

ERICKSON INC.
Form 10-Q
November 05, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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

For the transition period from _____ to _____.

Commission File Number 001-35482

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

Delaware 93-1307561
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

5550 SW Macadam Avenue, Suite 200, Portland, Oregon 97239
(Address of principal executive offices) (Zip Code)

(503) 505-5800
(Registrant's telephone number, including area code)

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

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

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

(Title of each class)

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

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

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

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

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

On October 30, 2015, 18,340,901 shares of common stock, par value \$0.0001, were outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ERICKSON INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data) (Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,698	\$ 5,097
Restricted cash	349	567
Accounts receivable, net of allowances for doubtful accounts of \$170 and \$739 in 2015 and 2014, respectively	55,172	44,350
Inventory	7,988	—
Prepaid expenses and other current assets	4,935	8,780
Income tax receivable	649	677
Deferred tax assets	595	1,230
Total current assets	71,386	60,701
Aircraft support parts, net	135,608	137,593
Assets held for sale	5,959	—
Aircraft, net	109,672	128,221
Property, plant and equipment, net	118,537	120,635
Goodwill	163,616	215,241
Other intangible assets, net	18,045	20,053
Other non-current assets	22,028	23,077
Total assets	\$ 644,851	\$ 705,521
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 20,245	\$ 19,844
Current portion of long-term debt	4,840	4,144
Accrued and other current liabilities	29,100	19,034
Income tax payable	398	315
Deferred tax liabilities	—	884
Total current liabilities	54,583	44,221
Long-term debt	17,580	12,751
Long-term revolving credit facilities	87,384	89,339
Long-term notes payable	355,000	355,000
Other long-term liabilities	15,733	13,181
Uncertain tax positions	6,484	6,313
Deferred tax liabilities	1,390	3,703
Total liabilities	538,154	524,508
Stockholders' equity:		
Common stock; \$0.0001 par value; 110,000,000 shares authorized; 13,840,901 and 13,823,818 issued and outstanding at September 30, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	181,186	181,018
Retained earnings (accumulated deficit)	(68,205)) 1,812

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Accumulated other comprehensive loss, net of tax	(6,973) (2,544)
Total stockholders' equity attributable to Erickson Incorporated	106,009	180,287	
Noncontrolling interest	688	726	
Total stockholders' equity	106,697	181,013	
Total liabilities and stockholders' equity	\$644,851	\$705,521	

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenues	\$101,133	\$118,338	\$236,614	\$273,407
Cost of revenues	68,088	70,842	194,464	205,001
Gross profit	33,045	47,496	42,150	68,406
Operating expenses:				
General and administrative	5,483	6,608	18,082	20,399
Research and development	425	783	1,886	2,839
Selling and marketing	1,458	1,578	4,543	5,622
Impairment of goodwill	—	—	49,823	21,272
Other asset impairment	—	—	7,143	—
Total operating expenses	7,366	8,969	81,477	50,132
Operating income (loss)	25,679	38,527	(39,327)	) 18,274
Other income (expense):				
Interest expense, net	(9,292)	) (9,002)	) (27,879)	) (26,866)
Amortization of debt issuance costs	(683)	) (613)	) (1,937)	) (1,827)
Unrealized foreign exchange gain (loss)	84	(518)	) (295)	) (274)
Gain on early extinguishment of debt	153	—	153	—
Realized foreign exchange gain	57	93	4	51
Gain on involuntary conversion	—	308	—	308
Gain on disposal of equipment	51	62	121	253
Other expense, net	(938)	) (163)	) (978)	) (704)
Total other expense	(10,568)	) (9,833)	) (30,811)	) (29,059)
Net income (loss) before income taxes and noncontrolling interest	15,111	28,694	(70,138)	) (10,785)
Income tax expense (benefit)	(240)	) 11,753	(167)	) (3,039)
Net income (loss)	15,351	16,941	(69,971)	) (7,746)
Less: Net income related to noncontrolling interest	(278)	) (79)	) (46)	) (95)
Net income (loss) attributable to Erickson Incorporated common stockholders	\$15,073	\$16,862	\$(70,017)	) \$(7,841)
Net income (loss)	\$15,351	\$16,941	\$(69,971)	) \$(7,746)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(5,014)	) (1,995)	) (4,513)	) (1,189)
Comprehensive income (loss)	10,337	14,946	(74,484)	) (8,935)
Comprehensive (income) loss attributable to noncontrolling interest	(47)	) 17	38	14
Comprehensive income (loss) attributable to Erickson Incorporated	\$10,290	\$14,963	\$(74,446)	) \$(8,921)
Net income (loss) per share attributable to common stockholders:				
Basic	\$1.09	\$1.22	\$(5.06)	) \$(0.57)
Diluted	\$1.09	\$1.22	\$(5.06)	) \$(0.57)
Weighted average shares outstanding:				
Basic	13,834,938	13,802,212	13,830,002	13,797,093
Diluted	13,834,938	13,817,050	13,830,002	13,797,093

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit) of Erickson Incorporated		Noncontrol Interest Amount	Total Stockholders' Equity
	Shares	Amount							
Balance at December 31, 2013	13,787,914	\$ 1	\$ 179,954	\$ 12,104	\$ (42)	\$ 192,017	\$ 890	\$ 192,907	
Issuance of Restricted Stock Units	50,695	—	—	—	—	—	—	—	
Noncontrolling interest dividend	—	—	—	—	—	—	(69)	(69)	
Stock-based compensation	—	—	861	—	—	861	—	861	
Shares withheld for payment of taxes	(14,791)	—	(211)	—	—	(211)	—	(211)	
Proceeds from shareholder, net	—	—	414	—	—	414	—	414	
Components of comprehensive income (loss):									
Net income (loss)	—	—	—	(10,292)	—	(10,292)	61	(10,231)	
Foreign currency translation	—	—	—	—	(2,502)	(2,502)	(156)	(2,658)	
Comprehensive loss								(12,889)	
Balance at December 31, 2014	13,823,818	\$ 1	\$ 181,018	\$ 1,812	\$ (2,544)	\$ 180,287	\$ 726	\$ 181,013	
Issuance of Restricted Stock Units	27,213	—	—	—	—	—	—	—	
Stock-based compensation	—	—	211	—	—	211	—	211	
Shares withheld for payment of taxes	(10,130)	—	(43)	—	—	(43)	—	(43)	
Components of comprehensive loss:									
Net income (loss)	—	—	—	(70,017)	—	(70,017)	46	(69,971)	
Foreign currency translation	—	—	—	—	(4,429)	(4,429)	(84)	(4,513)	
Comprehensive loss								(74,484)	
Balance at September 30, 2015	13,840,901	\$ 1	\$ 181,186	\$ (68,205)	\$ (6,973)	\$ 106,009	\$ 688	\$ 106,697	

