SOLDOVERI ROBERT C
Form 3
July 03, 2008

FORM 3

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

OMB APPROVAL	
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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â SOLDOVERI ROBERT C
(Last) (First) (Middle)

1455 VALLEY ROAD
(Street)

WAYNE,Â NJÂ 07470-
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
07/01/2008

3. Issuer Name **and** Ticker or Trading Symbol
VALLEY NATIONAL BANCORP [VLY]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	11,233	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

				Shares		(I) (Instr. 5)	
Warrants (1)	07/01/2010	06/30/2015	Common Stock	578	$ 19.01	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SOLDOVERI ROBERT C 1455 VALLEY ROAD WAYNE,Â NJÂ 07470-	Â X	Â	Â	Â

Signatures

ROBERTCSOLDOVERI	07/03/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares awarded in connection with Valley National Bancorp merger with Greater Community Bancorp, effective July 1, 2008.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. E=1>34,999.5 36,402 1,000 1 7.5 (9,122) 78 (9,043) 955 (8,088)

Dividends accrued on redeemable preferred stock

5,877 (5,877) (5,877) (5,877)

Cancellation of capital stock

(7.5)

Noncontrolling interest dividend

(283) (283)

Components of comprehensive income (loss):

Net income (loss)

10,104 10,104 230 10,334

Foreign currency translation

(574) (574) 34 (540)

Comprehensive income (loss)

9,794

Balance at December 31, 2008 (Successor)

34,999.5 42,279 1,000 1 (4,895) (496) (5,390) 936 (4,454)

Dividends accrued on redeemable preferred stock

6,806 (6,806) (6,806) (6,806)

Noncontrolling interest dividend

(212) (212)

Purchase of shareholder rights

(882) 3 (879) (26) (905)

Components of comprehensive income (loss):

Net income (loss)

12,052 12,052 239 12,291

Foreign currency translation

551 551 20 571

Comprehensive income (loss)

12,862

Balance at December 31, 2009 (Successor)

34,999.5 $49,085 1,000 $1 $ $ (531)58 (472)957 $485

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

F-26

Table of Contents

ERICKSON AIR-CRANE INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Cash flows from operating activities:				
Net income (loss)	$ 12,291	$ 10,334	$ (7,951)	$ 18,614
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,378	3,863	901	5,440
Deferred income taxes	3,360	7,215	(3,098)	15,055
Restricted compensation				(125)
Amortization of debt issuance costs	976	805	201	72
Gain on disposal of equipment	(349)	(257)	(3)	(37)
Gain on involuntary conversions		(4,342)	(298)	(2,722)
Changes in operating assets and liabilities:				
Accounts receivable	(4,933)	5,219	45,959	(52,242)
Aircranes and support parts held for sale	(1,601)	(5,070)	9,412	2,887
Prepaid expenses and other	1,452	146	261	(1,962)
Net purchases of Aircrane support parts	(8,025)	(15,728)	(7,368)	(1,331)
Income taxes payable	4,599	(353)	(4,946)	(2,909)
Accounts payable	5	2,792	(8,085)	6,858
Other current liabilities	1,568	(2,690)	(8,197)	(1,431)
Accrued warranty and other liabilities	(3,821)	(10,651)	8,030	9,867
Net cash provided by (used in) operating activities	9,900	(8,717)	24,818	(3,966)
Cash flows from investing activities:				
Purchase of business, including transaction costs			(93,103)	
Purchases of Aircranes, property, plant, and equipment	(2,302)	(6,609)	(1,249)	(9,400)
Proceeds from sale of equipment	522	806	2	38
Insurance proceeds from involuntary conversions		8,400	520	9,899
Restricted cash		(1,627)	1,695	121
Dividends from, or purchases of, noncontrolling interest	(212)	(283)		(235)
Purchase of shareholder rights	(329)			
Increase (decrease) in other assets	(346)	(141)	165	244
Net cash provided by (used in) investing activities	(2,667)	546	(91,970)	667
Cash flows from financing activities:				
Proceeds from issuance of capital stock			35,000	
Proceeds from long-term debt	92,665	128,248	110,696	70,552
Repayments of long-term debt	(98,327)	(126,137)	(71,932)	(69,400)
Debt issuance costs			(4,027)	
Net cash provided by (used in) financing activities	(5,662)	2,111	69,737	1,152
Effect of foreign currency exchange rates on cash and cash equivalents	(338)	(1,312)	205	86
Net increase (decrease) in cash and cash equivalents	1,233	(7,372)	2,790	(2,061)
Cash and cash equivalents at beginning of period	2,303	9,675	6,885	8,946

Cash and cash equivalents at end of period	$	3,536	$	2,303	$	9,675	$	6,885
Supplemental disclosure of cash flow information:								
Cash paid during period for interest	$	6,268	$	7,179	$	1,949	$	3,456
Net cash paid (received) during period for income taxes	$	(2,859)	$	(655)	$	3,508	$	(1,386)
Payable for shareholder rights	$	606	$		$		$	

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

F-27

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of the Business

The consolidated financial statements include the accounts of Erickson Air-Crane Incorporated ("EAC") and its subsidiaries and affiliated companies: CAC Development Ltd. ("Canada"), Canadian Air-Crane Ltd. ("CAC"), Erickson Air-Crane Malaysia Sdn. Bhd. ("EACM"), European Air-Crane S.p.A. ("EuAC"), and Dutch Air-Crane B.V. ("DAC") (collectively referred to as "the Company"). At December 31, 2009, EuAC owned a 60% equity interest in Societa Italiania de Manutenzioni Aeroautiche S.p.A. ("SIMA"), which is an aircraft maintenance organization located in Lucca, Italy. Additionally, EACM owned a 49% equity interest in Layang-Layang Services Sdn. Bhd., which provides aircraft rental services in Malaysia.

The Company owns and operates a fleet of thirteen S-64E and four S-64F model Aircranes which are used in logging, firefighting, and construction operations predominantly in North America, Europe, Southeast Asia, and Australia. Eight of the Aircranes were deployed outside of North America as of December 31, 2009.

The Company owns the Type Certificate and Production Certificate for the S-64 Aircrane which gives it the authorization to convert, remanufacture, and manufacture S-64 Aircranes 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 also holds a Repair Station Certificate which allows it to repair and overhaul airframes and components for S-64s and other aircraft.

The consolidated financial statements presented for the period from January 1, 2007 through September 26, 2007 reflect the results of the Company prior to acquisition on September 27, 2007 and is known as the "predecessor" period. The consolidated financial statements for the years ended December 31, 2009 and 2008, and the period from September 27, 2007 through December 31, 2007 represent the new basis of accounting after the acquisition and are known as the "successor" period.

Note 2. Organizational History

On September 27, 2007, Stonehouse Erickson Investment Co. LLC and Stonehouse Erickson Management Co. LLC (together "Stonehouse") and ZM EAC LLC, ("ZM EAC" and together with Stonehouse, "Sponsors" or "Buyers") acquired 100% of the outstanding common stock of EAC. The Sponsors are private equity firms focused on equity and debt investments in middle market companies. The aggregate purchase price of the common stock was $93.1 million which included $89.7 million paid to the previous owners plus $3.4 million of acquisition-related costs. The following table summarizes

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Organizational History (Continued)

the allocation of the purchase price based on the fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$	104,350
Aircranes		43,427
Aircrane support parts		41,531
Other noncurrent assets		9,872
Deferred tax assets		1,965
Total assets acquired		201,145
Current liabilities		(93,542)
Noncurrent liabilities		(14,500)
Total liabilities assumed		(108,042)
Net assets acquired after allocation of negative goodwill	$	93,103

The difference between the aggregate purchase price and the estimated fair values of the assets acquired and liabilities assumed was approximately $553.7 million. The negative goodwill was used to reduce the value of Aircranes and support parts and other property, plant and equipment. In connection with the closing of the change of control described above, the Company paid buyer-related fees of $1.6 million to each of Stonehouse Management Company LLC and ZM Equity Partners, LP, both of which are affiliates of the Buyers, related to due diligence, transaction analysis, and debt acquisition activities. These costs are included in the acquisition-related costs and debt issuance costs described above.

Note 3. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of all majority-owned subsidiaries and variable interest entities in which it is determined that the Company is the primary beneficiary, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 *Consolidation* ("ASC 810"). Intercompany accounts and transactions between the companies have been eliminated during consolidation.

During 2009, the Company adopted new accounting guidance for noncontrolling interests, 810-10-65 (formerly SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51*), which changes the accounting for and the reporting of minority interest, now referred to as noncontrolling interests, in the Company's consolidated financial statements. This resulted in the reclassification of minority interest amounts, previously classified as a separate component of equity, to "Noncontrolling Interest," a component within permanent equity, in the accompanying consolidated balance sheets and statements of stockholders' equity. Additionally, net income (loss) and comprehensive income (loss) attributable to noncontrolling interests are reflected

F-29

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

separately from consolidated net income (loss) and comprehensive income (loss) in the accompanying consolidated statements of operations and comprehensive income (loss) and statements of stockholders' equity. The Company applied the new accounting guidance prospectively, except for the presentation and disclosure requirements, which are being applied retrospectively to all periods presented. The adoption of non-controlling interests principally impacted presentation of the Company's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make assumptions and estimates that directly affect the amounts reported in the consolidated financial statements. Significant estimates for which changes in the near term are considered reasonably possible and that may have a material impact on the financial statements are: (a) excess and obsolete Aircrane support parts reserves, (b) allowance for doubtful accounts, (c) income tax assets and liabilities, and (d) warranty reserves. Management of the Company bases their estimates on historical experience and other relevant assumptions. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

Foreign Currency Translation and Transactions

The financial statements of the Company's subsidiary CAC are measured in Canadian dollars (C$) and EuAC are measured in Euros (€) (the functional currencies of each respective subsidiary) and then are translated into U.S. dollars. All balance sheet accounts are translated using the current exchange rate at each balance sheet date. Results of operations are translated using the average exchange rate each month. Translation gains or losses resulting from the changes in the exchange rates from month to month are recorded in other comprehensive income. The financial statements of the Company's subsidiaries EACM and DAC are prepared using the U.S. dollar as their functional currency. The transactions related to these operations that are denominated in foreign currencies have been re-measured in U.S. dollars, and any resulting gain or loss is reported in other income (expense), net.

