverage. In some instances, we are covered by indemnity agreements from our customers in lieu of, or in addition to, our insurance.

Competition

As a leading global provider of aviation services specializing in oil and gas, government services, legacy aircraft MRO and manufacturing, and commercial services such as firefighting, HVAC, power line, specialty, construction, and timber harvesting, Erickson operates a fleet of light, medium, and heavy rotor-wing and fixed-wing aircraft. We have transformed our competitive position from a highly-specialized, vertical heavy-lift operator to that of a diversified supplier of a full range of aerial services, still including a unique and valuable capability for various heavy-lift mission roles. Our diversification has enhanced our competitiveness in several ways, including the ability to provide a comprehensive range of services for certain customers; at the same time, we have also expanded the number of companies against which we compete. This increased competition has placed pressure on our margins, but we are confident of our long-term opportunity to compete successfully, and drive value to our stockholders through the continued execution of our business and the ongoing execution of our strategies. We believe the combination of our reputation for operational excellence, superior safety record, and our vertically integrated manufacturing and overhaul capability give us a unique advantage compared with our competition.

Seasonality

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 operations tend to peak in June through October and to be at a low point in January through April.

Employees and Training

We employ approximately 1,000 employees, of which approximately 650 are located in Oregon, primarily at our Central Point and McMinnville facilities and Portland headquarters. We employ approximately 350 pilots. We deploy crews, including pilots and maintenance personnel, on-site globally where we deploy our aircraft. None of our U.S employees are represented by a labor union. Approximately 15 pilots in Italy are covered by statutory employment protections. In Brazil, all of our approximately 35 employees are covered by statutory employment protections under Brazilian labor law.

We hire highly-experienced pilots and mechanics to operate and maintain all of our aircraft. Our hiring policy for Aircrane and other multi-engine helicopter pilots mandate that each must have a minimum of 2,000 total hours with 1,500 hours of helicopter, Pilot in Command time to be employed by us as a Second in Command pilot; our policy for single-engine helicopter pilots requires that each candidate have a minimum of 1,500 total hours with 1,000 hours of Pilot in Command helicopter time. The training necessary for Aircrane pilots to advance to Captain status is extensive and can take up to five years. Our Aircrane Captains have an average of over 10,000 hours of helicopter time, with extensive experience in fire and vertical reference missions.

Erickson Helicopters, Inc. and Erickson Transport, Inc. field mechanics are qualified to perform Return to Service ("RTS") on our fleet of rotor and fixed-wing aircraft, based on work experience and training. All field mechanics must satisfy the requirements of the respective FAA-accepted Air Carrier Part 135 Training Program and are evaluated in accordance with that standard, before becoming qualified to sign off the aircraft. Built into this certification requirement are the training, qualification, and authorization of ‘Required Inspection Item’ ("RII") inspectors. This is an additional control to reduce risk to a residual level prior to releasing an aircraft back to service.

Our Aircrane field mechanics are also qualified to perform a number of RTS levels of based on work experience and task qualification. All Aircrane field mechanics must meet the requirements of the FAA-approved, Repair Station Part 145 Training Program and minimum task qualifications before becoming qualified to sign off the aircraft. The task qualification process typically takes three to five years for an FAA-certificated mechanic to reach Full RTS. This process ensures that the mechanics performing work on our fleet of Aircranes meet the high standards that have become associated with Erickson Incorporated.

Finally, a limited number of our field mechanics are trained, qualified, and authorized in Non Destructive Testing, Pilot-Static Testing, and ATC Transponder Testing.

Regulation

All aspects of our business are heavily regulated under federal, state, local, and foreign laws and regulations. These laws and regulations may require us to maintain and comply with a wide variety of certificates, permits, licenses, noise abatement standards, and other requirements. These regulatory agencies have the authority to modify, amend, suspend, or revoke the certificates, permits, and licenses granted to us for failure to comply with provisions of law or applicable regulations, and may impose civil or criminal penalties for violations of applicable rules and regulations.

FAA and Comparable Agencies.   Our aerial operations, aircraft manufacturing, and MRO activities are subject to complex aviation and transportation laws and regulations under which the United States Department of Transportation ("DOT"), principally through the FAA, exercises regulatory authority over certificate holders and persons that operate, manufacture, or repair aircraft. We are also subject to comparable regulation in several foreign countries with respect to our operations in those countries.

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The FAA and comparable foreign agencies, including the European Aviation Safety Agency and Agência Nacional de Aviação Civil (“ANAC”), have jurisdiction over many aspects of our business, including:

- The issuance of type certificates for the Aircrane and Aircrane engines;
- Approval of major modifications to the Aircrane or its systems;
- Approval of Aircrane accessories used in our operations, such as our sea snorkel and our anti-rotation device and hoist;
- Promulgation and enforcement of rules governing the operation of aircraft generally and in connection with specific missions;
- Promulgation and enforcement of rules governing the manufacture and repair of aircraft, aircraft systems, and aircraft components; and
- Promulgation and enforcement of rules governing the qualification, training, and currency of pilots, flight crew, and repair and maintenance personnel.

The FAA and comparable foreign authorities actively monitor compliance with these rules and conduct regular inspections and audits of our operations and facilities. A serious violation of any of these rules could result in the imposition of fines or penalties, the revocation of our type certificate or the suspension or revocation of our operating licenses. The aviation regulation agencies in various jurisdictions sometimes work in concert to avoid duplication of regulatory effort, but each agency has authority to impose and enforce its own regulations and conduct its own inspections with respect to operations within its jurisdiction.

U.S. federal laws require that at least 75% of the voting securities of a domestic air carrier be owned or controlled by citizens of the U.S., and that its president and at least two-thirds of its directors and managing officers be U.S. citizens. Our CEO and at least two-thirds of our directors and managing officers are U.S. citizens, and our certificate of incorporation and bylaws restrict voting of shares of our capital stock by non-U.S. citizens. Our bylaws provide that no shares of our capital stock may be voted by or at the direction of non-U.S. citizens unless such shares are registered on a separate stock record, which we refer to as the foreign stock record. Our bylaws further provide that the voting rights of the shares registered on the foreign stock record in the name of each foreign stockholder will be proportionally reduced so that the voting rights of the amount so registered are reduced if the amount registered would exceed the foreign ownership restrictions imposed by federal law.

The FAA and comparable foreign agencies may adopt new regulations, directives, or orders that could require us to take additional compliance steps or result in the grounding of some of our aircraft or the suspension of certificates or licenses, which could increase our costs or result in a loss of revenues. New regulations could also restrict our operations or increase our operating costs.

Environmental Regulations. We are subject to increasingly stringent federal, state, local, and foreign environmental laws and regulations concerning, among other things, water discharges, air emissions, hazardous material and waste management, and environmental cleanup. Future regulatory developments may require us to take additional action to maintain compliance with applicable laws. For example, future laws and regulations limiting the emission of greenhouse gases could, among other things, require us to change our manufacturing processes, which may require us to make significant additional expenditures.

Certain of our operations are also subject to the oversight of the Occupational Safety and Health Administration ("OSHA") concerning employee safety and health matters.

Other Regulations.   Our operations in non-U.S. jurisdictions are subject to local governmental regulations that may limit foreign ownership of aviation companies. Because of these local regulations, we conduct some of our operations through entities in which local citizens own a majority interest and we hold a minority interest, or through local agents.

Safety

Our systems for managing safety and risks were tested throughout the year. External evaluations yielded excellent results regarding operational performance, maintenance practices, and overall readiness. In January 2014, our facilities in Central Point graduated from the Oregon OSHA Safety and Health Achievement Recognition Program ("SHARP"), identifying us as a company that achieved a level of safety that far exceeds minimum compliance standards. In April 2014, CARB evaluated our operating certificates. The evaluations were concluded ahead of schedule and resulted in zero discrepancies. In June 2014, a new web-based safety reporting site was launched, allowing for any employee to report safety-related issues in real time. This system allows for managers to quickly assess hazards and put mitigation steps in place in a proactive manner. In October of

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2014, Erickson Helicopters, Inc., followed shortly by Erickson Transport, Inc. on December of 2014, became Wyvern Wingman Certified operators. The Wyvern Wingman Standard has been recognized as the industry's gold standard in aviation safety for twenty-two years, and is constantly updated to reflect a commitment to current industry best practices and the highest level of safety culture and protocol. There were no accidents in 2014 and we are in a position to grow and strengthen our safety culture.

Organizational Structure

Some of our foreign operations are conducted through local subsidiaries and are structured to comply with local ownership laws and other requirements. Typically, we provide comprehensive lease services to our subsidiaries under agreements which are cancelable by us; those subsidiaries in turn contract with foreign entities.

ITEM 1A.

RISK FACTORS

Our business is subject to numerous risks and uncertainties. You should carefully consider the following risk factors and all other information contained in this annual report on Form 10-K and the reports we file with the SEC from time to time. Any of these risks could harm our business, results of operations, financial condition and prospects. In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations, financial condition and prospects.

Risks Relating to our Indebtedness

Our indebtedness and significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business.

We are a highly leveraged company and, as a result, have significant debt service obligations. In May 2013, we issued $400.0 million in aggregate principal amount of 8.25% Second Priority Senior Secured Notes due 2020 (the "2020 Senior Notes"), issued $17.5 million in unsecured 2020 subordinated promissory notes (the "2020 Subordinated Notes" and together with the 2020 Senior Notes, the "Notes"), refinanced our prior 2015 Subordinated Notes and 2016 Subordinated Notes, and refinanced our prior senior secured asset-based credit facilities, composed of Term Debt and Revolving Line of Credit. Our total borrowings under the Notes and our senior secured asset-based credit facility entered into on May 2, 2013 and amended on June 14, 2013 and March 11, 2014 (the "Revolving Credit Facility"), excluding letters of credit, at December 31, 2014 was approximately $460.8 million. As of December 31, 2014, we had maximum availability for borrowings under our Revolving Credit Facility of approximately $46.0 million. Our Notes and Revolving Credit Facility mature on May 1, 2020 and May 2, 2018, respectively, and these borrowings are secured by liens on substantially all of our and the guarantors' existing and future assets. Our substantial indebtedness could require us to dedicate a significant portion of our cash flow from operations to debt payments, thereby increasing our vulnerability to generally adverse economic and industry conditions, or limit our flexibility in planning for or reacting to changes in our business and future business opportunities. If we are unable to repay our outstanding indebtedness, or refinance it on favorable terms, if at all, we may need to seek financing through the issuance of additional debt or equity securities. We may be unable to repay our borrowings under our Notes and Revolving Credit Facility when due, refinance this indebtedness on favorable terms, if at all, or obtain other financing on favorable terms, if at all, which would adversely affect our business, financial condition and results of operations and impair our ability to grow and operate our business.

