Erickson Air-Crane Inc
Form S-1/A
April 04, 2012

As filed with the Securities and Exchange Commission on April 4, 2012

Registration No. 333-166752

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 13
TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ERICKSON AIR-CRANE INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**3720**	**93-1307561**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5550 SW Macadam Avenue, Suite 200
Portland, Oregon 97239
(503) 505-5800
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charles Ryan
Chief Financial Officer
Erickson Air-Crane Incorporated
5550 SW Macadam Avenue, Suite 200
Portland, Oregon 97239
(503) 505-5800
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**[1]	**Proposed Maximum Aggregate Offering Price per Share**	**Proposed Maximum Aggregate Offering Price**[1][2]	**Amount of Registration Fee**
Common Stock, $0.0001 par value	5,520,000	$9.00	$49,680,000	$5,693.33[3]

(1) Includes shares of common stock that the underwriters have the option to purchase to cover the overallotment.

(2) Estimated solely for purposes of determining the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.

(3) $5,347.50 of the registration fee was previously paid on May 12, 2010 and $345.83 of the registration fee was previously paid on January 30, 2012.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 4, 2012
PRELIMINARY PROSPECTUS

Erickson Air-Crane Incorporated
4,800,000 Shares
Common Stock
$ per share

This is Erickson Air-Crane Incorporated's initial public offering. We are selling 4,800,000 shares of our common stock.

We expect the public offering price to be between $8.00 and $9.00 per share. Currently, no public market exists for the shares. We have applied to list our common stock on The NASDAQ Global Market under the symbol "EAC."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 17 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters an option to purchase up to an additional 720,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover overallotments, if any, within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about , 2012.

Stifel Nicolaus Weisel **Oppenheimer & Co.** **Lazard Capital Markets**

D.A. Davidson & Co. **Wedbush Securities**

The date of this prospectus is , 2012.

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Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. You should not rely on any information other than the information contained in this prospectus and in any free writing prospectus that we prepare. Neither we nor the underwriters take any responsibility for, nor can provide any assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Erickson Air-Crane Incorporated, our logo, and other trademarks mentioned in this prospectus are the property of their respective owners.

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EXPLANATORY NOTE REGARDING RECAPITALIZATION

In connection with this offering, we will amend and restate our certificate of incorporation to reclassify our Series A Redeemable Preferred Stock and our Class A Common Stock into an aggregate of 4,802,970 shares of our common stock. Unless otherwise noted, the information in this prospectus gives effect to our recapitalization and the amendment and restatement of our certificate of incorporation. We also intend to adopt a 2012 Long-Term Incentive Plan under which we intend to issue restricted stock units ("RSUs") concurrently with the closing of this offering. See "Capitalization" and "Executive Compensation 2012 Long-Term Incentive Plan" for additional information.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In this prospectus, unless otherwise indicated or the context otherwise requires, references to "we," "us," "our," the "Company," and "Erickson" refer to Erickson Air-Crane Incorporated and its subsidiaries on a consolidated basis.

Our Company

We specialize in the operation and manufacture of the Erickson S-64 Aircrane ("Aircrane"), a versatile and powerful heavy-lift helicopter. The Aircrane has a lift capacity of up to 25,000 pounds and is the only commercial aircraft built specifically as a flying crane without a fuselage for internal loads. The Aircrane is also the only commercial heavy-lift helicopter with a rear load-facing cockpit, combining an unobstructed view and complete aircraft control for precision lift and load placement capabilities.

We own and operate a fleet of 17 Aircranes, which we use to support a wide variety of government and commercial customers worldwide across a broad range of aerial services, including firefighting, timber harvesting, infrastructure construction, and crewing. We refer to this segment of our business as Aerial Services. We also manufacture Aircranes and related components for sale to government and commercial customers and provide aftermarket support and maintenance, repair, and overhaul services for the Aircrane and other aircraft. We refer to this segment of our business as Aircraft Manufacturing and Maintenance, Repair, and Overhaul ("Manufacturing / MRO"). As part of our Manufacturing / MRO segment, we also offer cost per hour ("CPH") contracts pursuant to which we provide components and expendable supplies for a customer's aircraft at a fixed cost per flight hour. We believe CPH contracts help our customers better predict and manage their maintenance costs. In 2010, our Aerial Services and Manufacturing / MRO segments generated revenues of $105.7 million and $12.5 million, respectively, and in 2011, our Aerial Services and Manufacturing / MRO segments generated revenues of $138.6 million and $14.1 million, respectively. In 2010, we had a net loss attributable to Erickson Air-Crane of $8.3 million, and in 2011, we had net income attributable to Erickson Air-Crane of $15.9 million.

We own the Type and Production Certificates for the Aircrane, granting us exclusive design, manufacturing, and related rights for the aircraft and original equipment manufacturer ("OEM") components. We invest in new technologies and proprietary solutions with a goal of increasing our market share and entering new markets. We have made more than 350 design improvements to the Aircrane since acquiring the Type Certificate and we have developed Aircrane accessories that enhance our aerial operations, such as our firefighting tank system and snorkel, timber "heli harvester," and anti-rotation device and hoist.

We have manufactured 33 Aircranes for our own fleet and for our customers in several countries worldwide. To date, we have sold and delivered nine Aircranes, including our first sale to a commercial customer in 2009 (subject to the purchaser's right to resell the aircraft to us on July 31, 2013, which was an important term to the purchaser when the sale agreement was negotiated).

We believe we are the only fully integrated developer, manufacturer, operator, and provider of aftermarket parts and services for a precision heavy-lift helicopter platform, and that there are significant growth opportunities for our business. For example, we believe population growth and deconcentration, which increases the size and breadth of communities that must be protected from wildfires, will lead to increased government spending on rapid response, heavy-lift firefighting solutions such as the Aircrane.

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See "Business Competition" and "The Commercial Heavy-Lift Helicopter Industry Commercial Heavy-Lift Helicopter Markets." There is, however, no guarantee that growth will occur in the markets we serve or that we will be able to take advantage of growth opportunities. See "Risk Factors."

We target long-term contract opportunities and had a total backlog of $212.8 million as of February 29, 2012, of which $128.0 million was from signed contracts and $84.8 million was from anticipated exercises of customer extension options (including $54.3 million from multi-year annual customer extension options). We had a total backlog of $298.9 million as of February 28, 2011, of which $176.4 million was from signed contracts and $122.5 million was from anticipated exercises of customer extension options (including $22.6 million from multi-year annual customer extension options). No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011. We define long-term contracts as contracts of six months or more, to distinguish them from our contracts related to a specific task for a customer, which are generally short-term engagements. We include anticipated exercises of customer extension options in our backlog when our prior operating history, including past exercises of extension options by such customers and the other circumstances specific to the particular contract, causes us to conclude that the exercise of such extension option is likely. We expect that approximately $123.8 million of the backlog will not be filled in 2012. See "Business Backlog" for a discussion of how we define and calculate backlog. There is no guarantee, however, that any customer will exercise its extension options or that any contracts will be renewed or extended. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Our Aerial Services operations are seasonal and tend to peak in June through October and tend to be at a low point in January through April. As a result of this seasonality, we have historically generated higher revenue in our third quarter as compared to other quarters, and received the majority of our cash in the second half of the calendar year. We had cash used in operations of $8.4 million for the year ended December 31, 2010 and $20.7 million for the year ended December 31, 2011. Cash used in operations included an increase in inventory and work in process of approximately $26.7 million and $25.7 million for the years ended December 31, 2010 and 2011, respectively. A significant portion of this increase was attributable to the manufacture of two Aircranes during 2010 and 2011 that are currently held in inventory. We expect to have a significant decrease in the amount of cash used for inventory in 2012 as compared to the amounts used in 2010 and 2011 and, to a lesser extent, savings resulting from our reduction-in-force in November 2011. As a result, we believe that our cash flows from operations, together with cash on hand and the availability of our revolving credit facility, will provide us with sufficient liquidity to operate our business for the foreseeable future. However, there is no guarantee that we will have sufficient liquidity, and our significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business and comply in 2012 with the financial covenants under the credit agreement dated June 24, 2010 by and among us, Wells Fargo Bank, National Association ("Wells Fargo"), Keybank National Association, Bank of the West, Bank of America, N.A., and Union Bank, N.A. (as amended, the "Credit Agreement"). See "Risk Factors Risks Relating to Our Business Our indebtedness and significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business and we might not comply with the financial covenants under our Credit Agreement in 2012." See also " Our Strategy Increase Our Aircrane Sales" and " Risks Related to Our Business."

We are headquartered at 5550 SW Macadam Avenue, Suite 200, Portland, Oregon 97239, our phone number is (503) 505-5800, and our website address is www.ericksonaircrane.com. The information on, or accessible through, our website is not a part of this prospectus and should not be relied upon in determining whether to make an investment decision. We have production, maintenance, and logistics facilities in Central Point, Oregon. We currently maintain a year-round international presence with operations in Canada, Italy, Malaysia, and Peru, and an operating presence in Australia and Greece.

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We employ approximately 700 employees of whom approximately 500 are located in Oregon, primarily at our Central Point facilities and Portland headquarters. We employ approximately 100 pilots. We deploy crews, including pilots and maintenance personnel, on-site globally where we deploy our Aircranes.

Our Competitive Strengths

We believe we have certain competitive advantages in the heavy-lift helicopter market that further our ability to execute on our strategy.

Versatile Heavy-Lift Helicopter Solutions. The versatility and high payload capacity of the Aircrane, its proprietary mission-specific accessories, and the skill of our pilots and crews make the Aircrane an attractive solution for a wide variety of aerial services. We believe our fleet of 17 owned and operating Aircranes is the largest commercial fleet of helicopters in the world capable of carrying loads of up to 25,000 pounds and that our role as the manufacturer of the Aircrane, combined with our scale, service readiness, and comprehensive global support network, provides us with a leadership position in the heavy-lift helicopter industry. See "Business Competition."

Vertically Integrated Business Model. We offer a full spectrum of heavy-lift helicopter solutions, including the design, engineering, development, manufacturing, and testing of the Aircrane, as well as Aerial Services and MRO services. We believe our integrated business model reduces our costs, diversifies our revenue stream, and results in better products and services through close collaboration between our product engineers and our operations personnel.

Established International Presence. During our history, we have operated in 18 countries across five continents. Global operations allow us to maximize the use of our fleet for seasonal aerial services and position us to capitalize on opportunities in a broad range of geographies. We currently maintain a year-round international presence in Canada, Italy, Malaysia, and Peru, and an operating presence in Australia and Greece. Global operations expose us to risks, such as currency fluctuations, different regulatory and legal environments, and risks of financial, political, and other instability related to the countries in which we operate. See "Risk Factors Risks Related to Our Business Our business is subject to risks associated with international operations, including operations in emerging markets."

Proprietary Technologies and Continuous Innovation. We have made more than 350 design improvements to the Aircrane and have developed a variety of innovative accessories for our Aerial Services, including a 2,650 gallon firefighting tank and snorkel refill system, a "heli harvester" for aerial timber harvesting, and an anti-rotation device and hoist that facilitates precision heavy load placement. We continuously explore ways to deliver innovative solutions to our customers and to potential customers in new markets.

Valuable Long-Term Customer Relationships and Contracts. We believe that our established relationships with customers, some of whom have been customers for more than 20 years, allow us to effectively compete for and win new projects and contract renewals. Our long-term relationships help provide us with visibility with respect to our revenue, aircraft utilization, and scheduled usage patterns. We increased our backlog as of February 29, 2012 by $179.8 million to $212.8 million compared to September 26, 2007, the date of the acquisition of the Company by a group of private equity investors. We had $298.9 million of backlog at February 28, 2011. No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011. We derived approximately 76% of our 2010 revenues and approximately 83% of our 2011 revenues from long-term contracts. We define a long-term contract to be a contract with a duration of six months or more. See "Business Backlog" for a discussion of how we define and calculate backlog. While our contracts with our largest customers have a term of six months or more, they may be subject to annual renewals or customer extension options, and there is no guarantee that such

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contracts will be renewed or extended. See also "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Experienced and Growth-Oriented Management Team. Within the last four years, we have added the six members of our senior management team, including our Chief Executive Officer ("CEO"), our Chief Financial Officer ("CFO"), our Vice President and Chief Marketing Officer, our Vice President of Manufacturing and MRO, our Vice President of Aerial Services, and our Vice President, General Counsel, and Corporate Secretary. Our senior management team has an average of more than 20 years of experience in the aviation industry and rotorcraft sector. This professional aerospace team provides us with deep domain knowledge, extensive operational and manufacturing expertise, and strong customer and business relationships.

Our Strategy

Our goals are to strengthen our position in the competitive heavy-lift helicopter industry by continuing to provide innovative, value-added solutions to our customers, and to expand our aircraft and component sales and MRO services. We intend to focus on the following strategies to achieve these goals:

Maintain Position in Aerial Services and Expand into New Markets. We intend to leverage our global presence, our vertically integrated offerings, and our innovative technologies to expand our customer base and increase our fleet utilization in existing and new markets.

Firefighting. We intend to opportunistically enter European, Asian, and South American countries that have significant fire seasons. We expect the seasonal differences between these countries and those we currently serve will provide us with the opportunity to increase our global fleet utilization and provide more scale in each of our key target regions.

Timber harvesting. We intend to opportunistically enter new markets in South America and Asia where abundant high-value timber resources present significant growth potential for our heavy-lift solutions. In addition, we expect to continue to capitalize on the growing desire for sustainable timber harvesting practices, as we have done in North America and Malaysia. Specifically, we have been able to secure Aerial Services contracts in the United States, Canada, and Malaysia supporting customers who do not clear cut timber (which allows for easier access by road) and instead use sustainable timber harvesting practices that require extraction of heavy timber loads from sites that may not be accessible by ground transportation.

Infrastructure construction. We believe that infrastructure construction represents a large market with growth potential for us. In particular, we believe that electrical grid development and modernization, oil and gas pipeline construction, wind turbine construction, and other alternative energy projects represent our most significant growth opportunities in this sector.

Emergency response. We have developed and continue to expand a comprehensive emergency response marketing effort to provide advanced global aerial solutions in support of disaster recovery, hazard mitigation, and infrastructure restoration.

Crewing. We have experienced strong demand for crewing services from customers who have purchased our Aircranes and we expect this trend to continue as the global installed base of Aircranes expands.

Increase Our Aircrane Sales. We have not sold an Aircrane since 2009, but have manufactured two Aircranes that are ready for sale, one of which is complete and one of which is substantially complete. These two Aircranes are currently held in inventory and are not part of our fleet of 17 Aircranes that we operate for our customers. We intend to increase sales of the Aircrane to existing and new customers. In addition to generating profits upon sale, we expect an increase in the installed base of Aircranes to

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augment demand for our crewing services, OEM components, and MRO and other aftermarket services. We have established a sales team that is focused on expanding Aircrane sales and has significantly increased our sales pipeline activities. However, potential sales of Aircranes are subject to considerable uncertainties. For example, in September 2010, we entered into an aircraft purchase agreement for the purchase of one Aircrane with Aliar Aircrane Servicos Especializados Ltda that was subject to a purchaser financing condition. No payments were made by the purchaser and the agreement terminated. In December 2010, we entered into a non-binding memorandum of understanding with Wan Yu Industries Groups, Limited for the purchase of five Aircranes that was subject to a condition that the customer pay a non-refundable deposit by the end of January 2011. The deposit with respect to such potential Aircrane sales was not received and therefore the arrangement terminated. On August 1, 2011, we entered into an Aircraft Lease and Purchase Option Agreement with HRT Netherlands B.V. ("HRT"), a subsidiary of HRT Participações em Petróleo S.A., a Brazilian oil and gas exploration company. HRT declined to exercise its option to purchase the Aircrane pursuant to such agreement and the lease expired on January 15, 2012. The failure of HRT to exercise its purchase option or the failure by us to otherwise sell an Aircrane increases the risk that we may fail to comply with the financial covenants under our Credit Agreement in 2012. See "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business." In February 2012, we entered into a non-binding letter of intent with Türk Hava Kurumu ("THK"), a Turkish governmental aviation organization, pursuant to which THK expressed its intent to purchase one Aircrane on or prior to June 30, 2012. The terms of the binding purchase agreement remain subject to ongoing negotiations between us and THK, and we do not know when such negotiations will conclude. There can be no assurance that THK will purchase an Aircrane. See " Recent Developments." In addition, a sale of one of the 17 Aircranes that is part of our fleet would reduce the number of Aircranes available to provide Aerial Services. If we consummate such a sale, we may not always have the ability to maintain our desired level of Aerial Services operations with a reduced fleet, and our results of operations could be adversely affected. See "Risk Factors Risks Related to Our Business Our Aerial Services revenues depend on the availability and size of our Aircrane fleet."

Expand Our MRO and Aftermarket Solutions. We intend to leverage the expertise of our highly trained engineers and maintenance support personnel to extend our MRO capabilities across aircraft platforms similar to the Aircrane. We have entered into a service and supply agreement with Bell Helicopter Textron Inc. ("Bell") pursuant to which we will manufacture and sell certain commercial aircraft parts and components to Bell. We believe that we are also well-positioned to provide similar services for other aircraft, directly or in partnership with OEMs.

Maintain a Focus on Long-Term Customer Relationships and Contracts. We intend to focus on developing long-term relationships with key customers through reliable performance and a strong commitment to safety and service. This focus has resulted in an increase in our backlog and we believe it has given us a competitive advantage in competing for new contracts and renewals of existing contracts.

Maintain a Continued Focus on Research and Development. We are dedicated to continuous innovation and significant research and development projects. Our operations have benefited from innovations such as our fire tank and snorkels, anti-rotation device and hoist, hydraulic grapple, and a redesigned automated flight control system. We have several new product applications and aircraft accessories under development, including composite main rotor blades, and a universal multipurpose container for cargo transportation. See "Business Research and Development."

Selectively Pursue Acquisitions of Businesses and Complementary Aircraft. We intend to continue to opportunistically evaluate the acquisition of businesses and aircraft that could complement and enhance

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our Aerial Services capabilities and service offerings and increase our access to customers and our penetration of new and existing markets.

There is no guarantee that we will be able to execute on our strategies, and, even if we successfully execute on our strategies, there is no guarantee that our strategies will strengthen our position in the heavy-lift helicopter industry. Our ability to execute on our strategies is subject to risks and uncertainties described in "Risk Factors."

Changes to Our Company Since Our 2007 Acquisition

Our Company was acquired by a group of private equity investors in September 2007. Our new stockholders have taken several steps to improve our business and financial position and improve our focus on implementing our strategies.

Management. We have added strong professional aerospace managers to our management team, adding six members of our senior management team, including our CEO and CFO, our Vice President and Chief Marketing Officer, our Vice President of Manufacturing and MRO, our Vice President of Aerial Services, and our Vice President, General Counsel, and Corporate Secretary. This management team has extensive experience in the helicopter services and aerospace manufacturing sectors and has brought significant improvements to our operations.

Focus on Long-Term Relationships and Contracts. We have focused on building a diverse range of long-term relationships and obtaining long-term contracts. We have increased our backlog as of February 29, 2012 by $179.8 million to $212.8 million compared to September 26, 2007, the date of the acquisition of the Company by a group of private equity investors. We derived approximately 76% of our 2010 revenues and approximately 83% of our 2011 revenues from long-term contracts. We define a long-term contract to be a contract with a duration of six months or more. See "Business Backlog" for discussion of how we define and calculate backlog. See also "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Increased MRO Focus. We have begun to leverage our expertise with the Aircrane and the military version of the Aircrane, known as the CH-54, to offer MRO services to customers with similar aircraft platforms who need their aircraft components repaired or overhauled by a certified facility.

Oil and Gas Pipeline Construction. We have begun penetrating the oil and gas pipeline construction services market. We have recently entered into a three-year services contract with an oil and gas exploration company in Peru.

Increased Effort to Expand Aircrane Sales. Our sales group is dedicated to expanding Aircrane sales, and has significantly increased our sales pipeline activities. We may enter into agreements providing options to potential customers on future aircraft deliveries, which options only become binding obligations on us if non-refundable deposits are paid. The options allow us to engage potential customers in the sale process. However, there is no assurance that any options will be exercised or any conditional sales will be completed. See " Our Strategy Increase Our Aircrane Sales" above and "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement."

Improved Standards for Safety and Quality. We have implemented specific, company-wide safety and quality processes to further enhance our safety and quality culture and now meet or exceed all recommended Federal Aviation Administration ("FAA") standards.

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Recent Developments

Since December 31, 2011, a number of developments have occurred that may have a material impact on our business:

Helifor Contract. In January 2012, we and our Canadian subsidiary, Canadian Air-Crane Limited, entered into a one-year aircraft services agreement with Columbia Helicopters, Inc. ("Columbia Helicopters"), a U.S. heavy-lift helicopter operator, and Helifor Canada Corporation ("Helifor"), a Canadian heavy-lift helicopter operator. Under the terms of the agreement, we will provide aviation services in the United States and Canada as of January 15, 2012 to Columbia Helicopters and Helifor. The total amount we expect to be paid pursuant to this agreement is approximately $7.6 million.

Western Forest Products Contract. In January 2012, our Canadian subsidiary, Canadian Air-Crane Limited, amended its existing agreement with Western Forest Products Inc. ("Western Forest Products"), a Canadian forest products and timberlands management company, to establish the terms for one year of aviation services. Under the terms of the agreement, we will provide aviation services in Canada as of February 1, 2012 to Western Forest Products. The total amount we expect to be paid pursuant to this agreement is approximately C$13.6 million.

Samling Global Contract. In February 2012, our Malaysian subsidiary, Erickson Aircrane Malaysia Sdn. Bhd., entered into an amendment to our existing logging contract with Syarikat Samling Timber Sdn. Bhd. ("Samling Global") to extend the contract term to January 31, 2013. Pursuant to the amended contract, we began providing aerial timber harvesting services in Malaysia on February 1, 2012 to Samling Global. The total amount we expect to be paid pursuant to this agreement is approximately $11.2 million.