Cash and Cash Equivalents

The Company classifies cash on deposit in banks and cash invested in money market accounts maturing in less than three months from the original date of purchase as cash and cash equivalents. The carrying amount of these items approximates fair value. The Company's subsidiaries generally maintain cash account balances sufficient to meet their short-term working capital requirements and periodically remit funds to the parent company to pay intercompany lease, maintenance and other charges. Substantially all of the Company's cash is concentrated in a few financial institutions. At times, deposits in these institutions exceed the federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on these balances.

Cash held in accounts in foreign institutions, including restricted cash, totaled $7.8 million and $5.6 million at December 31, 2009 and 2008, respectively.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash of $5.0 million and $4.9 million at December 31, 2009 and 2008, respectively, maintained at financial institutions, serves as collateral for performance bonds required as a part of certain operating and sales contracts. Additionally, letters of credit are also used for collateral for performance bonds.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company makes estimates as to the overall collectability of its receivables on an ongoing basis and writes off accounts receivable after reasonable collection efforts have been made and collection is deemed questionable or not probable. The Company specifically analyzes its accounts receivable and historical bad debt experience, customer concentrations, customer credit-worthiness and changes in its customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Charges increasing the allowance for doubtful accounts are recorded in general and administrative expense.

Aircrane Support Parts

Aircrane Support Parts consist of Aircrane parts, overhauls of certain significant components, and work-in-process which are valued at the lower of cost or market utilizing the first-in first-out method. Costs capitalized for Aircrane support parts include materials, labor, and operating overhead. Overhauls on certain significant components are capitalized, and then amortized based on estimated flight hours between overhauls. All aircraft require daily routine repairs and maintenance based on inspections; such maintenance costs are expensed as incurred. Periodically, Aircranes are removed from service and undergo heavy maintenance activities including inspections and repairs of the airframe and related parts as required; such costs are expensed as incurred.

Abnormal amounts of idle facility expense, freight, handling costs, and scrap are expensed as current-period charges. Allocation of fixed production overheads is based on the normal capacity of the production facilities.

Aircrane parts are categorized as serviceable, which indicates that they are in a condition suitable for installing on an Aircrane, or repairable, which indicates that additional overhaul or repair work needs to be performed in order for the part to be certified as serviceable. Since the Company operates within a niche of the heavy-lift helicopter market, it experiences long lead times and is required to carry large quantities of spares inventory in order to ensure availability of parts for servicing its fleet of Aircranes. As a result, the accounting judgments used in the determination of the provision for excess and obsolete Aircrane support parts can vary significantly based on forecasted demand.

Aircrane support parts are classified as a non-current asset in the consolidated balance sheets because they are primarily used to maintain and overhaul the Company's fleet of Aircranes, which are long term assets, and generally are not actively marketed as being held for sale. Aircrane support parts which are used in operations are recorded as an element of cost of sales in the accompanying consolidated statement of operations. The net consumption of Aircrane support parts is reflected as an

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

operating cash flow in the statement of cash flows as this activity affects net income and thus is the predominant source of its cash flow.

Aircranes and Property, Plant, and Equipment

Aircranes and property, plant, and equipment are recorded at cost, reduced by amounts attributed to the allocation of negative goodwill (Note 2) to property as part of the purchase price allocation. Depreciation is provided over the estimated useful lives of the assets as follows:

Aircranes	15 years
Buildings	20 years
Vehicles and equipment	3 5 years

The cost of maintenance and repairs is charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. Upon retirement or other disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the life of the lease.

Impairment of Long-Lived Assets

The Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In such cases, the amount of the impairment is determined based on the relative fair values of the impaired assets.

Investments

Investments are accounted for using the equity method of accounting if the investment gives the Company the ability to exercise significant influence, but not control over an investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the investee of between 20% and 50% although other factors such as representation on the investee's board of directors and the effect of commercial arrangements are considered in determining whether the equity method of accounting is appropriate.

Debt Issuance Costs

Debt issuance costs consist of expenditures associated with obtaining debt financing, principally legal and bank commitment fees. Such costs are deferred and amortized over the term of the related credit agreements which is 60 months using a method that approximates the effective interest method. Amortization of debt issuance costs was $1.0 million, $0.8 million, $0.2 million and $0.1 million for the years ended December 31, 2009 and 2008, the period from September 27 through December 31, 2007, and the period from January 1 through September 26, 2007, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns in accordance

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

with applicable accounting guidance for accounting for income taxes, using currently enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company is routinely audited by federal, state and local taxing authorities. The outcome of these audits may result in the Company being assessed taxes in addition to amounts previously paid. Accordingly, the Company maintains tax contingency reserves for such potential assessments. The Company calculates its reserves in accordance with applicable accounting standards for accounting for uncertainty in income taxes which was effective in 2007. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax positions.

Accounting Corrections

In preparation of the fiscal 2009 tax provision the Company determined that $0.7 million of the previously recorded unrecognized tax benefits at December 31, 2008, determined pursuant to ASC 740, were no longer needed due to new temporary regulations issued in 2008 that the Company had not previously identified. The Company concluded the effect of this error was not material to the 2008 previously issued annual financial statements or to the 2009 financial statements. The Company recorded this correction in the fourth quarter of fiscal 2009. The effect of the correction in fiscal 2009 is a net decrease in long term tax liabilities of $0.1 million, a decrease of non-current deferred tax liabilities of $0.6 million offset by a reduction of deferred income tax expense of $0.7 million. As a result, the Company's net income was increased by $0.7 million.

Revenue Recognition

For the Aerial Services business segment, the Company enters into short-term and medium-term service contracts with its customers, which generally range from one day to one year. Occasionally, the Company enters into multiple year contracts, with extension options for additional years. Revenue is recognized for contracts as the services are rendered and include leasing of the Aircrane, pilot and field maintenance support, and related services. The Company charges daily rates, hourly rates, and production rates (logging volume transported) depending upon the type of service being rendered. Mobilization fees, which represent recovery of the costs incurred in deploying an Aircrane to a customer, are recognized over the contract term. Revenues from logging operations in Canada and the U.S. are recorded based on the timber volume and quality delivered to customers under the related contract. Revenues from logging operations in Malaysia are recorded based on the number of flight hours.

Contracts for the sale of Aircranes have multiple deliverables and such elements are accounted for separately. Such elements may include warranty, spare parts, training and crew provisioning arrangements. In order to recognize revenue, the delivered item(s) must have value to the customer on a standalone basis. The item(s) have a standalone basis if they are sold separately by any vendor or the customer can resell the delivered item(s) on a standalone basis. Additionally, there must be objective and reliable evidence of the fair value of the undelivered item(s). Revenue is recognized as each unit is completed, delivered, accepted by the customer, and rights of ownership are transferred. Revenue recognized represents the price negotiated with the customer, adjusted by any discounts and trade-in allowances. The amount reported as cost of sales is determined by specific identification of costs to manufacture each Aircrane, plus a proportion of deferred program costs from specific modifications to

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

the Aircrane ordered by the customer. A discussion of revenue recognition with respect to our 2009 Aircrane sale is included in "Note 13. Commitments and Contingencies Put Option."

The Company's Manufacturing, Repair, and Overhaul ("MRO") facilities enter into contracts that require maintenance, repair, overhaul and/or assembly of various major components and other Aircrane parts. In all such instances, revenues and costs are deferred until the repair work is completed and the customer accepts the final product. Additionally, this business sells spare parts; revenue and cost of sales are recorded at the time of delivery and customer acceptance of the spares.

Warranty Reserves

Sales of Aircranes to third parties include limited warranty provisions that require the Company to remedy deficiencies in quality or performance of its products over a specified period of time, generally from two to five years depending on the type of part, component or airframe, including technical assistance services. Warranty reserves are established at the time that revenue is recognized at levels that represent the estimate of the costs that will be incurred to fulfill those warranty requirements. (see Note 16)

Risks and Uncertainties

The Company performs aerial operations services, sells Aircranes and spare parts, and performs other services throughout the world. Customers outside the U.S. accounted for more than 10% of consolidated revenue during the period. Services are performed for customers in the logging, firefighting, and construction industries, which are periodically subject to economic disruptions. The Company had revenues from four customers in excess of 10% of total net revenues for each of the years ended December 31, 2009 and 2008, and the period from September 27, 2007 through December 31, 2007, and three customers for the period January 1, 2007 through September 26, 2007.

The Company performs ongoing credit evaluations of its customers and believes it has made adequate provisions for potential credit losses. The Company does not generally require collateral on accounts receivable; however, under certain circumstances, the Company obtains a letter of credit or requires 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. At December 31, 2009, two customers made up 50% of the Company's accounts receivable balance. At December 31, 2008, one customer made up 39% of the Company's accounts receivable balance, and no other customers accounted for greater than 10% of the balance. Allowance for doubtful accounts was $0.6 million and $0 at December 31, 2009 and 2008, respectively.

The Company operates within the aviation industry segment where certain vendors constitute the sole source for FAA-approved parts. Alternative sources of supplies exist; however, the loss of certain suppliers could cause a material business disruption to the Company.

As of December 31, 2009, the Company had $16.4 million of outstanding purchase orders for scheduled parts deliveries, all in the ordinary course of business, through 2013.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates fair value due to their short maturities. The fair value of bank borrowings and long-term debt approximate carrying value due to the variable rate nature of the indebtedness.

Fair Value Measurements

During 2008, the Company adopted on a prospective basis new accounting guidance for financial assets and liabilities that are re-measured and reported at fair value at each reporting period. Fair value is now defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are classified and disclosed in one of the following three categories:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Valuations based on other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The Company's foreign currency forward contracts were measured at fair value within Level 2 of the fair value hierarchy at December 31, 2009 and 2008.