Our substantial indebtedness could also:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including our obligations under the indenture to purchase notes tendered as a result of a change in control;
- increase our vulnerability to generally adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;

- require us to dedicate a substantial portion of our cash flow from operations to service payments on our debt;
- increase the price volatility of our common stock;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

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Our Revolving Credit Facility requires that we maintain a fixed charge coverage ratio of at least 1.2:1.0 if our average excess availability is greater than $16.8 million (as calculated pursuant to the terms of the Revolving Credit Facility) or 1.05:1.0 if our average excess availability is less than or equal to $16.8 million (as calculated pursuant to the terms of the Revolving Credit Facility), and imposes an annual growth capital expenditures limit of $25.0 million, subject to standard carry-over provisions.

Failure to comply with these covenants is an event of default under the facility and as a result our ability to draw down borrowings under our Revolving Credit Facility depends in part on our compliance with these covenants.
An inability to draw down on our Revolving Credit Facility could have a material adverse effect on our ability to make capital expenditures, on our results of operations and on our liquidity. Further, failure to maintain the financial ratios required under our Revolving Credit Facility would constitute an event of default, allowing the lenders under our Revolving Credit Facility to declare the entire balance of any and all sums payable under the Revolving Credit Facility immediately due and payable. If a payment default or acceleration were to occur under our Revolving Credit Facility, holders of 2020 Senior Notes would be permitted to accelerate the maturity of the 2020 Senior Notes.
Our ability to meet our debt service obligations and seek any potential re-financing of our indebtedness, including the debt existing at the time of the issuance of Notes as well as any future debt that we may incur, will depend upon our ability to generate cash in the future from operations, financings or asset sales, which are subject to general economic conditions, industry cycles, seasonality and other factors, some of which may be beyond our control. If we cannot repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in our industry could be impaired.
We may be unable to access public or private debt markets to fund our operations and contractual commitments at competitive rates, on commercially reasonable terms, or in sufficient amounts, if at all.
We depend, in part, upon borrowings under our credit facilities to fund our operations and contractual commitments. If we were called upon to fund all outstanding commitments, we may not have sufficient funds to do so. A number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt. These factors include general economic conditions, disruptions or declines in the global capital markets, and our financial performance, outlook, or credit ratings. An adverse change in any or all of these factors may materially adversely affect our ability to fund our operations and contractual or financing commitments.
If our business does not perform as expected, including if we generate less revenue than anticipated from our operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our Revolving Credit Facility. If we do not comply with our financial covenants and we do not obtain a waiver or amendment, our lenders may accelerate payment of all amounts outstanding which would immediately become due and payable, together with accrued interest. Any default may require us to seek additional capital or modifications to our credit facilities, which may not be available or which may be costly. Additionally, our suppliers may require us to pay cash in advance or obtain letters of credit as a condition to selling us their products and services. Any of these risks and uncertainties could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Operational Risks Relating to our Business
The helicopter services business is highly competitive.
Each of our segments faces significant competition. We compete for most of our work with other helicopter operators and, for some operations, with fixed-wing operators and ground-based alternatives. Many of our contracts are awarded after competitive bidding, and competition for those contracts is generally intense. The principal aspects of competition are safety, price, reliability, availability, and service.
We have several major competitors and numerous small competitors operating in our aerial services markets. In the firefighting market, we compete heavily with both helicopter and fixed-wing operators. Our competitors may at times

undercut our prices, especially if they are at risk of having too many idle aircraft. In the timber harvesting market, we compete with other heavy-lift helicopter operators, medium-lift helicopter operators, and ground-based solutions.

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In the manufacturing and MRO market, our competitors may have more extensive or more specialized engineering, manufacturing, and marketing capabilities than we do in some areas. In addition, some of our largest customers could develop the capability to manufacture products or provide services similar to products that we manufacture or services that we provide. Furthermore, we are facing increased international competition and cross-border consolidation of competition.

We may not be able to compete successfully against our current or future competitors and the competitive pressures we face may result in reduced revenues and market share. If we are unable to adjust our costs relative to our pricing, our profitability will suffer. In addition, some of our competitors may have greater financial and other resources than we do, and may therefore be able to react to market conditions and compete more effectively than we do.

We depend on a small number of large customers for a significant portion of our revenues.

We derive a significant amount of our revenue from a small number of major customers.

Several of our largest customers are governmental agencies or entities that may be subject to budget or other financial constraints. The economies of Greece and Italy in particular have been adversely affected by global financial pressures. In light of the ongoing European sovereign debt crisis, there are heightened risks associated with our future revenue attributable to, and our accounts receivable from, the Hellenic Fire Brigade, now contracted through NAMSA, and the Italian Ministry of Civil Protection. Similarly, in light of anticipated troop withdrawals in Afghanistan, there is a heightened risk of a decline in our future revenue attributable to our contract with Fluor. Should we lose one of our major customers for any reason, we may be unable to identify new opportunities sufficient to avoid a reduction in revenues and our business and financial condition could suffer.

In addition, contracts with the majority of our significant customers are multi-year contracts; however, many of these contracts are subject to a cancellation notice period of 90 days or less, and all of these contracts are periodically up for renewal or rebid. Renewal, or a successful rebid, is not guaranteed. Should we lose one of our major customers for any reason, we may be unable to identify new opportunities sufficient to avoid a reduction in our revenues and operating earnings, which would have a material adverse effect on our business, financial condition, results of operations, and cash flows. If one or more of these customers is disproportionately impacted by factors that affect its ability to pay us or to enter into new contracts with us, including general economic factors, our operations could be materially and adversely affected.

Several of our material contracts provide for differentiating factors in their award process which include small business status, performance records, safety records, and other factors. Several of these factors have been instrumental in us winning new work and continuing contracts. Should our ability to utilize these differentiating factors become compromised, our operating results may be materially impacted.

Our helicopter operations involve significant risks, which may result in hazards that may not be covered by our insurance or may increase the cost of our insurance.

The operation of helicopters inherently involves a high degree of risk. Hazards such as aircraft accidents, mechanical failures, collisions, fire, and adverse weather may result in loss of life, serious injury to employees and other persons, damage to property, losses of equipment and revenues, revocation of necessary governmental approvals and suspension or reduction of operations. The aerial services we provide and the missions we fly, which include firefighting and timber harvesting in confined spaces, can be hazardous. In addition, we ship our helicopters to various locations, which expose them to various risks when in transit, including risks relating to piracy, inclement weather and improper shipment. We maintain hull and liability insurance on our aircraft, which insures us against physical loss of, or damage to, our aircraft and against certain legal liabilities to others. In addition, we carry war risk, expropriation, confiscation, and nationalization insurance for our aircraft involved in international operations. In some instances, we are covered by indemnity agreements from our customers in lieu of, or in addition to, our insurance. In addition, we maintain product liability insurance for aircraft and aircraft components we manufacture. Our insurance will not cover any losses incurred pursuant to any performance provisions under agreements with our customers.

Our insurance and indemnification arrangements may not cover all potential losses and are subject to deductibles, retentions, coverage limits, and coverage exceptions and, as a result, severe casualty losses or the expropriation or confiscation of significant assets could materially and adversely affect our financial condition or results of operations. The insured value of one of our aircraft is typically lower than its replacement cost, and our aircraft are not insured for loss of use. The occurrence of an event that impairs the use of an aircraft but that is not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations, and cash flows. The loss of an aircraft, which we believe would take us at least six months to replace, could negatively impact our operations.

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Failure to maintain our safety record would seriously harm our ability to attract new customers and maintain our existing customers, and would increase our insurance costs.

A favorable safety record is one of the primary factors a customer reviews in selecting an aviation provider. If we fail to maintain our safety and reliability record, our ability to attract new customers and maintain our current customers will be materially and adversely affected. In addition, safety violations could lead to increased regulatory scrutiny; increase our insurance rates and expense, which is a significant operating cost; or increase the difficulty of maintaining our existing insurance coverage in the future, which would adversely affect our operations. Because of the inherent risks in our helicopter operations, no safety program can guarantee accidents will not occur.

Our failure to timely collect our receivables could adversely affect our cash flows and results of operations.

We provide services to our customers for which we are customarily not paid in advance. We rely on the creditworthiness of our customers to collect on our receivables in a timely manner after we have billed for services previously provided. While we generally provide services pursuant to a written contract which determines the terms and conditions of payment to us by our customers, occasionally customers may dispute a bill and delay, contest, or not pay our receivable. Our failure to timely collect our receivables could adversely affect our cash flows and results of operations and could cause us to fail to comply with the financial covenants in our Revolving Credit Facility.

Factors beyond our control, including weather and seasonal fluctuations, may reduce aircraft flight hours, which would affect our revenues and operations.

A significant portion of our operating revenue is dependent on actual flight hours, and a substantial portion of our direct costs are fixed. Flight hours could be negatively impacted by factors beyond our control and fluctuate depending on cyclical weather-related and seasonal limitations, which would affect our revenues and operations. In addition, our aircraft are not currently equipped to fly at night, reinforcing the seasonality of our business with more activity in the Northern Hemisphere during the summer months and less activity during the winter months. Poor visibility, high winds, and heavy precipitation can restrict the operation of helicopters and significantly reduce our flight hours. Reduced flight hours can have a material adverse effect on our business, financial condition, results of operations, and cash flows. We budget for our operations based on historical weather information, but unexpectedly poor weather could materially affect our results of operations.

Some of our backlog may be deferred or may not be realized.

Backlog represents the amount of revenue that we expect to derive from signed contracts, including oral contracts that have been subsequently memorialized in writing, or anticipated exercises of customer extension options. For contracts that include a guaranteed number of hours, the value of the guaranteed hours is included in backlog. For CPH contracts, which depend on hours flown by our customers, we calculate the contribution to backlog based on contracted minimum hours. We calculate the contribution to backlog for some timber harvesting contracts based on our estimate of the cubic meters of high grade timber we expect to deliver under the contract based on our experience. As a result, our estimates of backlog for some of our timber harvesting contracts could be affected by variables beyond our control and may not be entirely realized, if at all. In addition, given the nature of our customers and our industry, there is a risk that our backlog may not be fully realized in the future. Failure to realize sales from our existing or future backlog would negatively impact our business, financial condition, results of operations or cash flows.

Some of our arrangements with customers are short-term, ad hoc, or “call when needed” and may not be renewed.