THK Letter of Intent. In February 2012, we entered into a non-binding letter of intent with THK, pursuant to which THK expressed its intent to purchase one Aircrane on or prior to June 30, 2012. The terms of a binding agreement remain subject to ongoing negotiations between us and THK, and we do not know when such negotiations will conclude. The letter of intent also provides that we will grant THK an option, expiring on December 31, 2013, to purchase three additional Aircranes. This option does not specify a purchase price or any other potential terms of purchase and will be subject to further negotiation of a binding agreement. There can be no assurance that THK will purchase an Aircrane. If THK elects to purchase an Aircrane, it may need to obtain financing, which it may not be able to obtain on terms acceptable to THK, if at all. See "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement."

U.S. Forest Service Claim. On February 1, 2012 the Civilian Board of Contract Appeals issued its final decision with respect to our claim against the U.S. Forest Service for recovery of $2.8 million related to costs incurred in 2008 under our contracts with the U.S. Forest Service that we were not able to mitigate as a result of a stop work order. The Civilian Board denied our claim in full. Accordingly, as of December 31, 2011, we reduced the receivable to zero. The write-off of this receivable increases the risk that we will be unable to comply with the financial covenants under our Credit Agreement in 2012. See "Business Legal Proceedings."

Hellenic Fire Brigade (Greece) Contract. Our contract with the Hellenic Fire Brigade calls for annual confirmation notices. On January 31, 2012, the Hellenic Fire Brigade notified us that it would not exercise its option to extend our existing contract for the 2012 fire season, which contract relates to the use of three Aircranes during the summer of 2012. The Hellenic Fire Brigade has not notified us whether it intends to exercise its option for the 2013 fire season. As a result of these developments, we are not currently providing services to the Hellenic Fire Brigade and our backlog has been reduced by approximately $25.4 million relating to services we had expected to provide to the Hellenic Fire

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Brigade in 2012 and 2013. See "Business Backlog" for a discussion of how we define and calculate backlog. We did not receive any advance payments under this contract for 2012.

Our agents and representatives in Greece have informed us that the Hellenic Fire Brigade has cancelled or not exercised its extension options in respect of all of its firefighting contracts for 2012 with us and all other aerial service providers. The NATO Maintenance and Supply Agency ("NAMSA"), which provides various logistics services for NATO nations, has posted on its website a request for proposal for Greek aerial firefighting services for the 2012 to 2014 firefighting seasons. We have registered as a NAMSA supplier and we expect to provide a response by late April to the request for proposal to compete for the requested aerial firefighting services to be provided by three heavy-lift helicopters in Greece for 2012 through 2014. The aircraft specifications for the requested services are similar to those relating to the previous tender by the Hellenic Fire Brigade in 2010 that we successfully won. The Hellenic Fire Brigade has been a continuous customer of ours for more than ten years through several successful re-tendering processes. There is no guarantee that our bid will be successful or that we will be able to satisfy tender specifications. If a Greek contract is awarded to us, there is no guarantee that our revenues and profit margins thereunder will be similar to those that we have received in connection with past contracts with the Hellenic Fire Brigade. If a Greek contract is not awarded to us and we are unable to redeploy the three Aircranes we have historically used to provide services in Greece in order to generate comparable revenues and operating earnings, we may fail to comply with the financial covenants under our Credit Agreement in 2012.

Account Receivable from Hellenic Fire Brigade. We have approximately $5.8 million in outstanding accounts receivable due from the Hellenic Fire Brigade that are currently past due. In February 2012, the Hellenic Fire Brigade informed our agents and representatives in Greece that, although funds for this receivable have been allocated for payment to us, under Greek law it cannot make the payment until a tax withholding issue is resolved. We are currently working with our agents and representatives in Greece, local tax advisors, and the Greek tax authorities to resolve this withholding tax issue. The timing of such payment is uncertain. See "Risk Factors Risks Related to Our Business Our failure to timely collect our receivables could adversely affect our cash flows and results of operations and our compliance with the financial covenants under our Credit Agreement."

Risks Related to Our Business

Our business is subject to numerous risks and uncertainties of which you should be aware and that you should carefully consider before investing in shares of our common stock. These risks are more fully discussed in the section entitled "Risk Factors" following this prospectus summary and include but are not limited to the following:

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

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

Our indebtedness and significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business and we might not comply with the financial covenants under our Credit Agreement in 2012.

If our business does not perform as expected, including if we generate less than anticipated revenue from our Aerial Services operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our Credit Agreement in 2012.

We were not in compliance with certain financial covenants under our Credit Agreement as of December 31, 2010 and March 31, 2011, and subsequent amendments to our Credit Agreement

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waived such non-compliance. We cannot assure you that, if we fail to comply with the financial covenants under our Credit Agreement, our lenders will agree to waive any non-compliance.

We depend on a small number of large customers for a significant portion of our revenues. In particular, for the years ended December 31, 2010 and 2011, 24.4% and 27.2% of our revenues, respectively, were attributable to our contract with the U.S. Forest Service, 13.8% and 15.9% of our revenues, respectively, were attributable to our contract with the Italian Ministry of Civil Protection, 11.0% and 8.4% of our revenues, respectively, were attributable to services provided to the Hellenic Fire Brigade, and 12.3% and 7.0% of our revenues, respectively, were attributable to our contract with Samling Global. For the years ended December 31, 2010 and 2011, 9.0% and 0% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with the U.S. Forest Service, 10.5% and 18.9% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with the Italian Ministry of Civil Protection, 16.2% and 21.6% of our accounts receivable at the end of such periods, respectively, were attributable to services provided to the Hellenic Fire Brigade, and 7.8% and 6.7% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with Samling Global. Should we lose one of our major customers for any reason, we may be unable to identify new opportunities sufficient to avoid a reduction in our revenues and operating earnings, which would have a material adverse effect on our business and operations. In light of the ongoing European sovereign debt crisis, there are heightened risks associated with our future revenue attributable to, and our accounts receivable from, the Hellenic Fire Brigade and the Italian Ministry of Civil Protection. On January 31, 2012, the Hellenic Fire Brigade notified us that it would not exercise its option to extend our existing contract for the 2012 fire season. See " Recent Developments."

If we do not receive any portion of the receivable that we are owed by the Hellenic Fire Brigade, we may incur a charge to write-off such portion, and there is a risk that any such write-off may adversely affect our ability to comply with the financial covenants under our Credit Agreement in 2012.

After this offering, entities affiliated with ZM Equity Partners, LLC will own approximately 50% of our outstanding common stock, and two of our directors will continue to be managing directors of Centre Lane Partners LLC, an affiliate of ZM Equity Partners. As a result, these stockholders, acting individually or together, could exert significant influence over all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. These stockholders may take action by written consent without a meeting of stockholders until such date that ZM EAC LLC, ZM Private Equity Fund I, L.P., or ZM Private Equity Fund II, L.P., their affiliates, or any express assignee or designee of ZM EAC LLC, ZM Private Equity Fund I, L.P., or ZM Private Equity Fund II, L.P., and such assignees or designee's affiliates cease to own, in the aggregate, at least 30% of the outstanding shares of our common stock (the "Trigger Date"). Their interests may not coincide with yours, and they may make decisions with which you may disagree.

Although we intend to use the proceeds of this offering to pay down indebtedness under our revolving credit facility in order to increase the likelihood of our compliance with the financial covenants under our Credit Agreement and to improve our ability to refinance our senior credit facilities, there will remain uncertainties regarding our ability to comply with our financial covenants in 2012 and 2013 and achieve such refinancing.

We have significant payment obligations due in 2013 as a result of the maturity of our senior credit facilities on June 24, 2013 and the possible exercise by one of our significant customers of a put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to such customer. Our ability to finance such repurchase may depend on our ability to refinance our senior credit facilities.

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If we are unable to repay or refinance our outstanding unsecured subordinated promissory notes at or prior to maturity in 2015 and 2016, our business, financial condition, and results of operations may be adversely affected. At maturity, the notes due in 2015 will have a principal amount outstanding, including accrued and unpaid interest, of $16.5 million, and the notes due in 2016 will have a principal amount outstanding, including accrued and unpaid interest, of $19.4 million. Our ability to repay or refinance these notes is restricted by our senior credit facilities and may be restricted by terms of any new credit facilities we may enter into to refinance our senior credit facilities.

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

Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement.

In November 2011, we completed a company restructuring which included a reduction-in-force of 119 employees that affected both our Aerial Services and Manufacturing / MRO segments. The restructuring was needed to realign our operating expenses to ensure that we remain competitive in the markets we serve. However, as a result of the reduction-in-force, we may experience longer aircraft delivery lead times for future customers who wish to purchase Aircranes, which may delay the timing of our aircraft sales revenues in the future. In the event that we experience significantly increased customer demand to purchase our Aircranes, we anticipate being able to meet such demand by rapidly expanding our manufacturing capacity and related resources. However, such expansion may require us to incur significant costs.

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THE OFFERING

Common stock offered by Erickson Air-Crane Incorporated	4,800,000 shares
Common stock to be outstanding after this offering	9,602,970 shares
Common stock subject to overallotment option granted by Erickson Air-Crane Incorporated	720,000 shares (these shares will only be sold, in full or in part, if the underwriters exercise their overallotment option to purchase additional shares)
Use of proceeds	We estimate that we will receive net proceeds from the sale of shares of common stock in this offering of approximately $33.5 million, assuming an initial public offering price of $8.50 per share, the midpoint of the sale price range set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the proceeds of this offering to pay down indebtedness under our revolving credit facility, which will increase the amounts available for future borrowing under our revolving credit facility and will, in our view, increase the likelihood of our compliance with the financial covenants under our Credit Agreement on an ongoing basis and improve our ability to refinance our senior credit facilities. As of December 31, 2011, our total indebtedness, excluding letters of credit, was $130.6 million, consisting of $51.8 million borrowed under our revolving credit facility, $55.3 million borrowed under our term loan facility and $23.5 million borrowed under our unsecured subordinated promissory notes. At December 31, 2011, we had maximum availability for borrowings under our revolving credit facility of approximately $13.4 million. See "Use of Proceeds" for additional information.
Proposed NASDAQ Global Market symbol	"EAC"
Risk factors	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in shares of our common stock.

The number of shares of common stock to be outstanding after this offering is based on our shares outstanding as of the date of this prospectus, which gives effect to the completion of our recapitalization described in "Explanatory Note Regarding Recapitalization."

Unless we indicate otherwise, all information in this prospectus excludes:

- 417,649 shares of common stock reserved for issuance under our 2012 Long-Term Incentive Plan, which we intend to adopt prior to the closing of this offering, which includes the following RSUs that we intend to issue concurrently with the closing of this offering: (1) 252,935 RSUs to certain members of our management and (2) 4,864 RSUs to our independent directors; and

- the shares of common stock to be sold by us if the underwriters exercise their overallotment option.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our summary consolidated financial and other data. We derived our summary consolidated financial and other data as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010, and 2011 from our audited consolidated financial statements and notes thereto, which are included elsewhere in this prospectus. The balance sheet data as of December 31, 2009 has been derived from our audited consolidated financial statements which are not included in this prospectus.

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

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(In thousands, except share and per share amounts)	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Consolidated Statement of Operations Data:			
Net revenues:			
Aerial services	$ 113,603	$ 105,747	$ 138,637
Manufacturing / MRO[(1)]	36,019	12,493	14,132
Total net revenues	149,622	118,240	152,769
Cost of revenues:			
Aerial Services	76,855	81,353	93,566
Manufacturing / MRO	21,272	7,651	13,730
Total cost of revenues	98,127	89,004	107,296
Gross profit	51,495	29,236	45,473
Operating expenses:			
General and administrative	14,877	14,105	13,023
Research and development	6,889	6,400	4,827
Selling and marketing	5,115	6,987	9,940
Restructuring charges			1,084
Total operating expenses	26,881	27,492	28,874
Operating income (loss)	24,614	1,744	16,599
Other income (expense):			
Interest income	157	14	7
Interest expense	(6,163)	(4,879)	(9,157)
Loss on early extinguishment of debt[(2)]		(2,265)	
Other income (expense)[(3)]	(987)	(6,193)	3,885
Total other income (expense)	(6,993)	(13,323)	(5,265)
Net income (loss) before income taxes and noncontrolling interest	17,621	(11,579)	11,334
Income tax expense (benefit)[(4)]	5,330	(3,544)	(4,926)
Net income (loss)	12,291	(8,035)	16,260
Less: Net (income) loss related to noncontrolling interest	(239)	(216)	(390)
Net income (loss) attributable to Erickson Air-Crane Incorporated	12,052	(8,251)	15,870
Dividends on Series A Redeemable Preferred Stock[(5)]	6,806	7,925	9,151
Net income (loss) attributable to common stockholders	5,246	(16,176)	6,719
Net income (loss)	12,291	(8,035)	16,260
Other comprehensive income (loss):			
Foreign currency translation adjustment	571	45	(402)
Comprehensive income (loss)	$ 12,862	$ (7,990)	15,858
Pro forma earnings (loss) per share (unaudited):[(6)]			
Basic	$ 2.51	$ (1.72)	3.30
Diluted	$ 2.38	$ (1.72)	3.14
Pro forma weighted average shares outstanding (unaudited):[(6)]			
Basic	4,802,970	4,802,970	4,802,970
Diluted	5,060,769	4,802,970	5,060,769

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(In thousands)	As of December 31, 2009	As of December 31, 2010	As of December 31, 2011
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 3,536	$ 1,928	$ 268
Aircranes, property, plant and equipment, net	44,829	52,515	56,629
Working capital(7)	6,702	5,538	32,955
Total assets	178,967	203,703	233,911
Total debt(2)	80,546	93,894	130,570
Series A Redeemable Preferred Stock(8)	49,085	57,010	66,161
Stockholders' equity:			
Common stock	1	1	1
Total stockholders' equity (deficit)	485	(15,598)	(9,145)

(In thousands)	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Consolidated Statement of Cash Flow Data:			
Net cash provided by (used in):			
Operating activities	$ 9,900	$ (8,430)	$ (20,723)
Investing activities	(2,667)	(5,017)	(13,083)
Financing activities	(5,662)	11,057	32,759

(In thousands, except percentages)	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Other Financial Data:			
Gross margin %	34.4%	24.7%	29.8%
Operating margin %	16.5%	1.5%	10.9%
EBITDA (unaudited)(9)	$ 28,742	$ (1,482)	$ 28,269
Bank EBITDA (unaudited)(10)	$ 31,496	$ 11,859	$ 25,069

(1) Net revenues from Manufacturing / MRO reflect the sale of one Aircrane in 2009, zero Aircranes in 2010, and zero Aircranes in 2011.

(2) Debt is comprised of amounts outstanding under our credit facilities and our unsecured subordinated promissory notes. In June 2010, we replaced our former revolving credit facility and our former term loan with a new credit facility. As a result of the refinancing, we expensed $2.3 million, including the unamortized portion of the previously deferred financing costs and early termination fees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness."

(3) Other income (expense) for the year ended December 31, 2010 includes a net gain related to an Aircrane accident in Malaysia of $6.3 million, after accounting for insurance proceeds, and $10.0 million in litigation settlement expenses. In 2011, we recognized income of $2.7 million associated with the reversal of interest expense from a tax settlement.

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

(5) Dividends on Series A Redeemable Preferred Stock represent non-cash accruals. No cash dividends have been paid or will be paid to holders of Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock and the Class A common stock will be reclassified into 4,802,970 shares

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of a single class of common stock in connection with this offering. See "Explanatory Note Regarding Recapitalization."

(6)

Pro forma amounts give effect to our recapitalization in connection with this offering, including the reclassification of Series A Redeemable Preferred Stock and Class A Common Stock as common stock. The pro forma weighted diluted share amounts also include 257,799 shares of common stock related to RSUs that we intend to issue concurrently with the closing of this offering under our 2012 Long-Term Incentive Plan (except for the year ended December 31, 2010 because the effect of including these shares would be anti-dilutive). See "Explanatory Note Regarding Recapitalization" and "Executive Compensation 2012 Long-Term Incentive Plan."

(7)

Working capital is calculated as our current assets less our current liabilities.

(8)

Represents Series A Redeemable Preferred Stock which will be reclassified as common stock in connection with this offering. See "Explanatory Note Regarding Recapitalization" and note 5 above.

(9)

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

To provide investors with additional information regarding our financial results, we have disclosed in the table below and elsewhere in this prospectus EBITDA, a financial measure not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). We have provided a reconciliation below of EBITDA to net income (loss), the most directly comparable GAAP financial measure. EBITDA is not a financial measurement prepared in accordance with GAAP and should not be considered as an alternative to revenue, net income (loss) as a measure of operating performance or to cash flows from operating activities as a measure of liquidity or any other measure of financial performance presented in accordance with GAAP. We present EBITDA because we believe it is an important measure of our operating performance and provides more comparability between our historical results by taking into account our capital structure including (i) changes in our asset base (depreciation and amortization) from acquisitions and from capital expenditures, and (ii) changes in interest expense and amortization of financing costs. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of net income (loss) to EBITDA for each of the periods indicated:

(In thousands)	**Year Ended December 31, 2009**	**Year Ended December 31, 2010**	**Year Ended December 31, 2011**
EBITDA Reconciliation:			
Net income (loss) attributable to Erickson Air-Crane Incorporated	$ 12,052	$ (8,251)	$ 15,870
Interest expense, net	6,006	4,865	9,150
Tax expense (benefit)	5,330	(3,544)	(4,926)
Depreciation	4,378	4,745	7,300
Amortization of debt issuance costs	976	703	875
EBITDA	$ 28,742	$ (1,482)	$ 28,269

(10)

We use an adjusted EBITDA ("Bank EBITDA") to monitor compliance with various financial covenants under our Credit Agreement and in connection with measuring performance for management incentive compensation. In addition to adjusting net income (loss) to exclude interest expense, net, provision for (benefit from) income taxes, and depreciation and amortization, Bank EBITDA also adjusts net income by excluding non-cash unrealized mark-to-market foreign exchange

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gains (losses), specified litigation expenses up to a maximum of $2.0 million for any 12-month period, certain management fees, gains from sale of equipment, non-cash charges arising from awards to employees relating to equity interests, non-cash charges relating to financings, initial public offering-related non-capitalized expenses up to a maximum of $2.0 million, certain fourth quarter 2010 charges up to $11.6 million and other unusual, extraordinary, non-recurring non-cash costs. For each calculation of Bank EBITDA made as of the end of the quarters ended June 30, September 30, and December 31, 2011 and that will be made as of the quarter ending March 31, 2012, Bank EBITDA also includes an amount equal to the $10.0 million in new unsecured subordinated promissory notes dated June 30, 2011 and any additional subordinated debt issued in connection with an equity cure under the Credit Agreement. Such amounts have been excluded from this table for presentation purposes. Bank EBITDA also assists us in monitoring our ability to undertake key investing and financing functions such as making investments and incurring additional indebtedness, which may be prohibited by the covenants under our Credit Agreement unless we comply with certain financial ratios and tests. Bank EBITDA, as presented herein, is a supplemental measure of our performance that is not required by or presented in accordance with GAAP. Bank EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to revenue, net income (loss), cash flow, or any other performance measure derived in accordance with GAAP. Our presentation of Bank EBITDA may not be comparable to similarly titled measures of other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness Bank EBITDA."

The following table presents a reconciliation of EBITDA to Bank EBITDA for the periods indicated:

(In thousands)	**Year Ended December 31, 2009**	**Year Ended December 31, 2010**	**Year Ended December 31, 2011**
Bank EBITDA Reconciliation:			
EBITDA	$ 28,269	$ (1,482)	$ 28,269
Non-cash unrealized mark-to-market foreign exchange gains (losses)	992	905	(1,819)
Interest related to tax contingencies	500	495	(2,745)
Management fees[1]	500	165	
Loss on early extinguishment of debt		2,265	
Litigation expense	1,430	2,000	1,390
Legal settlements and other		11,600	
Other (gains) losses	(668)	(4,089)[2]	(26)
Bank EBITDA	$ 31,496	$ 11,859	$ 25,069[3]

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

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

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

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before making a decision to invest in our common stock. If the events described below actually occur, our business, operating results, or financial condition could be materially adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

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

The operation of helicopters inherently involves a high degree of risk. Hazards such as aircraft accidents, mechanical failures, collisions, fire, and adverse weather may result in loss of life, serious injury to employees and other persons, damage to property, losses of equipment and revenues, and suspension or reduction of operations. The aerial services we provide and the missions we fly, which include firefighting and timber harvesting in confined spaces, can be hazardous. Since 2003, we have experienced an average of 6.7 incidents per 1,000 flight hours and 0.07 accidents per 1,000 flight hours. An "incident" is an occurrence, other than an accident, which affects or could affect the safety of operations; an "accident" is an occurrence associated with the operation of an aircraft, which takes place between the time any person boards the aircraft with the intention of flight and all such persons have disembarked, and in which any person suffers death or serious injury, or in which the aircraft receives substantial damage. Since 2003, we had seven accidents that resulted in the loss or hangar rebuild of aircraft, injuries to pilots and crew, and four fatalities, including an accident in June 2010 that resulted in the loss of an aircraft and the death of a pilot. In addition, we ship our helicopters to various locations, which exposes them to risks, including risks relating to piracy and inclement weather, when in transit.

We maintain hull and liability insurance on our aircraft, which insures us against physical loss of, or damage to, our aircraft and against certain legal liabilities to others. In addition, we carry war risk, expropriation, confiscation, and nationalization insurance for our aircraft involved in international operations. In some instances, we are covered by indemnity agreements from our customers in lieu of, or in addition to, our insurance. In addition, we maintain product liability insurance for aircraft and aircraft components we manufacture. We do not currently maintain business interruption insurance, which would cover the loss of revenue during extended periods, such as those that occur during unscheduled extended maintenance or due to damage to aircraft from accidents. In addition, our insurance will not cover any losses incurred pursuant to any performance provisions under agreements with our customers.