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net income (loss)	\$ 15,351	\$ 16,941	\$(69,971)	\$(7,746)
Adjustments to reconcile income (loss) to net cash provided by operating activities:				
Depreciation and amortization	12,168	10,164	30,884	27,098
Impairment of goodwill	—	—	49,823	21,272
Other asset impairment	—	—	7,143	—
Deferred income taxes	(1,210)	8,467	(2,897)	(8,273)
Non-cash interest expense on debt	237	96	643	226
Stock-based compensation	114	220	211	616
Amortization of debt issuance costs	683	613	1,937	1,827
Gain on early extinguishment of debt	(153)	—	(153)	—
Gain on sale of equipment	(51)	(62)	(121)	(253)
Gain on involuntary conversion	—	(308)	—	(308)
Changes in operating assets and liabilities:				
Accounts receivable	(7,135)	(3,095)	(11,607)	(1,525)
Inventory	678	—	(7,988)	—
Prepaid expenses and other current assets	3,490	(6,001)	3,632	(6,907)
Income tax receivable	(40)	3	28	949
Aircraft support parts, net	109	(923)	150	(13,638)
Other non-current assets	(426)	1,106	2,258	4,232
Assets held for sale	2,000	—	2,000	—
Accounts payable	837	(6,892)	862	(6,161)
Accrued and other current liabilities	7,899	12,291	12,413	(4,050)
Income tax payable	555	493	298	1,210
Uncertain tax position	(184)	—	170	—
Other long-term liabilities	(1,093)	(366)	2,524	192
Net cash provided by operating activities	33,829	32,747	22,239	8,761
Cash flows from investing activities:				
Purchases of aircraft and property, plant and equipment	(8,790)	(15,569)	(20,629)	(52,707)
Proceeds from sale-leaseback of assets	5,078	—	5,078	24,660
Restricted cash	11	574	135	2,341
Dividends paid to non-controlling interest	—	—	—	(73)
Net cash used in investing activities	(3,701)	(14,995)	(15,416)	(25,779)
Cash flows from financing activities:				
Proceeds from shareholders, net	—	—	—	414
Repayments of subordinated notes	(1,378)	—	(3,378)	—
Repayments of credit facilities	(67,262)	(69,716)	(140,444)	(148,839)
Borrowings from credit facilities	40,937	53,862	138,490	166,993
Other long-term borrowings	(36)	51	(120)	444
Payments under capital leases	(271)	—	(611)	—
Debt issuance costs	(10)	(72)	(147)	(339)
Shares withheld for payment of taxes	(11)	—	(43)	(166)

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Net cash provided by (used in) financing activities	(28,031) (15,875) (6,253) 18,507
Effect of foreign currency exchange rates on cash and cash equivalents	(2,165	) (1,762	) (3,969	) (811
Net increase (decrease) in cash and cash equivalents	(68	) 115	(3,399	) 678
Cash and cash equivalents at beginning of period	1,766	2,444	5,097	1,881
Cash and cash equivalents at end of period	\$1,698	\$2,559	\$1,698	\$2,559
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$2,007	\$2,017	\$20,104	\$19,553
Cash paid for income taxes, net	\$296	\$1,588	\$1,563	\$2,449

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

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ERICKSON INCORPORATED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of the Business

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

As of September 30, 2015, the Company owned a fleet of 19 heavy lift helicopters, comprised of 13 S-64E and six S-64F model Aircranes, and 29 medium and light lift aircraft of varying model types, comprised of 25 rotor wing aircraft and four fixed-wing aircraft. As of September 30, 2015, the Company leased a fleet of one heavy lift S-64F model Aircrane, 26 medium and light lift aircraft of varying types, comprised of 22 rotor wing aircraft and four fixed-wing aircraft. The Company’s fleet operations span the globe with a presence on six continents. As of September 30, 2015, 17 of the owned aircraft and 16 of the leased aircraft were deployed outside of North America.

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

Fiscal 2015

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

Fiscal 2014

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

Note 2. Basis of Presentation

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

All intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

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

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

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Reclassification has been made to prior period amounts of external commissions from sales and marketing operating expenses to cost of revenues on the consolidated statements of comprehensive loss. Such reclassification had no effect on previously reported consolidated statements of stockholders’ equity or the consolidated balance sheet. For the three and nine months ended September 30, 2014 the prior period reclassification includes \$0.5 million and \$1.6 million, respectively, of external commissions reclassified from sales and marketing operating expenses to cost of revenues on the consolidated statements of comprehensive income (loss).

Additionally, reclassification has been made to prior period amounts of other long-term borrowings from non-cash interest expense on debt in the operating activities section of the consolidated statement of cash flows to other long-term borrowings in the financing activities section of the consolidated statement of cash flows. Such reclassification had no effect on previously reported consolidated statements of stockholders' equity or the consolidated balance sheet. For the three and nine months ended September 30, 2014, the prior period reclassification was \$0.1 million and \$0.4 million, respectively.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-9, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in ASC 605, “Revenue Recognition.” This ASU requires revenue to be recognized to reflect the consideration an entity expects to be entitled to in exchange for the transfer of goods or services to customers in the appropriate period. This ASU also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract are required. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the agreed upon delay, the FASB will allow early adoption in 2017, however, the Company will not be required to implement this guidance until the first quarter of fiscal year 2018, using one of the two prescribed retrospective methods. The Company has not yet determined the effect of the adoption on the consolidated financial statements.

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

Note 3. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Trade accounts receivable	\$50,677	\$42,296

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Other receivables	4,665	2,793
Less: allowance for doubtful accounts	(170) (739
	\$55,172	\$44,350

The Company had bad debt expense of zero in the three months ended September 30, 2015 and 2014. During the nine months ended September 30, 2015, the Company had bad debt expense of zero. During the nine months ended September 30, 2014, the Company had bad debt recoveries of \$0.3 million.

The Company performs ongoing credit evaluations of its customers and believes it has made adequate provisions for potential credit losses. The Company does not generally require collateral on accounts receivable; however, under certain circumstances,

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the Company may require from its customers a letter of credit, a parent corporation guarantee, or full or partial prepayment prior to performing services. The Company estimates its allowance for doubtful accounts using a specific identification method based on an evaluation of payment history, the customer's credit situation, and other factors. The following is a summary of customers that accounted for at least 10% of the total current and non-current trade receivables as of September 30, 2015 or December 31, 2014:

	Segment	September 30, 2015	December 31, 2014		
Fluor	Government Aviation Services	12.5	% 14.4		%
Alion Science and Technology Corporation	Government Aviation Services	15.1	% 11.8		%
Hellenic Fire Brigade ⁽¹⁾	Commercial Aviation Services	8.4	% 10.8		%
		36.0	% 37.0		%

(1) On May 23, 2012, the Company entered into a three year agreement with the NATO Support Agency ("NSPA"), formerly known as the NATO Maintenance and Supply Agency, pursuant to which the Company agreed to supply aerial firefighting services in Greece for the 2012 to 2014 firefighting seasons. Prior to the agreement with NSPA, the Company contracted directly with the Hellenic Fire Brigade to provide firefighting services in Greece. At September 30, 2015 and December 31, 2014, the receivable from Hellenic Fire Brigade was classified in other non-current assets due to the long-term nature of obtaining resolution regarding the Company's permanent establishment status in Greece.