We generate a portion of our revenues from arrangements with customers with terms of less than six months, ad hoc arrangements, and “call when needed” contracts. For the year ended December 31, 2014, for example, approximately 5% of our revenues were derived from such arrangements. There is a risk that customers may not continue to seek the same level of services from us as they have in the past or that they will not renew these arrangements or terminate them at short notice. Under “call when needed” contracts, we pre-negotiate rates for providing services that customers may request that we perform (but which we are not typically obligated to perform) depending on their needs. The rates we charge for these contingent services are higher than the rates under stand-by arrangements, and we attempt to schedule our aircraft to maximize our revenue from these types of contracts. The ultimate value we derive from such contracts is subject to factors beyond our control, such as the severity and duration of fire seasons. In the past, several of our larger contracts have not been renewed for reasons unrelated to our performance, such as the financial condition of our customers or their decision to internalize the services we provided to them. If we are unable to retain or replace customers experiencing similar circumstances, our business and financial condition could suffer.

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If an accident or sale made an aircraft unavailable to us, our business could suffer.

As of December 31, 2014, we operated a fleet of 86 aircraft, 62 of which were providing government and commercial aerial services during the year. An accident or sale could make an aircraft unavailable to us temporarily or permanently. A sale of an aircraft that is part of our fleet would also reduce the number of aircraft available to provide Aerial Services. The purchase price of a used aircraft is generally lower than the purchase price of a remanufactured aircraft. Although we would expect to be able to maintain the level of our operations if we sell an aircraft from our fleet through more efficient scheduling of our fleet or by allocating aircraft remanufactured in our plant to aerial services operations, we may not always have the ability to maintain our desired level of Aerial Services operations with a reduced fleet and our results of operations could be adversely affected.

Foreign, domestic, federal, state and local government spending and mission priorities may change in a manner that materially and adversely affects our future revenues and limits our growth prospects.

Our business depends upon continued government expenditures on programs that we support. These expenditures have not remained constant over time. Current foreign and domestic government spending levels on programs that we support may not be sustainable as a result of changes in government leadership, policies, or priorities.

Additionally, our business, prospects, financial condition, or operating results could be materially harmed by the following:

- budgetary constraints affecting government spending generally, or specific departments or agencies in particular, and changes in fiscal policies or available funding;
- changes in government programs or requirements;
- reductions in military and defense spending;
- realignment of funds to address changed government priorities;
- government shutdowns (such as those which occurred during the U.S. Government’s 1996 and 2013 fiscal years) and other potential delays in government appropriations processes;
- delays in the payment of our invoices by government authorities;
- adoption of new laws or regulations; and
- general economic conditions.

These or other factors could cause government agencies and departments to reduce their purchases under contracts, exercise their right to terminate contracts, or not exercise options to renew contracts, any of which could cause us to lose revenue. A significant decline in overall government spending or a shift in expenditures away from agencies or programs that we support could cause a material decline in our revenues and harm our financial results.

Product liability and product warranty risks could adversely affect our operating results.

We produce, repair, and overhaul complex aircraft and critical parts for aircraft. Failure of our aircraft or parts could give rise to substantial product liability and other damage claims. We maintain insurance to address this risk, but our insurance coverage may not be adequate for some claims and there is no guarantee that insurance will continue to be available on terms acceptable to us, if at all.

Additionally, aircraft and parts we manufacture for sale are subject to strict contractually established specifications using complex manufacturing processes. If we fail to meet the contractual requirements for a part, we may be subject to warranty costs to repair or replace the part itself and additional costs related to the investigation and inspection of non-complying parts. These costs are generally not insured. We establish warranty reserves that represent our estimate of the costs we expect to incur to fulfill our warranty requirements. We base our estimate for warranty reserves on our historical experience and other assumptions. If actual results materially differ from these estimates, our results of operations could be materially adversely affected.

Because we own the S-64 Type Certificate, we are obligated to issue directives to operators of our aircraft and to identify defects in or required replacements for our aircraft. We could be liable to operators of our aircraft if we fail to fulfill our obligation to issue directives, even if our aircraft or components of our aircraft are no longer under warranty. We also purchased the Type Certificate during 2013 for engines used in the S-64 Aircranes.

Our failure to attract and retain qualified personnel could adversely affect us.

Our pilots and maintenance and manufacturing personnel are highly trained and qualified. Our ability to attract and retain qualified pilots, mechanics, and other highly trained personnel will be an important factor in determining our future success. Our aircraft, and the aerial services we provide, require pilots with high levels of flight experience. The market for these

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experienced and highly trained personnel is extremely competitive. Accordingly, we cannot assure that we will be successful in our efforts to attract and retain such persons. Some of our pilots and mechanics, and those of our competitors, are members of the U.S. military reserves and could be called to active duty. If significant numbers of such persons were called to active duty, it would reduce the supply of such workers, possibly curtailing our operations and likely increasing our labor costs. Because of our small size relative to many of our competitors, we may be unable to attract qualified personnel as easily as our competitors.

The occurrence of events for which the risk is allocated to us under our contracts could negatively impact our results of operations.

Many of our contracts are fixed price agreements which could subject us to losses if we have cost overruns. Under these contracts, we typically are responsible for normal maintenance, repair, and fuel costs. In addition, some of our Aerial Services contracts have performance penalty provisions, subjecting us to the risk of unexpected down time caused by mechanical failures, extreme weather or otherwise, which could cause our net income to suffer. Risks associated with estimating our costs and revenues are exacerbated for long-term contracts, which include most of our material contracts.

Our contracts for remanufacture of aircraft and major overhauls or components typically contain penalty provisions that require us to make payments to customers, or provide interim aerial services to them at no cost, if we are unable to timely deliver aircraft or components. Such contracts may also include a repurchase obligation by us if certain performance or other criteria are not met.

Our customers may seek to shift risk to us.

We give to and receive from our customers indemnities relating to damages caused or sustained by us in connection with our operations. Our customers’ changing views on risk allocation could cause us to accept greater risk to win new business or could result in us losing business if we are not prepared to take such risks. To the extent that we accept such additional risk, and seek to insure against it, our insurance premiums could rise.

We may be required to provide components or services to owners or operators of the S-64 or the CH-54, which could limit our operational flexibility and divert resources from more productive uses.

Because we own the S-64 Type Certificate, we may be required to supply components or provide MRO services to customers who own or operate the S-64 or the CH-54, the military version of the S-64. This could limit our operational flexibility, divert resources from more productive uses, and adversely affect our ability to execute on our growth plans.

Our dependence on a small number of manufacturers for some of our aircraft components and the costs associated with the purchase or manufacture of new components pose significant risks to our business.

We rely on over 200 supplier business units or locations for significant or critical components. A small number of manufacturers make some of the key components for our aircraft, and in some instances there is only a single manufacturer, although other manufacturers could be used if necessary for all of our components. If these manufacturers experience production delays, or if the cost of components increases, our operations could suffer. If a manufacturer ceases production of a required component, we could incur significant costs in purchasing the right to manufacture those components or in developing and certifying a suitable replacement, and in manufacturing those components.

Many key components and parts of our aircraft have not been manufactured since originally introduced. A significant portion of our inventory was acquired in bulk on the surplus market. For some aviation components, our operating cost includes the overhaul and repair of these components but does not include the purchase of a new component. It may be difficult to locate a supplier willing and able to manufacture replacement components at a reasonable cost or at all. As we exhaust our inventory, the purchase of any new components, or the manufacture by us of new components, could materially increase our operating cost or delay our operations; we routinely monitor levels of out-of-production parts and design and certify replacement parts to mitigate this risk.

Failure to develop new technologies, and to adequately protect our intellectual property rights, could adversely affect our operations.

Our success has resulted in part from our development of new applications for our aircraft, such as our fire tank and snorkel for firefighting services, and we believe our growth will continue to depend on the development of new products or applications. Competitors may develop similar applications for their aircraft, which would increase our competition in providing aerial services. In addition, our growth strategy depends, in part, on our ability to develop new products and applications. A number

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of factors, including FAA certifications, could result in our being unable to capitalize on the development costs for such products or applications. Not all of our products and applications have been, or may be, patented or otherwise legally protected. We rely upon intellectual property law, trade secret protection, and confidentiality and license agreements with our employees, clients, consultants, partners, and others to protect our new and existing intellectual property rights. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. If we are not able to adequately protect the inventions and intellectual property we have developed, in the U.S. and in foreign countries, or if any of our trade secrets, know-how, or other technologies were to be disclosed to or independently developed by a competitor, our business, financial condition, and results of operations could be materially adversely affected.

We may have to engage in litigation to defend our trademarks, trade secrets, and other intellectual property rights. Even if we are successful, such litigation could result in substantial costs and be a distraction to management. If we are not successful in such litigation, we may lose valuable intellectual property rights.

Any of our patents may be challenged, invalidated, circumvented, or rendered unenforceable. Our patents may be subject to reexamination proceedings affecting their scope. We cannot assure that we will be successful should one or more of our patents be challenged for any reason. If our patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded our products could be impaired, which could significantly impede our ability to market our products, negatively affect our competitive position, and harm our business and operating results.

Further, we are a party to licenses that grant us rights to intellectual property, including trade secrets, that is necessary or useful to our business. One or more of our licensors may allege that we have breached our license agreement with them, and accordingly seek to terminate our license. If successful, this could result in our loss of the right to use the licensed intellectual property, which could adversely affect our ability to commercialize our technologies, products, or services, as well as harm our competitive business position and our business prospects.

Our business is subject to risks associated with international operations, including operations in emerging markets.

We purchase products from and supply products to businesses located outside of the United States. We also have significant operations outside the United States. For the years ended December 31, 2014 and 2013, approximately 70% and 66%, respectively, of our total revenues were attributable to operations in non-U.S. countries. A number of risks inherent in international operations could have a material adverse effect on our international operations and, consequently, on our results of operations, including:

- the uncertain ability of select non-U.S. customers to finance purchases and our inability in certain jurisdictions to evaluate accurately the creditworthiness of potential customers due to fewer transparency and disclosure requirements;
- currency fluctuations, which can reduce our revenues for transactions denominated in non-U.S. currency or make our services relatively more expensive if denominated in U.S. currency;
- difficulties in staffing and managing multi-national operations;
- political and financial instability in several of the countries in which we operate, including Greece and Italy;
- the exit or closure of any foreign operations or venues as a result of uncertain local business or legal conditions;
- significant receivables from international customers;
- risks associated with transporting our aircraft, including risks associated with piracy and adverse weather;
- fluctuations in the costs associated with transporting our aircraft, pilots, and crews, which are significant operating costs for us;
- limitations on our ability to enforce legal rights and remedies;
- uncertainties regarding required approvals or legal structures necessary to operate aircraft or provide our products and services in a given jurisdiction;
- changes in regulatory structures or trade policies;
- tariff and tax regulations including permanent establishment determinations by foreign governments;
- ensuring compliance with the FCPA;
- difficulties in obtaining export and import licenses; and
- the risk of government-financed competition.