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

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

A favorable safety record is one of the primary factors a customer reviews in selecting an aviation provider. If we fail to maintain our safety and reliability record, our ability to attract new customers and maintain our current customers will be materially and adversely affected. In addition, safety violations could lead to increased regulatory scrutiny; increase our insurance rates, which is a significant operating cost; or increase the difficulty of maintaining our existing insurance coverage in the future, which would

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adversely affect our operations. Because of the inherent risks in our helicopter operations, no safety program can guarantee accidents will not occur. Since 2003, we have experienced an average of 6.7 incidents per 1,000 flight hours and 0.07 accidents per 1,000 flight hours. An "incident" is an occurrence, other than an accident, which affects or could affect the safety of operations; an "accident" is an occurrence associated with the operation of an aircraft, which takes place between the time any person boards the aircraft with the intention of flight and all such persons have disembarked, and in which any person suffers death or serious injury, or in which the aircraft receives substantial damage. Since June 2003, we had seven accidents that resulted in the loss or hangar rebuild of aircraft, injuries to pilots and crew, and four fatalities, including an accident in June 2010 that resulted in the loss of an aircraft and the death of a pilot.

Our indebtedness and significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business and we might not comply with the financial covenants under our Credit Agreement in 2012.

We are a highly leveraged company and, as a result, have significant debt service obligations. As of December 31, 2011, our total indebtedness, excluding letters of credit, was $130.6 million, consisting of $51.8 million borrowed under our revolving credit facility, $55.3 million borrowed under our term loan facility and $23.5 million borrowed under unsecured subordinated promissory notes. At December 31, 2011, we had maximum availability for borrowings under our revolving credit facility of approximately $13.4 million.

Our substantial indebtedness could have significant negative consequences to us that you should consider. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, or other general corporate purposes, or to carry out other aspects of our business plan;
- increase our vulnerability to general adverse economic and industry conditions and limit our ability to withstand competitive pressures;
- adversely affect our profitability and results of operations, particularly if our interest expense increases due to an increase in our outstanding indebtedness or an increase in our borrowing costs;
- adversely affect our financial condition and impair our ability to grow and operate our business;
- limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to obtain additional financing for working capital, capital expenditures, and other aspects of our business plan.

Our ability to meet our debt obligations and other expenses will depend on our future performance, which will be affected by financial, business, economic, regulatory, and other factors, many of which we are unable to control. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business Credit Agreement Compliance and Refinancing Costs."

We were not in compliance with certain financial covenants under our Credit Agreement as of December 31, 2010 and March 31, 2011, and subsequent amendments to our Credit Agreement waived such non-compliance. We cannot assure you that, if we fail to comply with the financial covenants under our Credit Agreement, our lenders will agree to waive any non-compliance. We amended the Credit Agreement effective December 31, 2010. An initial amendment removed the requirement to comply with

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existing financial covenants as of December 31, 2010, added a net income covenant calculation for fiscal 2010, and adjusted certain amounts related to the determination of Bank EBITDA and tangible net worth. In addition, the interest rate matrix was modified to add an additional pricing tier. Subsequent amendments waived our non-compliance with certain requirements and financial covenants under the Credit Agreement for both the fourth quarter of 2010 and the first quarter of 2011, and modified the financial covenants for future periods. These amendments modified the interest rate matrix and adjusted our financial reporting requirements. In connection with these amendments we issued new unsecured subordinated promissory notes in the amount of $10.0 million to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P., which were funded on June 30, 2011. We were in compliance with our Credit Agreement covenants at June 30, 2011, September 30, 2011, and December 31, 2011 and we expect to be in compliance with these covenants at March 31, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness." If our business does not perform as expected, including if we generate less than anticipated revenue from our Aerial Services operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our Credit Agreement in 2012. In addition, we have significant payment obligations due in 2013 as a result of the maturity of our senior credit facilities on June 24, 2013 and the possible exercise by one of our significant customers of a put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to the customer. Our ability to finance such repurchase may depend on our ability to refinance our senior credit facilities. These significant payments, if required, could adversely affect our ability to refinance our debt or obtain additional financing to grow or operate our business.

Our indebtedness under our senior credit facilities is secured by liens on substantially all of our assets, including our interests in our subsidiaries, against which our lenders could proceed if we default on our obligations. When our term loan and revolving loan come due in 2013, we will likely need to enter into new financing arrangements to repay those loans. We may be unable to obtain financing on favorable terms or at all, which could adversely affect our business, financial condition, and results of operations. For more information on our indebtedness, please see our financial statements included elsewhere in this prospectus and our description of indebtedness in "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness."

If we are unable to repay or refinance our outstanding unsecured subordinated promissory notes at or prior to maturity, our business, financial condition, and results of operations may be adversely affected.

As of December 31, 2011, the principal amount outstanding under our unsecured subordinated promissory notes (including accreted and unpaid interest) was $23.5 million, of which $11.4 million mature on June 30, 2015 and $12.1 million mature on June 30, 2016. Prior to the completion of this offering, the interest rate under our unsecured subordinated promissory notes was set at 20.0% per year, payable quarterly in arrears and payable in kind by increasing the principal amount of the notes. Upon completion of this offering, we will amend the terms of these notes so that the interest rate will be 10.0% per year, payable quarterly in arrears and payable in kind by increasing the principal amount of each note. Under the notes, no periodic payment of principal or interest in cash is required and we have the right to prepay all or any portion of the notes at any time prior to maturity without any prepayment premium or penalty. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness Subordinated Notes."

At maturity, the notes due in 2015 will have a principal amount outstanding, including accrued and unpaid interest, of $16.5 million, and the notes due in 2016 will have a principal amount outstanding, including accrued and unpaid interest, of $19.4 million. At or prior to the maturity of the notes in 2015 and 2016, we will need to refinance the notes with additional indebtedness or repay them with cash from operations (which may include the sale of Aircranes) or the proceeds of future equity financings, none of which can be assured. We may be unable to obtain financing on favorable terms or at all, which could adversely affect our business, financial condition, and results of operations.

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In addition, under the terms of our Credit Agreement, we are prevented from paying down principal on the unsecured subordinated promissory notes unless such payments are made with the proceeds of an equity offering in which we receive minimum net cash proceeds of $60.0 million. Our senior credit facilities mature on June 24, 2013. Prior to maturity, we intend to refinance our senior credit facilities with new credit facilities. In connection with any new credit facilities, we may be unable to negotiate more favorable terms to permit the repayment of our unsecured subordinated promissory notes, which could adversely affect our business, financial condition, and results of operations.

Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement.

Operating results in our Manufacturing / MRO segment are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. The sale of Aircranes has a material effect on our financial results, and Aircrane sales have been a dominant factor in fluctuations in our year-over-year results. We have not sold an Aircrane since 2009, but have manufactured two Aircranes that are ready for sale, one of which is complete and one of which is substantially complete.

As we have expanded internationally and sought to make Aircrane sales in the difficult economic environment in the last few years, several potential customers have defaulted or not completed anticipated Aircrane sales. In September 2010, we entered into an Aircrane purchase agreement with a potential Brazilian purchaser which required staged payments beginning in September 2010 based on set conditions, but was subject to a purchaser financing condition. Although we substantially completed the Aircrane for delivery, no payments were made by the purchaser and the agreement terminated in December 2010. Subsequently, we have entered into non-binding letters of intent for several Aircrane sales that have not resulted in sales as the potential customers could not obtain financing or did not make required deposits. In December 2010, we entered into a non-binding memorandum of understanding with Wan Yu Industries Groups, Limited for the purchase of five Aircranes that was subject to a condition that the customer pay a non-refundable deposit by the end of January 2011. The deposit with respect to such potential Aircrane sales was not received and therefore the arrangement terminated. On August 1, 2011, we entered into an Aircraft Lease and Purchase Option Agreement with HRT, a subsidiary of a Brazilian oil and gas exploration company, which agreement was amended on October 11, 2011. HRT declined to exercise its option to purchase the Aircrane pursuant to such agreement and the lease expired on January 15, 2012. The failure of HRT to exercise its purchase option and the failure by us to otherwise sell an Aircrane increases the risk that we may fail to comply with the financial covenants under our Credit Agreement in 2012. Accordingly, we have incurred significant costs in building Aircranes for sale but have been unable to sell any in 2010 or 2011.

In February 2012, we entered into a non-binding letter of intent with THK, pursuant to which THK expressed its intent to purchase one Aircrane on or prior to June 30, 2012. The terms of a binding agreement remain subject to ongoing negotiations between us and THK, and we do not know when such negotiations will conclude. The letter of intent also provides that we will grant THK an option, expiring on December 31, 2013, to purchase three additional Aircranes. This option does not specify a purchase price or any other potential terms of purchase and will be subject to further negotiation of a binding agreement. There can be no assurance that THK will purchase an Aircrane. If THK elects to purchase an Aircrane, it may need to obtain financing, which it may not be able to obtain on terms acceptable to THK, if at all.

In the past, failures to make sales of an Aircrane have resulted in financial performance below our expectations, and we have obtained waivers from our lenders and have amended our Credit Agreement in order to comply with our financial and reporting covenants.

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Our failure to timely collect our receivables could adversely affect our cash flows and results of operations and our compliance with the financial covenants under our Credit Agreement.

We provide services to our customers for which we are customarily not paid in advance. We rely on the creditworthiness of our customers to collect on our receivables in a timely manner after we have billed for services previously provided. For the years ended December 31, 2009, 2010, and 2011, 7.8%, 9.0%, and 0% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with the U.S. Forest Service, 6.6%, 10.5%, and 18.9% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with the Italian Ministry of Civil Protection, 27.8%, 16.2%, and 21.6% of our accounts receivable at the end of such periods, respectively, were attributable to services provided to the Hellenic Fire Brigade, and 2.5%, 7.8%, and 6.7% of our accounts receivable at the end of such periods, respectively, were attributable to our contract with Samling Global. While we generally provide services pursuant to a written contract which determines the terms and conditions of payment to us by our customers, occasionally customers may dispute a bill and delay, contest, or not pay our receivable.

For example, we have historically received approximately $13 million of revenue each year from our contract with the Hellenic Fire Brigade. During 2011, we received an advance payment of approximately 50% of 2011 revenue pursuant to our contact with the Hellenic Fire Brigade. The balance of approximately $5.8 million in accounts receivable is currently past due. In February 2012, the Hellenic Fire Brigade informed our agents and representatives in Greece that, although funds for this receivable have been allocated for payment to us, under Greek law it cannot make the payment until a tax withholding issue is resolved. We are currently working with our agents and representatives in Greece, local tax advisors, and the Greek tax authorities to resolve this withholding tax issue. The timing of such payment is uncertain. Although we believe the receivable to be fully collectible, in the event that it is not and we write-off this receivable, we may fail to comply with the financial covenants under our Credit Agreement in 2012.

We make estimates in accounting for revenues and costs, and any changes in these estimates may significantly impact our earnings.

We historically have sold Aircranes under long-term contracts with our customers. We have historically, including in the periods presented in this prospectus, recognized revenues on Aircrane sales when the aircraft is delivered to a customer. We expect to account for Aircrane sales using the percentage of completion method of accounting when all of the requirements are met. Revenue on contracts using the percentage of completion method is recognized as work progresses toward completion and is based on estimates, including estimated labor hours. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Revenue Recognition."

Our Aircranes are normally manufactured under long-term construction contracts, and we expect to recognize revenues for Aircrane sales over several fiscal periods. Changes in estimates affecting sales, costs, and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. A significant change in an estimate on one or more contracts could have a material effect on our results of operations.

We also offer CPH contracts to customers under which we provide components and expendable supplies for a customer's aircraft at a fixed cost per flight hour. If actual costs vary materially from our estimates, our operating results could be materially and adversely affected.

The helicopter services business is highly competitive.

Each of our segments faces significant competition. We compete for most of our work with other helicopter operators and, for some operations, with fixed-wing operators and ground-based alternatives. Many of our contracts are awarded after competitive bidding, and competition for those contracts is generally intense. The principal aspects of competition are safety, price, reliability, availability, and service.

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We have several major competitors and numerous small competitors operating in our aerial services markets. In the firefighting market, we compete heavily with both helicopter and fixed-wing operators. Our competitors may at times undercut our prices, especially if they are at risk of having too many idle aircraft. In the timber harvesting market, we compete with other heavy-lift helicopter operators, medium-lift helicopter operators, and ground-based solutions. The cyclical supply/demand for timber may at times drive down commodity prices, which in turn can make lower cost/productivity solutions more attractive. A competitor could develop, or acquire (including from the military) and adapt, an aircraft with heavy-lift capability that directly competes with one of our aircraft and diminishes its competitive advantages; while we are not aware of current development of a competitive aircraft or any competitor's plan to acquire and convert a military helicopter to civilian uses that would compete with our services, such a development could adversely affect our results of operations. The conversion of a military aircraft for civilian use would take time and expense and would typically be subject to an extended FAA approval process, which mitigates the short-term risk to our business of such a conversion.

In the manufacturing and MRO market, our competitors may have more extensive or more specialized engineering, manufacturing, and marketing capabilities than we do in some areas. In addition, some of our largest customers could develop the capability to manufacture products or provide services similar to products that we manufacture or services that we provide. This could result in these customers supplying their own products or services and competing directly with us for sales of these products or services, all of which could significantly reduce our revenues. Furthermore, we are facing increased international competition and cross-border consolidation of competition.

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

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

A significant portion of our operating revenue is dependent on actual flight hours, and a substantial portion of our direct costs is fixed. Flight hours could be negatively impacted by factors beyond our control and fluctuate depending on cyclical weather-related and seasonal limitations, which would affect our revenues and operations. These factors include:

- poor weather conditions;
- unexpected maintenance or repairs; and
- unexpectedly calm fire seasons.

From November through February, heavy snow in North America and significant rainfall in Asia Pacific can impede timber harvesting operations. Our aircraft are not currently equipped to fly at night, reinforcing the seasonality of our business with more activity in the Northern Hemisphere during the summer months and less activity during the winter months. Also, firefighting activity is dependent on fires in dry conditions during summer months. In addition, there is variability in the number and extent of fires from year to year, and these patterns are not predictable.

The missions that we fly can be flown safely only if weather conditions permit. Poor visibility, high winds, and heavy precipitation can restrict the operation of helicopters and significantly reduce our flight hours. Reduced flight hours can have a material adverse effect on our business, financial condition, and results of operations. We budget for our operations based on historical weather information, but worse than expected weather could materially affect our results of operations.

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

We derive a significant amount of our revenue from a small number of major customers, including the U.S. Forest Service, the Hellenic Fire Brigade, the Italian Ministry of Civil Protection, and Samling Global. Approximately 58.5% of our 2011 revenues were attributable to these four customers. In particular, for the years ended December 31, 2009, 2010, and 2011, 16.6%, 24.4%, and 27.2% of our revenues, respectively, were attributable to our contract with the U.S. Forest Service, 13.6%, 13.8%, and 15.9% of our revenues, respectively, were attributable to our contract with the Italian Ministry of Civil Protection, 10.5%, 11.0%, and 8.4% of our revenues, respectively, were attributable to services provided to the Hellenic Fire Brigade, and 5.1%, 12.3%, and 7.0% of our revenues, respectively, were attributable to our contract with Samling Global.

Several of our largest customers are governmental agencies or entities that may be subject to budget or other financial constraints. The economies of Greece and Italy in particular have been adversely affected by global financial pressures. In light of the ongoing European sovereign debt crisis, there are heightened risks associated with our future revenue attributable to, and our accounts receivable from, the Hellenic Fire Brigade and the Italian Ministry of Civil Protection. We have an account receivable from the Hellenic Fire Brigade that is past due and our agents and representatives in Greece have informed us that the Hellenic Fire Brigade has cancelled or not exercised its extension options in respect of all of its firefighting contracts for 2012 with us and all other aerial service providers. Although we expect to provide a response by late April to NAMSA's request for proposal to compete for Greek firefighting services to be provided by three heavy-lift helicopters in 2012 through 2014, there is no guarantee that our bid will be successful or that we will be able to satisfy tender specifications. If a Greek contract is awarded to us, there is no guarantee that our revenues and profit margins thereunder will be similar to those that we have received in connection with past contracts with the Hellenic Fire Brigade. If a Greek contract is not awarded to us and we are unable to redeploy the three Aircranes we have historically used to provide services in Greece in order to generate comparable revenues and profit margins, we may fail to comply with the financial covenants under our Credit Agreement in 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business Greek Economic Crisis." We may suffer delays in payment, payment defaults or termination of contracts of governmental agencies or entities as a result of such financial difficulties, which would adversely affect our results of operations and may adversely affect our ability to comply with the financial covenants under our Credit Agreement in 2012.

Some of our customer contracts, including those with the U.S. Forest Service and the Australia Fire Service, include "call when needed" provisions, and therefore the precise amounts we will ultimately earn under these agreements are not known. Contracts with the majority of our significant customers are multi-year contracts; however, these contracts are periodically up for renewal or rebid. Renewal, or a successful rebid, is not guaranteed. Should we lose one of our major customers for any reason, we may be unable to identify new opportunities sufficient to avoid a reduction in our revenues and operating earnings, which would have a material adverse effect on our business and operations. If one or more of these customers is disproportionately impacted by factors that affect its ability to pay us or to enter into new contracts, including general economic factors, our operations could be materially and adversely affected.

In the past, several of our larger contracts have not been renewed for reasons unrelated to our performance, such as the financial condition of our customers or their decision to move the services we provided to them in-house. For example, in 2007 we were not awarded any long-term contracts by the U.S. Forest Service. Accordingly, we cannot assure you that in any given year we will be able to generate similar revenues from our customers as we did in the previous year. Our current contract with the U.S. Forest Service ends at the end of 2012 and, though the contract provides a customer option for three one-year extensions, there is no guarantee that these options will be exercised.

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

Backlog represents the amount of revenue that we expect to derive from signed contracts, including oral contracts that have been subsequently memorialized in writing, or anticipated exercises of customer extension options. Our backlog includes contracts with a duration of six months or more. As of February 29, 2012, we had approximately $212.8 million of backlog, of which $128.0 million was from signed contracts and $84.8 million was from anticipated exercises of customer extension options (including $54.3 million from multi-year annual customer extension options). We expect that approximately $123.8 million of the backlog will not be filled in 2012. As of February 28, 2011, we had $298.9 million of backlog, of which $176.4 million was from signed contracts and $122.5 million was from anticipated exercises of customer extension options (including $22.6 million from multi-year annual customer extension options). No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011. We include anticipated exercises of customer extension options in our backlog when our prior operating history, including past exercises of extension options by such customers and the other circumstances specific to the particular contract, causes us to conclude that the exercise of such extension option is likely. On January 31, 2012, the Hellenic Fire Brigade notified us that it will not exercise its option to extend our existing contract for the 2012 fire season, which contract relates to the use of three Aircranes during the summer of 2012. As a result of these developments, we are not currently providing services to the Hellenic Fire Brigade and our backlog has been reduced by approximately $25.4 million relating to services we had expected to provide to the Hellenic Fire Brigade in 2012 and 2013. We did not receive any advance payments under this contract for 2012.

For contracts that include a guaranteed number of hours, the value of the guaranteed hours is included in backlog. For CPH contracts, which depend on hours flown by our customers, we calculate the contribution to backlog based on contracted minimum hours. When a binding aircraft sale contract has been signed with a customer, the purchase price of the aircraft not included in current revenues is included in backlog. When we sign a contract giving a potential purchaser an option to purchase an aircraft which only becomes binding on a non-refundable payment of a material option fee, we do not include the purchase price of the aircraft in backlog until the non-refundable payment has been made and the contract is a binding purchase contract. A customer may default on a purchase contract that has become binding, and we may not be able to convert sales contract backlog into revenue. We calculate the contribution to backlog for some timber harvesting contracts based on our estimate of the cubic meters of high grade timber we expect to deliver under the contract based on our experience. As a result, our estimates of backlog for some of our timber harvesting contracts could be affected by variables beyond our control and may not be entirely realized, if at all. As of February 29, 2012, $4.0 million of our backlog was attributable to timber harvesting contracts based on an estimate of cubic meters of timber to be delivered.

In addition, given the nature of our customers and our industry, there is a risk that our backlog may not be fully realized in the future. For example, the terms of contracts with the U.S. Government, such as our contract with the U.S. Forest Service, generally permit the U.S. Government to terminate the contract, partially or completely, without cause, at the end of each annual period of the contract. Our contracts with other customers may contain similar provisions. A large portion of our operating expenses are relatively fixed and cancellations, reductions or delays in orders by a customer could have a material adverse effect on our business, financial condition and results of operations. Any unexpected termination of a significant government contract could have a material adverse effect on our results of operations. Failure to realize sales from our existing or future backlog would negatively impact our financial results.

Some of our arrangements with customers are short-term, ad hoc, or "call when needed." As a result, we cannot assure you that we will be able to continue to generate similar revenues from these arrangements.

We generate a large portion of our revenues from arrangements with customers with terms of less than six months, *ad hoc* arrangements, and "call when needed" contracts. In 2010 and 2011, for example, approximately 24% and 17% of our revenues, respectively, were derived from such arrangements. There is a risk that customers may not continue to seek the same level of services from us as they have in the past or

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that they will not renew these arrangements or terminate them at short notice. Under "call when needed" contracts, we pre-negotiate rates for providing services that customers may request that we perform (but which we are not typically obligated to perform) depending on their needs. The rates we charge for these contingent services are higher than the rates under stand-by arrangements, and we attempt to schedule our aircraft to maximize our revenue from these types of contracts. The ultimate value we derive from such contracts is subject to factors beyond our control, such as the severity and duration of fire seasons. In the past, several of our larger contracts have not been renewed for reasons unrelated to our performance, such as the financial condition of our customers or their decision to move the services we provided to them in-house. For example, in 2007 we were not awarded any long-term contracts by the U.S. Forest Service. Accordingly, we cannot assure you that in any given year we will be able to generate similar revenues from our customers as we did in the previous year. Our current contract with the U.S. Forest Service ends at the end of 2012 and, though the contract provides a customer option for three one-year extensions, there is no guarantee that these options will be exercised.