Derivative Instruments and Hedging Activities

The Company is subject to exposures that arise from foreign currency movements between the date the foreign currency transactions are recorded and the date they are settled. The Company's exposure to foreign currency movements is somewhat mitigated through naturally offsetting asset and liability currency positions. In Southeast Asia, the Company generally enters into U.S. dollar denominated contracts for its services, which reduces foreign currency risk. The Company periodically enters into foreign currency hedging transactions to mitigate risk of foreign currency movements in Europe, Canada and Australia. More than fifty percent of the Company's revenues are denominated in a currency other than the U.S. dollar, whereas a substantial portion of its costs are incurred in U.S. dollars. The Company uses hedging strategies to manage and minimize the impact of exchange rate fluctuations on its profits. (see Note 14)

All derivative instruments are recognized in the financial statements and measured at fair value regardless of the purpose or intent of holding them. The Company uses derivative instruments to principally manage cash flow risks from revenue which is expected to be recognized from executed contracts for the future delivery of goods or services. Revenues from such customer contracts are recorded in U.S. dollars at the contract rate and the impact of the foreign currency contract is recognized in gross margin and operating income at the time of revenue recognition. At the end of

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

each accounting period, the value of each outstanding cash flow hedge contract is marked to market in the balance sheet on the basis of the then prevailing forward exchange rate. Revenues which are not hedged are translated into U.S. dollars at the average exchange rate during the month the services are rendered. All changes in fair value of the Company's foreign currency forward contracts have been recorded in the consolidated statement of operations because they do not meet the requirements for deferral accounting. The Company does not enter into foreign currency forward contracts for trading or speculative purposes.

Variable Interest Entity

An entity is generally considered a Variable Interest Entity (VIE) that is subject to consolidation under ASC 810 *Consolidation*, if the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or if the equity holders lack one of three characteristics of a controlling financial interest (a) sufficient equity equity of less than 10% of the entity's total assets is presumed insufficient to permit the entity to finance its activities without further support from the parties involved in it; (b) residual equity in order for the equity to have all the characteristics of a controlling financial interest, the equity must in all circumstances bear the obligation to absorb the entity's losses; and (c) decision making authority the owners must also be able to make meaningful decisions in relation to the entity's activities through voting or similar rights.

From March 2005 through November 2009, European Air-Crane, S.p.A. ("EuAC") was 49% owned by Erickson Air-Crane, Inc. ("EAC"); 49% owned by Grupo Inaer ("Inaer" formerly Elilario Italia S.p.A.); and 2% owned by Gian Franco Blower ("GFB"). This was achieved with each owner contributing capital proportional to their interest. All capital was fully paid up by the end of May 2005.

On November 27, 2009, GFB sold his 2% interest (20,000 shares with a €1.00 par value) in EuAC to Fiduciaria Centro Nord ("FCN") for €0.6 million ($0.9 million). EAC provided FCN with the financial means to purchase and transfer the shares of EuAC from GFB to FCN, in exchange for the patrimonial and administrative rights derived from the shares. These rights include the right to decide whether and how to vote in shareholders' meetings and the right to decide whether, when and to whom the shares should be transferred and endorsed. As of December 31, 2009, EuAC had net assets of €1.5 million ($2.0 million). During 2009, EAC paid FCN €0.2 million ($0.3 million) of the €0.6 million. At December 31, 2009, EuAC had a bank guarantee through Banca Di Credito Cooperativo Di Cambiano (Cambiano) for the remaining €0.4 million ($0.6 million) that is due from EAC to FCN in 2010.

The Company believes that it is the primary beneficiary of the VIE through its ability to make decisions about the entity's activities, the exposure to the expected losses of the entity if they occur, and the right to receive the expected residual returns of the entity if they occur. As such, the consolidated financial statements include the balances of EuAC. Noncontrolling interest of $1.0 million and $0.9 million relates to the other owners' stockholdings and is reflected in stockholders' equity in the accompanying consolidated balance sheet at December 31, 2009 and 2008, respectively.

Environmental Remediation

The Company is subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. The Company periodically assesses, based on environmental studies, expert analyses and legal reviews, our contingencies, obligations and commitments for remediation of contaminated sites, including

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

assessments of ranges and probabilities of recoveries from other responsible parties who have and have not agreed to a settlement and of recoveries from insurance carriers. The Company immediately accrues and charges to current expense identified exposures related to environmental remediation sites based on our best estimate within a range of potential exposure for investigation, cleanup and monitoring costs to be incurred. (see Note 13)

Research and Development Costs

Research and development costs predominately consist of internal labor costs and engineering tooling costs. Internal labor costs are charged to expense when incurred and tooling costs are capitalized as they will have future use in the manufacturing process. The Company's research and development expense totaled $6.9 million, $7.0 million, $3.3 million and $10.3 million for the years ended December 31, 2009 and 2008, the period from September 27, 2007 through December 31, 2007, and January 1, 2007 through September 26, 2007, respectively.

Earnings(loss) per Common Share

Basic earnings (loss) per common share ("Basic EPS") is computed by dividing net income attributable to common stockholders after the reduction of earnings allocated to preferred stock by the weighted average number of shares of common stock outstanding during the period and excludes the effects of any potentially dilutive securities.

Diluted earnings (loss) per common share ("Diluted EPS") gives effect to all dilutive potential common stock outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings.

The computation of basic and diluted earnings (loss) per common share for the years ended December 31, 2009 and 2008 and the period from September 27, 2007 through December 31, 2007, includes 1,000 shares of outstanding common stock. The computation of basic and diluted net income per share for the period from January 1, 2007 through September 26, 2007 includes 2,000 shares of outstanding common stock.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and the effects on the consolidated financial statements of translating the financial statements of the Company's international subsidiaries. Comprehensive income (loss) is presented in the consolidated statements of operations and comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is presented as a component of equity in the consolidated balance sheets and consists of the cumulative amount of the Company's foreign currency translation adjustments, net of tax impact.

Segment Reporting

The Company determines its reportable segments based on the guidance in FASB ASC 280 *Segment Reporting* ("ASC 280"). The Company defines its operating segments as components of its business where separate financial information is available and is routinely evaluated by the chief operating decision maker. The chief operating decision maker reviews financial information based upon the nature of the products and services the Company offers.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

The Company's two reportable segments are Aerial Services, and Aircraft Manufacturing and Maintenance Repair and Overhaul ("Manufacturing / MRO"). Activities within each operating segment are as follows:

Aerial Services This segment offers a broad range of heavy-lift helicopter services via the Company's worldwide fleet, including firefighting, timber harvesting, infrastructure construction, and crewing services.

Manufacturing / MRO This segment manufactures Aircranes from existing airframes, manufactures new components on a contract basis, and provides customers with Federal Aviation Administration and European Aviation Safety Agency certified maintenance, and MRO services in the Company's AS9100 certified facility. AS9100 is a widely adopted and standardized quality management system for the aerospace industry.

The Company has evaluated the activities within each of the operating segments and has determined that these activities meet the aggregation requirements within ASC 280 in that they have similar economic characteristics and share fundamental characteristics including the nature of the products, production processes, customers, and distribution channels.

Recent Accounting Pronouncements

Consolidations

In June 2009, the FASB issued an update to ASC 810-10-30, *Variable Interest Entities* (formerly FASB 167). The update modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The modification clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This modification to ASC 810 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. It also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. This modification to ASC 810 is effective for fiscal years beginning after November 15, 2009 and is effective for us on January 1, 2010. Management does not expect this modification to have an impact on the Company's financial position and results of operations in future periods, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the transactions consummated in the future.

Revenue Recognition

In October 2009, the FASB issued an amendment to ASC 605-25, *Multiple Element Arrangements,* which modifies how a company separates consideration in multiple-delivery arrangements. The amendment establishes a selling price hierarchy for determining the selling price of a deliverable. The amendment also clarifies the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendment also eliminates the residual method of allocating revenue and requires the use the relative selling price method. Expanded disclosures of qualitative and quantitative information regarding application of multiple-deliverable revenue arrangement guidance are also required under the amendment. This amendment to ASC

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Summary of Significant Accounting Policies (Continued)

605-25 is effective for new revenue arrangements entered into or modified in fiscal years beginning after June 15, 2010. Early adoption is permitted. Management is currently evaluating the impact of this standard on the Company's consolidated results of operations and financial condition but the adoption of this amendment is not expected to have a material impact.

Note 4. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consisted of the following (in thousands):

	December 31, 2009	December 31, 2008
Trade accounts receivable	$ 37,677	$ 31,996
Other receivables	2,012	1,679
Less: Allowance for doubtful accounts	(556)	
	$ 39,133	$ 33,675
Short-term receivables	$ 36,389	$ 31,757
Long-term receivables	2,744	1,918
	$ 39,133	$ 33,675

Following are the changes in the allowance for doubtful accounts during the period ended:

	Year Ended December 31, 2009
Balance at beginning of period	$
Additions	556
Balance at end of period	$ 556

The Company did not have bad debt expense in the year ended December 31, 2008, the period from September 27, 2007 through December 31, 2007, and the period from January 1, 2007 through September 26, 2007.