Part of our growth strategy is to enter new markets, including emerging market countries such as China and in South America. Emerging market countries have less developed economies that are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates, and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets, and the imposition of taxes or other charges by government authorities. The occurrence of any of these events and the resulting economic instability that may arise could adversely affect our operations in those countries, or the ability of our customers in those countries to meet their

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obligations. As a result, customers that operate in emerging market countries may be more likely to default than customers that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in those countries. In particular, we have focused on expanding our presence in developing markets such as China and Malaysia, and the laws and regulations governing aviation sales and services may require approvals that are uncertain and enforcement of joint venture or other contractual relationships may be uncertain. For these and other reasons, our growth plans may be materially and adversely affected by adverse economic and political developments in emerging market countries.

We are subject to many different forms of taxation in various jurisdictions throughout the world, which could lead to disagreements with tax authorities regarding the application of tax laws.

We are subject to many different forms of taxation including, but not limited to, income tax, withholding tax, commodity tax and payroll-related taxes. Tax law and administration is extremely complex and often requires us to make subjective determinations. The tax authorities in the various jurisdictions where we conduct business might not agree with the determinations that are made by us with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial funds to the government authorities of foreign and local jurisdictions where we conduct business or provide goods or services, which could have a material adverse effect on our business, financial condition or results of operations.

Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax laws in various jurisdictions, the effect of tax treaties between jurisdictions, taxable income projections, and the benefits of various restructuring plans. To the extent that such assumptions differ from actual results, we may have to record additional income tax expenses and liabilities.

We are exposed to foreign currency risks.

Our consolidated financial statements are presented in U.S. dollars. However, a significant portion of our revenue and operating expenses are denominated in currencies consisting primarily of Canadian Dollars, Australian Dollars, the Euro, Peruvian Nuevo Sol, and the Brazilian Real. The functional currencies of several of our subsidiaries are non-U.S. currencies. There can be no assurances that our foreign currency risk management strategies will be effective and that foreign currency fluctuations will not adversely affect our results of operations and financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Quantitative and Qualitative Disclosures About Market Risk”.

If our employees unionize, our expenses could increase and our results of operations would suffer.

Except for statutory protections for a small number of Italian pilots and our Brazilian employees, none of our employees work under collective bargaining, union or similar agreements. Unionization efforts have been made from time to time within our industry, with varying degrees of success. If our employees unionize, our expenses could increase and our results of operations may suffer.

Fuel shortages or fluctuations in the price of fuel could adversely affect our operations.

Our aerial operations depend on the use of jet fuel. Fuel costs have historically been subject to wide price fluctuations, and fuel availability is subject to shortage and is affected by demand for heating oil, gasoline, and other petroleum products. Fuel shortages and increases in the price of fuel, or decreases in the price of fuel when we have entered into hedging agreements, could adversely affect our operations.

Our production may be interrupted due to equipment failures or other events affecting our factories.

Our manufacturing and testing processes depend on sophisticated and high-value equipment. Unexpected failures of this equipment could result in production delays, revenue loss, and significant repair costs. In addition, our factories rely on the availability of electrical power and natural gas, transportation for raw materials and finished product, and employee access to our workplace that are subject to interruption in the event of severe weather conditions or other natural or man made events. While we maintain backup resources to the extent practicable, a severe or prolonged equipment outage or other interruptive event affecting areas where we have significant manufacturing operations may result in loss of manufacturing days or in shipping delays which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

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We rely on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted and our business could be negatively affected.

We rely on information technology networks and systems to process, transmit and store electronic and financial information; to coordinate our business across our global operation bases; and to communicate within our company and with customers, suppliers, partners and other third-parties. These information technology systems may be susceptible to damage, disruptions or shutdowns, hardware or software failures, power outages, computer viruses, cyber attacks, telecommunication failures, user errors or catastrophic events. If our information technology systems suffer severe damage, disruption or shutdown, and our business continuity plans do not effectively resolve the issues in a timely manner, our operations could be disrupted and our business could be negatively affected. In addition, cyber attacks could lead to potential unauthorized access and disclosure of confidential information, and data loss and corruption. There is no assurance that we will not experience these service interruptions or cyber attacks in the future.

General economic conditions and recent market events may expose us to new risks.

Recent events in the financial markets and the economic downturn have contributed to severe volatility in the securities markets, a severe liquidity crisis in the global financial markets, and unprecedented government intervention. These conditions have affected our results of operations and may continue to affect them. In such an environment, significant additional risks may exist for us. The recent instability in the financial markets has led the U.S. government to take a number of unprecedented actions designed to support certain financial and other institutions and segments of the financial market that have experienced extreme volatility, and in some cases, a lack of liquidity. There can be no assurance that this intervention will improve market conditions, that such conditions will not continue to deteriorate, or that further government intervention will or will not occur. If economic conditions worsen, we face risks that may include:

- declines in revenues and profitability from reduced or delayed orders by our customers, in particular with respect to infrastructure construction projects which may be delayed or canceled;
- supply problems associated with any financial constraints faced by our suppliers;
- reductions in credit availability to us or in general;
- increases in corporate tax rates to finance government spending programs; and
- reductions in spending by governmental entities for services such as infrastructure construction and firefighting.

The economic downturn and continued credit crisis and related turmoil in the global financial system may have an adverse impact on our business and our financial condition. We cannot predict our ability to obtain financing, and this could limit our ability to fund our future growth and operations. In addition, the creditworthiness of some of our customers may be affected, which may affect our ability to collect on our accounts receivable from such customers.

Existing stockholders exert significant influence over us. Their interests may not coincide with other stockholders and they may make decisions with which other stockholders may disagree.

Entities affiliated with ZM Equity Partners, LLC own a significant percentage of our outstanding common stock, and two of our directors are managing directors of Centre Lane Partners, LLC, an affiliate of ZM Equity Partners, LLC. As a result, these stockholders, acting individually or together, could exert significant influence over all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. In addition, this concentration of ownership could delay or prevent a change in control of our company or make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements that other stockholders would not approve or make other decisions with which other stockholders disagree.

Regulatory Risks Relating to Our Business

We are subject to FAA regulation and similar international regulation, and our failure to comply with these regulations, or the adoption of any new laws, policies, or regulations, may have a material adverse effect on our

business, financial condition, results of operations, and cash flows.
The aerial services business is heavily regulated by governmental entities in the United States and in other countries in which we operate. We operate in the United States under laws and regulations administered by the DOT, principally through the FAA. The FAA promulgates rules relating to the general operation of our aircraft, the process by which our aircraft are maintained, the components and systems that are installed in our aircraft, the qualification of our flight crews and maintenance personnel, and the specialized operations that we undertake, including the carrying of loads and the use of various chemicals. We are regularly inspected by FAA personnel to ensure compliance. Additionally, we are sometimes subject to government inquiries

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and investigations of our business due to, among other things, our business relationships with the U.S. government and the heavily regulated nature of our industry. Compliance with these rules is complex and costly, and the failure to comply could result in the imposition of fines, the grounding of our aircraft as a result of the promulgation by the FAA of airworthiness directives or for other safety-related reasons, or other consequences detrimental to our operations and operating results. Our operations in other countries are similarly regulated under equivalent local laws and regulations.

Our aircraft manufacturing and MRO operations are also subject to regulation by the FAA and other governmental authorities. The FAA promulgates regulations applicable to the design and manufacture of aircraft and aircraft systems and components. It also sets and enforces standards for the repair of aircraft, systems, and components and for the qualification of personnel performing such functions. It regularly conducts inspections to ensure compliance and has the power to impose fines or other penalties for non-compliance or to shut down non-compliant operations. Our manufacturing and MRO operations are also subject to complex environmental, safety, and other regulations. Failure to comply with these applicable regulations could result in the imposition of fines or other penalties or in the shutting down of our operations, which could impair our ability to fulfill our contracts or otherwise negatively impact our reputation for safety and dependability.

The FAA must approve major changes in aircraft design such as fuel control systems or new rotor blades. Such approvals take time, require significant investment, and are not assured. Similar regulatory bodies in other countries may accept FAA certification or may impose their own individual requirements. The failure to obtain FAA or other required approval for such changes, or the imposition of unanticipated restrictions as a condition of approval, could increase our production costs or reduce the effectiveness of the system in question and could render our development effort less valuable or, in an extreme case, worthless.

The laws and regulations affecting our business are subject to change at any time and, because we operate under numerous jurisdictions, we are particularly exposed to the possibility of such changes.

Any change in laws or regulations applicable to our business could restrict our operations, increase our costs, or have other effects detrimental to our results of operations or competitive position.

Our business is affected by federal rules, regulations, and orders applicable to government contractors, and the award of government contracts may be challenged.

Some of our services are sold under U.S. or foreign government contracts or subcontracts. In addition, governmental contracts typically require a competitive bid process, and the award of a contract may be subject to challenge by bid participants. In addition, government contracts are terminable at any time for the convenience of the government. From time to time, we are also subject to government inquiries and investigations of our business practices due to our participation in government programs. These inquiries and investigations are costly and consume internal resources. Violation of applicable government rules and regulations could result in civil liability, the cancellation or suspension of existing contracts, or the ineligibility for future contracts or subcontracts funded in whole or in part with federal funds, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable export control laws and regulations of the United States and other countries. United States laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations (“EAR”), and the trade sanctions laws and regulations administered by the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”). EAR restricts the export of dual-use products and technical data to certain countries, while ITAR restricts the export of defense products, technical data and defense services. The U.S. government agencies responsible for administering EAR and ITAR have significant discretion in the interpretation and enforcement of these regulations. We also cannot provide services to certain countries subject to United States trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the FCPA, and other anti-bribery laws that, generally, bar bribes or unreasonable gifts to foreign governments or officials.

Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, more extensive debarments from export privileges, loss of authorizations needed to conduct aspects of our international business and criminal penalties and may harm our ability to enter into contracts with the U.S. government. A future violation of ITAR or the other regulations enumerated above could materially affect our business, financial condition and results of operations.

Our business in countries with a history of corruption and transactions with foreign governments increases the compliance risks associated with our international activities.

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations. The U.S. Department of Justice ("DOJ") and other federal agencies and authorities have a broad range of civil and criminal penalties at their disposal to impose against corporations and individuals for violations of trading sanctions laws, the FCPA, and other federal statutes. Under trading sanctions laws, the government may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs, and could subject us to fines, penalties and other sanctions. If any of the risks described above were to materialize, they could adversely impact our financial condition or results of operations.