The following is a summary of customers that accounted for at least 10% of the Company's net revenues in the three and nine months ended September 30, 2015 or September 30, 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Fluor	13.4	% 13.0	% 17.5	% 16.7	%
US Forest Service	33.3	% 27.1	% 16.8	% 13.9	%
	46.7	% 40.1	% 34.3	% 30.6	%

Note 4. Inventory

Inventory consists of the following (in thousands):

	September 30, 2015	December 31, 2014
Finished goods	\$7,988	\$—

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

Note 5. Aircraft Support Parts, net

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

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

	September 30, 2015	December 31, 2014
Aircraft parts	\$129,106	\$124,629
Work-in-process	11,802	18,604

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Less: Excess and obsolete reserve	(5,300) (5,640)
	\$135,608	\$137,593	

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Note 6. Assets Held for Sale

We have classified certain assets as held for sale as these assets are ready for immediate sale and the Company expects these assets to be sold within one year. The changes in assets held for sale during the nine months ended September 30, 2015, are as follows (dollars in thousands):

	Assets Held for Sale	
	# of Aircraft	
Assets held for sale, January 1, 2015	—	\$—
Aircraft classified as held for sale, net of impairment	9	5,779
Deferred overhauls associated with aircraft classified as held for sale		2,571
Book value of aircraft sold	(1)	(2,000)
Fluctuations due to foreign currency translation adjustments		(391)
Total assets held for sale, September 30, 2015	8	\$5,959

During the first quarter of 2015, nine aircraft were reclassified to assets held for sale as the Company reviewed its fleet strategy for fiscal 2015. The Company recorded an impairment charge of \$7.1 million to write down the carrying value of the aircraft to their estimated fair value less the costs to sell. The charge is included in other asset impairment in the consolidated statement of comprehensive loss for the nine months ended September 30, 2015. The fair value of assets held for sale is considered a level 2 measurement in the fair value hierarchy as the measurement is based on the recent sales and listed prices in the active markets for similar aircraft. The assets are no longer being depreciated or amortized effective March 31, 2015.

Note 7. Aircraft and Property, Plant and Equipment

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

	September 30, 2015	December 31, 2014
Aircraft	\$149,810	\$162,246
Less: Accumulated depreciation	(40,138)	(34,025)
	\$109,672	\$128,221

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

	September 30, 2015	December 31, 2014
Land and land improvements	\$308	\$308
Buildings	9,940	7,926
Vehicles and equipment	32,746	29,500
Deferred overhauls, net	81,976	86,768
Construction-in-progress	16,053	15,926
	141,023	140,428
Less: Accumulated depreciation and amortization	(22,486)	(19,793)
	\$118,537	\$120,635

During the three months ended September 30, 2015, and 2014, depreciation expense was \$4.7 million and \$4.5 million, respectively. During the three months ended September 30, 2015 and 2014, amortization expense associated with deferred overhauls was \$6.8 million and \$5.1 million, respectively. During the nine months ended September 30, 2015, and 2014, depreciation expense was \$13.9 million and \$13.4 million, respectively. During the nine months ended September 30, 2015, and 2014, amortization expense associated with deferred overhauls was \$15.0 million and \$11.9 million, respectively.

During the third quarter of 2015, the Company completed a sale-leaseback transaction pursuant to which the Company sold its hangar facility for \$5.1 million located at the Medford international airport in Oregon. The lease has an initial term of 15 years, commencing on August 1, 2015.

During the first quarter of 2015, the Company completed a nonmonetary exchange of aircraft pursuant to which the Company transferred four Bell 212 helicopters to a third party in exchange for two Sikorsky S-76C+ helicopters.

Independent appraisal confirmed that the fair values of the two aircraft received approximated the book values of the four aircraft transferred, and no

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gain or loss was recorded on the transaction. Prior to the exchange the aircraft were recorded in aircraft, net and their major components were recorded in deferred overhauls, net within property, plant, and equipment, net in the Company's consolidated balance sheets. The aircraft received and their major components were also recorded in aircraft, net and deferred overhauls, net, respectively, in the consolidated balance sheets.

During the second quarter of 2014, the Company completed a sale-leaseback transaction pursuant to which the Company sold one S-64 Airplane for a total purchase price of \$24.7 million. The net book value of the Airplane at the date of the transaction was \$12.3 million. The lease had an initial term of seven years commencing on June 30, 2014, and base lease payments of approximately \$264 thousand per month. The Company has the right to purchase the aircraft back from the lessor at the end of the fourth year of the lease term at a purchase price based upon the fair market value at that time. At the end of the term of the lease, the lessor has a put right to sell the aircraft back at a purchase price based on the fair market value at that time. The Company has accounted for the transaction as a sale-leaseback under ASC 840-40 "Sale-Leaseback Transactions". The profit on the sale was deferred and will be recognized ratably over the term of the lease as a reduction to rent expense. The current portion of the deferred gain of \$1.8 million is included in accrued and other current liabilities, and the non-current portion of deferred gain of \$8.3 million is included in other long-term liabilities in the consolidated balance sheet as of September 30, 2015.

Note 8. Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2015 are as follows (in thousands):

	Government Aviation Services	Commercial Aviation Services	Manufacturing & MRO	Total
Balance at January 1, 2015				
Goodwill, gross	\$207,128	\$23,843	\$5,542	\$236,513
Accumulated impairment losses	(21,272)	) —	—	(21,272)
Goodwill, net	185,856	23,843	5,542	215,241
Activity during 2015				
Impairment losses	(49,823)	) —	—	(49,823)
Fluctuations due to foreign currency translation adjustments	—	(1,802)	) —	(1,802)
Balance at September 30, 2015				
Goodwill, gross	207,128	22,041	5,542	234,711
Accumulated impairment losses	(71,095)	) —	—	(71,095)
Goodwill, net	\$136,033	\$22,041	\$5,542	\$163,616

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

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

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

On January 1, 2015, the Company evaluated its reporting units and determined it has four reporting units under its three operating reportable segments. The Company assigned its goodwill to each of the four reporting units as of January 1, 2015 using a relative fair value approach. During the quarter ended June 30, 2015 the Company re-evaluated its reporting units and determined that Oil and Gas Aviation Services business is no longer considered a stand-alone reporting unit, and is a part of Commercial Aviation Services.