Note 5. Aircrane Support Parts

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

	December 31, 2009	December 31, 2008
Aircrane parts	$ 36,434	$ 32,980
Major component overhauls	21,458	19,152
Work-in-process	17,100	14,335
Less: Excess and obsolete reserve	(3,575)	(3,075)
	$ 71,417	$ 63,392

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Aircrane Support Parts (Continued)

Following are the changes in the excess and obsolete reserve during the periods ended:

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Balance at beginning of period	$ 3,075	$ 2,800	$ 2,725	$ 2,500
Increase in reserves	500	839	75	225
Amounts written off		(564)		
Balance at end of period	$ 3,575	$ 3,075	$ 2,800	$ 2,725

Note 6. Aircranes and Property, Plant and Equipment

Aircranes consisted of the following (in thousands):

	December 31, 2009	December 31, 2008
Aircranes	$ 43,639	$ 43,646
Less: accumulated depreciation	(6,416)	(3,507)
	$ 37,223	$ 40,139

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

	December 31, 2009	December 31, 2008
Land and land improvements	$ 293	$ 293
Buildings	898	746
Vehicles and equipment	10,659	9,086
Construction-in-progress	861	419
	12,711	10,544
Less: accumulated depreciation	(5,105)	(3,685)
	$ 7,606	$ 6,859

Depreciation expense for Aircranes and property, plant and equipment was $4.4 million, $3.9 million, $0.9 million and $5.4 million for the years ended December 31, 2009 and 2008, the period from September 27, 2007 to December 31, 2007, and the period from January 1 to September 26, 2007, respectively. The amount of depreciation expense recorded in operating expenses is $0.3 million, $0.4 million, $0.2 million and $0.4 million for the years ended December 31, 2009 and 2008 and the periods from September 27, 2007 through December 31, 2007 and January 1, 2007 through September 26, 2007, respectively.

Repairs and maintenance costs were $17.0 million, $22.9 million, $4.8 million and $18.8 million for the years ended December 31, 2009 and 2008 and the periods from September 27, 2007 through December 31, 2007 and January 1, 2007 through September 26, 2007, respectively.

F-40

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 31, 2009	December 31, 2008
Payroll and related taxes	$ 3,403	$ 4,427
Interest	2,391	1,986
Warranty	1,705	1,561
Legal	1,043	7,517
Other	8,264	5,209
	$ 16,806	$ 20,700

Note 8. Long-Term Debt

Revolving Line of Credit

In connection with the Company's acquisition on September 27, 2007 (the "Acquisition"), the Company entered into a Credit Agreement with KeyBank National Association ("KeyBank"), which contained a $40.0 million working capital revolving line of credit ("Revolver") and terminates on October 1, 2012. The Credit Agreement provides for an alternative currency sublimit under the Revolver of $10.0 million, which provides for borrowing in Euros, Canadian dollars, and Australian dollars. Additionally, the Credit Agreement contained a letter of credit sublimit up to a maximum of $10.0 million, which was amended on July 1, 2009 to increase the sublimit to $15.0 million. The commitment under the Revolver is shared between KeyBank (62.5%) and Bank of the West (37.5%).

The interest rate on the Revolver is calculated based on the prime rate as quoted in *The Wall Street Journal*, plus a base rate margin depending on the level of the funded debt to Bank EBITDA ratio as defined in the Credit Agreement, and may be converted to LIBOR based interest. Margin rates are tied to the Company's total debt leverage covenant per the Credit Agreement. The weighted average interest rate for 2009 was 3.30% and the rate was 3.25% as of December 31, 2009. The weighted average interest rate for 2008 was 4.88% and the rate was 3.25% as of December 31, 2008.

The Company pays a quarterly unused commitment fee between 0.25% and 0.50% and fees between 2.00% and 2.75% on outstanding letters of credit. Both are based upon the level of the funded debt to Bank EBITDA ratio. The outstanding balance on the Revolver, excluding letters of credit, was $7.3 million and $7.5 million as of December 31, 2009 and 2008, respectively. These amounts were classified as long-term debt based on the Credit Agreement maturity date of October 1, 2012. The Company also had $2.8 million and $2.7 million outstanding standby letters of credit issued under the Credit Agreement as of December 31, 2009 and 2008, respectively. The unused credit line amount under the Revolver, including letters of credit, was $30.0 million and $29.8 million as of December 31, 2009 and 2008, respectively. The actual availability, as limited by our maximum leverage ratio covenant, was approximately $30.0 million and $3.3 million as of December 31, 2009 and 2008, respectively.

Term Debt

On September 27, 2007, also in connection with the Company's Acquisition, the Company entered into a Master Aircraft Loan and Security Agreement with The Prudential Insurance Company of America which contained a $65.0 million term loan facility ("Term Debt"), which terminates on

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Long-Term Debt (Continued)

October 1, 2012. The Term Debt requires 60 consecutive monthly principal payments of $0.5 million beginning November 1, 2007, together with variable interest calculated based on one-month LIBOR plus 2.75%. The weighted average interest rate for 2009 was 3.14% and the rate was 2.985% at December 31, 2009. The average outstanding loan balance in 2009 was $55.3 million. The weighted average interest rate for 2008 was 5.78% and the rate was 4.2% at December 31, 2008. The average outstanding loan balance in 2008 was $60.7 million.

The final principal installment of $37.9 million is due on maturity. The outstanding balance as of December 31, 2009 and 2008 was $53.3 million and $58.7 million, respectively.

Second Lien Debt

In connection with the Company's Acquisition on September 27, 2007, the Company entered into a Second Lien Credit Agreement with the D.B. Zwirn Special Opportunities Fund L.P., as Administrative Agent for Bernard National Loan Investors, Ltd. and Stonehouse Erickson Capital Co., LLC, which contained a $20.0 million term loan facility ("Second Lien Debt"), which terminates on April 1, 2013. On July 17, 2008 D.B. Zwirn Special Opportunities Fund L.P. resigned as Administrative Agent and ZM Private Equity Fund II, L.P was appointed.

Subsequent to December 31, 2009, on January 8th, 2010 Stonehouse Erickson Investment Co. LLC sold its entire interest in the second lien debt to 10th Lane Finance Co., LLC, an existing lender under the facility and an affiliate of the Company through common ownership.

Current lenders of the loan facility include ZM Private Equity Fund II, L.P. and 10th Lane Finance Co., LLC. No periodic principal payments are required and the 2nd Lien Debt is payable in full at maturity. Interest is payable quarterly and is calculated based on three-month LIBOR plus 8.00%. The weighted average interest rate for 2009 was 8.85% and the rate was 8.29% at December 31, 2009. The weighted average interest rate for 2008 was 11.60% and the rate was 12.05% at December 31, 2008.

Borrowings under the Revolver, Term Debt and Second Lien Debt are secured by the Company's accounts receivable and all non-current assets. The Company is required to comply with certain financial covenants that are calculated on a quarterly basis including: (a) minimum net worth, (b) minimum fixed charge coverage ratio, (c) maximum total funded debt to Bank EBITDA ratio, (d) maximum senior funded debt to Bank EBITDA ratio, and (e) maximum capital expenditure limitations. The Agreements provide restrictions on payments of dividends or other distributions (whether in cash, securities, or other property) with respect to any capital stock or other equity interest of the Borrower or any Subsidiary.

Bank EBITDA

In addition to adjusting net income (loss) to exclude interest expense, provision for (benefit from) income taxes and depreciation and amortization, Bank EBITDA also adjusts net income by excluding unrealized mark-to-market foreign exchange gains (losses), litigation expenses, management fees, restructuring costs, gains (losses) from disposal of equipment or aircraft accidents, and other non-recurring costs, all as defined in the Credit Agreement. Bank EBITDA also assists management in monitoring management's ability to undertake key investing and financing functions such as making investments and incurring additional indebtedness, which may be prohibited by the covenants under the credit facilities unless the Company meets certain financial ratios and tests.

The Company has complied with the requirements of its debt covenants at December 31, 2009.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2009 are as follows:

	Term Debt	Revolving Line of Credit	2nd Lien Debt	Total
2010	$ 5,417	$	$	$ 5,417
2011	5,417			5,417
2012	42,430	7,282		49,712
2013			20,000	20,000
	$ 53,264	$ 7,282	$ 20,000	$ 80,546

Long-term debt was as follows:

	December 31, 2009	December 31, 2008
Term Debt	$ 53,264	$ 58,681
Revolving Line of Credit	7,282	7,527
2nd Lien Debt	20,000	20,000
	$ 80,546	$ 86,208

On July 29, 2008, EuAC entered into an Agreement with Banca Di Credito Cooperativo Di Cambiano ("Cambiano") whereby Cambiano periodically advances European Air-Crane up to €6.0 million. Advances are based on documentary proof of receivables due from Protezione Civile, which is a division of the Council of Ministers of the Italian government. The purpose of this Agreement is to provide short term liquidity needs. Advances are not collateralized by receivables and are unsecured. At December 31, 2009, there were no advances outstanding under this arrangement. The agreement may be canceled by either party at any time.

On August 4, 2008, EuAC executed a bank guarantee and pledged €3.0 million ($4.2 million) as restricted cash in connection with a performance guarantee for a four-year leasing contract in Italy; these restrictions will expire in December 2012. Following receipt of the restricted cash, Cambiano issued a letter of credit for the performance bond.