Our Aerial Services revenues depend on the availability and size of our Aircrane fleet.

We currently have 17 Aircranes that we employ in providing Aerial Services. An accident could make an Aircrane unavailable to us temporarily or permanently. A sale of an Aircrane that is part of our fleet would also reduce the number of Aircranes available to provide Aerial Services. We have manufactured two Aircranes that are ready for sale, one of which is complete and one of which is substantially complete. These two Aircranes are held in inventory and are not part of our fleet of 17 Aircranes that we operate for our customers. Although we have entered into several non-binding agreements and a binding Aircraft Lease and Purchase Option Agreement with HRT, HRT did not exercise its purchase option thereunder and allowed its lease to expire, and we have not sold an Aircrane since 2009. The Aircrane that was subject to the Aircraft Lease and Purchase Option Agreement with HRT was one of the 17 Aircranes in our Aerial Services fleet. Potential customers may prefer, due to cost or other reasons, to purchase a used Aircrane, and we could accommodate such preference by selling one of the Aircranes in our fleet. The purchase price of a used Aircrane is generally lower than the purchase price of a new or remanufactured Aircrane. Although we would expect to be able to maintain the level of our operations through more efficient scheduling of our fleet or by allocating Aircranes held for sale to Aerial Services operations if we sell an Aircrane from our fleet, we may not always have the ability to maintain our desired level of Aerial Services operations with a reduced fleet and our results of operations could be adversely affected.

We may be unable to effectively implement production rate changes, particularly in light of our November 2011 restructuring, which may adversely affect our business.

The market for Aircranes is variable and we have historically manufactured a limited number of Aircranes in any year. Production rate reductions could cause us to incur disruption and other costs, which could reduce our profitability. Higher orders for Aircranes could lead to production rate increases in order to meet customers' delivery schedules, and our production rates are impacted by our staffing levels, which were recently reduced. In November 2011, we completed a company restructuring which included a reduction-in-force of 119 employees that affected both our Aerial Services and Manufacturing / MRO segments. The restructuring was needed to realign our operating expenses to ensure that we remain competitive in the markets we serve. However, as a result of the reduction-in-force, we may experience longer aircraft delivery lead times for future customers who wish to purchase Aircranes, which may delay the timing of our aircraft sales revenues in the future. In the event that we experience significantly increased customer demand to purchase our Aircranes, we anticipate being able to meet such demand by rapidly expanding our manufacturing capacity and related resources. However, such expansion may require us to incur significant costs. Failure to effectively implement any production rate changes could lead to extended delivery commitments, and depending on the length of any delay in meeting delivery commitments, additional costs and customers rescheduling their deliveries or terminating their related contract with us.

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

Our business depends upon continued government expenditures on programs that we support. These expenditures have not remained constant over time. For example, the overall U.S. Forest Service budget declined for periods of time in the late 1980s and the early 1990s, resulting in a slowing of new program starts, program delays, and program cancellations. These reductions caused many Forest Service related government contractors to experience declining revenues, increased pressure on operating margins, and, in some cases, net losses. While spending authorizations for U.S. Forest Service programs by the U.S. Government have increased in recent years, future levels of expenditures, mission priorities, and authorizations for these programs may decrease, remain constant, or shift to program areas in which we do not currently provide services. Current foreign and domestic government spending levels on programs that we support may not be sustainable as a result of changes in government leadership, policies, or priorities. In addition, the economies of Greece and Italy in particular have been adversely affected by global financial pressures. In light of the ongoing European sovereign debt crisis, there are heightened risks associated with our future revenue attributable to and our accounts receivable from the Hellenic Fire Brigade and the Italian Ministry of Civil Protection. We have an account receivable from the Hellenic Fire Brigade that is past due and our agents and representatives in Greece have informed us that the Hellenic Fire Brigade has cancelled or not exercised its extension options in respect of all of its firefighting contracts for 2012 with us and all other aerial service providers. Although we expect to provide a response by late April to NAMSA's request for proposal to compete for Greek firefighting services to be provided by three heavy-lift helicopters in 2012 through 2014, there is no guarantee that our bid will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business Greek Economic Crisis." Additionally, our business, prospects, financial condition, or operating results could be materially harmed by the following:

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

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

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

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

Additionally, aircraft and parts we manufacture for sale are subject to strict contractually established specifications using complex manufacturing processes. If we fail to meet the contractual requirements for a

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part, we may be subject to warranty costs to repair or replace the part itself and additional costs related to the investigation and inspection of non-complying parts. These costs are generally not insured. For example, in June 2011 we encountered an issue associated with an accessory failure on a customer's Aircrane that resulted in warranty cost to us of approximately $0.9 million in excess of amounts previously accrued.

We establish warranty reserves that represent our estimate of the costs we expect to incur to fulfill our warranty requirements. We base our estimate for warranty reserves based on our historical experience and other assumptions. If actual results materially differ from these estimates, our results of operations could be materially affected.

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

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

Our pilots and maintenance and manufacturing personnel are highly trained and qualified. Our ability to attract and retain qualified pilots, mechanics, and other highly trained personnel will be an important factor in determining our future success. Our aircraft, and the aerial services we provide, require pilots with high levels of flight experience. The market for these experienced and highly trained personnel is extremely competitive. Accordingly, we cannot assure you that we will be successful in our efforts to attract and retain such persons. Some of our pilots and mechanics, and those of our competitors, are members of the U.S. military reserves and could be called to active duty. If significant numbers of such persons were called to active duty, it would reduce the supply of such workers, possibly curtailing our operations and likely increasing our labor costs. Because of our small size relative to many of our competitors, we may be unable to attract qualified personnel as easily as our competitors.

The loss of key managers could negatively affect our business.

We are dependent upon a number of key managers, including our CEO, Udo Rieder, our CFO, Charles Ryan, our Vice President of Aerial Services, H.E. "Mac" McClaren, our Vice President and Chief Marketing Officer, Gary Zamieroski, and our Vice President of Manufacturing and MRO, David Ford. We have employment agreements with each of these key executive officers and intend to encourage their retention, in part, through the award of time-vesting equity grants. See "Executive Compensation Employment Agreements." If we were to lose the services of one or more of our key team members, our operations could be materially impacted. We do not maintain key person insurance on any team member.

The outcome of litigation in which we may be named as a defendant and of government inquiries and investigations involving our business is unpredictable, and an adverse decision in any such matter could result in significant monetary payments and have a material adverse affect on our financial position and results of operations.

We may be a defendant in future litigation matters. These claims may divert financial and management resources that would otherwise be used to benefit our operations. We cannot assure you that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have a material adverse affect on our financial position and results of operations. In addition, we are sometimes subject to government inquiries and investigations of our business due to, among other things, our business relationships with the U.S. Government, the heavily regulated nature of our industry, and, in the case of environmental proceedings, our ownership of certain property. Any such inquiry or investigation could potentially result in an adverse ruling against us, which could result in significant monetary payments (including possible environmental remediation costs) and a material adverse effect on our financial position and operating results. See "Business Legal Proceedings."

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

The aerial services business is heavily regulated by governmental entities in the United States and in other countries in which we operate. We operate in the United States under laws and regulations administered by the Department of Transportation, principally through the FAA. The FAA promulgates rules relating to the general operation of our aircraft, the process by which our aircraft are maintained, the components and systems that are installed in our aircraft, the qualification of our flight crews and maintenance personnel, and the specialized operations that we undertake, including the carrying of loads and the use of various chemicals. We are regularly inspected by FAA personnel to ensure compliance. Compliance with these rules is complex and costly, and the failure to comply could result in the imposition of fines, the grounding of our aircraft, or other consequences detrimental to our operations and operating results. Our operations in other countries are similarly regulated under equivalent local laws and regulations.

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

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

The laws and regulations affecting our business are subject to change at any time and, because we operate under numerous jurisdictions, we are particularly exposed to the possibility of such changes. Any change in laws or regulations applicable to our business could restrict our operations, increase our costs, or have other effects detrimental to our results of operations or competitive position.

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

Some of our services are sold under U.S. or foreign government contracts or subcontracts. Consequently, we are directly and indirectly subject to various federal rules, regulations and orders applicable to government contractors. From time to time, we are also subject to government inquiries and investigations of our business practices due to our participation in government programs. These inquiries and investigations are costly and consume internal resources. Violation of applicable government rules and regulations could result in civil liability, the cancellation or suspension of existing contracts, or the ineligibility for future contracts or subcontracts funded in whole or in part with federal funds, any of which could have a material adverse effect on our business.

Governmental contracts typically require a competitive bid process, and the award of a contract may be subject to challenge by bid participants. For example, a competitor challenged the U.S. Forest Service contract we were awarded in 2008. As a result, we provided services to the U.S. Forest Service without a

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contract for a period of time, pending resolution of the challenge. See "Business Legal Proceedings" for additional information.

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

In the late 1990s, environmental damage that resulted from hazardous substances at our Central Point, Oregon facility was identified. It was determined that the contamination migrated beyond the property boundary at our facility and impacted off-site water supply wells. A remediation was completed in the late 1990s. Based on the testing of the site in recent years, the contamination levels have been decreasing, though the remediation cannot be guaranteed. We are continuing to participate in monitoring and testing the remediation of the site and we incur ongoing costs for this monitoring and testing. We did not incur any remediation expense in 2010 or 2011.

Our obligations in respect of such contamination are subject to an indemnification agreement with a former owner of the Company. Under this agreement, our potential total liability in respect of remediation costs is capped at $0.5 million, of which we have already paid $0.4 million, with a total remaining liability of $0.1 million. Although the agreement caps our total potential liability, the creditworthiness of the indemnitor is uncertain. If the indemnitor fails to honor the terms of the indemnification agreement, it is possible that we would have to bear the entire cost of the remediation, monitoring and testing. Although our costs during the past two years have not been significant and we do not expect material costs in the future, if the indemnifying party does not meet its obligations we could have additional expenses and the exact amounts are unknown. If a previously unidentified or new source of contamination or pollution is detected, however, the costs could increase substantially. In addition, it is possible that government agencies or other parties could bring a claim against us resulting from the contamination and that defending and resolving such claims could adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

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

We rely on approximately 120 supplier business units or locations for significant or critical components. A small number of manufacturers make some of the key components for our aircraft, and in some instances there is only a single manufacturer, although other manufacturers could be used if necessary for all of our components. If these manufacturers experience production delays, or if the cost of components increases, our operations could suffer. If a manufacturer ceases production of a required component, we could incur significant costs in purchasing the right to manufacture those components or in developing and certifying a suitable replacement, and in manufacturing those components.

Many key components and parts on the Aircrane have not been manufactured since originally introduced. A significant portion of our inventory was acquired in bulk on the surplus market. For some aviation components, our operating cost includes the overhaul and repair of these components but does not include the purchase of a new component. It may be difficult to locate a supplier willing to manufacture replacement components at a reasonable cost or at all. As we exhaust our inventory, the purchase of any new components, or the manufacture by us of new components, could materially increase

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our operating cost or delay our operations; we routinely monitor levels of out-of-production parts and design and certify replacement parts to mitigate this risk.

Our reliance on the Aircrane could harm our business and financial results if technical difficulties specific to the Aircrane occur.

We exclusively fly and manufacture Aircranes and related components. If the Aircrane encounters technical or other difficulties, it may be grounded or lose value and we may be unable to sell the aircraft or parts or provide aerial services on favorable terms or at all. The inability to sell or contract out the Aircrane would virtually eliminate our ability to operate.

If we are unable to continue to develop new technologies and to protect existing technologies, we may be unable to execute on our growth and development plans.

Our success has resulted in part from our development of new applications for our aircraft, such as our fire tank and snorkel for firefighting services, and we believe our growth will continue to depend on the development of new products or applications. Competitors may develop similar applications for their aircraft, which would increase our competition in providing aerial services. In addition, our growth strategy depends, in part, on our ability to develop new products and applications. A number of factors, including FAA certifications, could result in our being unable to capitalize on the development costs for such products or applications. For example, we have devoted significant resources to our program to develop composite-material main rotor blades. If they are not certified by the FAA, we will be unable to recover our research and development costs and will need to expend additional resources to develop an alternative blade.

Not all of our products and applications have been, or may be, patented or otherwise legally protected. If we are not able to adequately protect the inventions and intellectual property we have developed, in the U.S. and in foreign countries, we may face increased competition from those who duplicate our products, and our results of operations and growth opportunities could suffer.

Failure to adequately protect our intellectual property rights could adversely affect our operations.

We rely upon intellectual property law, trade secret protection, and confidentiality and license agreements with our employees, clients, consultants, partners, and others to protect our intellectual property rights. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, our competitors may independently develop equivalent knowledge, methods, and know-how, and we would not be able to prevent their use. To the extent that employees, partners, and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in the related or resulting know-how and inventions. If any of our trade secrets, know-how, or other technologies were to be disclosed to or independently developed by a competitor, our business, financial condition, and results of operations could be materially adversely affected.

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

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

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

Success within our Maintenance, Repair, and Overhaul business is dependent upon fleet utilization and continued outsourcing by helicopter operating companies.

We currently conduct MRO services at facilities in Central Point, Oregon. Revenues at these facilities fluctuate based on demand for maintenance which, in turn, is driven by the number of helicopters operating and the extent of outsourcing of maintenance activities by helicopter operating and OEM companies. If the number of helicopters operating globally declines or outsourcing of maintenance and OEM activities declines, our results of operations and financial condition could be adversely affected.

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

We purchase products from and supply products to businesses located outside of the United States. We also have significant operations outside the United States. For the years ended December 31, 2010 and 2011, approximately 62.5% and 55.8%, respectively, of our total revenues were attributable to operations in non-U.S. countries. A number of risks inherent in international operations could have a material adverse effect on our international operations and, consequently, on our results of operations, including:

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

changes in regulatory structures or trade policies;

tariff and tax regulations;

ensuring compliance with the Foreign Corrupt Practices Act;

difficulties in obtaining export and import licenses; and

the risk of government-financed competition.

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Part of our growth strategy is to enter new markets, including emerging market countries such as China and in South America. Emerging market countries have less developed economies that are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates, and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets, and the imposition of taxes or other charges by government authorities. The occurrence of any of these events and the resulting economic instability that may arise could adversely affect our operations in those countries, or the ability of our customers in those countries to meet their obligations. As a result, customers that operate in emerging market countries may be more likely to default than customers that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in those countries. In particular, we have focused on expanding our presences in developing markets such as China and Malaysia, and the laws and regulations governing aviation sales and services may require approvals that are uncertain and enforcement of joint venture or other contractual relationships may be uncertain. For these and other reasons, our growth plans may be materially and adversely affected by adverse economic and political developments in emerging market countries.

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

Except for statutory protections for our 11 Italian pilots, none of our employees work under collective bargaining, union or similar agreements. Unionization efforts have been made from time to time within our industry, with varying degrees of success. If our employees unionize, our expenses could increase and our results of operations may suffer.

The cost of fuel is a major operating expense, and fuel shortages and fluctuations in the price of fuel could adversely affect our operations.

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

We may not realize the anticipated benefits of acquisitions, joint ventures, strategic alliances, or divestitures.

As part of our business strategy, we may acquire businesses or specific assets, form joint ventures or strategic alliances, and divest operations. Whether we realize the anticipated benefits from these transactions depends, in part, upon the integration between the businesses or assets involved; the performance of the underlying products, capabilities, or technologies; and the management of the transacted operations. We have had limited experience with such integrations. Accordingly, our financial results could be adversely affected by unanticipated performance issues, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance, and indemnifications. Consolidations of joint ventures could also impact our results of operations or financial position. Divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our future financial results.

We may be unable to access public or private debt markets to fund our operations and contractual commitments at competitive rates, on commercially reasonable terms, or in sufficient amounts.

We depend, in part, upon borrowings under our credit facilities to fund our operations and contractual commitments. If we were called upon to fund all outstanding commitments, we may not have sufficient funds to do so. A number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt. These factors include general economic conditions, disruptions or declines in the global capital markets, and our financial performance, outlook, or credit

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ratings. An adverse change in any or all of these factors may materially adversely affect our ability to fund our operations and contractual or financing commitments.

Our senior credit facilities require us, among other obligations, to comply with three significant financial covenants on a quarterly basis, including:

- a minimum fixed charge coverage ratio;
- a maximum leverage ratio; and
- beginning with the quarter ending June 30, 2012 and thereafter, a minimum tangible net worth amount.

If our business does not perform as expected, including if we generate less than anticipated revenue from our Aerial Services operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our Credit Agreement in 2012. If we do not comply with our financial covenants and we do not obtain a waiver or amendment, our lenders may accelerate payment of all amounts outstanding which would immediately become due and payable, together with accrued interest. Any default may require us to seek additional capital or modifications to our credit facilities, which may not be available or which may be costly. Additionally, our suppliers may require us to pay cash in advance or obtain letters of credit as a condition to selling us their products and services. Any of these risks and uncertainties could have a material adverse effect on our financial position, results of operations or cash flow.

In addition, a significant customer holds the right to exercise a put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to the customer in 2009. The put option was an important term to the purchaser when the sale agreement was negotiated. The exercise price would be the fair market value of the Aircrane, determined by independent appraisers at the time of exercise. The fair market value of the Aircrane at July 31, 2013 will be highly dependent upon the hours of usage and the customer use profile for the Aircrane, 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, may be approximately between $10.0 million and $18.0 million. Because our existing credit facility terminates on June 24, 2013, our ability to finance the repurchase of this Aircrane may depend on our ability to obtain new financing.

Our expected growth and new obligations as a public company will require us to add additional personnel, infrastructure, and internal systems with which we have limited experience.

Our management is continuing to implement enhancements to a number of our internal systems, including inventory administration, human resources, and internal controls. We believe that these enhancements will be necessary to support our expected growth as well as our new status as a public company. Following the closing of this offering, we will be subject to various requirements of the SEC and NASDAQ, including record keeping, financial reporting, and corporate governance rules and regulations. Our management team has limited experience in managing a public company. In addition, historically, we have not had some of the internal systems typically found in a public company. Implementing new systems and procedures is always challenging, and we are subject to the risk that our new systems will not function as anticipated or that we will initially fail to understand or properly administer them. Our business could be adversely affected if our internal infrastructure is inadequate to ensure compliance with federal, state, and local laws and regulations.

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

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

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

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

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

Recent events in the financial markets and the economic downturn have contributed to severe volatility in the securities markets, a severe liquidity crisis in the global financial markets, and unprecedented government intervention. These conditions have affected our results of operations and may continue to affect them. In such an environment, significant additional risks may exist for us. The recent instability in the financial markets has led the U.S. Government to take a number of unprecedented actions designed to support certain financial and other institutions and segments of the financial market that have experienced extreme volatility, and in some cases, a lack of liquidity. There can be no assurance that this intervention will improve market conditions, that such conditions will not continue to deteriorate, or that further government intervention will or will not occur. For example, recently, general market volatility has been exacerbated by uncertainty about sovereign debt and the fear that countries such as Greece and Italy may default on their governments' financial obligations. If economic conditions continue or worsen, we face risks that may include:

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

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

Risks Related to this Offering

Our stock price may be volatile, and you may not be able to resell your shares at or above the initial offering price.

There has been no public market for shares of our common stock. An active trading market for our shares may not develop or be sustained following the closing of this offering. The initial public offering

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price of our shares will be determined by negotiations between us and the representative of the underwriters. Our common stock may trade at a lower price upon the closing of this offering.

The stock market has experienced significant price and volume fluctuations. After the offering, the market price for our shares may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- quarterly or annual variations in our operating results;
- changes in financial estimates by securities analysts;
- additions or departures of our key personnel;
- the adoption of new laws or regulations that apply to our business; and
- sales of shares of our common stock in the public markets.

Fluctuations or decreases in the trading price of our common stock may adversely affect your ability to trade your shares. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert management's attention and resources that would otherwise be used to benefit the future performance of our operations. Such litigation expense may not be covered by insurance.

Within 180 days of the date of this offering, the outstanding shares of our common stock will become eligible for sale in the public market, which could cause the price of our common stock to decline.

Our officers, our directors, and all of our stockholders have agreed with the representative of the underwriters not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this offering. When these lock-up agreements expire, the 4,802,970 outstanding shares held by our stockholders, as well as 252,935 RSUs we intend to issue to certain members of our management and 4,864 RSUs we intend to issue to our independent directors, will become eligible for sale, in some cases subject only to the volume, manner of sale, and notice requirements of Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"). Some of our stockholders have the right to require that we register their shares for public sale. See "Shares Eligible for Future Sale Registration Rights." Sales of a substantial number of these shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional equity securities. See "Shares Eligible for Future Sale" for further discussion of the shares that will be freely tradable within 180 days after the date of this offering.

Existing stockholders will exert significant influence over us after the closing of this offering. Their interests may not coincide with yours, and they may make decisions with which you may disagree.

After this offering, entities affiliated with ZM Equity Partners, LLC will own approximately 50% of our outstanding common stock, and two of our directors will continue to be managing directors of Centre Lane Partners LLC, an affiliate of ZM Equity Partners. As a result, these stockholders, acting individually or together, could exert significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. These stockholders may take action by written consent without a meeting of stockholders until the Trigger Date. In addition, this concentration of ownership may delay or prevent a change in control of our Company and make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may not always coincide with our interests as a company or the interest of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements that you would not approve or make decisions with which you may disagree.