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

The estimation of fair value utilizing the above approach includes numerous uncertainties which require significant judgment when making assumptions of the cost of capital, expected growth rates, selection of discount rates, as well as assumptions regarding general economic and business conditions, among other factors. Key assumptions used in measuring the implied fair value of goodwill included a discount rate of 10%, an effective tax rate of 38%, a terminal EBITDA multiple of 7.0, and utilizing the excess earnings method to value the customer relationship intangible. Subsequent to the Company's re-organization into three operating segments, the Company elected an annual testing date for each reporting unit during the second quarter of the fiscal year. During the second quarter of 2015, the Company performed the annual goodwill impairment review for the Government Aviation Services, Commercial Aviation Services, and Manufacturing & MRO reporting units. The Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting units are less than its carrying amount. As a result of this qualitative assessment, the Company determined it was not necessary to perform step one of the goodwill impairment tests.

Note 9. Other Intangible Assets, net

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

	Reportable Segment	Useful Life (in years)	September 30, 2015	December 31, 2014
Customer Relationships	Government Aviation Services	9	\$ 19,300	\$ 19,300
Customer Relationships	Commercial Aviation Services	1 (1)	2,500	2,500
Type Certificate ⁽²⁾	Manufacturing & MRO	Indefinite	2,205	2,205
			24,005	24,005
Less: accumulated amortization			(5,960)	(3,952)
			\$ 18,045	\$ 20,053

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

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

During the three months ended September 30, 2015 and 2014, amortization expense for intangible assets was \$0.7 million and \$0.6 million, respectively. During the nine months ended September 30, 2015 and 2014, amortization expense for intangible assets was \$2.0 million and \$1.8 million, respectively, and was recorded in cost of revenues. Estimated amortization expense for intangible assets for future periods, including remaining amounts to be recorded in 2015 as of September 30, 2015, is as follows (in thousands):

	Intangible Asset Amortization
2015	\$ 2,259
2016	2,144
2017	2,144
2018	2,144

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2019	2,144
Thereafter	5,005
Total	\$ 15,840

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Note 10. Accrued and Other Current Liabilities

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

	September 30, 2015	December 31, 2014
Interest	\$12,703	\$5,542
Payroll and related taxes	4,780	6,069
Promissory note, net of discount ⁽¹⁾	3,712	—
Deferred revenue	1,509	795
Deferred gain on sale-leaseback	1,760	1,760
Accrued commissions	183	1,301
Other	4,453	3,567
	\$29,100	\$19,034

In the first quarter of 2015, the Company entered into a \$10.0 million promissory note with Bell Helicopter Textron Inc. (Bell) in exchange for inventory delivered to the Company. The promissory note has no stated interest rate and matures on March 1, 2017. The Company has agreed to pay, beginning on March 1, 2015, semi-annual principal payments, in cash, until the date of maturity. For the purposes of recording the initial liability, the fair (1) value of the promissory note was estimated at \$9.4 million, assuming a market level borrowing rate of 6.5% per annum. Interest expense is recorded as the discount is amortized over the term of the note. As of September 30, 2015, the carrying value of the promissory note was \$5.7 million, made up of the face value of the remaining principal of \$6.0 million, net of the unamortized discount of \$0.3 million. The non-current portion of the note of \$1.9 million is included in other long-term liabilities in the consolidated balance sheet as of September 30, 2015.

Note 11. Debt

Outstanding debt consisted of the following (in thousands):

	September 30, 2015		December 31, 2014	
	Current	Long-term	Current	Long-term
2020 Senior Notes	\$—	\$355,000	\$—	\$355,000
Revolving Credit Facility	—	87,384	—	89,339
2020 subordinated notes, net of discount	3,593	9,857	4,000	12,486
Capital lease obligations	1,098	7,582	—	—
Fixtures financing	149	141	144	265
Total	\$4,840	\$459,964	\$4,144	\$457,090

2020 Senior Notes Offering

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

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

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

The interest rate on the 2020 Senior Notes is fixed at 8.25%. The outstanding balance under the 2020 Senior Notes at September 30, 2015 and December 31, 2014 was \$355.0 million.

Revolving Credit Facility

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The maximum amount that the Company may borrow under the Revolving Credit Facility is \$140.0 million. The interest rate under the Revolving Credit Facility is 225-450 basis points over LIBOR/Prime base rate depending on the Company's senior leverage ratio. The proceeds under the Revolving Credit Facility are primarily used for general corporate purposes. The Company was in compliance with the financial covenants as of September 30, 2015 and December 31, 2014.

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

Effective June 30, 2015, the Revolving Credit Facility was amended to, among other things, limit the requirement to be compliant with the fixed charge coverage ratio to periods when the availability is less than 12.5% of the maximum revolver amount. The Revolving Credit Facility contains certain financial covenants, including a minimum fixed charge coverage ratio of 1.10:1.00. The fixed charge coverage ratio has multiple inputs, including, but not limited to, bank EBITDA, capital expenditures, and cash paid for interest, taxes, and principal debt payments. The Revolving Credit Facility also imposes an annual growth capital expenditures limit of approximately \$10.0 million for the fiscal year of 2015, escalating to \$20.0 million for fiscal 2016, and to \$25.0 million in subsequent years, which is subject to standard carry-over provisions for 2016 and beyond.

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

The outstanding balance under the Revolving Credit Facility at September 30, 2015 and December 31, 2014 was \$87.4 million and \$89.3 million, respectively. The weighted average interest rate for borrowings under the Revolving Credit Facility for the three and nine months period ended September 30, 2015 was 5.02% and 5.03%, respectively. The interest rate at September 30, 2015 and December 31, 2014 was 4.79% and 5.02%, respectively. As of September 30, 2015 and December 31, 2014 the Company had \$0.6 million and \$4.7 million in outstanding standby letters of credit under the Revolving Credit Facility, respectively, and maximum borrowing availability was \$52.0 million and \$46.0 million as of September 30, 2015 and December 31, 2014, respectively.

2020 Subordinated Notes

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

For purchase accounting of the EHI acquisition, the fair value of the subordinated notes was estimated at \$15.9 million, assuming a market level borrowing rate of 9.00%. As of September 30, 2015, the carrying value of the 2020 Subordinated Notes was \$13.5 million, made up of the face value of the remaining principal of \$14.1 million net of the unamortized discount of \$0.7 million. As of December 31, 2014, the carrying value of the 2020 Subordinated Notes was \$16.5 million, made up of the face value of \$17.5 million net of the unamortized discount of \$1.0 million.

The weighted average interest rate for borrowings under the 2020 Subordinated Notes was 6.00% during the three and nine months period ended September 30, 2015.