Note 9. Income Taxes

For financial reporting purposes, income (loss) before income taxes by taxing jurisdiction is as follows (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
U.S. and other	$ 15,508	$ 18,141	$ (11,780)	$ 24,631
Canada	912	(2,645)	205	1,888
Italy	1,201	838	(876)	2,095
Income (loss) before noncontrolling interest and income taxes	$ 17,621	$ 16,334	$ (12,451)	$ 28,614

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Income Taxes (Continued)

Income tax expense (benefit) consisted of the following (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008	September 27, 2007 through December 31, 2007	January 1, 2007 through September 26, 2007
Current income tax expense (benefit):				
U.S. Federal income taxes	$ 819	$ (1,298)	$ (971)	$ 945
State and local income taxes	260	130	(75)	165
Foreign income taxes	891	(47)	(356)	1,859
Total current income tax expense (benefit)	$ 1,970	$ (1,215)	$ (1,402)	$ 2,969
Deferred income tax expense (benefit):				
U.S. Federal income taxes	3,370	7,142	(3,039)	6,897
State and local income taxes	(10)	73	(59)	134
Total deferred income tax expense (benefit)	3,360	7,215	(3,098)	7,031
Total income tax expense (benefit)	$ 5,330	$ 6,000	$ (4,500)	$ 10,000

A reconciliation from the U.S. statutory rate to the effective tax rate is as follows (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Tax at U.S. statutory rate	$ 5,991	$ 5,554	$ (4,233)	$ 9,729
State taxes, net of federal benefit	210	130	(75)	165
Nondeductible expenses	383	502	87	325
Foreign tax rate differences	(108)	(60)	(125)	242
Deferred tax rate adjustment				(422)
Manufacturing deduction	(149)			(31)
Research & experimentation credits	(150)	(100)	(2)	(300)
Tax law changes	(660)			
Other, net	(187)	(26)	(152)	292
Total income tax expense (benefit)	$ 5,330	$ 6,000	$ (4,500)	$ 10,000

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Income Taxes (Continued)

expected to be in effect when taxes are paid or recovered. Significant components of the Company's deferred tax assets and liabilities and balance sheet classifications are as follows (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Deferred tax assets:		
Basis difference in Aircrane support parts	$ 2,780	$ 5,030
Accrued liabilities	2,861	4,337
Warranty reserve	591	541
Bad debt reserve	51	
Foreign currency mark-to-market adjustments	375	134
Credits and other carryovers	191	865
Total deferred tax assets	6,849	10,907
Deferred tax liabilities:		
Tax-over-book depreciation and amortization	(12,142)	(12,373)
Prepaid expenses and deferred costs	(219)	(686)
Total deferred tax liabilities	(12,361)	(13,059)
Net deferred tax assets (liabilities)	$ (5,512)	$ (2,152)
Net current deferred tax assets	$ 3,850	$ 5,191
Net noncurrent deferred tax liabilities	(9,362)	(7,343)
Net deferred tax assets (liabilities)	$ (5,512)	$ (2,152)

State net operating loss carryforwards of approximately $1.3 million at December 31, 2009 expire from 2013 through 2020. State research and development credits of $.1 million at December 31, 2009 expire from 2012 to 2013. There were no federal net operating loss carryforwards or credit carryforwards as of December 31, 2009.

U.S. income taxes are not calculated on the undistributed earnings of the Company's foreign subsidiaries because of the intent to reinvest these earnings. At December 31, 2009, the amount of undistributed earnings, which are considered indefinitely reinvested, are approximately C$4.1 million ($4.0 million) for CAC and € 0.2 million ($0.2 million) for EuAC.

The Company adopted the provisions of ASC 740, including the effects of pre-codification FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109 ("FIN 48"), effective January 1, 2007. On adoption, the Company recognized a reduction in its reserve for unrecognized tax benefits of $7.3 million, as well as a decrease in accrued interest (net of tax benefit) of $0.5 million, which was accounted for as an adjustment to the January 1, 2007 retained earnings balance of $7.754 million. This reduction resulted in the Company having $9.5 million of net unrecognized tax benefit positions at adoption that would reduce the Company's effective income tax rate if recognized. As part of the pre-codification FIN 48 implementation, the Company adopted a policy to record accrued interest and penalties associated with uncertain tax positions in interest expense in the statements of operations. The liability for accrued interest as of December 31, 2009, December 31, 2008, and at the adoption of FIN 48 was $2.3 million, $1.8 million, and $0.3 million, respectively.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Income Taxes (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Unrecognized tax benefits January 1,	$ 10,139	$ 10,139
Gross increases tax positions in prior periods		
Gross decreases tax positions in prior periods	(99)	
Gross increases current period		
Gross decreases current period		
Settlements		
Lapse of statute of limitations		
Unrecognized tax benefits December 31,	$ 10,040	$ 10,139

The Company is subject to income taxes in the U.S., state, and several foreign jurisdictions. Depending on the jurisdiction, the Company is generally no longer subject to state or foreign examinations by tax authorities for years prior to the December 31, 2005 tax year. The tax years which remain open to examination in the U.S., the Company's only major taxing jurisdiction, are 2005 (only with respect to an item currently in Appeals identified below), and 2006 through 2009.

An IRS federal income tax audit of the 2006 tax return was initiated in 2009. The field agent issued audit reports on the tax years 2005 and 2006 related to the utilization of certain foreign tax credits in the amount of $9.5 million, of which the amounts being assessed are fully reserved as unrecognized tax benefits. The Company disagrees with the assessment and the matter has been transferred to the Appeals Division where the Company intends to argue its case.

Audit outcomes and the timing of audit settlements are subject to significant uncertainty. It is reasonably possible that within the next 12 months the Company will resolve some or all of the matters presently under consideration for 2005-2006 with the IRS as noted above. Depending on the timing and outcomes of the Appeals process, unrecognized tax benefits could decrease by up to $9.5 million.

Note 10. Redeemable Preferred Stock and Stockholders' Equity

The Company is authorized to issue two classes of stock to be designated as "Common Stock" and "Preferred Stock". The total number of shares the Company is authorized to issue is 72,300 shares: (i) 2,300 shares of which shall be Common Stock, $.0001 par value per share, and (ii) 70,000 shares of which shall be Preferred Stock, $.0001 par value per share. For Common Stock, 2,000 shares are designated "Class A Common Stock" and 300 shares are designated "Class B Common Stock". All 70,000 shares of Preferred Stock are designated "Series A Redeemable Preferred Stock". On September 27, 2007, the Company issued 1,000 shares of Class A Common Stock at $.50 per share and 34,999.5 shares of Preferred Stock issued at $1,000 per share. The Board of Directors is authorized, at any time, to provide for the issuance of shares of Preferred Stock, in one or more series with such designations, preferences and rights, and such qualifications, limitations and restrictions, as shall be set forth in the resolutions of the Board of Directors providing for the issuance thereof.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Redeemable Preferred Stock and Stockholders' Equity (Continued)

Dividend Rights

The Series A Redeemable Preferred Stock shall be entitled to receive, in preference to any declaration or payment of any dividend on the Common Stock (other than a dividend payable solely in shares of Common Stock), when, as and if declared by the Board of Directors, dividends on the Series A Redeemable Preferred Stock (the "Mandatory RPS Dividends") at the rate of fifteen percent (15%) per annum on an amount equal to the Series A Redeemable Preferred Original Issue Price of $1,000 per share. The Mandatory RPS Dividends shall accrue from day to day, whether or not earned or declared, shall accumulate and shall be compounded quarterly (based upon a rate equal to fifteen percent (15%) per annum and assuming a year consisting of 360 days). All Mandatory RPS Dividends shall be payable in cash. All Mandatory RPS Dividends on all outstanding shares of Series A Redeemable Preferred Stock previously accrued and not yet paid shall be immediately due and payable upon the occurrence of any Liquidation Event as defined in the Articles of Incorporation. The holders of the Common Stock shall be entitled to receive cash dividends, when, as and if declared by the Board of Directors. Any cash dividends shall be paid in the following order: (i) first, to the holders of the Series A Redeemable Preferred Stock, dividends equal to all accrued and unpaid Mandatory RPS Dividends; provided, however, that if the funds legally available therefore shall be insufficient to pay such dividends in full to all holders of Series A Redeemable Preferred Stock, then such dividends shall be paid to the holders of Series A Redeemable Preferred Stock ratably in proportion to the full amounts to which they would otherwise be entitled; and (ii) second, to the holders of Class A Common Stock and (if applicable) Class B Common Stock, pro rata and *pari passu*, such additional dividends and other distributions as may be declared by the Board of Directors from time to time. The Board of Directors is not required to declare any dividends with respect to either the Common Stock as a whole or to any particular class of Common or Preferred Stock. As of December 31, 2009 and 2008, no dividends on any series of Company stock have been declared.

Voting Rights

Except as otherwise required by law or certain limitations provided for in the Certificate of Incorporation, the sole voting rights shall be in the Class A Common Stock.

Liquidation Rights

Upon the occurrence of any Liquidation Event, the Preferred Stock and Common Stock shall have the following liquidation rights: (i) Before any distribution or payment shall be made to the holders of any shares of Common Stock, the holders of the Series A Redeemable Preferred Stock shall be entitled to be paid an amount with respect to each share of Series A Redeemable Preferred Stock equal to the Series A Redeemable Preferred Original Issue Price for such share of Series A Redeemable Preferred Stock, plus all accrued or declared but unpaid dividends thereon or (the "Series A Redeemable Preferred Liquidation Preference"). If, upon any Liquidation Event, the assets of the Corporation shall be insufficient to make payment in full of the Series A Redeemable Preferred Liquidation Preference to all holders of Series A Redeemable Preferred Stock, then such assets shall be distributed among the holders of Series A Redeemable Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be entitled, (ii) Before any distribution or payment shall be made to the holders of any shares of Class B Common Stock but after the payment in full of the aggregate Series A Redeemable Preferred Liquidation Preference, the holders of the Class A Common Stock shall be entitled to be paid an amount with respect to each share of

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Redeemable Preferred Stock and Stockholders' Equity (Continued)

Class A Common Stock equal to the Class A Common Original Issue Price of $.50 per share for such share of Class A Common Stock (the "Class A Common Liquidation Preference"). If, upon any event, the assets of the Corporation shall be insufficient to make payment in full of the Class A Common Liquidation Preference to all holders of Class A Common Stock, then such assets shall be distributed among the holders of Class A Common Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be entitled, (iii) After the payment in full of the aggregate Series A Redeemable Preferred Liquidation Preference, and the aggregate Class A Common Liquidation Preference, all payments and distributions shall be paid pro rata and pari passu to the holders of the Class A Common Stock and the Class B Common Stock until such holders shall have received payment in full of any and all accrued and unpaid dividends owing with respect to such Class A Common Stock and/or Class B Common Stock, and (iv) After the Corporation has made the full payments or distributions provided for above, thereafter all payments and distributions shall be paid pro rata and pari passu to the holders of the Class A Common Stock and the holders of the Class B Common Stock.