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If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that we expect securities or industry analysts to publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our second amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- from and after the Trigger Date, a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors or our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or from otherwise attempting to obtain control of us;

- the requirement of a $66^2/_3$% stockholder vote for the alteration, amendment, or repeal of certain provisions of our second amended and restated certificate of incorporation; and

- stockholders may remove directors only for cause.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, our board of directors has approved the transaction.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus includes forward-looking statements. In some instances, you can identify forward-looking statements by the words such as "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "predict," "potential," and similar expressions, as they relate to us, our business, and our management. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good-faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our safety record and any related impact on our reputation;
- our ability to comply with our debt obligations;
- the effects of increased competition in our business;
- our ability to accurately forecast revenues, convert our backlog into revenues, and appropriately plan our expenses;
- the impact of worldwide economic conditions, including the resulting effect on governmental budgets and capital investments by governmental and private entities and including conditions in Greece and Italy;
- changes in government regulation affecting our business;
- the attraction and retention of qualified employees and key personnel;
- our ability to effectively manage our growth;
- our ability to keep pace with changes in technology and our competitors;
- our ability to successfully enter new markets, manage our international expansion, and expand and diversify our customer base;
- our ability to expand and market our manufacturing and MRO services;
- our ability to market our aerial services in new geographic areas and markets;
- our ability to successfully manage any future acquisitions of businesses, solutions, or technologies;

- the success of our marketing efforts;
- the impact of fluctuations in currency exchange rates; and
- other risk factors included under "Risk Factors" in this prospectus.

The factors listed above are not exhaustive and new factors may emerge or changes to the foregoing factors may occur that could impact our business. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more

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forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations, our market position, and market size estimates and forecasts, is based on market research, industry publications, publicly available information, assumptions that we have made that are based on such data and other similar sources, and on our knowledge of the markets in which we operate. We believe that such industry and market information is generally reliable. Although we have not independently verified any third-party information included in the industry and market information, we make our business decisions on the basis of this and other third-party information and we believe the presented information is accurate. Third-party publications generally state that they have obtained information from sources believed to be reliable but do not guarantee its accuracy and completeness. We are not funded by or otherwise affiliated with, and we did not fund, any of the sources we cite. In addition, industry and market estimates and projections are based on a number of assumptions and subject to risks and uncertainties, including those described in "Risk Factors" and elsewhere in this prospectus. If any one or more of the underlying assumptions turn out to be incorrect, actual results may differ materially from the estimates and projections. For example, the estimated future demand for sawlogs in the United States and Canada may not grow at the rate projected by market data, or at all. You are cautioned not to give undue weight to such estimates and projections.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of shares of common stock in this offering of approximately $33.5 million, assuming an initial public offering price of $8.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering to pay down indebtedness under our revolving credit facility, which will increase the amounts available for future borrowing under this facility and will, in our view, increase the likelihood of our compliance with the financial covenants under our Credit Agreement on an ongoing basis and improve our ability to refinance our senior credit facilities.

As of December 31, 2011, our total indebtedness, excluding letters of credit, was $130.6 million, consisting of $51.8 million borrowed under our revolving credit facility, $55.3 million borrowed under our term loan facility and $23.5 million borrowed under our unsecured subordinated promissory notes. At December 31, 2011, we had maximum availability for borrowings under our revolving credit facility of approximately $13.4 million.

At December 31, 2011, the interest rate on borrowings under our revolving credit facility, which terminates on June 24, 2013, was 3.61%, which was calculated based on the prime rate as quoted by Wells Fargo. As of December 31, 2011, there was $51.8 million outstanding under our revolving credit facility, not including letters of credit. Amounts under our revolving credit facility were borrowed within the prior year and used to refinance our prior senior debt and second lien debt and for general working capital purposes. For a description of the terms of our revolving credit facility see "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness."

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DIVIDEND POLICY

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

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CAPITALIZATION

The table below sets forth our cash and cash equivalents and our capitalization on a consolidated basis as of December 31, 2011:

- on an actual basis;
- on a pro forma basis after giving effect to the completion of our recapitalization, as discussed under "Explanatory Note Regarding Recapitalization"; and
- on a pro forma as adjusted basis after giving effect to the sale of 4,800,000 shares of our common stock offered by us in this offering (at an estimated initial public offering price of $8.50 per share, the midpoint of the sale price range set forth on the cover of this prospectus) less the underwriting discount and estimated offering expenses, and the use of proceeds received by us from this offering as discussed under "Use of Proceeds."

You should read the following table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31, 2011		
	Actual	Pro Forma[(1)]	Pro Forma As Adjusted
(In thousands)			
Cash and cash equivalents	$ 268	$ 268	$ 268
Debt:			
Revolving credit facility	51,783	51,783	18,245
Term debt	55,250	55,250	55,250
Unsecured subordinated promissory notes	23,537	23,537	23,537
Series A Redeemable Preferred Stock, $0.0001 par value: 70,000 shares authorized, 34,999.5 shares issued and outstanding	66,161		
Stockholders' equity:			
Common stock, $0.0001 par value			
Class A: 2,000 shares authorized, 1,000 shares issued and outstanding	1		
Class B: 3,000 shares authorized, no shares issued and outstanding			
Preferred stock, $0.0001 par value: 10,000,000 shares authorized, no shares issued and outstanding			
Common stock, $0.0001 par value: 110,000,000 shares authorized, 4,802,970 shares issued and outstanding, pro forma; 9,602,970 shares issued and outstanding, pro forma as adjusted		1	1
Additional paid-in capital		66,161	99,699
Accumulated earnings (deficit)	(9,988)	(9,988)	(9,988)
Accumulated other comprehensive income	(36)	(36)	(36)
Noncontrolling interest	878	878	878
Total stockholders' equity (deficit)	(9,145)	57,016	90,554
Total capitalization	$ 187,854	$ 187,854	$ 187,854

(1) See "Explanatory Note Regarding Recapitalization."

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Dilution results from the fact that the public offering price per share of our common stock is substantially in excess of net tangible book value per share attributable to existing stockholders for the presently outstanding stock. We calculate net tangible book value per share by dividing our net tangible book value, which equals total assets less intangible assets and total liabilities, by the number of shares outstanding.

The discussion and tables below are based on 1,000 shares of our Class A common stock outstanding as of December 31, 2011 and also reflect the issuance of shares of common stock in the recapitalization. On this basis, our net tangible book value at December 31, 2011 was $57.0 million, or $11.87 pro forma per share, based upon 4,802,970 shares outstanding.

After giving effect to the sale of 4,800,000 shares of common stock in this offering at a price of $8.50 per share, the midpoint of the sale price range set forth on the cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of December 31, 2011 would have been approximately $90.6 million, or $9.43 per share. This represents an immediate decrease in net tangible book value of $2.44 per share to existing stockholders, and an immediate accretion in net tangible book value of $0.93 per share to new investors, or approximately 11% of the offering price of $8.50 per share. The following table illustrates this accretion on a per share basis:

Assumed initial public offering price per share		$ 8.50
Net tangible book value per share as of December 31, 2011		$ 11.87
Decrease in net tangible book value per share attributable to new investors	$ 2.44	
Pro forma net tangible book value per share of common stock after this offering		$ 9.43
Accretion per share to new investors		$ 0.93

The following table shows on a pro forma basis at December 31, 2011, after giving effect to the total cash consideration paid to us, the average price per share paid by existing stockholders and by new investors in this offering before deducting estimated underwriting discounts and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders	4,802,970	50.0	93,103,000	69.5	$ 19.38
New investors	4,800,000	50.0	40,800,000	30.5	$ 8.50
Total	9,602,970	100.0%	133,903,000	100.0%	$ 13.94

The above table excludes 417,649 shares of common stock reserved for issuance under our 2012 Long-Term Incentive Plan, which we intend to adopt prior to the closing of this offering, which includes the following RSUs that we intend to issue concurrently with the closing of this offering: (1) 252,935 RSUs to certain members of our management and (2) 4,864 RSUs to our independent directors. Each RSU entitles the holder to receive one share of our common stock. See "Executive Compensation Elements of Compensation Long-Term Equity Incentives."

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our selected consolidated financial and other data. We derived our selected consolidated financial and other data as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 from our audited consolidated financial statements and notes thereto, which are included elsewhere in this prospectus. The balance sheet data as of December 31, 2007, 2008, and 2009 has been derived from our audited consolidated financial statements which are not included in this prospectus.

Our Company was acquired on September 27, 2007. Although we continued as the same legal entity following the acquisition, in the table below we refer to periods ended on or prior to September 26, 2007 as "predecessor" periods. The predecessor period balance sheets reflect the historical accounting basis in our assets and liabilities, and the balance sheets subsequent to September 27, 2007 reflect the new basis in our assets and liabilities resulting from the acquisition, which altered the book value of our aircraft, property, plant and equipment, and aircraft support parts and has impacted our operating costs compared to the predecessor periods.

We derived our selected consolidated financial and other data of the predecessor for the period from January 1, 2007 through September 26, 2007, and for us as of December 31, 2007, 2008, and 2009 and for the period from September 27, 2007 through December 31, 2007 and the year ended December 31, 2008 from audited consolidated financial statements and notes thereto, which are not included in this prospectus.

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

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(In thousands, except share and per share amounts)	Predecessor[1] Period from January 1, 2007 through September 26, 2007	Successor Period from September 27, 2007 through December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Consolidated Statement of Operations Data:						
Net revenues:						
Aerial services	$ 126,355	$ 25,524	$ 136,548	$ 113,603	$ 105,747	$ 138,637
Manufacturing / MRO[2]	35,872	17,823	5,376	36,019	12,493	14,132
Total net revenues	$ 162,227	$ 43,347	$ 141,924	$ 149,622	118,240	152,769
Cost of revenues:						
Aerial services	80,715	19,722	96,750	76,855	81,353	93,566
Manufacturing / MRO	24,360	13,065	5,019	21,272	7,651	13,730
Total cost of revenues	105,075	32,787	101,769	98,127	89,004	107,296
Gross profit	57,152	10,560	40,155	51,495	29,236	45,473
Operating expenses:						
General and administrative	12,711	4,211	14,010	14,877	14,105	13,023
Research and development	10,290	3,328	7,024	6,889	6,400	4,827
Selling and marketing	1,140	354	1,984	5,115	6,987	9,940
Restructuring charges						1,084
Total operating expenses	24,141	7,893	23,018	26,881	27,492	28,874
Operating income (loss)	33,011	2,667	17,137	24,614	1,744	16,599
Other income (expense):						
Interest income	205	95	305	157	14	7
Interest expense	(3,395)	(2,307)	(7,070)	(6,163)	(4,879)	(9,157)
Loss on early extinguishment of debt					(2,265)	
Other income (expense)[3]	(1,207)	(12,906)	5,962	(987)	(6,193)	3,885
Total other income (expense)	(4,397)	(15,118)	(803)	(6,993)	(13,323)	(5,265)
Net income (loss) before income taxes and noncontrolling interest	28,614	(12,451)	16,334	17,621	(11,579)	11,334
Income tax expense (benefit)[4]	10,000	(4,500)	6,000	5,330	(3,544)	(4,926)
Net income (loss)	18,614	(7,951)	10,334	12,291	(8,035)	16,260
Less: Net (income) loss related to noncontrolling interest	(473)	232	(230)	(239)	(216)	(390)
Net income (loss) attributable to Erickson Air-Crane Incorporated	18,141	(7,719)	10,104	12,052	(8,251)	15,870
Dividends on Series A Redeemable Preferred Stock[5]		1,403	5,877	6,806	7,925	9,151
Net income (loss) attributable to common stockholders	$ 18,141	$ (9,122)	$ 4,227	$ 5,246	$ (16,176)	$ 6,719
Net income (loss)	18,614	(7,951)	10,334	12,291	(8,035)	16,260
Other comprehensive income (loss):						
Foreign currency translation adjustment	614	98	(540)	571	45	(402)
Comprehensive income (loss)	$ 19,228	$ (7,853)	$ 9,794	$ 12,862	$ (7,990)	$ 15,858
Earnings (loss) per share attributable to common stockholders						
Basic	$ 9,070.50	$ (9,122.00)	$ 4,227.00	$ 5,246.00	$ (16,176.47)	$ 6,718.57
Diluted	$ 9,070.50	$ (9,122.00)	$ 4,227.00	$ 5,246.00	$ (16,176.47)	$ 6,718.57

Weighted average shares outstanding												
Basic		2,000		1,000		1,000		1,000		1,000		1,000
Diluted		2,000		1,000		1,000		1,000		1,000		1,000
Pro forma earnings (loss) per share (unaudited):(6)												
Basic	$	3.78	$	(1.61)	$	2.10	$	2.51	$	(1.72)	$	3.30
Diluted	$	3.58	$	(1.61)	$	2.00	$	2.38	$	(1.72)	$	3.14
Pro forma weighted average shares outstanding (unaudited):(6)												
Basic		4,802,970		4,802,970		4,802,970		4,802,970		4,802,970		4,802,970
Diluted		5,060,769		4,802,970		5,060,769		5,060,769		4,802,970		5,060,769

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(In thousands)	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of December 31, 2011
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 9,675	$ 2,303	$ 3,536	$ 1,928	$ 268
Aircranes, property, plant and equipment, net	46,804	46,998	44,829	52,515	56,629
Working capital(7)	5,359	4,773	6,702	5,538	32,955
Total assets	162,740	168,369	178,967	203,703	233,911
Total debt(8)	84,097	86,208	80,546	93,894	130,570
Series A Redeemable Preferred Stock(9)	36,402	42,279	49,085	57,010	66,161
Stockholders' equity:					
Common stock	1	1	1	1	1
Total stockholders' equity (deficit)	(8,008)	(4,454)	485	(15,598)	(9,145)

	Predecessor(1)		Successor			
(In thousands)	Period from January 1, 2007 through September 26, 2007	Period from September 27, 2007 through December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Consolidated Statement of Cash Flow Data:						
Net cash provided by (used in):						
Operating activities	$ (3,966)	$ 24,818	$ (8,717)	$ 9,900	$ (8,430)	$ (20,723)
Investing activities	667	(91,970)	546	(2,667)	(5,017)	(13,083)
Financing activities	1,152	69,737	2,111	(5,662)	11,057	32,759

(1) The period from January 1, 2007 through September 26, 2007 does not include the effect of fair value purchase accounting adjustments resulting from our acquisition on September 27, 2007. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business."

(2) Net revenues from Manufacturing / MRO reflect the sale of three Aircranes in 2007, zero Aircranes in 2008, one Aircrane in 2009, zero Aircranes in 2010, and zero Aircranes in 2011.

(3) Other income (expense) for the period ended December 31, 2007 includes $12.5 million in litigation settlement expenses; for the year ended December 31, 2008 includes a $4.3 million gain related to an insurance settlement with respect to an Aircrane accident; for the year ended December 31, 2010 includes $10.0 million in litigation settlement expenses and a net gain related to an aircraft accident in Malaysia of $6.3 million, after accounting for insurance proceeds; and for the year ended December 31, 2011 includes $2.7 million of recognized income associated with the reversal of interest expense from a tax settlement.

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

(5) Dividends on Series A Redeemable Preferred Stock are non-cash accruals. No dividends have been paid or will be paid to holders of Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock and the Class A Common Stock will be reclassified into 4,802,970 shares of a single class of common stock in connection with this offering. See "Explanatory Note Regarding Recapitalization."

(6) Pro forma amounts give effect to our recapitalization in connection with this offering, including the reclassification of Series A Redeemable Preferred Stock and Class A Common Stock as common stock. The pro forma weighted diluted share amounts also include 257,799 shares of common stock related to RSUs that we intend to issue concurrently with the closing of this offering under our 2012 Long-Term Incentive Plan (except for the period September 27, 2007 through December 31, 2007 and the year ended December 31, 2010 because the effect of including these shares would be anti-dilutive). See "Explanatory Note Regarding Recapitalization" and "Executive Compensation 2012 Long-Term Incentive Plan."

(7)

Working capital is calculated as our current assets less our current liabilities.

(8)

Debt is comprised of amounts drawn under our revolving credit facility, our term loan, and our unsecured subordinated promissory notes. In June 2010, we replaced our former revolving credit facility and our former term loan with a new credit facility. As a result of the refinancing, we expensed $2.3 million, including the unamortized portion of the previously deferred financing costs and early termination fees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness."

(9)

Represents Series A Redeemable Preferred Stock which will be reclassified as common stock in connection with this offering. See "Explanatory Note Regarding Recapitalization" and note 5 above.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of our operations together with our financial statements and the related notes to those statements included in this prospectus. In addition to historical financial information, this discussion contains forward-looking statements reflecting our current plans, estimates, beliefs, and expectations that involve risks and uncertainties. As a result of many important factors, particularly those set forth under "Risk Factors" and "Special Note Regarding Forward-Looking Statements and Industry Data" in this prospectus, our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements.

Overview of the Business

We specialize in the operation and manufacture of the Aircrane, a versatile and powerful heavy-lift helicopter. The Aircrane has a lift capacity of up to 25,000 pounds. and is the only commercial aircraft built specifically as a flying crane without a fuselage for internal load. The Aircrane is also the only commercial heavy-lift helicopter with a rear load-facing cockpit, combining an unobstructed view and complete aircraft control for precision lift and load placement capabilities. We own and operate a fleet of 17 Aircranes which we use to support a wide variety of government and commercial customers worldwide across a broad range of critical aerial services including firefighting, timber harvesting, infrastructure construction, and crewing. We refer to this segment of our business as Aerial Services. We also manufacture Aircranes and related components for sale to government and commercial customers and provide aftermarket support and maintenance, repair and overhaul services for the Aircrane and other aircraft. We refer to this segment of our business as Manufacturing / MRO. In 2010, our Aerial Services and Manufacturing / MRO segments generated revenues of $105.7 million and $12.5 million, respectively, and in 2011, our Aerial Services and Manufacturing / MRO segments generated revenues of $138.6 million and $14.1 million, respectively. In 2010, we had a net loss attributable to Erickson Air-Crane of $8.3 million, and in 2011, we had net income attributable to Erickson Air-Crane of $15.9 million.

In our Aerial Services segment, our engineering staff has developed enhanced mission-specific capabilities and modifications for the Aircrane that allow us to compete effectively and contribute to our market share. We typically lease our Aircranes to customers and provide associated crewing and maintenance services. Our pilots and mechanics are technical specialists with years of training. One of our offerings is to provide crewing for aircraft we have sold to various customers.

Through our Manufacturing / MRO segment we manufacture Aircranes from existing airframes, manufacture new components on a contract basis, and provide customers with FAA- and European Aviation Safety Agency-certified MRO services in our AS9100 certified facility. AS9100 is a widely adopted and standardized quality management system for the aerospace industry. We also offer CPH contracts pursuant to which we provide components and expendable supplies for a customer's aircraft at a fixed cost per flight hour. We believe CPH contracts help our customers better predict and manage their maintenance costs.

We manage our business using key operating indicators to measure our performance, balancing short-term results and strategic priorities.

Sales and Marketing

- To maintain and strengthen our position in the Aerial Services market, we monitor revenue flight hours and aggregate revenues from firefighting, timber harvesting, construction and crewing contracts, and compare these against budgeted and forecasted targets to measure performance. We monitor our sales pipeline for each of these services, and maintain a master fleet schedule and attempt to maximize Aircrane utilization and revenues by minimizing our "white space," or Aircrane idle time.

- To continue to build and develop our Manufacturing / MRO business, we focus on our aircraft sales pipeline, including the quality of our prospects, and on the number of bids and win-rate associated

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with bids for MRO and component manufacturing opportunities. We compare revenues against budgeted and forecasted targets to measure performance.

Operations and Safety

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

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

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

Financial and Overall Performance

We measure overall business performance according to five critical metrics: EBITDA, Bank EBITDA (see "Bank EBITDA"), revenue growth, net income, and free cash flow.

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

We annually prepare a five-year strategic plan encompassing expected results of operations and key growth opportunities. Our strategic planning process results in a complete set of forecasted financial statements, a critical action plan to achieve our strategic goals, and specific performance goals and measurements.

Our Operating Revenue

Aerial Services. Our Aerial Services revenue is derived primarily from contracts with government and commercial customers who use our services for firefighting, timber harvesting, infrastructure construction projects, and crewing services. Many of our contracts for Aerial Services are multi-year, and these contracts provide the majority of our current revenue backlog.

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

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

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

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Crewing Services. For customers who purchase an Aircrane but lack qualified operating personnel, we offer pilots and field maintenance crews on annual or multi-year contracts. We have contracts in place for crewing five of the nine aircraft we have sold since 2002.

Manufacturing / MRO. Our Manufacturing / MRO revenue is derived from the sale of Aircranes, from the sale of aircraft components, and from providing MRO and CPH services to various customers.

Aircrane Sales. In our Central Point, Oregon facility we have the capability to remanufacture Aircranes on existing S-64 and CH-54 airframes. Customers who identify a year-round or otherwise critical application for an Aircrane may find it advantageous to own an Aircrane rather than leasing our fleet's services. We have sold nine Aircranes since 2002.

Component Part Sales. We have an ongoing revenue stream from customers who own or operate either Aircranes or the military version, CH-54s and require parts support for their helicopters. We are also pursuing aftermarket opportunities to develop component parts for other aircraft.

MRO Services. Similar to component part sales, we have an ongoing revenue stream from customers who own or operate Aircranes, CH-54s, or other aircraft and need their aircraft components repaired or overhauled by a certified facility.

CPH Services. For customers who desire better predictability and stability in their aircraft operating costs, we offer contracts in which we provide components and expendable supplies at a fixed cost per flight hour.