Note 12. Other Long-Term Liabilities

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

	September 30, 2015	December 31, 2014
Deferred gain on sale-leaseback (see Note 7)	\$8,358	\$9,678
Promissory note, net of discount (see Note 10)	1,948	—
Other	5,427	3,503
	\$15,733	\$13,181

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Note 13. Consolidating Financial Information

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

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

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

Non-guarantor subsidiaries, on a combined basis;

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

Erickson Incorporated and Subsidiaries on a consolidated basis.

Each guarantor subsidiary was 100% owned by the Parent Company as of the date of each condensed consolidating balance sheet presented. The 2020 Senior Notes are fully and unconditionally guaranteed on a joint and several liability basis by each guarantor subsidiary. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. All figures presented are in thousands. Figures presented as of September 30, 2015 and 2014, and for the three and nine months ended September 30, 2015 and 2014 are unaudited.

Table of ContentsCondensed Consolidating Balance Sheet
September 30, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 18	\$ 109	\$ 1,571	\$—	\$ 1,698
Restricted cash	125	—	224	—	349
Accounts receivable, net	26,973	21,853	6,306	40	55,172
Inventory	7,988	—	—	—	7,988
Prepaid expenses and other current assets	3,951	564	420	—	4,935
Income tax receivable	84	235	330	—	649
Deferred tax assets	632	—	(37	) —	595
Total current assets	39,771	22,761	8,814	40	71,386
Aircraft support parts, net	106,055	29,068	530	(45	) 135,608
Assets held for sale	1,800	2,550	1,609	—	5,959
Aircraft, net	80,040	29,660	(28	) —	109,672
Property, plant and equipment, net	73,990	43,304	1,243	—	118,537
Goodwill	—	160,532	3,846	(762	) 163,616
Other intangible assets, net	2,204	14,119	1,722	—	18,045
Other non-current assets	320,839	5,637	645	(305,093	) 22,028
Total assets	\$ 624,699	\$ 307,631	\$ 18,381	\$ (305,860	) \$ 644,851
Liabilities and stockholders' equity (deficit)					
Current liabilities:					
Accounts payable	\$ 7,088	\$ 12,077	\$ 1,080	\$—	\$ 20,245
Current portion of long-term debt	3,954	886	—	—	4,840
Accrued and other current liabilities	(16,627	) 25,042	20,685	—	29,100
Income tax payable	(219	) —	617	—	398
Total current liabilities	(5,804	) 38,005	22,382	—	54,583
Long-term debt, less current portion	15,145	2,435	—	—	17,580
Long-term revolving credit facilities	87,384	—	—	—	87,384
Long-term notes payable	355,000	—	—	—	355,000
Other long-term liabilities	15,148	521	63	1	15,733
Uncertain tax positions	6,484	—	—	—	6,484
Deferred tax liabilities	2,285	—	(895	) —	1,390
Total liabilities	475,642	40,961	21,550	1	538,154
Stockholders' equity (deficit):					
Common stock	1	—	1,675	(1,675	) 1
Additional paid-in capital	181,186	297,994	33	(298,027	) 181,186
Retained earnings (accumulated deficit)	(26,707	) (31,324	) (4,720	) (5,454	) (68,205
Accumulated other comprehensive loss	(5,423	) —	(791	) (759	) (6,973
Total stockholders' equity (deficit)	149,057	266,670	(3,803	) (305,915	) 106,009
attributable to Erickson Incorporated					
Noncontrolling interest	—	—	634	54	688
Total stockholders' equity (deficit)	149,057	266,670	(3,169	) (305,861	) 106,697
Total liabilities and stockholders' equity	\$ 624,699	\$ 307,631	\$ 18,381	\$ (305,860	) \$ 644,851

Table of ContentsCondensed Consolidating Balance Sheet
December 31, 2014

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

Table of ContentsCondensed Consolidating Statement of Operations
Quarter Ended September 30, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues	\$67,063	\$28,449	\$ 11,625	\$(6,004)	\$101,133
Cost of revenues	34,594	28,983	10,423	(5,912)	68,088
Gross profit (loss)	32,469	(534)	1,202	(92)	33,045
Operating expenses:					
General and administrative	4,703	232	548	—	5,483
Research and development	425	—	—	—	425
Selling and marketing	1,523	1	27	(93)	1,458
Total operating expenses	6,651	233	575	(93)	7,366
Operating income (loss)	25,818	(767)	627	1	25,679
Other income (expense):					
Interest expense, net	(9,105)	(104)	(83)	—	(9,292)
Other income (expense), net	(1,516)	8	232	—	(1,276)
Total other income (expense)	(10,621)	(96)	149	—	(10,568)
Net income (loss) before income taxes and noncontrolling interest	15,197	(863)	776	1	15,111
Income tax expense (benefit)	(559)	—	319	—	(240)
Net income (loss)	15,756	(863)	457	1	15,351
Less: Net income related to noncontrolling interest	—	—	—	(278)	(278)
Net income (loss) attributable to Erickson Incorporated and common stockholders	\$15,756	\$(863)	\$ 457	\$(277)	\$15,073

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Condensed Consolidating Statement of Operations
Quarter Ended September 30, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues	\$64,553	\$39,111	\$ 19,107	\$(4,433)	\$ 118,338
Cost of revenues	29,191	34,940	11,025	(4,314)	70,842
Gross profit	35,362	4,171	8,082	(119)	47,496
Operating expenses:					
General and administrative	5,450	186	972	—	6,608
Research and development	783	—	—	—	783
Selling and marketing	1,530	136	31	(119)	1,578
Total operating expenses	7,763	322	1,003	(119)	8,969
Operating income	27,599	3,849	7,079	—	38,527
Other income (expense):					
Interest expense, net	(8,874 )	) —	(128 )	) —	(9,002)
Other income (expense), net	(1,227 )	) 316	87	(7)	(831)
Total other income (expense)	(10,101 )	) 316	(41)	(7)	(9,833)
Net income before income taxes and noncontrolling interest	17,498	4,165	7,038	(7)	28,694
Income tax expense	9,580	—	2,173	—	11,753
Net income	7,918	4,165	4,865	(7)	16,941
Less: Net income related to noncontrolling interest	—	—	—	(79)	(79)
Net income attributable to Erickson Incorporated and common stockholders	\$7,918	\$4,165	\$ 4,865	\$(86)	\$ 16,862