Redemption Rights of Series A Redeemable Preferred Stock

Preferred securities that are redeemable for cash or other assets are required to be classified outside permanent equity if they are redeemable (1) at a fixed or determinable price on a fixed or determinable date, (2) at the option of the holder or (3) upon occurrence of an event that is not solely within the control of the issuer. The Company's Series A Preferred Stock is mandatorily redeemable upon the occurrence of a liquidation event. The Series A Preferred Stock is also redeemable at the option of the Company upon approval by the majority of the Board of Directors. The holder's of the Series A Redeemable Preferred Stock control a majority of the voting power of the Company's Capital Stock and have the right to designate a majority of the members of the Board of Directors. As a result, the ability to redeem the shares of the preferred stock is not within the Company's control, as such all shares of Series A Redeemable Preferred Stock have been presented outside of permanent equity in the accompanying consolidated balance sheets for all periods presented.

The holders of the Series A Redeemable Preferred Stock are entitled to receive dividends, when, as and if declared by the Board of Directors at a rate of fifteen percent per year, also called the Manadatory RPS Dividends. The Mandatory RPS Dividends accrue at the rate of fifteen percent per year whether or not earned or declared. The Company accrued dividends of $6.8 million, $5.9 million and $1.4 million for the years ended December 31, 2009 and 2008, and the period from September 27, 2007 through December 31, 2007. The Series A Redeemable Preferred Stock had a liquidation preference of $49.1 million and $42.3 million at December 31, 2009 and 2008, respectively.

Conversion Rights of Series A Redeemable Preferred Stock

The Series A Redeemable Preferred Stock is not convertible into Common Stock.

Anti-Dilution Rights of the Class A Common Stock

The holders of the Class A Common Stock have certain anti-dilution rights with respect to the issuance of additional common shares.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Redeemable Preferred Stock and Stockholders' Equity (Continued)

Class B Common Stock

The Class B Common Stock was established for the purpose of a potential issuance pursuant to a contemplated equity incentive plan for executive management. No Class B Common Stock shares are currently issued and outstanding.

Note 11. Employee Benefit Plans

The Company maintains the Erickson Air-Crane 401(k) Profit Sharing Plan for substantially all full-time U.S. employees. Under the plan, participating U.S. employees may defer up to 100% of their pretax salary, subject to the annual IRS limitation, which was $16,500, $15,500 and $15,500 for 2009, 2008 and 2007, respectively. The Company may match the employee contributions dollar for dollar up to a maximum of $1,000 per Plan participant and employer profit sharing contributions are discretionary. There was no matching amount in 2009. The Company contributed $0.4 million, $0.1 million and $0.3 million for the year ended December 31, 2008, the period from September 27, 2007 through December 31, 2007, and the period from January 1, 2007 through September 26, 2007, respectively.

Canadian Air-Crane maintains a Group Registered Retirement Savings Plan for salaried employees in Canada. Under this plan, participating Canadian employees may defer up to 18% of their pretax salary, subject to a maximum amount per year of C$21,000 ($20,500), C$20,000 ($16,000) and C$19,000 ($18,000) for 2009, 2008 and 2007, respectively. The Company may contribute up to 6% of an employee's compensation; however, the Company stopped contributions on April 4, 2009. The total matching amount under this plan was C$70,000 ($68,000), C$0.3 million ($0.3 million), C$93,500 ($88,000) and C$280,500 ($262,000) for the years ended December 31, 2009 and 2008, the period from September 27, 2007 through December 31, 2007, and the period from January 1, 2007 through September 26, 2007, respectively.

Note 12. Reportable Segments

ASC 280-10-50 *Disclosure about Segments of an Enterprise and Related Information*, establishes standards for the manner in which companies report information about operating segments, products, services, geographic areas and major customers. The method of determining what information to report is based on the way that management organizes the operating segments within the Company for making operating decisions and assessing financial performance. Based on the nature of its products and services, the Company operates in two business segments: Aerial Services, and Aircraft Manufacturing and Maintenance Repair and Overhaul ("Manufacturing / MRO").

The accounting policies of the Company's business segments are the same as those described in the summary of significant accounting policies included elsewhere herein.

Revenue and gross profit by segment are the main metrics used by the chief operating decision maker, management team and the board of directors of the Company to plan, forecast and review the Company's business performance.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Reportable Segments (Continued)

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

Revenue by Reportable Segment

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Net revenues:				
Aerial Services	$ 113,603	$ 136,548	$ 25,524	$ 126,355
Manufacturing / MRO	36,019	5,376	17,823	35,872
Total net revenues	$ 149,622	$ 141,924	$ 43,347	$ 162,227

Gross Profit by Reportable Segment

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Gross profit:				
Aerial Services	$ 36,748	$ 39,798	$ 5,802	$ 45,640
Manufacturing / MRO	14,747	357	4,758	11,512
Total gross profit	$ 51,495	$ 40,155	$ 10,560	$ 57,152

Depreciation Expense by Reportable Segment

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Depreciation expense:				
Aerial Services	$ 3,536	$ 3,423	$ 803	$ 3,985
Manufacturing / MRO	709	348	47	1,143
Corporate	133	92	51	312
Total depreciation expense	$ 4,378	$ 3,863	$ 901	$ 5,440

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Reportable Segments (Continued)

Capital Expenditures by Reportable Segment

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Capital expenditures:				
Aerial Services	$ 407	$ 4,255	$ 739	$ 6,778
Manufacturing / MRO	1,595	1,882	510	2,536
Corporate	300	472		86
Total capital expenditures	$ 2,302	$ 6,609	$ 1,249	$ 9,400

Assets by Reportable Segment

	Year Ended December 31, 2009	Year Ended December 31, 2008
Assets:		
Aerial Services	$ 95,154	$ 96,932
Manufacturing / MRO	65,664	$ 49,554
Corporate	18,149	21,883
Total assets	$ 178,967	$ 168,369

Revenue by Geographic Area

For the Aerial Services business segment, revenues are attributed to geographic area based on the country where the services were performed; for the Manufacturing / MRO business segment, revenues are attributed to geographic area based on the country in which the customer is located.

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Net revenues:				
North America	$ 87,329	$ 65,990	$ 12,663	$ 49,778
Europe	38,589	52,889	7,941	69,493
Asia	11,588	17,863	21,316	38,622
Australia	12,116	5,182	1,427	4,334
Total net revenues	$ 149,622	$ 141,924	$ 43,347	$ 162,227

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Commitments and Contingencies

Canadian Revenue Agency Audits Employment Taxes

In April 2008, Canada Revenue Agency (CRA) sent a Notice of Assessment to Canadian Air-Crane Ltd. (CAC) indicating Regulation 102 withholding tax and interest due totaling C$0.8 million ($0.7 million) for tax years 2002 and 2003. Generally, the Canada U.S. Tax Treaty provides an exemption from income tax in Canada where a non-resident employee is in Canada for less than 183 days and their wages are "borne by" a company not resident in Canada. The Company believes that since Erickson Air-Crane Incorporated (EAC) is a nonresident of Canada and EAC employees were in Canada for less than 183 days per year, the employees are not taxable in Canada and no withholdings are due. However, CRA proposes that the employees of EAC working in Canada are, in substance, employees of CAC. As such, CRA's position is that the wages are "borne by" an employer resident in Canada (CAC) and thus no Treaty exemption applies. This would make the employees taxable in Canada, and CAC responsible for withholding on wages paid to EAC's employees working in Canada.

In May 2008, the Company's Canadian legal counsel filed a Notice of Objection with the Chief of Appeals of CRA. The Company is firmly of the belief that the employees are EAC's and not CAC's and therefore salaries and wages are not borne by an employer resident in Canada. The Company's Canadian legal counsel agrees with management's position that CAC is not the employer and CAC has no withholding requirements.

In addition to the approximately C$0.8 million ($0.7 million) assessed amounts for 2002 and 2003, if CRA were to also assess 2004 through 2007 the additional withholding tax required for that period would be approximately C$1.2 million ($1.0 million). CRA could assess obligations from prior to 2002, but the Company has not determined the potential amount of tax for this period. The Company believes that it will prevail upon appeal and therefore no reserves have been recorded for this contingency.

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 will 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. In August 2006, Erickson Group received an insurance settlement of $0.3 million related to the environmental damage and will suspend further requests of co-funding until such amount is depleted from its environmental fund. 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.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Commitments and Contingencies (Continued)

Settlement

In October 2006, a third party filed an antitrust lawsuit against the Company alleging that the Company engaged in contracts in restraint of trade, monopolized, attempted to monopolize, and breached contractual obligations owed to this party, all in connection with the Company's refusal to sell them certain parts. On February 6, 2008, the parties settled all of the claims in the lawsuit and the lawsuit was dismissed with prejudice and with each side to bear its own costs. In connection with the settlement, the Company accrued a loss of $12.5 million at December 31, 2007. The Company had an accrued liability of $0 and $7.3 million at December 31, 2009 and 2008, respectively, relating to the settlement. Under the settlement, the Company has been released from all potential claims of any kind up to the date of the settlement.

Legal Proceedings

Evergreen Claim

Evergreen Helicopters, Inc. (Evergreen) has filed a complaint against the Company in the U.S. District Court for the District of Oregon alleging claims under the Sherman Antitrust Act and the Clayton Act, and for breach of contract. The complaint alleges that the plaintiff is the owner of one S-64E Skycrane helicopter acquired in 1973 and two CH-54A Skycrane helicopters acquired respectively in 2004 and 2006, and that plaintiff is a third-party beneficiary under a 1992 contract between the Company and Sikorsky Aircraft Corporation that obligated the Company to support Skycranes. Evergreen alleges that the Company breached its obligations to third party beneficiaries by not supplying parts for its S-64E in a timely manner, particularly in the four-year period prior to the filing of the complaint, and by not supplying parts for CH-54As. Evergreen also alleges that the Company has monopoly power in an alleged heavy-lift helicopter service and parts markets, or that the Company is attempting to obtain such monopoly power, and that Evergreen's business has been injured by the Company's actions. The complaint seeks damages in an unspecified sum, treble damages under the antitrust laws, and costs, disbursements, and attorneys' fees. At this point in the process, the Company is unable 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 the Company or its financial condition in the event of an unfavorable outcome.