Our Operating Expenses

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

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

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

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

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

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Trends and Uncertainties Affecting Our Business

Effect of 2007 Acquisition. Our Company was acquired on September 27, 2007, in which the buyers acquired 100% of our outstanding common stock for $93.1 million, which amount included direct acquisition costs of $3.4 million. The acquisition was accounted for as a purchase in accordance with the Financial Accounting Standard Board's Accounting Standards Codification No. 805, Business Combinations. As a result, we allocated the purchase price to the assets acquired and the liabilities assumed at the date of the acquisition based on their estimated fair value as of the closing date. The difference between the aggregate purchase price and the estimated fair value of the assets acquired and liabilities assumed was approximately $553.7 million. Our management determined that the fair value of the various assets acquired and liabilities assumed was $646.8 million on the date of acquisition and that, based in part on a valuation provided by an independent third party as required by GAAP in connection with such determination, the fair value of the 18 Aircranes in our fleet on the date of acquisition was $317.7 million. The negative goodwill was used to reduce the value of Aircranes and support parts and other property, plant and equipment. As a result of this adjustment, the cost of revenues in each of the successor periods included in this prospectus reflects the lower carrying value of our aircraft support parts that we have sold or used in our maintenance, repair, and overhaul operations. The aggregate effect of the purchase accounting adjustment with respect to our inventory was approximately $28.5 million from the date of acquisition through December 31, 2011. Based on our past experience and historical inventory usage patterns, we expect to largely realize the benefit of the approximately $20.0 million remaining fair value purchase accounting adjustment to aircraft support parts over the next five years as we sell and use our legacy inventory. Our legacy inventory consists of aircraft parts and components purchased over multiple years for which there is no liquid market; therefore, there is no guarantee that we will be able to purchase new inventory at the carrying values of our legacy inventory currently reflected on our balance sheet.

Aircrane Sales. A sale of an Aircrane has a material effect on our financial results, and Aircrane sales have been a dominant factor in fluctuations in our year-over-year results. Although we have focused our sales and marketing efforts on increasing Aircrane sales, sales are not guaranteed in a particular financial period or at all. In the six years comprising 2006 to 2011, we sold three, three, zero, one, zero, and zero Aircrane(s), respectively. Since 2002, we have sold and delivered nine Aircranes. One of our significant customers holds the right to exercise a put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to the customer in 2009. The exercise price would be the fair market value of the Aircrane, determined by independent appraisers at the time of exercise. The fair market value of the Aircrane at July 31, 2013 will be highly dependent upon the hours of usage and the customer use profile for the Aircrane, 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, should be approximately between $10.0 million and $18.0 million. Because our existing credit facility terminates on June 24, 2013, our ability to finance this purchase may depend on our ability to obtain new financing in the ordinary course of our business. If the put option is exercised, the customer must provide six months' advance notice, and we would anticipate funding the purchase through our credit facilities, if available, or by improving our cash flow position by adjusting inventory levels and build plans. None of our other aircraft sale agreements have included a put option. We agreed to provide a put option in our 2009 sale agreement based on that customer's unique circumstances. Inclusion of the put option was important to the customer when the sale agreement was negotiated.

We currently have 17 Aircranes that we employ in providing Aerial Services. We have manufactured two Aircranes that are ready for sale, one of which is complete and one of which is substantially complete. These two Aircranes are held in inventory and are not part of our fleet of 17 Aircranes that we operate for our customers. Manufacturing the Aircranes held in inventory significantly impacts our cash flow from operations. We expect to have a significant decrease in the amount of cash used for inventory in 2012 as compared to the amounts used in 2010 and 2011. Although we have entered into several non-binding agreements and a binding Aircraft Lease and Purchase Option Agreement with HRT, HRT did not

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exercise its purchase option thereunder and allowed its lease to expire, and we have not sold an Aircrane since 2009. The Aircrane that was subject to the Aircraft Lease and Purchase Option Agreement with HRT was one of the 17 Aircranes in our Aerial Services fleet. In addition, the failure of HRT to exercise its purchase option and the failure by us to otherwise sell an Aircrane increases the risk that we may fail to comply with the financial covenants under our Credit Agreement in 2012. We entered into a non-binding letter of intent with THK, pursuant to which THK expressed its intent to purchase one Aircrane on or prior to June 30, 2012. The terms of a binding agreement remain subject to ongoing negotiations between us and THK, and we do not know when such negotiation will conclude. There can be no assurance that THK will purchase an Aircrane. See "Prospectus Summary Recent Developments." To effect a sale, we could sell one of our 17 Aircranes used for Aerial Services. Although we would expect to be able to maintain the level of our operations through more efficient scheduling of our fleet or by allocating Aircranes held for sale to Aerial Services operations if we consummate such a sale, we may not always have the ability to maintain our desired level of Aerial Services operations with a reduced fleet, which could reduce our ability to generate Aerial Services revenues.

Historically, we have recognized revenues on Aircrane sales when the Aircrane was delivered to a customer, because management did not believe it was able to accurately estimate the percentage of completion of an Aircrane during manufacturing. In light of revisions to our cost tracking and estimating processes, we expect to recognize revenue for our long-term construction contracts in the future using the percentage of completion method, when all required criteria are met. With respect to the one completed Aircrane and the one substantially completed Aircrane included in Aircrane and support parts in process at December 31, 2011, we have not recognized any revenue on either Aircrane since neither Aircrane is under a purchase agreement and therefore the criteria for using the percentage of completion method of accounting have not been met. Revenue on contracts using the percentage of completion method is based on estimates, including estimated labor hours. See " Critical Accounting Policies and Estimates Revenue Recognition Manufacturing / MRO." Because the percentage of completion method requires management estimates of aggregate contract costs, changes in estimates between periods could affect our anticipated earnings. See "Risk Factors Risks Related to Our Business We make estimates in accounting for revenues and costs, and any changes in these estimates may significantly impact our earnings."

Credit Agreement Compliance and Refinancing Costs. We are subject to financial covenants under our Credit Agreement, including a leverage ratio test based on maximum Funded Indebtedness (excluding subordinated debt) to Bank EBITDA, a minimum fixed charge coverage ratio, and beginning with the quarter ending June 30, 2012 and thereafter, a minimum tangible net worth amount. See " Description of Indebtedness Senior Credit Facilities." We were not in compliance with certain financial covenants under our Credit Agreement as of December 31, 2010 and March 31, 2011, and subsequent amendments to our Credit Agreement waived such non-compliance. We were in compliance with our financial covenants at June 30, 2011, September 30, 2011, and December 31, 2011, and we expect to be in compliance with such financial covenants at March 31, 2012. Our ability to comply with the financial covenants under our Credit Agreement in 2012 and 2013 is subject to various risks and uncertainties, and among other factors may be adversely affected by any of the following:

- if our business does not perform as expected, including if we generate less than anticipated revenue from our Aerial Services operations or encounter significant unexpected costs;

- if we do not sell an Aircrane;

- if we are not successful in winning a contract award through the NAMSA tender process for an aerial services contract with the Hellenic Fire Brigade relating to the 2012 to 2014 firefighting seasons and we are unable to redeploy the three Aircranes we have historically used to provide services in Greece in order to generate comparable revenues and operating earnings; or

- if we fail to timely collect our receivables, including our receivable from the Hellenic Fire Brigade.

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For a discussion of these and other risks, see "Risk Factors" generally, including "Risk Factors Risks Related to Our Business Our indebtedness and significant debt service obligations could adversely affect our financial condition and impair our ability to grow and operate our business and we may not comply with the financial covenants under our Credit Agreement in 2012." If we fail to comply with the financial covenants under our Credit Agreement, we may incur additional costs that might adversely affect our financial condition, results of operations and cash flows. Such costs might include costs related to obtaining a waiver of any such non-compliance from our lenders. We cannot assure you that our lenders will agree to waive any such non-compliance.

Although we intend to use the proceeds of this offering to pay down indebtedness under our revolving credit facility in order to increase the likelihood of our compliance with the financial covenants under our Credit Agreement and to improve our ability to refinance our senior credit facilities, there will remain uncertainties regarding our ability to comply with our financial covenants in 2012 and 2013 and achieve such refinancing.

The senior credit facilities under our Credit Agreement mature on June 24, 2013. We intend to refinance our senior credit facilities with new credit facilities prior to such maturity. Such refinancing may cause us to incur significant costs, including costs related to the acceleration of amortizing debt issuance costs.

Greek Economic Crisis. The Greek economy in particular has been adversely affected by global financial pressures. We have historically received approximately $13 million of revenue each year from our contract with the Hellenic Fire Brigade. During 2011, we received an advance payment of approximately 50% of the expected 2011 revenue pursuant to our contract with the Hellenic Fire Brigade. The balance of approximately $5.8 million in accounts receivable is currently past due. In February 2012, the Hellenic Fire Brigade informed our agents and representatives in Greece that, although funds for this receivable have been allocated for payment to us, under Greek law it cannot make the payment until a tax withholding issue is resolved. We are currently working with our agents and representatives in Greece, local tax advisors, and the Greek tax authorities to resolve this withholding tax issue. Although we believe the receivable to be fully collectible, in the event that it is not and we write-off the receivable, we may fail to comply with the financial covenants under our Credit Agreement in 2012.

Our contract with the Hellenic Fire Brigade calls for annual confirmation notices. On January 31, 2012, the Hellenic Fire Brigade notified us that it would not exercise its option to extend our existing contract for the 2012 fire season, which contract relates to the use of three Aircranes during the summer of 2012. The Hellenic Fire Brigade has not notified us whether it intends to exercise its option for the 2013 fire season. As a result of these developments, we are not currently providing services to the Hellenic Fire Brigade and our backlog has been reduced by approximately $25.4 million relating to services we had expected to provide to the Hellenic Fire Brigade in 2012 and 2013. See "Business Backlog" for a discussion of how we define and calculate backlog. We did not receive any advance payments under this contract for 2012.

Our agents and representatives in Greece have informed us that the Hellenic Fire Brigade has cancelled or not exercised its extension options in respect of all of its firefighting contracts for 2012 with us and all other aerial service providers. NAMSA has posted on its website a request for proposal for Greek aerial firefighting services for the 2012 to 2014 firefighting seasons. We have registered as a NAMSA supplier and we expect to provide a response by late April to the request for proposal to compete for the requested aerial firefighting services to be provided by three heavy-lift helicopters in Greece for 2012 through 2014. The aircraft specifications for the requested services are similar to those relating to the previous tender by the Hellenic Fire Brigade in 2010 that we successfully won. The Hellenic Fire Brigade has been a continuous customer of ours for more than ten years through several successful re-tendering processes. There is no guarantee that our bid will be successful or that we will be able to satisfy tender specifications. If a Greek contract is awarded to us, there is no guarantee that our revenues and profit margins thereunder will be similar to those that we have received in connection with past contracts with the Hellenic Fire Brigade. If a Greek contract is not awarded to us and we are unable to redeploy the three Aircranes we have historically used to provide services in Greece in order to generate comparable revenues and operating earnings, we may fail to comply with the financial covenants under our Credit Agreement in 2012.

November 2011 Restructuring. On November 2, 2011, we completed a company restructuring which included a reduction-in-force of 119 employees that affected both our Aerial Services and our Manufacturing / MRO segments. The restructuring was needed to realign our operating expenses to ensure that we remain competitive in the markets we serve. However, as a result of the reduction-in-force, we may experience longer aircraft delivery lead times for future customers who wish to purchase Aircranes, which may delay the timing of our aircraft sales revenues in the future. In the event that we experience significantly increased customer demand to purchase our Aircranes, we anticipate being able to meet such demand by rapidly expanding our manufacturing capacity and related resources. However, such expansion may require us to incur significant costs.

Seasonality. Our Aerial Services operations in any given location are heavily seasonal and depend on prevailing weather conditions. Our flight hours are substantially reduced in winter or monsoon seasons. The global deployment of our helicopters and crews helps to limit the effect of seasonality, but our Aerial Services operations tend to peak in June through October and to be at a low point in January through April. Due to the seasonality of our business, we often have unabsorbed costs in the first quarter and the fourth quarter which could lead to negative reported gross profit in these quarters.

Stock-based Compensation. Prior to the closing of this offering, we intend to adopt our 2012 Long-Term Incentive Plan and to commence granting equity awards thereunder. We expect increased operating expenses associated with stock-based compensation, which will be allocated and included primarily in general and administrative expenses and selling and marketing expenses. We expect substantially all of our stock-based compensation expense to be comprised of costs associated with equity incentive awards issued to employees. We will record the fair value of these equity-based awards and expense their cost ratably over related vesting periods, which we expect will generally be five years.

We intend to issue 257,799 RSUs concurrently with the closing of this offering, including: (1) 252,935 RSUs to certain members of our management and (2) 4,864 RSUs to our independent directors. The value of each RSU will be the initial public offering price. Assuming issuance at a price of $8.50 per share, the midpoint of the sale price range set forth on the cover of this prospectus, we would expect to recognize stock-based compensation expense of approximately $1.4 million for the three months ending June 30, 2012 with an additional stock-based compensation expense of approximately $0.8 million that will be recognized over the remaining vesting period of such RSUs. In future periods, our stock-based compensation expense may increase materially if we issue additional stock-based awards to attract and retain employees.

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Results of Operations

2011 Compared to 2010

The following table presents our consolidated operating results for the year ended December 31, 2011 compared to the year ended December 31, 2010:

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Net revenues:						
Aerial Services	$ 105,747	89.4	$ 138,637	90.7	$ 32,890	31.1
Manufacturing / MRO	12,493	10.6	14,132	9.3	1,639	13.1
Total revenues	118,240	100.0	152,769	100.0	34,529	29.2
Cost of revenues:						
Aerial Services	81,353	76.9[1]	93,566	67.5[1]	12,213	15.0
Manufacturing / MRO	7,651	61.2[1]	13,730	97.2[1]	6,079	79.5
Total cost of revenues	89,004	75.3	107,296	70.2	18,292	20.6
Gross profit						
Aerial Services	24,394	23.1[1]	45,071	32.5[1]	20,677	84.8
Manufacturing / MRO	4,842	38.8[1]	402	2.8[1]	(4,440)	(91.7)
Total gross profit	29,236	24.7	45,473	29.8	16,237	55.5
Operating expenses:						
General and administrative	14,105	11.9	13,023	8.5	(1,082)	(7.7)
Research and development	6,400	5.4	4,827	3.2	(1,573)	(24.6)
Selling and marketing	6,987	5.9	9,940	6.5	2,953	42.3
Restructuring charges			1,084	0.7	1,084	100.0
Total operating expenses	27,492	23.3	28,874	18.9	1,382	5.0
Income (loss) from operations	1,744	1.5	16,599	10.9	14,855	851.8
Other income (expense), net:						
Interest expense, net	(4,865)	(4.1)	(9,150)	(6.0)	(4,285)	88.1
Loss on early extinguishment of debt	(2,265)	(1.9)			2,265	(100.0)
Other income (expense), net	(6,193)	(5.2)	3,885	2.5	10,078	NM[2]
Total other income (expense)	(13,323)	(11.3)	(5,265)	(3.4)	8,058	(60.5)
Net income (loss) before income taxes and noncontrolling interest	(11,579)	(9.8)	11,334	7.4	22,913	NM
Income tax expense (benefit)	(3,544)	(3.0)	(4,926)	(3.2)	(1,382)	39.0
Net income (loss)	(8,035)	(6.8)	16,260	10.6	24,295	NM
Less: Net (income) loss related to noncontrolling interest	(216)	(0.2)	(390)	(0.3)	1,226	80.6
Net income (loss) attributable to Erickson Air-Crane Incorporated	(8,251)	(7.0)	15,870	10.4	22,121	NM
Dividends on Series A Redeemable Preferred Stock	7,925	6.7	9,151	6.0	1,226	15.5
Net income (loss) attributable to common stockholders	$ (16,176)	(13.7)	$ 6,719	4.4	$ 22,895	NM

(1) Percentage of net revenues of segment.

(2) We use the abbreviation "NM" throughout this prospectus to refer to changes that are not meaningful.

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Revenues

Consolidated revenues increased by $34.5 million, or 29.2%, to $152.8 million in 2011 from $118.2 million in 2010. The increase in revenues was attributable to a $32.9 million increase in Aerial Services revenues and a $1.6 million increase in Manufacturing / MRO revenues compared to 2010.

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Net revenues:						
Aerial Services	$ 105,747	89.4	$ 138,637	90.7	$ 32,890	31.1
Manufacturing / MRO	12,493	10.6	14,132	9.3	1,639	13.1
Total revenues	$ 118,240	100.0	$ 152,769	100.0	$ 34,529	29.2

Aerial Services. Aerial Services revenues increased by $32.9 million, or 31.1%, to $138.6 million in 2011 from $105.7 million in 2010. This increase was due in part to a 40.0% increase in revenue flight hours for Aerial Services during 2011 to 10,152 hours from 7,252 hours in 2010.

The following are our revenues and revenue flight hours by type of service for 2011 and 2010:

(Dollars in thousands)	Year Ended December 31, 2010	Year Ended December 31, 2011	Change	% Change
Aerial Services Revenues:				
Firefighting	$ 54,749	$ 72,939	$ 18,190	33.2
Timber Harvesting	29,694	31,684	1,990	6.7
Infrastructure Construction	5,743	14,459	8,716	151.8
Crewing	15,561	19,555	3,994	25.7
Total Aerial Services revenues	$ 105,747	$ 138,637	$ 32,890	31.1

	Year Ended December 31, 2010	Year Ended December 31, 2011	Change	% Change
Aerial Services Revenue Flight Hours:				
Firefighting	1,803	3,088	1,285	71.3
Timber Harvesting	4,137	4,585	448	10.8
Infrastructure Construction	342	961	619	181.0
Crewing	970	1,518	548	56.5
Total Aerial Services revenue flight hours	7,252	10,152	2,900	40.0

Firefighting revenues increased by $18.2 million, or 33.2%, to $72.9 million in 2011 from $54.7 million in 2010. This increase was largely due to increases in firefighting revenues in North America of $14.6 million and in Australia of $3.8 million in 2011 compared to 2010. In 2011, both the United States and Canada experienced active fire seasons which resulted in higher demand for our services as compared to 2010. In Australia the increase in revenues was primarily due to contract extensions.

Timber Harvesting revenues increased by $2.0 million, or 6.7%, to $31.7 million in 2011 from $29.7 million in 2010. This increase was primarily due to revenues from a new Canadian customer in 2011.

Infrastructure Construction revenues increased by $8.7 million, or 151.8%, to $14.5 million in 2011 from $5.7 million in 2010. This increase was primarily due to longer duration jobs in Canada and the United States and new customers in Brazil, Peru, and Malaysia.

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Crewing revenues increased by $4.0 million, or 25.7%, to $19.6 million in 2011 from $15.6 million in 2010. This increase was due to the mid-year 2010 start of the contract with a United States customer and to higher flight hours in Italy.

Manufacturing / MRO. Manufacturing / MRO revenue increased by $1.6 million, or 13.1%, to $14.1 million in 2011 from $12.5 million in 2010. This increase was primarily due to higher flight hours on our CPH contract in Italy.

Gross Profit

Consolidated gross profit increased by $16.2 million, or 55.5%, to $45.5 million in 2011 from $29.2 million in 2010. The increase was attributable to an increase in Aerial Services gross profit of $20.7 million, partially offset by a decrease in gross profit from Manufacturing / MRO of $4.4 million in 2011 compared to 2010.

(Dollars in thousands)	Year Ended December 31, 2010	% of Related Revenues	Year Ended December 31, 2011	% of Related Revenues	Change	% Change
Gross profit						
Aerial Services	$ 24,394	23.1	$ 45,071	32.5	$ 20,677	84.8
Manufacturing / MRO	4,842	38.8	402	2.8	(4,440)	(91.7)
Total gross profit	$ 29,236	24.7	$ 45,473	29.8	$ 16,237	55.5

Aerial Services. Aerial Services gross profit increased by $20.7 million, or 84.8%, to $45.1 million in 2011 from $24.4 million in 2010. Gross profit margin was 29.8% in 2011 compared to 24.7% in 2010. The revenue increase of $32.9 million for 2011 compared to 2010 was the primary reason for the gross profit improvement. Certain costs of Aerial Services revenues are fixed in nature, and the increase in flight hour revenues directly benefitted our operating margins and results and were partially offset by costs associated with increased maintenance performed in 2011.

Manufacturing / MRO. Manufacturing / MRO gross profit decreased by $4.4 million, or 91.7%, to $0.4 million in 2011 compared to $4.8 million in 2010, primarily due to higher plant costs, including scrap and unabsorbed plant costs due to lower plant activity levels; a net increase in excess inventory reserves; and higher warranty costs associated with an accessory failure on a customer's Aircrane.

Operating Expenses

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Operating expenses:						
General and administrative	$ 14,105	11.9	$ 13,023	8.5	(1,082)	(7.7)
Research and development	6,400	5.4	4,827	3.2	(1,573)	(24.6)
Selling and marketing	6,987	5.9	9,940	6.5	2,953	42.3
Restructuring charges			1,084	0.7	1,084	100.0
Total operating expenses	27,492	23.3	28,874	18.9	1,382	5.0
Income (loss) from operations	$ 1,744	1.5	$ 16,599	10.9	$ 14,855	851.8

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Operating expenses increased by $1.4 million, or 5.0%, to $28.9 million in 2011 from $27.5 million in 2010. The change was primarily due to the write-off of the receivable related to our U.S. Forest Service claim and charges due to our November 2011 restructuring, partially offset by a decrease in legal expenses and a decrease in research and development expenses resulting from the completion of a major project during 2010.

Other Income (Expense), Net

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Other income (expense), net:						
Interest expense, net	$ (4,865)	(4.1)	$ (9,150)	(6.0)	$ (4,285)	88.1
Loss on early extinguishment of debt	(2,265)	(1.9)			2,265	(100.0)
Other income (expense), net	(6,193)	(5.2)	3,885	2.5	10,078	NM
Total other income (expense), net	$ (13,323)	(11.3)	$ (5,265)	(3.4)	$ 8,058	(60.5)

Total other income (expense), net decreased by $8.1 million to $5.3 million of expense in 2011 from $13.3 million of expense in 2010. Interest expense, net increased by $4.3 million, to $9.2 million in 2011, from $4.9 million in 2010, due to an increase in the effective interest rates on borrowings and an increase in our average outstanding borrowings. Loss on early extinguishment of debt included a $1.8 million write-off of debt issuance costs and early debt termination fees of $0.5 million in the 2010 period associated with signing our new Credit Agreement on June 30, 2010.