These laws also prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. We have operations, deal with government entities and have contracts in countries known to experience corruption. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or associates that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. Our existing safeguards and procedures might prove to be less than fully effective, and our employees, consultants, sales agents or associates might engage in conduct for which we could be held responsible. Violations of the FCPA could result in severe criminal or civil sanctions, and we could be subject to other liabilities that could negatively affect our business, financial condition or results of operations.

Claims against us by governmental agencies or other parties related to environmental matters could adversely affect us.

In the late 1990s, environmental damage that resulted from hazardous substances at our Central Point, Oregon facility was identified. It was determined that the contamination migrated beyond the property boundary at our facility and impacted off-site water supply wells. A remediation was completed in the late 1990s. Based on the testing of the site in recent years, the contamination levels have been decreasing, though the remediation cannot be guaranteed. We are continuing to participate in monitoring and testing the remediation of the site and we incur ongoing costs for this monitoring and testing. Our obligations in respect of such contamination are subject to an indemnification agreement with our former owner. Under this agreement, our potential total liability in respect of remediation costs is capped at $0.5 million, of which we have already paid $0.4 million, with a total remaining liability of $0.1 million. Although the agreement caps our total potential liability, the creditworthiness of the indemnitor is uncertain. If the indemnitor fails to honor the terms of the indemnification agreement, it is possible that we would have to bear the entire cost of the remediation, monitoring and testing. In addition, it is possible that government agencies or other parties could bring a claim against us resulting from the contamination and that defending and resolving such claims could adversely affect our financial condition and results of operations.

Environmental and other regulation and liability may increase our costs and adversely affect us.

We are subject to a variety of laws and regulations, including environmental and health and safety regulations. Because our operations are inherently hazardous, compliance with these regulations is challenging and requires constant attention and focus. We are subject to federal, state, and foreign environmental laws and regulations concerning, among other things, water discharges, air emissions, hazardous material and waste management, and environmental cleanup. Environmental laws and regulations continue to evolve, and we may become subject to increasingly stringent environmental standards in the future, particularly under air quality and water quality laws and standards related to climate change issues, such as reporting greenhouse gas emissions. We are required to comply with environmental laws and with the terms and conditions of multiple environmental permits. Our failure to comply with these regulations could subject us to fines and other penalties administered by the agencies responsible for environmental and safety compliance or by the FAA or other aviation-related agencies.

Our business is subject to laws limiting ownership or control of aircraft companies, which may increase our costs and adversely affect us.

Most of the countries in which we operate have laws requiring local ownership or control, or both, of certain kinds of companies that operate aircraft. We use various strategies to comply with these laws, including the formation of local subsidiaries that we do not wholly own and partnerships with local companies. FAA regulations may require that at least 75% of our voting securities be owned or controlled by United States citizens. The existence of these laws may restrict our operations; reduce our profit from, or control of, some foreign operations; or restrict the market for our securities.

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Risks Relating to Acquisitions

We may not realize the anticipated benefits of the EHI and Air Amazonia acquisitions or other acquisitions, joint ventures, strategic alliances, or divestitures.

As part of our business strategy, we may acquire businesses or specific assets, form joint ventures or strategic alliances, and divest operations. For example, we acquired EHI in May 2013 and Air Amazonia in September 2013. Whether we realize the anticipated benefits from these transactions depends, in part, upon the integration between the businesses or assets involved; the performance of the underlying products, capabilities, or technologies; whether we incur unknown or contingent liabilities; and the management of the operations. We have had limited experience with such integrations, and difficulties in integrating the operations and personnel of any acquired companies could disrupt our business operations, divert management's time and attention and impair relationships with and risk the possible loss of key employees and customers of the acquired business. Accordingly, our financial results could be adversely affected by unanticipated performance issues, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance, and indemnifications. In addition, our cash from operations, the 2020 Senior Notes offering and borrowings available under the Revolving 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. Consolidations or joint ventures could also impact our results of operations or financial position. Divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our business, financial condition, results of operations or cash flows.

We do not have extensive operating history in passenger and cargo transportation or with the types of aircraft we acquired in the EHI and Air Amazonia acquisitions.

We have historically operated the S-64 Aircrane, specializing in heavy-lift aerial services such as firefighting, timber harvesting, infrastructure construction and oil and gas exploration. We have limited experience in transporting passengers and cargo with medium and light-lift rotor wing aircraft and fixed wing aircraft. Failure to properly comply with Part 135 regulations and maintenance requirements could lead to the revocation of the certification, which could materially and adversely impact our business, financial condition, results of operations or cash flows.

We do not have an extensive operating history in South America, the Middle East and Africa, the geographic locations in which EHI and Air Amazonia historically operated.

Our acquisition of EHI and Air Amazonia has resulted in our operating in new international geographic locations. A number of risks inherent in international operations could have a material adverse effect on our international operations and, consequently, on our results of operations, including:

- the uncertain ability of select non-U.S. customers to finance purchases;
- our inability in certain jurisdictions to evaluate accurately the creditworthiness of potential customers due to fewer transparency and disclosure requirements;
- currency fluctuations, which can reduce our revenues for transactions denominated in non-U.S. currency or make our services relatively more expensive if denominated in U.S. currency;
- difficulties in staffing and managing multi-national operations;
- political and financial instability;
- risks associated with transporting our aircraft, including risks associated with piracy and adverse weather;
- fluctuations in the costs associated with transporting our aircraft, pilots, and crews, which are significant operating costs for us;
- limitations on our ability to enforce legal rights and remedies;
- uncertainties regarding required approvals or legal structures necessary to operate aircraft or provide our products and services in a given jurisdiction;
- restrictions on the repatriation of funds from our foreign operations;

- changes in regulatory structures or trade policies;
- tariff and tax regulations including permanent establishment determinations by foreign governments;
- ensuring compliance with the FCPA; and
- the risk of government-financed competition.

Emerging market countries have less developed economies that are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates, and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets, and the imposition of taxes or other

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charges by government authorities. The occurrence of any of these events and the resulting economic instability that may arise could adversely affect our operations in those countries, or the ability of our customers in those countries to meet their obligations. As a result, customers that operate in emerging market countries may be more likely to default than customers that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in those countries.

We do not have extensive operating history with DoD-related services of the type EHI historically provided.
Our acquisition of EHI has resulted in our providing helicopter services to DoD-related customers and projects, which we had not previously done. The DoD requires CARB certification in order to provide passenger and cargo transportation services. Our failure to remain in compliance with applicable regulations and requirements could lead to the loss of DoD related business, which could result in a material adverse effect on our business, financial position, results of operations and cash flows.

DoD contracts and programs are subject to U.S. government defense budgets, which could be impacted by forces beyond our control such as:

- budgetary constraints affecting government spending generally or specific departments or agencies in particular, and changes in fiscal policies or available funding;
- changes in government programs or requirements;
- government shutdowns, the effects of sequestration that commenced on March 1, 2013, and other potential delays in government appropriations processes;
- adoption of new laws or regulations;
- threat of national risk and war; and
- general economic conditions.

These or other factors could cause government agencies and departments to reduce their purchases under contracts, exercise their right to terminate contracts, or not exercise options to renew contracts, any of which could cause us to lose revenue. A significant decline in overall government spending or a shift in expenditures away from agencies or programs that EHI has historically supported could cause a material decline in our revenues and harm our financial results.
The anticipated reduction in troops in Afghanistan in the near-term may adversely affect us.
The largest customer we acquired in the EHI transaction provides base and troop support services in Afghanistan to various departments of the U.S. government. The U.S. government has announced plans to reduce its military activities in Afghanistan in 2014 and beyond, although we do not know the exact timing and number of troops to be withdrawn at this time. This reduction has had and may continue to have a negative impact on our overall Government revenue. As a result of the already reduced level of flight activity in the Afghanistan region, we have seen increased pressure from our competitors in connection with new DoD contracts in other regions of the world where we operate, which we believe may negatively impact our pricing with respect to some of the new DoD contracts on which we bid. In addition, our end-customer in the Philippines has indicated that certain portions or all of the contracted work in that region will be progressively concluding by the middle of 2015. While we do not yet fully understand the magnitude of this reduction in service levels, this uncertainty may have a negative impact on the Government segment of our business. As the number of the aircraft being utilized by our DoD customers changes, we will actively manage our leased aircraft portfolio. If we are not successful, the fixed lease costs may negatively impact our margins.
EIA, the former parent company of EHI, filed a Chapter 7 bankruptcy petition on December 31, 2013.
In acquiring EHI, we acquired a business with significant accounts payable outstanding as a result of the financial distress at EIA. Certain vendors and suppliers are holding aircraft, parts and equipment as a result of missed or delayed payments, and as a result, EHI was not able to adequately maintain certain of its aircraft. A number of these aircraft are not air-worthy, causing dissatisfaction among certain customers. Failure by Erickson to promptly source the parts and equipment necessary to repair the aircraft could lead to the loss of or ineligibility for significant contracts, including government contracts, which will have a material adverse impact on our business, financial

condition, results of operations or cash flows.
Furthermore, failure to come to terms with EHI’s vendors and suppliers may result in our being named as a defendant in lawsuits asserting potentially large claims. A settlement or judgment in which we are not the prevailing party could materially and adversely affect our business, financial condition, results of operations or cash flows.
EHI’s practice of leasing a significant portion of the aircraft in its fleet may result in higher operating costs and contractual obligations for us.

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In acquiring EHI, we acquired a company that leased a majority of its aircraft, which may result in higher operating costs and contractual obligations than if it owned these aircraft. Certain of these aircraft lessors require the aircraft to be returned in airworthy condition at the termination of the lease, which could result in higher capital expenditures. Failure to comply with the terms of the leases could result in significant fees and expenses or the foreclosure of an aircraft, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

EHI operates in certain dangerous and war-affected areas, which may result in hazards to our fleet and personnel.

The operation of helicopters inherently involves a high degree of risk. Hazards such as aircraft accidents, mechanical failures, collisions, fire, adverse weather, explosions, military attacks and other military activities may result in loss of life, serious injury to employees and other persons, damage to property, losses of equipment and revenues, and suspension or reduction of operations. The aerial services we provide, which with our acquisition of EHI now include passenger and cargo transportation in dangerous and war-affected areas, can be hazardous. We maintain hull and liability insurance on our aircraft, including those acquired in the EHI acquisition, which insures against physical loss of, or damage to, the aircraft and against certain legal liabilities to others. In addition, we carry war risk, expropriation, confiscation, and nationalization insurance for the aircraft involved in international operations associated with EHI’s historical operations. In some instances, we are covered by indemnity agreements from customers in lieu of, or in addition to, insurance. Our insurance will not cover any losses incurred pursuant to any performance provisions under agreements with our customers.