Table of ContentsCondensed Consolidating Statement of Operations
Nine Months Ended September 30, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues	\$ 120,886	\$ 100,427	\$ 37,802	\$(22,501)	\$ 236,614
Cost of revenues	83,055	97,798	35,939	(22,328)	194,464
Gross profit	37,831	2,629	1,863	(173)	42,150
Operating expenses:					
General and administrative	15,478	585	2,019	—	18,082
Research and development	1,886	—	—	—	1,886
Selling and marketing	4,568	55	93	(173)	4,543
Impairment of goodwill	—	49,823	—	—	49,823
Other asset impairment	3,441	2,749	953	—	7,143
Total operating expenses	25,373	53,212	3,065	(173)	81,477
Operating income (loss)	12,458	(50,583)	(1,202)	—	(39,327)
Other income (expense):					
Interest expense, net	(27,306)	(290)	(283)	—	(27,879)
Other income (expense), net	(3,626)	170	528	(4)	(2,932)
Total other income (expense)	(30,932)	(120)	245	(4)	(30,811)
Net loss before income taxes and noncontrolling interest	(18,474)	(50,703)	(957)	(4)	(70,138)
Income tax expense (benefit)	(760)	—	593	—	(167)
Net loss	(17,714)	(50,703)	(1,550)	(4)	(69,971)
Less: Net income related to noncontrolling interest	—	—	—	(46)	(46)
Net loss attributable to Erickson Incorporated and common stockholders	\$(17,714)	\$(50,703)	\$(1,550)	\$(50)	\$(70,017)

Table of ContentsCondensed Consolidating Statement of Operations
Nine Months Ended September 30, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net revenues	\$ 115,997	\$ 126,569	\$ 44,520	\$(13,679)	\$ 273,407
Cost of revenues	74,483	109,923	34,155	(13,560)	205,001
Gross profit	41,514	16,646	10,365	(119)	68,406
Operating expenses:					
General and administrative	16,935	794	2,670	—	20,399
Research and development	2,839	—	—	—	2,839
Selling and marketing	5,168	482	91	(119)	5,622
Impairment of goodwill	—	21,272	—	—	21,272
Total operating expenses	24,942	22,548	2,761	(119)	50,132
Operating income (loss)	16,572	(5,902)	7,604	—	18,274
Other income (expense):					
Interest income (expense), net	(26,342)	19	(543)	—	(26,866)
Other income (expense), net	(2,539)	339	91	(84)	(2,193)
Total other income (expense)	(28,881)	358	(452)	(84)	(29,059)
Net income (loss) before income taxes and noncontrolling interest	(12,309)	(5,544)	7,152	(84)	(10,785)
Income tax expense (benefit)	(6,335)	—	3,296	—	(3,039)
Net income (loss)	(5,974)	(5,544)	3,856	(84)	(7,746)
Less: Net income related to noncontrolling interest	—	—	—	(95)	(95)
Net income (loss) attributable to Erickson Incorporated and common stockholders	\$(5,974)	\$(5,544)	\$ 3,856	\$(179)	\$(7,841)

Condensed Consolidating Statement of Cash Flows
Quarter Ended September 30, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 15,756	\$(863)	\$ 457	\$ 1	\$ 15,351
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	7,322	4,628	218	—	12,168
Deferred income taxes	(1,226)	—	16	—	(1,210)
Non-cash interest expense on debt	237	—	—	—	237
Stock-based compensation	114	—	—	—	114
Amortization of debt issuance costs	683	—	—	—	683
Gain on early extinguishment of debt	(153)	—	—	—	(153)
Gain on sale of equipment	(2)	(3)	(46)	—	(51)
Changes in operating assets and liabilities:					
Accounts receivable	(10,873)	1,808	1,930	—	(7,135)

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Inventory	678	—	—	—	678
Prepaid expenses and other current assets	2,292	578	620	—	3,490
Income tax receivable	65	(64) (41) —	(40)

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Aircraft support parts, net	(805) 482	432	—	109)
Other non-current assets	356	(794) 13	(1	(426)
Assets held for sale	2,000	—	—	—	2,000	
Accounts payable	34	898	(95	) —	837	
Accrued and other current liabilities	13,813	(1,911	) (4,004	) 1	7,899	
Income tax payable	215	—	340	—	555	
Uncertain tax position	(184	) —	—	—	(184)
Other long-term liabilities	(1,030	) (62	) —	(1	(1,093)
Net cash provided by (used in)operating activities	29,292	4,697	(160	) —	33,829	
Cash flows from investing activities:						
Restricted cash	11	—	—	—	11	
Purchases of aircraft and property, plant and equipment	(4,354	) (4,424	) (12	) —	(8,790)
Proceeds from sale-leaseback of assets	5,078	—	—	—	5,078	
Acquisition of business, net of cash acquired	1	—	(1) —	—	
Net cash provided by (used in) investing activities	736	(4,424	) (13	) —	(3,701)
Cash flows from financing activities:						
Shares withheld for payment of taxes	(11	) —	—	—	(11)
Repayments of subordinated notes	(1,378	) —	—	—	(1,378)
Repayments of credit facilities	(67,263	) 1	—	—	(67,262)
Borrowings from credit facilities	40,937	—	—	—	40,937	
Other long-term borrowings	(36	) —	—	—	(36)
Payments under capital leases	(65	) (206	) —	—	(271)
Debt issuance costs	(10	) —	—	—	(10)
Net cash used in financing activities	(27,826	) (205	) —	—	(28,031)
Effect of foreign currency exchange rates on cash and cash equivalents	(2,200	) —	35	—	(2,165)
Net increase (decrease) in cash and cash equivalents	2	68	(138	) —	(68)
Cash and cash equivalents at beginning of period	16	41	1,709	—	1,766	
Cash and cash equivalents at end of period	\$18	\$109	\$1,571	\$—	\$1,698	

Table of ContentsCondensed Consolidating Statement of Cash Flows
Quarter Ended September 30, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash flows from operating activities:					
Net income	\$7,918	\$4,165	\$ 4,865	\$(7)	\$16,941
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	6,926	3,034	204	—	10,164
Deferred income taxes	8,782	—	(315	) —	8,467
Non-cash interest expense on debt	96	—	—	—	96
Stock-based compensation	220	—	—	—	220
Gain on sale of equipment	—	—	(62	) —	(62)
Amortization of debt issuance costs	613	—	—	—	613
Gain on involuntary conversion	—	(308	) —	—	(308)
Changes in operating assets and liabilities:					
Accounts receivable	(8,619	) 9,438	(3,921	) 7	(3,095)
Prepaid expenses and other current assets	(5,023	) (366	) (612	) —	(6,001)
Income tax receivable, net	—	—	3	—	3
Aircraft support parts, net	(5,200	) 4,294	(17	) —	(923)
Other non-current assets	1,174	(72	) 4	—	1,106
Accounts payable	(2,907	) (4,009	) 24	—	(6,892)
Accrued and other current liabilities	20,525	(8,448	) 214	—	12,291
Income tax payable	41	(4	) 456	—	493
Other long-term liabilities	(366	) —	—	—	(366)
Net cash provided by operating activities	24,180	7,724	843	—	32,747
Cash flows from investing activities:					
Purchases of aircraft and property, plant and equipment	(7,295	) (8,103	) (171	) —	(15,569)
Restricted cash	7	365	202	—	574
Net cash provided by (used in) investing activities	(7,288	) (7,738	) 31	—	(14,995)
Cash flows from financing activities:					
Repayments of credit facilities	(69,716	) —	—	—	(69,716)
Borrowings from credit facilities	53,862	—	—	—	53,862
Other long-term borrowings	51	—	—	—	51
Debt issuance costs	(72	) —	—	—	(72)
Net cash used in financing activities	(15,875	) —	—	—	(15,875)
Effect of foreign currency exchange rates on cash and cash equivalents	(1,474	) —	(288	) —	(1,762)
Net increase (decrease) in cash and cash equivalents	(457	) (14	) 586	—	115
Cash and cash equivalents at beginning of period	483	75	1,886	—	2,444
Cash and cash equivalents at end of period	\$26	\$61	\$ 2,472	\$—	\$2,559