(In thousands)	Year Ended December 31, 2010	Year Ended December 31, 2011	Change
Other income (expense), net:			
Gain on involuntary conversions	$ 6,285	$	$ (6,285)
Litigation settlement	(10,000)		10,000
Unrealized foreign exchange gain (loss)	(905)	1,819	2,724
Realized foreign exchange gain (loss)	34	(956)	(990)
Gain (loss) on disposal of equipment	(83)	26	109
Amortization of debt issuance costs	(703)	(875)	(172)
Interest expense related to tax contingencies	(495)	2,745	3,240
Other income (expense), net	(326)	1,126	1,452
Other income (expense), net	$ (6,193)	$ 3,885	$ 10,078

Other income (expense), net changed by $10.1 million to $3.9 million of other income in 2011 from $6.2 million of other expense in 2010. Other income (expense), net included a net gain of $6.3 million, after accounting for insurance proceeds, in 2010 associated with an aircraft accident; a $10.0 million litigation settlement with Evergreen Helicopters; $2.7 million associated with the reversal of interest expense from a tax settlement in 2011; and a foreign exchange net gain of $0.9 million in 2011 compared to a foreign exchange net loss of $0.9 million in 2010.

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Income Tax Expense (Benefit)

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Net income (loss) before income taxes and noncontrolling interest	$ (11,579)	(9.8)	$ 11,334	7.4	$ 22,913	NM
Income tax expense (benefit)	(3,544)	(3.0)	(4,926)	(3.2)	(1,382)	39.0
Net income (loss)	$ (8,035)	(6.8)	$ 16,260	10.6	$ 24,295	NM

Income tax expense (benefit) increased by $1.4 million, or 39.0% to $4.9 million in 2011 from $3.5 million in 2010, primarily due to a tax benefit of $9.5 million in 2011 related to a tax settlement.

Net Income (Loss) Attributable to Erickson Air-Crane Incorporated

(Dollars in thousands)	Year Ended December 31, 2010	% of Revenues	Year Ended December 31, 2011	% of Revenues	Change	% Change
Net income (loss)	$ (8,035)	(6.8)	$ 16,260	10.6	$ 24,295	NM
Less: Net (income) loss related to noncontrolling interest	(216)	(0.2)	(390)	(0.3)	1,226	80.6
Net income (loss) attributable to Erickson Air-Crane Incorporated	(8,251)	(7.0)	15,870	10.4	22,121	NM
Dividends on Series A Redeemable Preferred Stock	7,925	6.7	9,151	6.0	1,226	15.5
Net income (loss) attributable to common stockholders	$ (16,176)	(13.7)	$ 6,719	4.4	$ 22,895	NM

Net income (loss) attributable to Erickson Air-Crane Incorporated changed by $22.1 million to $15.9 million net income in 2011 from $8.3 million net loss in 2010, primarily due to the changes in revenues, expenses, and taxes discussed above. Net income (loss) attributable to common stockholders changed by $22.9 million to net income of $6.7 million in 2011 from a loss of $16.2 million in 2010 after accounting for accrued dividends on our Series A Redeemable Preferred Stock.

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2010 Compared to 2009

The following table presents our consolidated operating results for the year ended December 31, 2010 compared to the year ended December 31, 2009:

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Net revenues:						
Aerial Services	$ 113,603	75.9	$ 105,747	89.4	$ (7,856)	(6.9)
Manufacturing / MRO	36,019	24.1	12,493	10.6	(23,526)	(65.3)
Total revenues	149,622	100.0	118,240	100.0	(31,382)	(21.0)
Cost of revenues:						
Aerial Services	76,855	67.7(1)	81,353	76.9(1)	4,498	5.9
Manufacturing / MRO	21,272	59.1(1)	7,651	61.2(1)	(13,621)	(64.0)
Total cost of revenues	98,127	65.6	89,004	75.3	(9,123)	(9.3)
Gross profit						
Aerial Services	36,748	32.3(1)	24,394	23.1(1)	(12,354)	(33.6)
Manufacturing / MRO	14,747	40.9(1)	4,842	38.8(1)	(9,905)	(67.2)
Total gross profit	51,495	34.4	29,236	24.7	(22,259)	(43.2)
Operating expenses:						
General and administrative	14,877	9.9	14,105	11.9	(772)	(5.2)
Research and development	6,889	4.6	6,400	5.4	(489)	(7.1)
Selling and marketing	5,115	3.4	6,987	5.9	1,872	36.6
Total operating expenses	26,881	18.0	27,492	23.3	611	2.3
Income (loss) from operations	24,614	16.5	1,744	1.5	(22,870)	(92.9)
Other income (expense), net:						
Interest expense, net	(6,006)	(4.0)	(4,865)	(4.1)	1,141	(19.0)
Loss on early extinguishment of debt			(2,265)	(1.9)	(2,265)	(100.0)
Other income (expense), net	(987)	(0.7)	(6,193)	(5.2)	(5,206)	527.5
Total other income (expense)	(6,993)	(4.7)	(13,323)	(11.3)	(6,330)	90.5
Net income (loss) before income taxes and noncontrolling interest	17,621	11.8	(11,579)	(9.8)	(29,200)	NM
Income tax expense (benefit)	5,330	3.6	(3,544)	(3.0)	(8,874)	NM
Net income (loss)	12,291	8.2	(8,035)	(6.8)	(20,326)	NM
Less: Net (income) loss related to noncontrolling interest	(239)	(0.2)	(216)	(0.2)	23	(9.6)
Net income (loss) attributable to Erickson Air-Crane Incorporated	12,052	8.1	(8,251)	(7.0)	(20,303)	NM
Dividends on Series A Redeemable Preferred Stock	6,806	4.5	7,925	6.7	1,119	16.4
Net income (loss) attributable to common stockholders	$ 5,246	3.5	$ (16,176)	(13.7)	$ (21,422)	NM

(1)

Percentage of net revenues of segment.

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Revenues

Consolidated revenues decreased by $31.4 million, or 21.0%, to $118.2 million in 2010 from $149.6 million in 2009. The decrease in revenues was attributable to a $7.9 million decrease in Aerial Services revenues and a $23.5 million decrease in Manufacturing / MRO revenues.

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Net revenues:						
Aerial Services	$ 113,603	75.9	$ 105,747	89.4	$ (7,856)	(6.9)
Manufacturing / MRO	36,019	24.1	12,493	10.6	(23,526)	(65.3)
Total revenues	$ 149,622	100.0	$ 118,240	100.0	$ (31,382)	(21.0)

Aerial Services. Aerial Services revenues decreased by $7.9 million, or 6.9%, to $105.7 million in 2010 from $113.6 million in 2009. This decrease was due in part to a 10.8% decrease in revenue flight hours for Aerial Services during 2010 to 7,252 hours from 8,132 hours in 2009.

The following are our revenues and revenue flight hours by type of service for the year ended December 31, 2010 and 2009:

(Dollars in thousands)	Year Ended December 31, 2009	Year Ended December 31, 2010	Change	% Change
Aerial Services Revenues:				
Firefighting	$ 74,802	$ 54,749	$ (20,053)	(26.8)
Timber Harvesting	23,624	29,694	6,070	25.7
Infrastructure Construction	7,494	5,743	(1,751)	(23.4)
Crewing	7,683	15,561	7,878	102.5
Total Aerial Services revenues	$ 113,603	$ 105,747	$ (7,856)	(6.9)

	Year Ended December 31, 2009	Year Ended December 31, 2010	Change	% Change
Aerial Services Revenue Flight Hours:				
Firefighting	3,332	1,803	(1,529)	(45.9)
Timber Harvesting	3,611	4,137	526	14.6
Infrastructure Construction	406	342	(64)	(15.8)
Crewing	783	970	187	23.9
Total Aerial Services revenue flight hours	8,132	7,252	(880)	(10.8)

Firefighting revenues decreased by $20.1 million, or 26.8%, to $54.8 million in 2010 from $74.8 million in 2009. This decrease was primarily due to a contract restructuring with a European customer in 2009, in which we transitioned services from firefighting to crewing and CPH services, resulting in a decrease of approximately $9.9 million in firefighting revenues and an increase of approximately $8.9 million in crewing and CPH services in 2010 compared to 2009. This was coupled with decreases in firefighting revenues in Canada of $4.7 million, in Australia of $4.9 million and in Greece of $2.7 million in 2010 compared to 2009 partially offset by a $2.1 million increase in firefighting revenues in the United States. In 2009, both British Columbia, Canada and Australia experienced active fire seasons which resulted in relatively higher demand for our services. In the United States, an additional Aircrane was added to our U.S. Forest Service contract, resulting in increased revenues of $2.0 million in 2010.

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Timber Harvesting revenues increased by $6.1 million, or 25.7%, to $29.7 million in 2010 from $23.6 million in 2009. This increase was primarily due to revenues from a full year of sales with a Malaysian customer in 2010 as compared to 2009.

Infrastructure Construction revenues decreased by $1.8 million, or 23.4%, to $5.7 million in 2010 from $7.5 million in 2009, primarily due to shorter-duration jobs and lower construction hours flown in 2010 compared to 2009.

Crewing revenues increased by $7.9 million, or 102.5%, to $15.6 million in 2010 from $7.7 million in 2009. The increase was primarily due to a contract restructuring with a significant European customer, resulting in an increase in crewing services and a decrease in firefighting services with this customer; as part of the contract restructuring, flight hours on this European customer's Aircranes, which were reported as Crewing flight hours before the restructuring, are reported as CPH flight hours in Manufacturing / MRO after the restructuring. Additionally, during 2010 we began crewing for the customer we sold and delivered an aircraft to in 2009.

Manufacturing / MRO. Manufacturing / MRO revenue decreased by $23.5 million to $12.5 million in 2010 from $36.0 million in 2009. The decrease in revenue was primarily the result of not having an aircraft sale in 2010 and having one aircraft sale in 2009, which was partially offset by an increase in CPH for 2010 as compared to 2009, primarily due to the restructuring of a contract with a European customer as discussed above.

Gross Profit

Consolidated gross profit decreased by $22.3 million, or 43.2%, to $29.2 million in 2010 from $51.5 million in 2009. The decrease was attributable to a decrease in Aerial Services gross profit of $12.4 million and a decrease in gross profit from Manufacturing / MRO of $9.9 million in 2010 compared to 2009.

(Dollars in thousands)	Year Ended December 31, 2009	% of Related Revenues	Year Ended December 31, 2010	% of Related Revenues	Change	% Change
Gross profit						
Aerial Services	$ 36,748	32.3	$ 24,394	23.1	$ (12,354)	(33.6)
Manufacturing / MRO	14,747	40.9	4,842	38.8	(9,905)	(67.2)
Total gross profit	$ 51,495	34.4	$ 29,236	24.7	$ (22,259)	(43.2)

Aerial Services. Aerial Services gross profit decreased by $12.4 million, or 33.6%, to $24.4 million in 2010 from $36.7 million in 2009. Gross profit margin was 23.1% in 2010 compared to 32.3% in 2009. The lower gross profit margin primarily resulted from (1) a change in the mix of our revenues from firefighting to timber harvesting and crewing, (2) increased insurance premiums after an aircraft accident in June 2010, (3) the $7.9 million revenue decrease in 2010 compared to 2009, and (4) the effects of our fixed costs related to Aerial Services spread across lower flight hour revenues in 2010 compared to 2009.

Manufacturing / MRO. Manufacturing / MRO gross profit decreased by $9.9 million, or 67.2%, to $4.8 million in 2010 compared to $14.7 million in 2009, primarily due to the decreased revenues. Gross profit margin was 38.8% in 2010 compared to 40.9% in 2009.

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Operating Expenses

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Operating expenses:						
General and administrative	$ 14,877	9.9	$ 14,105	11.9	$ (772)	(5.2)
Research and development	6,889	4.6	6,400	5.4	(489)	(7.1)
Selling and marketing	5,115	3.4	6,987	5.9	1,872	36.6
Total operating expenses	$ 26,881	18.0	$ 27,492	23.3	$ 611	2.3
Income (loss) from operations	$ 24,614	16.5	$ 1,744	1.5	$ (22,870)	(92.9)

Operating expenses, which include general and administrative, research and development, and selling and marketing, increased by $0.6 million, or 2.3%, to $27.5 million in 2010 from $26.9 million in 2009. The change was primarily due to a greater investment in our sales and marketing functions in 2010 compared to 2009, including the addition of key personnel, coupled with an increase in our allowance for bad debts and legal fees, partially offset by reductions in incentive based compensation and research and development spending.

Other Income (Expense), Net

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Other income (expense), net:						
Interest expense, net	$ (6,006)	(4.0)	$ (4,865)	(4.1)	$ 1,141	(19.0)
Loss on early extinguishment of debt			(2,265)	(1.9)	(2,265)	(100.0)
Other income (expense), net	(987)	(0.7)	(6,193)	(5.2)	(5,206)	527.5
Total other income (expenses), net	$ (6,993)	(4.7)	$ (13,323)	(11.3)	$ (6,330)	90.5

Total other income (expense), net increased by $6.3 million, or 90.5%, to $13.3 million of expense in 2010 from $7.0 million of expense in 2009. Interest expense, net decreased by $1.1 million, to $4.9 million in 2010, from $6.0 million in 2009, due to a decrease in the effective interest rates on borrowings and finance charges related to contract advance payments we received in 2009. Loss on early extinguishment of debt includes a $1.8 million write-off of debt issuance costs and early termination fees of $0.5 million in

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2010 due to the signing of the Credit Agreement on June 30, 2010. Other income (expense), net is presented composed of the following items for 2009 and 2010:

(In thousands)	Year Ended December 31, 2009	Year Ended December 31, 2010	Change
Other income (expense), net:			
Litigation settlement	$	$ (10,000)	$ (10,000)
Gain on involuntary conversions		6,285	6,285
Unrealized foreign exchange gain (loss)	(992)	(905)	87
Realized foreign exchange gain (loss)	371	34	(337)
Gain (loss) on disposal of equipment	349	(83)	(432)
Amortization of debt issuance costs	(975)	(703)	272
Interest expense related to tax contingencies	(500)	(495)	5
Other income (expense), net	760	(326)	(1,086)
Other income (expense), net	$ (987)	$ (6,193)	$ (5,206)

Other income (expense), net in 2010 included our $10.0 million litigation settlement with Evergreen Helicopters, Inc., partially offset by a net gain of $6.3 million, after accounting for insurance proceeds, associated with an aircraft accident; and foreign exchange gains and (losses) of a net loss of $0.9 million in 2010 compared to a net loss of $0.6 million in 2009.

Income Tax Expense (Benefit)

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Net income (loss) before income taxes and noncontrolling interest	$ 17,621	11.8	$ (11,579)	(9.8)	$ (29,200)	NM
Income tax expense (benefit)	5,330	3.6	(3,544)	(3.0)	(8,874)	NM
Net income (loss)	$ 12,291	8.2	$ (8,035)	(6.8)	$ (20,326)	NM

Income tax expense (benefit) decreased by $8.9 million to a benefit of $3.5 million in 2010 from an expense of $5.3 million in 2009, primarily due to the decrease in net income (loss) before taxes. The effective tax rate in 2010 was 30.6% compared to 30.2% in 2009.

Net Income (Loss) Attributable to Erickson Air-Crane Incorporated

(Dollars in thousands)	Year Ended December 31, 2009	% of Revenues	Year Ended December 31, 2010	% of Revenues	Change	% Change
Net income (loss)	$ 12,291	8.2	$ (8,035)	(6.8)	$ (20,326)	NM
Less: Net (income) loss related to noncontrolling interest	(239)	(0.2)	(216)	(0.2)	23	(9.6)
Net income (loss) attributable to Erickson Air-Crane Incorporated	12,052	8.1	(8,251)	(7.0)	(20,303)	NM
Dividends on Series A Redeemable Preferred Stock	6,806	4.5	7,925	6.7	1,119	16.4

Net income (loss) attributable to common stockholders	$	5,246	3.5	$	(16,176)	(13.7)	$	(21,422)	NM

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Net income (loss) attributable to Erickson Air-Crane Incorporated decreased by $20.3 million to a loss of $8.3 million in 2010 from an income of $12.1 million in 2009, primarily due to the changes in revenues and expenses discussed above. Net income (loss) attributable to common stockholders decreased by $21.4 million to a loss of $16.2 million in 2010 from an income of $5.2 million in 2009 after accounting for accrued dividends on our Series A Redeemable Preferred Stock.

Liquidity and Capital Resources

We believe that our cash flows from operations, together with cash on hand and the availability of our revolving credit facility, will provide us with the ability to fund our operations, make planned capital expenditures, and make scheduled debt service payments for at least the next 12 months. Although we had cash used in operations in 2010 and 2011, we expect to have cash flow from operations in 2012 primarily because a significant factor that caused us to have cash used in operations in 2010 and 2011 was the increase in our inventory mainly attributable to the manufacture of two Aircranes. We expect to have a significant decrease in the amount of cash used for inventory in 2012 as compared to the amounts used in 2010 and 2011 and, to a lesser extent, savings resulting from our reduction-in-force in November 2011. However, such cash flows are dependent upon our future operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business, and other factors, including the conditions of our markets, some of which are beyond our control. Specifically, we have a concentration of large customers, several of which are U.S. and foreign government agencies or entities, and our cash flows depend on being able to collect our receivables from them. See "Risk Factors Risks Related to Our Business We depend on a small number of large customers for a significant portion of our revenues" and " Risks Related to Our Business Our failure to timely collect our receivables could adversely affect our cash flows and results of operations and our compliance with the financial covenants under our Credit Agreement." If, in the future, we cannot generate sufficient cash from operations to comply with our debt service obligations, we will need to refinance such debt obligations, obtain additional financing, or sell assets. We cannot assure you that our business will generate cash from operations, or that we will be able to obtain financing from other sources, sufficient to satisfy our debt service or other requirements.

Our senior credit facilities mature on June 24, 2013. Prior to maturity, we intend to refinance our senior credit facilities with new credit facilities.

One of our significant customers holds the right to exercise a put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to such customer in 2009. If such customer exercises this put option, we expect to pay the repurchase price with cash generated from operations and any currently available financing sources. Because our existing credit facility terminates on June 24, 2013, our ability to finance this purchase may depend on our ability to refinance our senior credit facilities as described above.

Concurrently with the closing of this offering, we, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. will amend our unsecured subordinated promissory notes to decrease the interest rate on such notes from 20.0% per annum to 10.0% per annum. Under the notes, no periodic payment of principal or interest in cash is required and we have the right to prepay all or any portion of the notes at any time prior to maturity without any prepayment premium or penalty. At maturity, the notes due in 2015 will have principal including an accreted amount payable of $16.5 million, and the notes due in 2016 will have principal including an accreted amount payable of $19.4 million. At or prior to the maturity of the notes in 2015 and 2016, we will need to refinance the notes with additional indebtedness or repay them with cash from operations (which may include the sale of Aircranes) or the proceeds of future equity financings, none of which can be assured. In addition, under the terms of our Credit Agreement, we are prevented from paying down principal on these notes unless such payments are made with proceeds of an equity offering in which we receive minimum net cash proceeds of $60 million. We may be unable to negotiate more favorable terms to permit the repayment of such notes. Additionally, we may be unable to

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obtain other financing on favorable terms or at all, which could adversely affect our business, financial condition, and results of operations.

2011 Compared to 2010

The following chart is a condensed presentation of our statement of cash flows for year ended December 31, 2011 and 2010 (in thousands):

	Year Ended December 31, 2010	Year Ended December 31, 2011	Change
Net cash provided by (used in) operating activities	$ (8,430)	$ (20,723)	$ (12,293)
Net cash provided by (used in) investing activities	(5,017)	(13,083)	(8,066)
Net cash provided by (used in) financing activities	11,057	32,759	21,702
Foreign-currency effect on cash and cash equivalents	782	(613)	(1,395)
Net increase (decrease) in cash and cash equivalents	(1,608)	(1,660)	(52)
Cash and cash equivalents at beginning of period	3,536	1,928	(1,608)
Cash and cash equivalents at the end of period	$ 1,928	$ 268	$ (1,660)

Sources and Uses of Cash

At December 31, 2011, we had cash and cash equivalents of $0.3 million compared to $1.9 million at December 31, 2010. At December 31, 2011, we had restricted cash of $5.2 million compared to $4.3 million at December 31, 2010. Our cash and cash equivalents are intended to be used for working capital, capital expenditures, and debt repayments. Our restricted cash includes cash to secure certain performance and bid bonds on certain contracts.

Net cash provided by (used in) operating activities. For the year ended December 31, 2011, net cash provided by operating activities before the change in operating assets and liabilities was $20.0 million, which included net income of $16.3 million and non-cash adjustments reconciling net income to net cash provided by operating activities of $3.7 million (depreciation of $7.3 million and amortization of debt issuance costs of $0.9 million, non-cash interest on subordinated notes of $3.2 million, coupled with an increase in deferred income taxes of $4.6 million, partially offset by a non-cash tax settlement of $9.5 million and non-cash interest reversal on tax contingencies of $2.7 million). The change in operating assets and liabilities was a $40.7 million use consisting of the following: a $25.7 million increase in Aircranes and support parts (primarily attributable to increases in inventory levels, including the in-process build of aircraft), a $6.8 million decrease in accrued and other current liabilities, a $4.6 million increase in accounts receivable (primarily attributable to a receivable related to our Greece contract), a $4.1 million decrease in other long-term liabilities, and a $0.2 million decrease in accounts payable, partially offset by a $0.5 million decrease in prepaid expenses and other and a $1.5 million decrease in income taxes payable. As a result of these factors, we used $20.7 million of cash in operating activities in the year ended December 31, 2011.