Our insurance and indemnification arrangements may not cover all potential losses and are subject to deductibles, retentions, coverage limits, and coverage exceptions and, as a result, severe casualty losses or the expropriation or confiscation of significant assets could materially and adversely affect our financial condition or results of operations. The insured value of one aircraft is typically lower than its replacement cost, and the aircraft are not insured for loss of use. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Air Amazonia operates solely in Brazil which is highly regulated regarding various matters. We may not be able to operate successfully in that country.

Following our acquisition of Air Amazonia, our business in Brazil is subject to political, economic, legal, operational and other risks that are inherent to operating in that country. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in the monetary and credit policy and economic regulation, as well as in other governmental policies. The Brazilian government’s actions to influence the economy, control inflation and other policies and regulations have often involved, among other measures, price and salary controls, currency devaluations, exchange controls and limits on imports and the freezing of bank accounts. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations related to public charges and control over the foreign exchange rate, whether they are implemented at the federal, state or municipal level, as well as by other factors, such as:

- exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- liquidity of domestic capital and credit markets;
- tax policies;
- price, social and political instability;
- changes in labor laws;
- changes in the tax regime, including charges applicable to specific industry sectors; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in Portland, Oregon, in 19,000 square feet of office space that we lease under a contract that expires in 2019. Our primary operations are located in facilities in Central Point, Medford and McMinnville, Oregon. In Central Point, we own two facilities within approximately four miles: an 88,500 square foot factory on an eight-acre site, which houses operations

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and general offices, and a 50,000 square foot warehouse on a 40-acre site. In McMinnville, Oregon, we lease a building that includes a 28,000 square foot hangar and 17,000 square feet of office space.

Additionally, we own a 56,000 square foot facility in Medford, Oregon that includes a hangar, operations and office space. We lease additional office and hangar space for our foreign operations.

In their current configuration, our facilities can support all of our current operations and the remanufacture of up to four aircraft per year.

Following is a summary of our principal properties as of December 31, 2014:

Location	Primary Function(s)	No. of Facilities	Owned or Leased
Central Point, Oregon	Warehouse and general operations facility	2	Owned
Medford, Oregon	Hangar, MRO facility and office space	1	Owned
Portland, Oregon	Corporate headquarters	1	Leased
McMinnville, Oregon	Hangar and office space	1	Leased
British Columbia, Canada	Aircrane services	1	Leased
Lucca, Italy	Aircrane services	1	Leased
Anchorage, Alaska	Hangar	1	Leased
Carauari, Brazil	Hangar	1	Owned
Rio de Janeiro, Brazil	Office space	1	Leased

We believe our principal properties include facilities suitable and adequate for their intended purposes and we believe our existing properties will meet our operational needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

Fortis Matter

A complaint was served on EHI in August 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 ($1.0 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 in February 2013. In a brief filed with the court in May 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 May 2014, we paid €40,000 (approximately $55,000) 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 of Arizona has been conducting soil and groundwater investigations and cleanups. In addition, EHI has been served with various petitions to perpetuate testimony regarding the State of Arizona'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 2014. 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 its financial condition in the event of an unfavorable outcome.

World Fuel Claim

In December 2013, World Fuel, a former fuel supplier of EIA and Evergreen Airlines (‘‘EA’’), filed suit against EIA, EA and other named parties claiming approximately $9.0 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 an answer, which included certain counterclaims against World

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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 its financial condition in the event of an unfavorable outcome.

Stockholder Action

In August 2013, a putative stockholder of ours 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 Acquisition Corp., and entities affiliated with ZM Equity Partners, LLC 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 our stockholders and to the us, disgorgement and restitution, certain other equitable relief, and an award of plaintiff’s costs and disbursements, including legal fees. In October 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. in December 2013, rather than oppose the motion to dismiss, the plaintiff chose to file an amended complaint. in January 2014, the defendants again moved to dismiss the plaintiff’s amended complaint on the same grounds. In April 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. Discovery in this matter is ongoing. 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. We do not expect that any of these claims will have a material adverse effect on our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.MARKET INFORMATION AND HOLDERS

Our common stock began trading on the NASDAQ Global Market under the symbol "EAC" following our initial public offering in April 2012. Before then, there was no public market for our common stock. As of February 18, 2015, there were 8 holders of record of our common stock. A substantially greater number of holders of our stock are “street name” or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported on the NASDAQ Global Market:

2014	High	Low
Quarter ended December 31	$15.25	$7.88
Quarter ended September 30	$19.25	$11.32
Quarter ended June 30	$19.49	$14.27
Quarter ended March 31	$21.94	$18.02
2013	High	Low
Quarter ended December 31	$21.85	$14.77
Quarter ended September 30	$21.89	$14.10
Quarter ended June 30	$29.42	$16.35
Quarter ended March 31	$16.52	$8.45
2012	High	Low
Quarter ended December 31	$8.44	$6.90

Quarter ended September 30	$7.71	$5.35
Quarter ended June 30 (1)	$8.50	$6.32

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(1) These prices represent the period from April 10, 2012, the date on which our common stock began trading on the NASDAQ Global Market, through June 30, 2012.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on our common stock from April 10, 2012 (the date of our initial public offering) to December 31, 2014, with the cumulative total returns of the NASDAQ Composite Index, S&P 500 Index and S&P Aerospace and Defense Index over the same period. The comparison assumes $100 was invested in shares of our common stock on April 10, 2012. The historical stock price performance shown on this graph is not necessarily indicative of future performance.

(1) $100 invested on April 10, 2012 in stock or March 31, 2012 in index, including reinvestment of dividends. Fiscal year ending December 31.

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Instead, we currently anticipate that we will retain all of our future earnings, if any, to fund the operation and expansion of our business and to use as working capital and for other general corporate purposes. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant. Our existing credit facility limits our ability to declare and pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our summary consolidated financial and other data. We derived our summary consolidated financial and other data as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 from our audited consolidated financial statements and notes thereto, which are included elsewhere in this Form 10-K. We derived our summary consolidated financial and other data as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2011 and 2010 from our audited consolidated financial statements which are not included in this Form 10-K.

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Our summary consolidated financial and other data are not necessarily indicative of our future performance. The data provided in this table are only a summary and do not include all of the data contained in our consolidated financial statements. Accordingly, this table should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and related notes contained elsewhere in this Form 10-K and the sections of this Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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(Dollars in thousands, except share and per share amounts)	Year Ended December 31, 2014	Year Ended December 31, 2013[1]	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Consolidated Statements of Comprehensive Income (Loss) Data:					
Net revenues:					
Government	$247,981	$221,581	$105,858	$97,165	$74,151
Commercial	98,628	96,640	74,966	55,604	44,089
Total Revenues	346,609	318,221	180,824	152,769	118,240
Cost of revenues:					
Government	86,172	75,432	41,222	33,470	25,957
Commercial	43,246	43,099	32,062	31,275	28,073
Non-allocated	134,027	103,577	46,121	42,551	34,974
Total cost of revenues	263,445	222,108	119,405	107,296	89,004
Gross profit	83,164	96,113	61,419	45,473	29,236
Operating expenses:					
General and administrative	26,494	37,366	17,232	13,023	14,105
Research and development	3,782	4,000	4,683	4,827	6,400
Selling and marketing	9,286	7,755	6,071	9,940	6,987
Restructuring charges	—	—	—	1,084	—
Impairment of goodwill	21,272	—	—	—	—
Total operating expenses	60,834	49,121	27,986	28,874	27,492
Operating income	22,330	46,992	33,433	16,599	1,744
Other income (expense):					
Interest expense, net	(35,800)	(25,175)	(6,990)	(9,150)	(4,865)
Loss on early extinguishment of debt	—	(215)	—	—	(2,265)
Other income (expense), net[2]	(1,193)	(5,616)	(594)	3,885	(6,193)
Total other income (expense)	(36,993)	(31,006)	(7,584)	(5,265)	(13,323)
Net income (loss) before taxes and noncontrolling interest	(14,663)	15,986	25,849	11,334	(11,579)
Income tax expense (benefit)[3]	(4,432)	6,120	10,213	(4,926)	(3,544)
Net income (loss)	(10,231)	9,866	15,636	16,260	(8,035)
Less: Net income related to noncontrolling interest	(61)	(209)	(406)	(390)	(216)
Net income (loss) attributable to Erickson Incorporated	(10,292)	9,657	15,230	15,870	(8,251)
Dividends on Redeemable Preferred Stock[4]	—	—	2,795	9,151	7,925
Net income (loss) attributable to common stockholders	$(10,292)	$9,657	$12,435	$6,719	$(16,176)
Net income (loss)	$(10,231)	$9,866	$15,636	$16,260	$(8,035)
Other comprehensive income (loss):					
Foreign currency translation adjustment	(2,658)	(107)	136	(402)	45
Comprehensive income (loss)	$(12,889)	$9,759	$15,772	$15,858	$(7,990)
Earnings (loss) per share attributable to common stockholders					
Basic	$(0.75)	$0.86	$1.78	$6,718.57	$(16,176.47)
Diluted	$(0.75)	$0.82	$1.78	$6,718.57	$(16,176.47)
Weighted average shares outstanding					
Basic	13,800,494	11,221,005	6,981,027	1,000	1,000
Diluted	13,800,494	11,834,506	6,981,027	1,000	1,000

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(Dollars in thousands)	As of December 31, 2014	As of December 31, 2013[1]	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$5,097	$1,881	$1,468	$268	$1,928
Aircraft, aircraft support parts, net, and property, plant and equipment, net	386,449	363,257	214,389	185,916	156,098
Working capital[5]	16,480	7,072	(65,508)	5,560	(12,655)
Total assets	705,521	727,305	256,823	233,911	203,703
Total debt[6]	461,234	439,246	97,876	130,570	93,894
Series A Redeemable Preferred Stock[7]	—	—	—	66,161	57,010
Stockholders' equity:					
Common stock	1	1	1	1	1
Total stockholders' equity	181,013	192,907	105,368	(9,145)	(15,598)

(Dollars in thousands)	Year Ended December 31, 2014	Year Ended December 31, 2013[1]	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Consolidated Statement of Cash Flow Data:					
Net cash provided by (used in):					
Operating activities	$13,984	$(24,792)	$28,158	$(20,723)	$(8,430)
Investing activities	(30,120)	(282,935)	(21,492)	(13,083)	(5,017)
Financing activities	21,494	307,888	(5,446)	32,759	11,057

(Dollars in thousands)	Year Ended December 31, 2014	Year Ended December 31, 2013[1]	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Other Financial Data:					
Gross margin %	24.0 %	30.2 %	34.0 %	29.8 %	24.7 %
Operating margin %	6.4 %	14.8 %	18.5 %	10.9 %	1.5 %
EBITDA[8]	$58,412	$76,347	$55,268	$45,283	$6,130
Adjusted EBITDA[9]	$83,753	$90,881	$56,913	$42,083	$19,471
Adjusted EBITDAR[10]	$103,951	$104,886	$56,913	$42,083	$19,471

(1) Data as of and for the year ended December 31, 2013 includes the results of operations of acquired entities EHI and Air Amazonia from the acquisition dates of May 2, 2013 and September 3, 2013, respectively, forward.