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Condensed Consolidating Statement of Cash Flows Nine Months Ended September 30, 2015					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Cash flows from operating activities:					
Net loss	\$(17,714	) \$(50,703	) \$(1,550	) \$(4	) \$(69,971
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	18,220	12,027	637	—	30,884
Impairment of goodwill	—	49,823	—	—	49,823
Other asset impairment	3,441	2,749	953	—	7,143
Deferred income taxes	(2,853	) —	(44	) —	(2,897
Non-cash interest expense on debt	643	—	—	—	643
Stock-based compensation	211	—	—	—	211
Amortization of debt issuance costs	1,937	—	—	—	1,937
Gain on early extinguishment of debt	(153	) —	—	—	(153
Gain on sale of equipment	(93	) (6	) (22	) —	(121
Changes in operating assets and liabilities					
Accounts receivable	(13,857	) 4,345	(2,099	) 4	(11,607
Inventory	(7,988	) —	—	—	(7,988
Prepaid expenses and other current assets	2,555	607	470	—	3,632
Income tax receivable	235	(234	) 5	22	28
Aircraft support parts, net	(518	) 994	(326	) —	150
Other non-current assets	856	1,541	(138	) (1	) 2,258
Assets held for sale	2,000	—	—	—	2,000
Accounts payable	1,068	611	(817	) —	862
Accrued and other current liabilities	27,386	(14,769	) (758	) 554	12,413
Income tax payable	256	2	614	(574	) 298
Uncertain tax position	170	—	—	—	170
Other long-term liabilities	2,712	(187	) —	(1	) 2,524
Net cash provided by (used in) operating activities	18,514	6,800	(3,075	) —	22,239
Cash flows from investing activities:					
Restricted cash	11	—	124	—	135
Proceeds from sale-leaseback of aircraft	5,078	—	—	—	5,078
Purchases of aircraft and property, plant and equipment	(14,124	) (6,421	) (84	) —	(20,629
Acquisition of business, net of cash acquired	1	—	(1) —	—
Net cash provided by (used in) investing activities	(9,034	) (6,421	) 39	—	(15,416
Cash flows from financing activities:					
Shares withheld for payment of taxes	(43	) —	—	—	(43
Repayments of subordinated notes	(3,378	) —	—	—	(3,378
Repayments of credit facilities	(140,445) 1	—	—	(140,444
Borrowings from credit facilities	138,490	—	—	—	138,490

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Other long-term borrowings	(120) —	—	—	(120)
Payments under capital leases	(66) (545) —	—	(611)
Debt issuance costs	(147	) —	—	—	(147)
Net cash used in financing activities	(5,709	) (544	) —	—	(6,253)
Effect of foreign currency exchange rates on cash and cash equivalents	(3,760) —	(209) —	(3,969)

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Net decrease in cash and cash equivalents	11	(165)	(3,245)	—	(3,399)
Cash and cash equivalents at beginning of period	7	274		4,816		—	5,097	
Cash and cash equivalents at end of period	\$18	\$109		\$1,571		\$—	\$1,698	

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated				
Cash flows from operating activities:									
Net income (loss)	\$(5,974	)	\$(5,544	)	\$ 3,856	\$(84	)	\$(7,746)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:									
Depreciation and amortization	18,580		7,919		599	—		27,098	
Impairment of goodwill	—		21,272		—	—		21,272	
Deferred income taxes	(8,048	)	—		(225	)	—	(8,273)
Non-cash interest expense on debt	226		—		—	—		226	
Stock-based compensation	616		—		—	—		616	
Gain on sale of equipment	(121	)	(25	)	(107	)	—	(253)
Amortization of debt issuance costs	1,827		—		—	—		1,827	
Gain on involuntary conversion	—		(308	)	—	—		(308)
Changes in operating assets and liabilities:									
Accounts receivable	(9,978	)	15,344		(6,912	)	21	(1,525)
Prepaid expenses and other current assets	(6,182	)	(430	)	(295	)	—	(6,907)
Income tax receivable, net	41		(3	)	911		—	949	
Aircraft support parts, net	(12,959	)	(189	)	(490	)	—	(13,638)
Other non-current assets	1,319		2,681		232		—	4,232	
Accounts payable	(499	)	(5,294	)	(368	)	—	(6,161)
Accrued and other current liabilities	4,682		(10,342	)	1,610		—	(4,050)
Income tax payable	31		—		1,179		—	1,210	
Other long-term liabilities	192		—		—		—	192	
Net cash provided by (used in) operating activities	(16,247	)	25,081		(10	)	(63	)	8,761
Cash flows from investing activities:									
Purchases of aircraft and property, plant and equipment	(26,918	)	(25,373	)	(416	)	—	(52,707)
Proceeds from sale-leaseback of aircraft	24,660		—		—		—	24,660	
Restricted cash	7		365		1,969		—	2,341	
Dividends paid to noncontrolling interest	—		—		(136	)	63	(73)
Net cash provided by (used in) investing activities	(2,251	)	(25,008	)	1,417		63	(25,779)
Cash flows from financing activities:									
Proceeds from shareholders, net	414		—		—		—	414	
Repayments of credit facilities	(148,839)	—		—		—	(148,839)
Borrowings from credit facilities	166,993		—		—		—	166,993	

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Other long-term borrowings	444	—	—	—	444
Debt issuance costs	(339) —	—	—	(339)
Shares withheld for payment of taxes	(166) —	—	—	(166)
Net cash provided by financing activities	18,507	—	—	—	18,507

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Effect of foreign currency exchange rates on cash and cash equivalents	(559) —	(252) —	(811)
Net increase (decrease) in cash and cash equivalents	(550	) 73	1,155	—	678	
Cash and cash equivalents at beginning of period	576	(12	) 1,317	—	1,881	
Cash and cash equivalents at end of period	\$26	\$61	\$2,472	\$—	\$2,559	

Note 14. Income Taxes

The Company's effective tax rate for the three months ended September 30, 2015 was (1.6)% and differs from the federal statutory rate of 35% due to the full valuation allowance position in the U.S. and other foreign jurisdictions. The effective tax rate for the three months ended September 30, 2015 includes withholding taxes for which no net deferred tax assets will be recognized in 2015 due to the full valuation allowance position, as well as tax expense for deferred tax liabilities associated with indefinite lived assets, which liabilities cannot be offset against deferred tax assets to reduce the amount of the valuation allowance.