Rome Accident

In July, 2005, one of the Company's U.S. employees was killed when an Aircrane being delivered to an Italian customer crashed. The commander of the flight, who is an employee of the Company, is subject to criminal prosecution under Italian law. The preliminary investigation closed in March 2008, and the commander was indicted. The matter is pending in the Tribunale Civile e Penale di Civitaveccia Ufficio GIP/GUP. The family members of the deceased filed in the criminal court as damaged civil parties for damages in an aggregate amount of €1.2 million. The Company accepted the plaintiffs' most recent settlement offer of €0.4 million on April 13, 2010 and that acceptance was acknowledged by the plaintiffs on April 19, 2010. The Company is in the process of negotiating the related release and settlement agreement. Of the €0.4 million settlement amount, the Company's insurer has agreed to pay €0.2 million. The Company has reserved for the remaining €0.2 million at December 31, 2009.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Commitments and Contingencies (Continued)

Tomato Crop Claim

This action arose out of alleged damage to a tomato crop and farm facilities when an Aircrane engaged in firefighting in Italy drew water from a farmer's reservoir. The action is in an early stage and the Company's insurers are defending under reservation of rights. At this point in the process, the Company is unable 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 the Company or its financial condition in the event of an unfavorable outcome.

USFS Claim

In early June 2008, the Company was awarded four contracts with the United States Forest Service (USFS). In late June 2008 the USFS issued a stop work order on three of the four contracts. In October 2008 the Company filed a request for equitable adjustment on the stop work order with the USFS Contracting Officer. After being denied on the request for equitable adjustment, in July 2009 the Company filed a claim with the Civilian Board of Contract Appeals for approximately $3.0 million, which represented management's estimate of additional costs incurred by the Company under these contracts, that the Company was not able to mitigate, as a result of the stop work order. The Company believes that these additional costs are compensable under Forest Service rules. An independent expert has determined the amount of these additional costs at $2.8 million. The Company and the USFS have each filed motions for summary judgment with the Civilian Board of Contract Appeals. The Company is awaiting a decision on the motions for summary judgment. The Company recorded approximately $3.0 million as a receivable in 2008, and reduced this amount to approximately $2.8 million in 2009 to reflect the revised estimate of additional costs. Management is reasonably assured the amount will be collected.

Other legal proceedings

In the ordinary course of business, we are party to various legal proceedings. We review these actions on an ongoing basis to determine whether it is probable that a loss has occurred and use that information when making accrual and disclosure decisions. We have not established reserves or possible ranges of losses related to these proceedings because, at this time in the proceedings, the matters do not relate to a probable loss and / or the amounts are not reasonably estimable.

Guarantees

The Company has a direct customer/agent relationship with Intelligent Communication Systems and Services (ICSS) in Greece, whereby the Company provides aerial operation services on behalf of ICSS under a multiyear contract between ICSS and the Hellenic Fire Brigade. In 2008, due to delays experienced by ICSS in receiving payments under the contract, ICSS entered into a factoring agreement with two separate banks to provide for open bank lines of credit of €5.0 million each in order to make payments to the Company. The agreement provided ICSS the ability to pledge its receivables with the Hellenic Fire Brigade and receive an advance on these receivables, however with recourse in the event that the Hellenic Fire Brigade should default. Concurrent with the factoring agreement, the Company entered into a separate agreement with ICSS to fund all fees and applicable interest costs under the factoring agreement and, in the unlikely event that the Hellenic Fire Brigade defaulted on its balances due to ICSS, to reimburse ICSS for any amounts factored that may be demanded by the banks. As of

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Commitments and Contingencies (Continued)

December 31, 2008, the Company had received €5.0 million from ICSS under the factoring agreement. During 2009, this amount, along with an additional €5.0 million of receivables owed to ICSS by the Hellenic Fire Brigade, was sold without recourse. The agreement between ICSS and the Company to fund all fees and applicable interest costs under the factoring agreement between ICSS and the banks expired in 2009 and the Company has no further guarantee or other obligations under this agreement.

Put Option

A significant customer holds the right to exercise a put option that would, if exercised, require the Company to repurchase on July 31, 2013 the S-64 Aircrane the Company sold to the customer in 2009. The original sales agreement dated May 27, 2009, included the right of the customer to put the aircraft back to the Company on January 30, 2013 for its then fair market value, and provided a minimum and maximum price. Both parties believed at the time the agreement was entered into that the put option would terminate before December 31, 2009 based upon certain contract conditions that, if satisfied, would terminate the put option. In December 2009, the parties agreed to change the put option date from January 30, 2013 to July 31, 2013. At that time, the parties also agreed to remove the negotiated floor and ceiling on the fair value determination, in part out of recognition that the fair value at July 31, 2013 could vary significantly from the negotiated limits. The Company determined prior to finalizing the amendment, that the amended agreement would allow the Company to recognize revenue on the Aircrane sale in 2009, which had been the intent of the Company under the original agreement.

Under the original agreement, the Company believes that it may have been precluded from recognizing the sale of the Aircrane in 2009 due to the terms of the put option in accordance with ASC 605-10-599. Under the amended agreement, because the put option exercise price is the fair market value of the aircraft at the time of exercise, revenue recognition criteria were satisfied and the Company recognized revenue for the sale of the aircraft in 2009. The Company is not able to determine the likelihood that the customer will exercise the put option. If exercised, the exercise price would be the fair market value of the S-64 Aircrane, determined by independent appraisers at the time of exercise, which will be highly dependent upon the hours of usage and the overall customer use profile for the Aircrane, and which makes it difficult to estimate a fair value at this time. However, management believes an anticipated range of fair value, based upon our experience and industry knowledge, would be between $10.0 million and $18.0 million.

Operating Leases

The Company owns substantially all of its property, periodically leases certain premises on a short term basis, and leases a minor amount of its facilities and certain other property under noncancelable operating lease agreements that expire on various dates through May 2032. Certain leases have renewal options. Operating lease expense was $0.7 million and $0.5 million, $0.1 million and $0.4 million for the years ended December 31, 2009 and 2008, the period from September 27, 2007 through December 31, 2007, and the period from January 1, 2007 through September 26, 2007,

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Commitments and Contingencies (Continued)

respectively. Minimum future lease payments under noncancelable operating leases at December 31, 2009 are as follows (in thousands):

Year ending December 31:		
2010	$	595
2011		340
2012		200
2013		162
2014		104
Thereafter		492
	$	1,893

Note 14. Related Party Transactions

Management Services Agreement

On September 27, 2007, the Company entered into a Management Services Agreement with Stonehouse Erickson Management Co. LLC, which is an affiliate of one of the buyers of the Company. The Company shall pay to Stonehouse Erickson Management Co. LLC an annual fee (the Management Fee) of (i) $0.5 million for five years after the date of the Agreement, payable in advance in quarterly installments of $0.1 million, and (ii) $0.3 million after five years after the date of the Agreement, payable in advance in quarterly installments of $62,500. Management fees paid to Stonehouse Erickson Management Co. LLC were $0.1 million, $0.5 million, $0.1 million, and $0 for the years ended December 31, 2009 and 2008, the period from September 27, 2007 through December 31, 2007, and the period from January 1, 2007 through September 26, 2007, respectively.

On January 8, 2010 upon payment of $0.5 million the Company terminated the management services agreement with Stonehouse Erickson Management Co. LLC.

Second Lien Debt

The Company is party to a Second Lien Credit Agreement with ZM Private Equity Fund II, L.P, as Administrative Agent, pursuant to which the Company borrowed $20.0 million due on April 1, 2013. Current lenders of the loan facility include ZM Private Equity Fund II, L.P. and 10th Lane Finance Co., LLC, which is an affiliate of the Company through common ownership.

Note 15. Derivative Instruments and Hedging Activities

The Company has entered into a number of foreign currency forward contracts. The purpose of these transactions was to reduce the impact of future currency fluctuations related to anticipated cash receipts from expected future revenue that is denominated in a currency other than U.S. dollars. The change in the valuation of the foreign currency forwards portfolio was recorded within other income (expense) in the statement of operations.

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Derivative Instruments and Hedging Activities (Continued)

A summary of open foreign currency forward contracts at December 31, 2009 and 2008 are as follows (all contracts are obligations for the Company to deliver foreign currency i.e., short positions) (in thousands):

Purpose/Maturity	Foreign Quantity	Contract Value	Market Value	Asset (Liability)
2009:				
Italy Aerial Operations maturing through December 2010	€ 7,905	$ 11,091	$ 11,313	$ (222)
Greece Aerial Operations maturing through Sepember 2011	€11,491	16,047	16,461	(414)
Australia Aerial Operations maturing through June 2010	AUD 7,728	6,053	6,842	(789)
		$ 33,191	$ 34,616	$ (1,425)

Purpose/Maturity	Foreign Quantity	Contract Value	Market Value	Asset (Liability)
2008:				
Italy 2008 Aerial Operations maturing through June 2010	€ 6,465	$ 9,794	$ 8,986	$ 808
Greece Aerial Operations maturing through Sepember 2011	€ 7,404	9,995	10,276	(281)
Euro Restricted Cash maturing through December 2009	€ 2,734	3,510	3,789	(279)
		$ 23,299	$ 23,051	$ 248

Note 16. Warranty Reserve

A summary of the warranty reserves related to sales of Aircranes consisted of the following (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2009	Year Ended December 31, 2008	Period from September 27, 2007 through December 31, 2007	Period from January 1, 2007 through September 26, 2007
Balance at beginning of period	$ 1,561	$ 3,799	$ 3,022	$ 2,040
Increases to reserves	1,500		1,250	1,750
Payments made	(1,356)	(2,238)	(473)	(768)
Balance at end of period	$ 1,705	$ 1,561	$ 3,799	$ 3,022

Note 17. Involuntary Conversions

On June 1, 2008, Aircrane N163AC incurred substantial damage while operating near Torino, Italy. Both European Air-Crane pilots were able to exit the aircraft without serious injury. Insurance claim adjusters subsequently determined the incident was a constructive total loss. During July 2008,

Table of Contents

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 17. Involuntary Conversions (Continued)

the Company received insurance proceeds of $8.4 million following the incident and the Company recorded a gain of $4.3 million which is included in gain on involuntary conversions in the accompanying statement of operations.