(2) Other income (expense) for the year ended December 31, 2010 includes $10.0 million in litigation settlement expenses and a net gain related to an aircraft accident in Malaysia of $6.3 million, after accounting for insurance proceeds; for the year ended December 31, 2011 includes $2.7 million of recognized income associated with the reversal of interest expense from a tax settlement; for the year ended December 31, 2012 includes $0.8 million related to the removal of the Canadian Revenue Authority ("CRA") reserve that was included as an expense in 2010; and for the year ended December 31, 2013 includes a $3.4 million loss on the sale of a note receivable from EIA.

(3) Income tax expense (benefit) for the year ended December 31, 2011 includes a tax benefit of $9.5 million in connection with a tax settlement.

(4) Dividends on Series A Redeemable Preferred Stock are non-cash accruals. No dividends have been paid or will be paid to holders of Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock and the

Class A Common Stock were reclassified into 4,802,970 shares of a single class of common stock in conjunction with our initial public offering.

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(5) Working capital is calculated as our current assets less our current liabilities. Working capital for the year ended December 31, 2012 includes $71.2 million of debt outstanding under our credit agreement classified as current debt due to the maturity date of our credit agreement of June 24, 2013.

(6) Debt is comprised of amounts drawn under our revolving credit facility, our term loan, and our unsecured subordinated promissory notes. In June 2010, we replaced our former revolving credit facility and our former term loan with a new credit facility. As a result of the refinancing, we expensed $2.3 million, including the unamortized portion of the previously deferred financing costs and early termination fees.

(7) Represents Series A Redeemable Preferred Stock which was converted to common stock in conjunction with our initial public offering.

(8) We define EBITDA as net income (loss) before interest expense, net, provision for (benefit from) income taxes, and depreciation and amortization. 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.

(9) We use an adjusted EBITDA to monitor compliance with various financial covenants under our credit agreement. Adjusted EBITDA means, as defined by our Revolving Credit Facility agreement, with respect to any fiscal period, our EBITDA, adjusted for, without duplication, the sum of the following amounts for such period to the extent included in determining consolidated net earnings (or loss) for such period: (i) extraordinary gains, (ii) non-cash items increasing consolidated net earnings for such period, excluding any items representing the impact of purchase accounting or the reversal of any accrual of, or cash reserve for, anticipated changes in any period, (iii) non-cash extraordinary losses, (iv) any other non-cash charges reducing consolidated net earnings for such period, excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period or amortization of a prepaid cash expense that was paid in a prior period, (v) to the extent not capitalized, (A) non-recurring expenses, fees, costs and charges incurred and funded prior to, on or within nine months after the closing date in connection with the Revolving Credit Facility and the EHI acquisition; and (B) expenses incurred and funded prior to, on, or within two years of the closing date in connection with the termination of the lease for the location of the chief executive office of EHI as of the closing date; and (vi) transaction-related expenditures incurred and funded prior to, on or within nine months of the date of consummation of (A) the HRT acquisition, (B) any permitted acquisition under the Revolving Credit Facility, or (C) any investment that is permitted pursuant to the Revolving Credit Facility, in the case of each of (A), (B), and (C), that arise out of cash charges related to deferred stock compensation, management bonuses, strategic market reviews, restructuring, retention bonuses, consolidation, severance or discontinuance of any portion of operations, termination of the lease for the headquarters of EHI, employees or management of the target of such permitted acquisition, accrued vacation payments and working notices payments and other non-cash accounting adjustments. We have further adjusted EBITDA for continued acquisition and integration costs beyond the nine months defined by our Revolving Credit Facility agreement and the restructuring costs associated with exiting the Malaysian timber harvesting market and right-sizing of our business in Brazil.

(10) 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 (loss) to EBITDA, Adjusted EBITDA and Adjusted EBITDAR is provided below.

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(Dollars in thousands)	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
EBITDA, Adjusted EBITDA and Adjusted EBITDAR Reconciliation:					
Net income (loss) attributable to Erickson Incorporated	$(10,292)	$9,657	$15,230	$15,870	$(8,251)
Interest expense, net	35,800	25,175	6,990	9,150	4,865
Tax expense (benefit)	(4,432)	6,120	10,213	(4,926)	(3,544)
Depreciation and amortization	34,903	33,328	21,661	24,314	12,357
Amortization of debt issuance costs	2,433	2,067	1,174	875	703
EBITDA	$58,412	$76,347	$55,268	$45,283	$6,130
Acquisition and integration related expenses	1,687	10,383	—	—	—
Non-cash unrealized mark-to-market foreign exchange gains (losses)	387	(309)	322	(1,819)	905
Non-cash charges from awards to employees of equity interests	861	792	2,118	—	—
Management fees(1)	—	—	—	—	165
Loss on early extinguishment of debt	—	215	—	—	2,265
Interest related to tax contingencies	10	13	—	(2,745)	495
Litigation expense	—	—	—	1,390	2,000
Legal settlements	—	—	—	—	11,600
Non-cash goodwill impairment loss	21,272	—	—	—	—
Restructuring costs	1,482	—	—	—	—
Other non-cash gains, net(2)(4)	(358)	(1)	(795)	(26)	(4,089)
Loss on sale of EIA note(5)	—	3,441	—	—	—
Adjusted EBITDA(3)	$83,753	$90,881	$56,913	$42,083	$19,471
Aircraft lease expenses	20,198	14,005	—	—	—
Adjusted EBITDAR	$103,951	$104,886	$56,913	$42,083	$19,471

(1) Fees paid to a previous stockholder pursuant to a management agreement that terminated in 2010.

(2) 2010 amount includes a $4.2 million net adjustment related to an Aircrane accident in 2010.

(3) As part of the amendments to our credit agreement on June 30, 2011, the $10.0 million in unsecured subordinated promissory notes are included, with limitation, as an addition to Adjusted EBITDA in 2010. Such amounts have been excluded from this table for presentation purposes.

(4) 2012 amount includes $0.8 million related to the removal of the CRA reserve that was included as an add back for the fourth quarter 2010 expenses.

(5) While the sale of the EIA note is not included in the definition of Adjusted EBITDA and Adjusted EBITDAR as described above, we believe this amount should be added to the calculation for EBITDA, Adjusted EBITDA, and Adjusted EBITDAR to provide us with a more comparable measure for managing our business.

ITEM 7. 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 annual report on Form 10-K. 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, as discussed more fully in Part I, “Item 1A. Risk Factors.”

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

- Year in Review - highlights from 2014 outlining some of the major events that happened during the year, how they affected our financial performance and how our aircraft fleet has changed over the year.

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

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

- Results of Operations - an in-depth analysis of the results of our operations for the three years presented in our consolidated financial statements. We believe this analysis will help the reader better understand our consolidated statements of comprehensive income. Financial and statistical data is also included here. This section includes forward-looking statements regarding our view of 2015.

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

- Contractual Obligations and Off-balance Sheet Arrangements - an overview of contractual obligations and off-balance-sheet arrangements outstanding as of December 31, 2014, including our expected contractual obligations payment schedule.

- 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.

YEAR IN REVIEW

Accomplishments in 2014 and Recent Highlights

- 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 June 2014, we completed a sale-leaseback transaction, under which we sold an S-64 Aircrane for a total purchase price of $24.7 million.

- In September 2014, we signed a five-year contract with the City of Los Angeles for the provision of aerial firefighting services.

- In September 2014, we were awarded an option period extension with the United States Navy’s Military Sealift Command for the provision of aerial transport services for the Pacific Fleet.

- In October 2014, we signed a two-year contract with Agip Oil Ecuador, a subsidiary of Eni SpA, under which it will provide one S-64 Aircrane and one Bell 214ST medium lift helicopter for use in oil exploration in Ecuador.

- In January 2015, we entered into a new, two-year agreement with PetroRio (formerly HRT), our first near-shore platform support contract.

- In February 2015, we entered into an exclusive MRO relationship with Bell Helicopter, a division of Textron, Inc. (NYSE:TXT), to provide parts and maintenance support for approximately 50 aircraft in the globally deployed fleet of Bell 214-ST and 214-B helicopters.

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

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

- As of January 1, 2015, we reorganized into four business units aligned by end market: Government Aviation Services, Commercial Aviation Services, Oil & Gas Aviation Services and Manufacturing & MRO. This reorganization enables operational streamlining, enhanced competitiveness and accountability throughout the organization.

- On March 3, 2015, Udo Rieder informed the board of directors that he will retire from his positions as President and Chief Executive Officer of the Company and as a member of the board of directors, effective March 31, 2015. The board of directors has appointed Jeffrey Roberts, 54, as the Company's President and Chief Executive Officer, effective April 1, 2015.

Financial Highlights – 2014 Compared to 2013

Our revenue for 2014 was $346.6 million, or $28.4 million higher than 2013. This 8.9% increase was primarily driven by acquisitions of EHI and Air Amazonia. Operating income was $22.3 million, a decrease of $24.7 million as compared to $47.0 million income in 2013. Net loss attributable to Erickson for the year ended December 31, 2014 was $10.3 million, as compared to income of $9.7 million in 2013, a decrease of $19.9 million. Adjusted EBITDA for 2014 decreased 7.8% to $83.8 million as compared to $90.9 million in the prior year and 2014 adjusted EBITDAR decreased 0.9% to $104.0 million as compared to $104.9 million in the prior year. See "Non-GAAP Financial Measures" for a reconciliation of adjusted EBITDA and adjusted EBITDAR to their most directly comparable GAAP financial measures.

Our heavy lift fleet utilization (calculated as the number of days on contract as a percentage of total available days) was 62.7% in 2014 compared to 66.5% in 2013. Our medium and light rotary wing fleet utilization was relatively consistent at 45.5% in 2014 compared to 46.0% for 2013. Our fixed-wing fleet utilization was 33% for 2014 compared to 50% for 2013.