For the three months ended September 30, 2014, the Company's effective tax rate was 41.0% and differed from the statutory rate primarily due to differing tax rates in foreign jurisdictions and the distribution of income it earned in those jurisdictions.

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

As of September 30, 2015, for foreign jurisdictions, the Company believes it is more likely than not that it will realize all of its deferred tax assets, including its net operating loss carryforwards, with the exception of those related to Brazil, Italy and Malaysia where the Company recorded a full valuation allowance against net deferred tax assets in those jurisdictions.

As of September 30, 2015, there have been no material changes to the Company's uncertain tax position as provided at December 31, 2014. The Company's unrecognized tax benefits and related interest and penalties during the three months ended September 30, 2015 increased by \$0.3 million primarily due to the uncertain tax positions associated with certain tax matters in Greece. The ending balance for the unrecognized tax benefits was approximately \$9.5 million at September 30, 2015 and included penalties of approximately \$3.0 million and the related interest was immaterial. It is the Company's policy to recognize interest and penalties related to uncertain tax positions in other income (expense).

The IRS has completed the information gathering phase of their income tax examination of the 2012 tax year and has started the information gathering phase of their examination of the 2013 tax year. To date, no official adjustment or assessment has been made for both tax years. The Italian tax authorities have examined our fiscal years 2008 to 2010 and all assessments issued by the taxing authorities have been appealed to the appropriate level of the Italian court. The Malaysian tax authorities have examined our fiscal years 2008 to 2011 and have proposed adjustments relating to

certain withholding tax liabilities which were not significant. The Greek tax authorities have completed their tax examination of the Company and the Company is currently in discussion with the Greek Tax Office on various tax matters. In July, the Company was notified that the Peru taxing authorities would be examining the Company's 2014 tax year and the audit is in the information gathering phase.

As of September 30, 2015, the Company is not aware of any adjustments that will have a material impact on the Company's consolidated financial position, results of operations, or cash flows from the aforementioned income tax examinations. All material uncertain tax positions associated with the examinations have been taken into account in the ending balance of the unrecognized tax benefits at September 30, 2015. The Company is not under income or withholding tax examination by tax authorities in any other jurisdictions.

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Note 15. Reportable Segments

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

Government Aviation Services. The Company’s Government Aviation Services revenue is derived primarily from contracts with the United States Department of Defense, international governments, and other government organizations, and third parties that contract with such government agencies and organizations, that use its services for defense and security, and transportation and other government-related activities.

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

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

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

Revenue by Reportable Segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenues:				
Government Aviation Services	\$22,879	\$36,055	\$84,145	\$119,466
Commercial Aviation Services	68,425	78,697	128,997	144,242
Manufacturing & MRO	9,829	3,586	23,472	9,699
Total net revenues	\$101,133	\$118,338	\$236,614	\$273,407

Gross Profit by Reportable Segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross Profit:				
Government Aviation Services	\$1,297	\$4,005	\$7,735	\$18,593
Commercial Aviation Services	29,316	42,689	28,362	47,990
Manufacturing & MRO	2,432	802	6,053	1,823
Total gross profit	\$33,045	\$47,496	\$42,150	\$68,406

Assets by Reportable Segment (in thousands):

	September 30,	December 31,
	2015	2014
Assets:		
Government Aviation Services	\$176,597	\$232,775
Commercial Aviation Services	61,419	56,456
Manufacturing & MRO	22,827	16,207
Corporate ⁽¹⁾	14,232	13,633
Assets held for sale	5,959	—
Fixed Assets ⁽²⁾	363,817	386,450
Total assets	\$644,851	\$705,521

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

(2)

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

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A reconciliation of the Company's segment gross profit to operating loss for the three months ended September 30, 2015 and 2014 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Reconciliation to operating income (loss):				
Government Aviation Services gross profit	\$1,297	\$4,005	\$7,735	\$18,593
Commercial Aviation Services gross profit	29,316	42,689	28,362	47,990
Manufacturing & MRO gross profit	2,432	802	6,053	1,823
Operating expenses, net ⁽¹⁾	(7,366)	(8,969)	(81,477)	(50,132)
Total operating income (loss)	\$25,679	\$38,527	\$(39,327)	\$18,274

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

Net Revenues by Geographic Area (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenues:				
North America	\$60,717	\$62,848	\$104,769	\$111,078
Middle East	13,514	18,602	46,640	60,041
Europe	11,000	13,462	14,905	22,399
Asia	1,675	3,787	12,670	15,723
South America	7,236	16,067	28,339	34,616
Africa	6,991	3,572	20,763	18,444
Australia	—	—	8,528	11,106
Total net revenues	\$101,133	\$118,338	\$236,614	\$273,407

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

Note 16. Commitments and Contingencies

Environmental Remediation Matters

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

Legal Proceedings

Arizona Environmental Matter

In August 2012, Erickson Helicopters, Inc. f/k/a Evergreen Helicopters, Inc. (Erickson's wholly-owned subsidiary, "EHI") received a request for information from the State of Arizona regarding the Broadway-Pantano Site in Tucson, Arizona, which is comprised of two landfills at which the State has been conducting soil and groundwater investigations and cleanups. In addition, EHI has been served with various petitions to perpetuate testimony regarding the State's investigation into contamination at the Site. According to these documents, the State has identified approximately 101 parties that are potentially

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responsible for the contamination. Based on the information request and the petition to perpetuate testimony, it is possible that the State or other liable parties may assert that EHI is liable for the alleged contamination at the Site. There were no material developments with respect to this matter in 2014 or during the nine months period ended September 30, 2015. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

World Fuel Claim

In December 2013, World Fuel, a former fuel supplier of Evergreen International Aviation (“EIA”) and Evergreen Airlines (“EA”), filed suit against EIA, EA and other named parties claiming approximately \$9 million of accounts payable due and owing to World Fuel for fuel purchases made by EIA and EA. EHI was a named party in the lawsuit since it was alleged that EHI signed a joint and several guaranty of payment in favor of World Fuel in 2012. In April 2014, the Company filed its Amended Answer which included certain counterclaims against World Fuel and certain cross claims against Mr. Delford Smith. Discovery in this matter is ongoing. Trial is currently scheduled for January 2016. At this time, the Company is not able to determine the likelihood of any outcome in this matter, nor is it able to estimate the amount or range of loss or the impact on its financial condition in the event of an unfavorable outcome.

In addition to the foregoing litigation, the Company is subject to ongoing litigation and claims as part of its normal