During 2007, the Company incurred separate incidents which resulted in the total or partial loss of assets. Following protracted loss assessment periods, the Company filed insurance claims with its insurers which were settled in October 2007 and resulted in an involuntary conversion gain of $0.3 million.

On April 26, 2007, Aircrane N198AC crash landed during firefighting operations near LaSpezia, Italy. Both EuAC pilots were able to exit the aircraft on their own without injury. A post-crash fire destroyed a significant portion of the aircraft. The aircraft was owned by EAC and was leased and operated by EuAC. Accordingly, representatives from EuAC coordinated directly with the Italian authorities and assisted with the investigation. The Company recovered net proceeds of approximately $9.9 million and recorded an involuntary conversion gain of $2.7 million.

Note 18. Subsequent Events

On January 8, 2010, Stonehouse Erickson Investment Co. LLC also sold its interest in the Second Lien Debt for a total consideration of $1.0 million. The purchaser was 10th Lane Finance Co., LLC, who is an existing lender under the Second Lien Credit Agreement and an affiliate of the Company through common ownership.

On January 8, 2010, upon payment of $0.5 million the Company terminated the management services agreement with Stonehouse Erickson Management Co. LLC.

Concurrent with these transactions the Stonehouse representative on the Company's board of directors resigned.

In May 2010, the board of directors authorized the Company to file a Registration Statement with the Securities and Exchange Commission, to permit us to proceed with an initial public offering of our common stock. Upon the consummation of the initial public offering contemplated, all of the outstanding shares of Series A Preferred Stock and existing Class A Common Stock will automatically convert into a single class of new common stock.

Subsequent events have been evaluated through May 11, 2010, the report date of the Consolidated Financial Statements.

Explanation of Responses:

Explanation of Responses:

Table of Contents

Until , all dealers that buy, sell, or trade the common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

Erickson Air-Crane Incorporated

Common Stock

PROSPECTUS

BofA Merrill Lynch

Stifel Nicolaus Weisel

Gleacher & Company

BB&T Capital Markets

, 2010

Table of Contents

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the SEC registration fee and the FINRA filing fee. Except as otherwise noted, all the expenses below will be paid by Erickson Air-Crane Incorporated.

Item	Amount
SEC registration fee	$ 5,348
FINRA filing fee	8,000
NASDAQ listing fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees	*
Blue Sky fees and expenses	*
Directors and officers insurance	*
Miscellaneous fees and expenses	*
Total	$ *

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* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended. Our amended and restated certificate of incorporation provides for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws provide for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the Delaware General Corporation Law. In addition, we have entered into indemnification agreements with our directors, officers, and some employees containing provisions which are in some respects broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements may require us, among other things, to indemnify our directors against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. Reference is also made to Section 7 of the underwriting agreement to be filed as Exhibit 1.1 hereto, which provides for indemnification by the underwriter of our officers and directors against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

In the last three years, we made sales of the unregistered securities set forth below. These securities were offered and sold by us in reliance upon exemptions from the registration requirements provided by Section 4(2) of the Securities Act and Regulation D under the Securities Act relating to sales not involving any public offering.

Table of Contents

On September 27, 2007, we issued 34,999.5 shares of Series A Redeemable Preferred Stock, and 1,000 shares of Class A Common Stock, which shares will be converted into an aggregate of 7,405,436 shares in the recapitalization, to affiliates of ZM Equity Partners, LLC. These securities were originally issued by EAC Acquisition Corp. in consideration of $35 million to capitalize that entity prior to the merger of EAC Acquisition Corp. into Erickson Air-Crane Incorporated. In the merger, each share of preferred stock and each share of common stock of EAC Acquisition Corp. was converted, respectively, into a share of preferred stock and a share common stock of the Erickson Air-Crane Incorporated, in each case with identical rights, preferences and terms. Each of the purchasers of EAC Acquisition Corp. shares represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

Item 16. Exhibits and Financial Statements

(a)
Exhibits

Exhibit No.	Description of Exhibit
1.1*	Form of Purchase Agreement.
3.1**	Amended and Restated Certificate of Incorporation of Erickson Air-Crane Incorporated.
3.2**	Amended and Restated Bylaws of Erickson Air-Crane Incorporated.
3.3*	Form of Second Amended and Restated Certificate of Incorporation of Erickson Air-Crane Incorporated.
3.4*	Form of Second Amended and Restated Bylaws of Erickson Air-Crane Incorporated.
4.1**	Amended and Restated Registration Rights Agreement, by and between Erickson Air-Crane Incorporated and other parties, dated April 22, 2010.
5.1*	Form of Opinion of Stoel Rives LLP.
10.1**	Form of Indemnification Agreement made by and between Erickson Air-Crane Incorporated and each of its directors and officers and some employees.
10.2*	Erickson Air-Crane Incorporated 2010 Stock Incentive Plan.
10.3*	Form of Incentive Stock Option Agreement.
10.4*	Form of Non-Statutory Stock Option Agreement.
10.5*	Form of Restricted Stock Agreement.
10.6*	Form of Restricted Stock Unit Agreement.
10.7**	Amended and Restated Executive Employment Agreement between Udo Rieder and Erickson Air-Crane Incorporated, dated April 22, 2010.
10.8**	Amended and Restated Executive Employment Agreement between Charles E. Ryan and Erickson Air-Crane Incorporated, dated April 22, 2010.
10.9**	Executive Employment Agreement between Scott Fitzgerald and Erickson Air-Crane Incorporated, dated April 22, 2010.
10.10**	Amended and Restated Executive Employment Agreement between H.E. "Mac" McClaren and Erickson Air-Crane Incorporated, dated April 22, 2010.
10.11**	Credit Agreement, between KeyBank National Association and Erickson Air-Crane Incorporated, dated September 27, 2007.

II-2

Table of Contents

Exhibit No.	Description of Exhibit
10.12**	Master Aircraft Loan and Security Agreement, between Prudential Insurance Company of America and Erickson Air-Crane Incorporated, dated September 27, 2007, as amended.
10.13**	Second Lien Credit Agreement between D.B. Zwirn Special Opportunities Fund, L.P. and Erickson Air-Crane Incorporated, dated September 27, 2007, as amended.
10.14**	Intercreditor Agreement among KeyBank National Association, D.B. Zwirn Special Opportunities Fund, L.P. and Erickson Air-Crane Incorporated, dated September 27, 2007.
10.15**	National Call When Needed Heavy (Type I) & Medium (Type II) Helicopter Services Agreement between the U.S. Forest Service and Erickson Air-Crane Incorporated, dated April 4, 2008, as amended; National Exclusive Use Large Fire Support Helicopter Services Agreement between the U.S. Forest Service and Erickson Air-Crane Incorporated, dated March 6, 2009, as amended; National Exclusive Use Large Fire Support Helicopter Services Agreement between the U.S. Forest and Erickson Air-Crane Incorporated, date June 6, 2008, as amended; and Exclusive Use Helicopter Services Large Fire Support between the U.S. Forest Service and Erickson Air-Crane Incorporated, dated June 24, 2010, as amended.
10.16	Aircraft Purchase Agreement in Respect of One (1) Erickson S-64F Aircraft, Manufacturer's Serial Number 64095, between San Diego Gas & Electric Company and Erickson Air-Crane Incorporated, dated May 26, 2009, as amended. Portions of this exhibit have been redacted and filed separately with the SEC pursuant to a confidential treatment request.
10.17	Credit Agreement, between Wells Fargo Bank, National Association, Wells Fargo Securities, LLC, Keybank National Association, Bank of the West and Erickson Air-Crane Incorporated, dated June 24, 2010.
10.18**	Promissory Note issued by Erickson Air-Crane, Incorporated to ZM Private Equity Fund II, L.P., dated June 30, 2010; Promissory Note issued by Erickson Air-Crane, Incorporated to 10TH Lane Finance Co., LLC, dated June 30, 2010.
10.19**	Executive Employment Agreement between David A. Ford and Erickson Air-Crane Incorporated, dated June 28, 2010
10.20	Aircraft Purchase Agreement in Respect of One (1) Erickson S64 Aircraft, Manufacturer's Serial Number 64090, between Aliar Aircrane Servicos Especializados Ltda. and Erickson Air-Crane Incorporated, dated September 17, 2010. Portions of this exhibit have been redacted and filed separately with the SEC pursuant to a confidential treatment request.
21.1**	List of significant subsidiaries of the registrant.
23.1*	Consent of Stoel Rives LLP (included in Exhibit 5.1).
23.2	Consent of Grant Thornton LLP.
23.3**	Consent of Meredith R. Siegfried.
23.4**	Consent of Gary R. Scott.
23.5**	Consent of Hank Halter.
23.6**	Consent of James L. Welch.
24.1**	Power of Attorney for Udo Rieder.
24.2**	Power of Attorney for Charles Ryan.
24.3**	Power of Attorney for Quinn Morgan.

Table of Contents

Exhibit No.	Description of Exhibit
24.4**	Power of Attorney for Kenneth Lau.

* To be filed by amendment.

** Previously filed.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted as to directors, officers, and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, an officer or a controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by us is against public policy as expressed in the Securities Act, and we will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus as filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, we have duly caused this Registration Statement on Form S-1 to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of Portland, State of Oregon, on the 5th day of October, 2010.

ERICKSON AIR-CRANE INCORPORATED

By: /s/ UDO RIEDER

Udo Rieder
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ UDO RIEDER Udo Rieder	Chief Executive Officer and Director (principal executive officer)	October 5, 2010
/s/ CHARLES RYAN Charles Ryan	Chief Financial Officer (principal financial and accounting officer)	October 5, 2010
/s/ QUINN MORGAN Quinn Morgan	Director, Chairman of the Board	October 5, 2010
/s/ KENNETH LAU Kenneth Lau	Director	October 5, 2010

II-5

Table of Contents

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II-6

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