Aircraft Fleet

As of December 31, 2014, we owned a fleet of 19 heavy lift helicopters, comprised of 13 S-64E and six S-64F model Aircranes, and 35 medium and light lift aircraft of varying model types, comprised of 28 rotor wing aircraft and seven fixed-wing aircraft. As of December 31, 2014, we leased a fleet of one heavy lift, 31 medium and light lift aircraft of varying types, comprised of 26 rotary wing aircraft and five fixed-wing aircraft. Our fleet operations span the globe with a presence on six continents. As of December 31, 2014, 21 of the owned aircraft and 20 of the leased aircraft were deployed outside of North America.

As of December 31, 2014, we operated a fleet of 86 Aircraft, 62 of which were providing aerial services for our customers during the year. Aircraft fleet size and utilization are major drivers of our revenues. Throughout the course of any year we may remove aircraft from service for maintenance or for sale, or add aircraft to the fleet through our own production or through a purchase or lease. Of the total aircraft in our fleet as of December 31, 2014, 20 were Aircranes, none of which are in the process of heavy maintenance. As of December 31, 2014 there was one aircraft being remanufactured with an expected completion date in the second quarter of 2016. As of December 31, 2014, a total of 71 out of our 86 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 December 31, 2012, 2013, and 2014:

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	Aircraft	Total Aircraft Employed
Aircraft in our fleet as of December 31, 2012		21
Aircraft transferred from inventory	2	
Aircraft removed from fleet for maintenance	(1)	
Aircraft purchased as part of the EHI acquisition	28	
Aircraft purchased as part of the Air Amazonia acquisition	6	
Aircraft leased as part of the EHI acquisition	35	
Aircraft leased subsequent to the EHI acquisition	1	
Aircraft returned to the lessor during the period	(2)	
Aircraft in our fleet as December 31, 2013		90
Aircraft purchased	2	
Aircraft returned to lessor	(2)	
Aircraft sold	(4)	
Aircraft in our fleet at December 31, 2014		86

The following table presents the type and model of the aircraft portfolio in our fleet as of December 31, 2014:

	Rotor Wing Heavy Lift	Medium Lift	Light Lift	Fixed Wing
Aircraft:				
Erickson S-64F	7			
Erickson S-64E	13			
Eurocopter Puma/Super Puma		15		
Bell 212		7		
Bell 214ST		12		
Bell 412		5		
Sikorsky S-61		2		
Bell 206			5	
Eurocopter AS350/BO105			8	
Lear Jet 35				1
CASA 212				6
Beechcraft 1900D				5
	20	41	13	12

OVERVIEW OF THE BUSINESS

We are a leading global provider of aviation services to a worldwide mix of Commercial and Government customers. As of December 31, 2014 we operated a diverse fleet of 86 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.

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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.

During the year ended December 31, 2014, 29.8% of our net revenues were generated in the United States and 70.2% were generated outside of the United States.
Prior to our acquisition of EHI, 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 services for the Aircrane and other aircraft and the remanufacture of Aircranes and related components.Following our acquisition of EHI, we established new reportable operating segments to assess performance by type of customer, Government and Commercial. We used these segments through the year ended December 31, 2014. Our Government segment was comprised primarily of contracts with various governmental authorities who used our services for firefighting, defense and security, transportation and other government related activities. Our Commercial segment was comprised primarily of timber harvesting, infrastructure construction, and manufacturing/ MRO contracts. On January 1, 2015, as a result of an organizational restructuring, we established new reportable operating segments to assess performance by type of customer and end market: Government Aviation Services, Commercial Aviation Services, Oil & Gas Aviation Services and Manufacturing & MRO, which we will be using for reporting period ending after January 1, 2015.

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 costs of revenues are material (including raw materials and plant labor and overhead including related employee benefits, fuel, and labor). We closely monitor material costs and fuel costs measured on a per-flight-hour basis. We also measure the costs of crewing (our pilots and field mechanics) and related expenses such as travel and local contract-related expenses, and compare these metrics against budgeted and forecasted targets to measure performance. We target all contracts to have positive gross profit; however, due to the seasonality of our business, we often have unabsorbed costs in the first quarter and the fourth quarter which could lead to negative reported gross profit in these quarters.

- 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.

- 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

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- 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. 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 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. 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.

- Infrastructure Construction. 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

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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.

Other Income (Expense), Net. Our other income (expense) consists primarily of the interest paid on outstanding indebtedness, realized/unrealized foreign exchange gains and losses, amortization of debt issuance costs, and interest and penalties related to tax contingencies, as well as certain other charges and income, such as gain and loss on the disposal of equipment, amortization and write-off of deferred financing fees, and insurance settlements. With regard to foreign exchange gains and losses, our operations in foreign countries are partially self-hedged, with the majority of our European, Canadian, Australian, and South American contracts having both revenues and expenses paid in the local currency; in addition, some of our contracts provide for rate adjustments based on changes in currency exchange rates. For currency exposure that is not self-hedged, we sometimes enter into forward contracts to reduce our currency risk.

TRENDS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Afghanistan and Other DoD Contracts. The United States government has announced plans to reduce its military activities in Afghanistan in 2014 and beyond, although the exact timing and number of troops to be withdrawn is not entirely understood at this time. This reduction has had and will likely continue to have a negative impact on our overall Government revenue. As a result of the already reduced level of flight activity in the Afghanistan region, we have seen increased pressure from our competitors in connection with new DoD contracts in other regions of the world where we operate, which we believe may negatively impact our pricing with respect to some of the new DoD contracts on which we bid. In addition, our end-customer in the Philippines has indicated that certain portions or all of the contracted work in that region will be progressively concluding by the middle of 2015. While we do not yet fully understand the magnitude of this reduction in service levels, this uncertainty may have a negative impact on the Government segment of our business. As the number of the aircraft being utilized by our DoD customers changes, we will actively manage our leased aircraft portfolio. If we are not successful, the fixed lease costs may negatively impact our margins.

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-K reflects the lower carrying value of our aircraft support parts that we have sold or used in our maintenance, repair, and overhaul operations. The aggregate effect of the purchase accounting adjustment with respect to our inventory was approximately $39.8 million from the date of acquisition through December 31, 2014. Based on our past experience and historical inventory usage patterns, we expect to largely realize the benefit of the approximately $3.4 million remaining fair value purchase accounting adjustment to aircraft support parts over the next one year as we sell and use our legacy inventory. Our legacy inventory consists of aircraft parts and components purchased over multiple years for which there is no liquid market; therefore, there is no guarantee that we will be able to purchase new inventory at the carrying values of our legacy inventory currently reflected on our balance sheet.

Aircraft Sales. The sale of an aircraft to an existing or potential aerial services customer may reduce future aerial services revenues we may have received for services provided to such customers or other third parties. We would expect to maintain our level of operations through more efficient scheduling of our remaining fleet or by remanufacturing additional 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 is focused on selling both aircraft and inventory held by the company as well as aircraft and inventory acquired for sale. During 2014, the Erickson Trade group completed sales of four aircraft.

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 December 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 December 31, 2014, included within our other non-current assets balance was $5.4 million (€4.4 million) due from the Hellenic Fire Brigade for final payment of firefighting services performed in 2011. In 2012, the Greek taxing authorities asserted that we had a permanent establishment in Greece for 2011 and 2010, which would require us to file Greek tax returns and pay related taxes. The Hellenic Fire Brigade is withholding payment to us until a resolution is made regarding our permanent establishment status. No formal tax assessments have been made, and we are continuing to pursue various options to settle this dispute. As of December 31, 2014, we recorded an unrecognized tax benefit of $8.0 million for potential income taxes and included $2.3 million for penalties that may be due if we are determined to have a permanent establishment within Greece. Payment of tax in this foreign jurisdiction would result in a foreign tax credit in the United States, which we have included in our deferred assets. For the year ended December 31, 2014 we recognized $0.7 million for potential penalties associated with the tax liability for Greece.

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.

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Fluctuations in our Mix of Services. We derive a majority 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 2014 our Government segment generated average revenues per flight hour for firefighting and defense and security of $28,888 and $11,799, respectively, compared to $24,500 and $9,425 in 2013. In 2014, our Commercial segment generated average revenues per flight hour for timber harvesting and infrastructure construction of $6,165, and $18,801, respectively, compared to $6,972 and $17,148 in 2013. 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.

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

Oil and Gas Commodity Prices. With the changes in crude oil prices we may see increased downward pricing pressure from our existing and prospective customers, which we believe may negatively impact our margins as well as limit our ability to obtain future work. While we do not yet fully understand the magnitude, this uncertainty may have a negative impact on the Commercial segment of our business.

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RESULTS OF OPERATIONS

2014 Compared to 2013

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

(Dollars in thousands)	Year Ended December 31, 2014	% of Revenues	Year Ended December 31, 2013	% of Revenues	Change	% Change(2)
Net revenues:						
Government	$247,981	71.5	$221,581	69.6	$26,400	11.9
Commercial	98,628	28.5	96,640	30.4	1,988	2.1
Total Revenues	346,609	100.0	318,221	100.0	28,388	8.9
Cost of revenues:						
Government(1)	86,172	34.7	75,432	34.0	10,740	14.2
Commercial(1)	43,246	43.8	43,099	44.6	147	0.3
Non-allocated	134,027	38.7	103,577	32.5	30,450	29.4
Total cost of revenues	263,445	76.0	222,108	69.8	41,337	18.6
Gross profit						
Government(1)	161,809	65.3	146,149	66.0	15,660	10.7
Commercial(1)	55,382	56.2	53,541	55.4	1,841	3.4
Non-allocated	(134,027)	(38.7)	(103,577)	(32.5)	(30,450)	29.4
Total gross profit	83,164	24.0	96,113	30.2	(12,949)	(13.5)
Operating expenses:						
General and administrative	26,494	7.6	37,366	11.7	(10,872)	(29.1)
Research and development	3,782	1.1	4,000	1.3	(218)	(5.5)
Selling and marketing	9,286	2.7	7,755	2.4	1,531	19.7
Impairment of goodwill	21,272	6.1	—	—	21,272	NM
Total Operating expenses	60,834	17.6	49,121	15.4	11,713	23.8
Operating income (loss)	22,330	6.4	46,992	14.8	(24,662)	(52.5)
Other income (expense)						
Interest expense, net	(35,800)	(10.3)	(25,175)	(7.9)	(10,625)	42.2
Loss on early extinguishment of debt	—	—	(215)	(0.1)	215	(100.0)
Other expense, net	(1,193)	(0.3)	(5,616)	(1.8)	4,423	