For the year ended December 31, 2010, net cash used in operating activities before the change in operating assets and liabilities was $9.2 million, which includes a net loss of $8.0 million and non-cash adjustments reconciling net income to net cash used in operating activities of $1.1 million (gain on involuntary conversion related to an aircraft accident of $6.3 million after accounting for insurance proceeds, coupled with a net decrease in deferred income taxes of $3.5 million, partially offset by depreciation of $4.7 million, non-cash interest on subordinated notes of $0.9 million, amortization and write-off of debt issuance costs of $2.5 million, and non-cash interest on tax contingencies of $0.5 million). The change in operating assets and liabilities was a $0.7 million source consisting of the following: a $15.2 million decrease in accounts receivable (primarily attributable to the collection of a receivable of our

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2009 aircraft sale), a $8.4 million increase in other long-term liabilities (primarily attributable to a customer prepayment under a CPH contract), a $9.7 million increase in accrued and other current liabilities (primarily attributable to the accrual of a legal settlement), and a $0.9 million increase in accounts payable, partially offset by a $26.7 million increase in Aircranes and support parts (primarily attributable to the in-process build of aircraft for sale), a $4.2 million increase in prepaid expenses and other, and a $2.5 million decrease in income taxes payable. As a result of these factors, we used $8.4 million of cash in operating activities for the year ended December 31, 2010.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $13.1 million for the year ended December 31, 2011 compared to net cash used in investing activities of $5.0 million for the year ended December 31, 2010. In the year ended December 31, 2011, we used net cash of $11.4 million for heavy maintenance on our fleet, implementing a new enterprise resource planning system ("ERP") system, as well as routine capital expenditures. In the year ended December 31, 2010, we used net cash of $14.6 million for capital expenditures, including the addition of an aircraft to our fleet, and received $9.5 million in insurance proceeds from involuntary conversions.

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $32.8 million for the year ended December 31, 2011 compared to $11.1 million for the year ended December 31, 2010. In the year ended December 31, 2011, net cash provided by financing activities of $33.5 million was from net borrowings of long-term debt and we used cash of $0.8 million for debt issuance costs related to our credit facility refinancing. In the year ended December 31, 2010, net cash provided by financing activities of $12.5 million was from net borrowings of long-term debt and we used cash of $1.4 million for debt issuance costs related to our credit facility refinancing.

2010 Compared to 2009

The following chart is a condensed presentation of our statement of cash flows for the years ended December 31, 2010 and 2009 (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2010	Change
Net cash provided by (used in) operating activities	$ 9,900	$ (8,430)	$ (18,330)
Net cash provided by (used in) investing activities	(2,667)	(5,017)	(2,350)
Net cash provided by (used in) financing activities	(5,662)	11,057	16,719
Foreign-currency effect on cash and cash equivalents	(338)	782	1,120
Net increase (decrease) in cash and cash equivalents	1,233	(1,608)	(2,841)
Cash and cash equivalents at beginning of period	2,303	3,536	1,233
Cash and cash equivalents at the end of period	$ 3,536	$ 1,928	$ (1,608)

Sources and Uses of Cash

At December 31, 2010, cash and cash equivalents was $1.9 million compared to $3.5 million at December 31, 2009. At December 31, 2010, we had restricted cash of $4.3 million compared to $5.0 million at December 31, 2009.

Net cash provided by (used in) operating activities. For the year ended December 31, 2010, net cash used in operating activities before the change in operating assets and liabilities was $9.2 million, which includes a net loss of $8.0 million and non-cash adjustments reconciling net income to net cash used in operating activities of $1.1 million (gain on involuntary conversion related to an aircraft accident of $6.3 million after accounting for insurance proceeds, coupled with a net decrease in deferred income taxes of $3.5 million, partially offset by depreciation of $4.7 million, non-cash interest on subordinated notes of $0.9 million, amortization and write-off of debt issuance costs of $2.5 million, and non-cash interest on tax contingencies of $0.5 million). The change in operating assets and liabilities was a $0.7 million source consisting of the following: a $15.2 million decrease in accounts receivable (primarily attributable to the collection of a receivable of our 2009 aircraft sale), a $8.4 million increase in other long-term liabilities (primarily attributable to a customer prepayment under a CPH contract), a $9.7 million increase in accrued and other current liabilities (primarily attributable to the accrual of a legal settlement), and a $0.9 million increase in accounts payable, partially offset by a $26.7 million increase in Aircranes and support parts (primarily attributable to the in-process build of aircraft for sale), a $4.2 million increase in prepaid expenses and other, and a $2.5 million decrease in income taxes payable. As a result of these factors, we used $8.4 million of cash in operating expenses in the year ended December 31, 2010.

For the year ended December 31, 2009, net cash provided by operating activities before the change in operating assets and liabilities was $21.2 million, which includes net income of $12.3 million and non-cash adjustments reconciling net income to net cash used in operating activities of $8.9 million (depreciation of $4.4 million, coupled with a net increase in deferred income taxes of $3.4 million, amortization of debt issuance costs of $1.0 million and non-cash interest on tax contingencies of $0.5 million, partially offset by a gain on disposal of equipment of $0.3 million). The change in operating assets and liabilities was a $11.3 million use consisting of the following: a $9.6 million increase in Aircranes and support parts, including the in-process build of aircraft, a $4.9 million increase in accounts receivable (primarily attributable to the sale of an aircraft in December 2009), and a $2.8 million decrease in accrued and other current liabilities, partially offset by a $4.6 million increase in income taxes payable and a $1.5 million decrease in prepaid expenses and other. As a result of these factors, we provided $9.9 million of cash in operating expenses in the year ended December 31, 2009.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $5.0 million for the year ended December 31, 2010 compared to net cash used in investing activities of $2.7 million for the year ended December 31, 2009. In the year ended December 31, 2010, we used net cash of $14.6 million for capital expenditures, including the addition of an aircraft to our fleet, and received $9.5 million in insurance proceeds from involuntary conversions. In the year ended December 31, 2009, we used net cash of $2.3 million for routine capital expenditures.

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $11.1 million for the year ended December 31, 2010 compared to net cash used in financing activities of $5.7 million for the year ended December 31, 2009. In the year ended December 31, 2010, net cash provided by financing activities of $12.5 million was from net borrowings of long-term debt and we used net cash of $1.4 million for debt issuance costs related to our credit facility refinancing. In the year ended December 31, 2009, cash used in financing activities of $5.7 million was from net borrowings under our revolving credit facility.

Description of Indebtedness

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

Senior Credit Facilities

At the end of June 2010, we entered into a Credit Agreement with a bank syndicate led by Wells Fargo, which consists of up to $132.5 million of senior secured credit facilities, including a $65.0 million term loan facility and a revolving credit facility of up to $67.5 million. The $67.5 million revolving credit facility has a $30.0 million sublimit to be used for issuance of letters of credit and a $10.0 million sublimit for swingline loans. Subject to the terms of the Credit Agreement, including lender approval, we may request an increase in the senior credit facility of up to $50.0 million. A request for an increase must be in a minimum amount of $10.0 million and we may request an increase no more than three times during the term of the senior credit facilities.

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The commitment under the senior credit facilities is shared among Wells Fargo (60.4%), KeyBank National Association (13.2%), Bank of the West (13.2%), Bank of America, N.A. (7.5%), and Union Bank, N.A. (5.7%).

The interest rate on the senior credit facilities is calculated based on LIBOR or a base rate, in each case as defined in the Credit Agreement. The base rate is the higher of the Federal Funds rate plus 150 basis points, the prime rate as quoted by Wells Fargo, or LIBOR plus 150 basis points. The interest rate is calculated as LIBOR or base rate plus a LIBOR margin or base rate margin, respectively. Margin rates are tied to our leverage ratio, which is defined in the Credit Agreement as the ratio of Funded Indebtedness to Bank EBITDA. LIBOR margin ranges between 2.75% and 5.00% and base rate margin ranges between 1.75% and 4.00%. We pay a quarterly unused commitment fee between 0.375% and 0.625% and fees between 2.75% and 5.00% on outstanding letters of credit, both of which fees are determined based on the level of the Funded Indebtedness to Bank EBITDA ratio.

We were not in compliance with certain financial covenants under our Credit Agreement as of December 31, 2010 and March 31, 2011, and subsequent amendments to our Credit Agreement waived such non-compliance. We cannot assure you that, if we fail to comply with the financial covenants under our Credit Agreement, our lenders will agree to waive any non-compliance. We amended the Credit Agreement effective December 31, 2010. An initial amendment removed the requirement to comply with existing financial covenants as of December 31, 2010, added a net income covenant calculation for fiscal year 2010, and adjusted certain amounts related to the determination of Bank EBITDA and tangible net worth. In addition, the interest rate matrix was modified to add an additional pricing tier. Subsequent amendments waived our non-compliance with certain requirements and financial covenants under the Credit Agreement for both the fourth quarter of 2010 and the first quarter of 2011, and modified the financial covenants for future periods. These amendments modified the interest rate matrix and adjusted our financial reporting requirements. In connection with these amendments we issued new unsecured subordinated promissory notes in the amount of $10.0 million to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P., which were funded on June 30, 2011. We were in compliance with our Credit Agreement covenants at June 30, 2011, September 30, 2011, and December 31, 2011.

The senior credit facilities contain several affirmative and negative covenants customary for similar senior credit facilities, including the following financial covenants: a leverage ratio test based on maximum Funded Indebtedness (excluding subordinated debt) to Bank EBITDA, a minimum fixed charge coverage ratio and, beginning with the quarter ending June 30, 2012 and thereafter, a minimum tangible net worth amount. In addition, if at any time the amount outstanding under our senior credit facilities exceeds the most recent Asset Coverage Amount (as defined in our Credit Agreement), we have to prepay the amount of such excess. Under the senior credit facilities we have affirmative covenants to, among other things, deliver certain financial statements, notices, and certificates to our lenders and maintain certain insurance policies. The negative covenants include limitations on indebtedness, liens, acquisitions, mergers and dispositions, investments, fundamental changes, certain lease transactions, restricted payments, transactions with affiliates, agreements that burden our subsidiaries, and capital expenditures.

We were in compliance with our financial covenants at December 31, 2011 and we expect to be in compliance with such financial covenants at March 31, 2012. The maximum leverage ratio under our senior credit facilities was 3.50 to 1.0 for the fiscal quarter ended December 31, 2011. Our actual leverage ratio was 3.12 at December 31, 2011. The minimum fixed charge coverage ratio at December 31, 2011 under our senior credit facilities was 2.00 to 1.0 and is 1.75 to 1.00 for the quarter ending March 31, 2012 and subsequent quarters. Our actual fixed charge coverage ratio was 2.42 to 1.0 at December 31, 2011. The minimum net income requirement under our senior credit facilities was $1.00 for the year ended December 31, 2011. Our net income for the year ended December 31, 2011 was $15.9 million. We are no longer subject to a minimum net income covenant. Beginning with the quarter ending June 30, 2012, we will be subject to a tangible net worth covenant under which we are required to have a tangible net worth of not less than $75.0 million (including 90% of the net proceeds from our issuance of certain equity

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interests after April 30, 2010 (other than proceeds used substantially contemporaneously with receipt to retire or redeem specified subordinated debt and/or Series A Redeemable Preferred Stock)), which requirement increases to $100.0 million for the quarter ending September 30, 2012 and subsequent quarters. If our business does not perform as expected, including if we generate less than anticipated revenue from our Aerial Services operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our Credit Agreement in 2012. See " Trends and Uncertainties Affecting Our Business Credit Agreement Compliance and Refinancing Costs."

Our indebtedness under our senior credit facilities is secured by liens on substantially all our assets, including our interests in our subsidiaries, our real and personal property, and interests in property and proceeds thereof, including, but not limited to, intangible assets and the type certificates and supplemental type certificates for our aircraft.

The Credit Agreement allows borrowings up to $67.5 million under the revolving credit facility, which terminates on June 24, 2013. The weighted average interest rate for borrowings under the revolving credit facility for the years ended December 31, 2011 and 2010 was 5.35% and 4.02%, respectively. The outstanding balance under the revolving credit facility at December 31, 2011 and 2010, excluding letters of credit, was $51.8 million and $22.8 million, respectively. These amounts were classified as long-term debt based on the maturity date of the Credit Agreement. The borrowing rate at December 31, 2011 and 2010 was 3.61% and 3.86%, respectively. We had approximately $2.3 million and $7.8 million outstanding standby letters of credit issued as of December 31, 2011 and 2010, respectively.

Due to the seasonality of our business, the amount outstanding under our revolving credit facility during the fiscal year varies significantly. During the fiscal years ended December 31, 2011 and December 31, 2010, the outstanding balance on our existing and prior revolving credit facility, excluding letters of credit, ranged from $22.8 million to $64.9 million and $0.3 million to $33.7 million, respectively. The outstanding balance on our revolving credit facility, excluding letters of credit of $2.3 million, was $51.8 million as of December 31, 2011. At December 31, 2011, we had a maximum availability for borrowings under our revolving credit facility, including letters of credit, of approximately $13.4 million.

The Credit Agreement allows borrowings of up to $65.0 million under the term loan facility. On June 30, 2010, we borrowed $65.0 million and used the proceeds to pay off existing debt. We are required to pay $1.625 million per quarter for principal, plus accrued interest, until maturity, at which time the remaining principal balance of $45.5 million, plus accrued interest, is due. The term loan matures on June 24, 2013. The weighted average interest rate for the term loan borrowings for the year ended December 31, 2011 and 2010 was 4.73% and 3.32%, respectively. At December 31, 2011 and 2010, the outstanding balance under the term loan facility was $55.3 million and $61.8 million, respectively. The borrowing rate at December 31, 2011 and 2010 was 3.17% and 3.50%, respectively.

On June 30, 2010, we expensed deferred loan costs and termination fees relating to the old debt in the amount of $2.3 million and capitalized loan costs relating to the new credit facilities in the amount of $2.7 million. On June 30, 2011, we paid $0.4 million in amendment fees in conjunction with the amendment of our Credit Agreement and the fees associated with obtaining the establishment of the Working Capital Guarantee Credit Agreement. Such loan costs will be amortized to amortization of debt issuance costs over the term of such credit agreements.

We intend to use a portion of the proceeds from this offering to pay down indebtedness under our revolving credit facility, which will increase the amounts available for future borrowing under this facility and will, in our view, increase the likelihood of our compliance with the financial covenants under our Credit Agreement and improve our ability to refinance our senior credit facilities.

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Working Capital Guarantee Credit Agreement

On June 30, 2011, in connection with an amendment to the Credit Agreement, we obtained a separate credit facility with Wells Fargo of up to $10.0 million, pursuant to which Wells Fargo issues standby letters of credit to certain of our non-domestic customers for the purpose of assuring our performance of our obligations to such customers. The standby letters of credit are collateralized by the proceeds of unsecured subordinated promissory notes we issued to ZM Private Equity Fund I, L.P. in the initial principal amount of $700,000 and to ZM Private Equity Fund II, L.P. in the initial principal amount of $300,000. See "   Subordinated Notes" below. The $1.0 million is included in restricted cash. As of December 31, 2011 we had $8.6 million in outstanding letters of credit under this credit facility, and the largest amount we had outstanding during the year ended December 31, 2011 was $8.6 million.

Subordinated Notes

On June 30, 2010, in connection with our entry into the Credit Agreement and our refinancing of existing indebtedness outstanding at that time, we issued $8.5 million of unsecured subordinated promissory notes to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. Such notes mature on June 30, 2015.

On June 30, 2011, in connection with amendments to the Credit Agreement, we borrowed an additional $10.0 million through the issuance of unsecured subordinated promissory notes to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. Such notes mature on June 30, 2016.

In addition, in connection with the Working Capital Guarantee Credit Agreement discussed above, we borrowed $1.0 million on June 30, 2011 through the issuance of unsecured subordinated promissory notes to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. Such notes mature on June 30, 2016.

Interest on all of the foregoing unsecured subordinated promissory notes accrues at a rate of 20.0% per year. Interest is payable quarterly in arrears and is payable in kind by increasing the principal amount of the note. No periodic payment of principal or interest in cash is required. We have the right to prepay all or any portion of the notes at any time prior to maturity without any prepayment premium or penalty. However, under the terms of our Credit Agreement, we are prevented from paying down principal on these notes unless such payments are made with proceeds of an equity offering in which we receive minimum net cash proceeds of $60.0 million. We may be unable to negotiate more favorable terms to permit the repayment of such notes.

The aggregate balance of our unsecured subordinated promissory notes was $23.5 million and $9.4 million at December 31, 2011 and December 31, 2010, respectively. The weighted average interest rate for the year ended December 31, 2011 and 2010 was 20.0% and 11.81% respectively.

Concurrently with the closing of this offering, we, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. will amend our unsecured subordinated promissory notes to decrease the interest rate on such notes from 20.0% per annum to 10.0% per annum.

Bank EBITDA

We use an adjusted EBITDA ("Bank EBITDA") to monitor compliance with various financial covenants under our Credit Agreement. In addition to adjusting net income (loss) to exclude interest expense, net, provision for (benefit from) income taxes, and depreciation and amortization, Bank EBITDA also adjusts net income by excluding non-cash unrealized mark-to-market foreign exchange gains (losses), specified litigation expenses up to a maximum of $2.0 million for any 12-month period, certain management fees, gains from sale of equipment, non-cash charges arising from awards to employees relating to equity interests, non-cash charges relating to financings, initial public offering-related non-capitalized expenses up to a maximum of $2.0 million, certain fourth quarter of 2010 charges up to

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$11.6 million and other unusual, extraordinary, non-recurring non-cash costs. For each calculation of Bank EBITDA made as of the end of the quarters ended June 30, September 30, and December 31, 2011 and that will be made as of the quarter ending March 31, 2012, Bank EBITDA also includes an amount equal to the $10.0 million in new unsecured subordinated promissory notes dated June 30, 2011 and any additional subordinated debt issued in connection with an equity cure under the Credit Agreement. Such amounts have been excluded from the table below for presentation purposes. Bank EBITDA also assists us in monitoring our ability to undertake key investing and financing functions such as making investments and incurring additional indebtedness, which may be prohibited by the covenants under our Credit Agreement unless we comply with certain financial ratios and tests.

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

(In thousands)	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
Bank EBITDA Reconciliation:			
Net income (loss) attributable to Erickson Air-Crane Incorporated	$ 12,052	$ (8,251)	$ 15,870
Interest expense, net	6,006	4,865	9,150
Tax expense (benefit)	5,330	(3,544)	(4,926)
Depreciation	4,378	4,745	7,300
Amortization of debt issuance costs	976	703	875
EBITDA	$ 28,742	$ (1,482)	$ 228,269
Non-cash unrealized mark-to-market foreign exchange gains (losses)	992	905	(1,819)
Interest related to tax contingencies	500	495	(2,745)
Management fees[1]	500	165	
Loss on early extinguishment of debt		2,265	
Litigation expense	1,430	2,000	1,390
Legal settlements and other		11,600	
Other (gains) losses	(668)	(4,089)[2]	(26)
Bank EBITDA	$ 31,496	$ 11,859	$ 25,069[3]

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

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

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

Restricted Cash

We maintain restricted cash at financial institutions as collateral for performance and bid bonds on certain contracts. At December 31, 2010 and 2011, the amount of such restricted cash was $4.3 million and $5.2 million, respectively.

Contractual Obligations

As of December 31, 2011, we had $130.6 million of long-term debt (including current maturities), excluding letters of credit. This amount consisted of the term loan debt of $55.3 million and the revolving credit facility debt of $51.8 million under the Credit Agreement and the unsecured subordinated promissory notes of $23.5 million.

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The following table sets forth our long-term contractual cash obligations as of December 31, 2011 (in thousands):

		Payment Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations[1][2]:					
Term debt	$ 55,250	$ 6,500	$ 48,750	$	$
Revolving credit facility	51,783		51,783		
Unsecured subordinated promissory notes	23,537		11,400	12,137	
Operating leases	1,459	497	433	120	409
Total contractual obligations	$ 132,029	$ 6,997	$ 112,366	$ 12,257	$ 409

(1) Amounts shown above do not include outstanding purchase orders as of December 31, 2011.

(2) Amounts shown in the table above do not include any payment obligations under the put option that would, if exercised, require us to repurchase on July 31, 2013 the Aircrane we sold to one of our customers in 2009. See Note 12 to our audited condensed consolidated financial statements included in this prospectus.

Our operating leases are described below in " Off-Balance Sheet Arrangements Operating Leases."

Off-Balance Sheet Arrangements

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

Operating Leases. We periodically lease certain premises on a short-term basis, and lease a minor amount of our facilities and certain other property under noncancelable operating lease agreements that expire on various dates through May 2032. Certain leases have renewal options.

Letters of Credit. To meet certain customer requirements, we issue letters of credit which are used as collateral for performance bonds, bid bonds, or advance customer payment on contracts. These instruments involve a degree of risk that is not recorded on our balance sheet. We had letters of credit with various expiration dates extending through 2013 valued at approximately $15.1 million outstanding at December 31, 2011, including $2.3 million outstanding under our revolving credit agreement, $8.6 million outstanding under our working capital guarantee credit agreement and $4.3 million (€3.3 million) outstanding under a performance bond issued by Banca Di Credito Cooperativo Di Cambiano that we have secured with $3.9 million (€3.0 million) in restricted cash.

Advance Agreements with Foreign Banks. In order to provide short-term liquidity needs of our subsidiaries, we may allow those subsidiaries to enter into agreements with banks to obtain advances on key accounts receivable. At December 31, 2011, there were €2.6 million of advances outstanding under these types of arrangements.

Uncertainty in Income Taxes

While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could materially differ from our accrued positions as a result of uncertain and complex application of tax regulations. Additionally, the recognition and measurement of certain tax benefits includes estimates and judgment by management and inherently includes subjectivity. Accordingly, additional provisions on tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

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Other Contingencies

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations, and claims. See "Business Legal Proceedings" in this prospectus for a description of significant legal proceedings in which we are currently involved. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations, and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party, if determined adversely to us, will have a material adverse effect on our business, financial condition, results of operation, or cash flows.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect amounts reported in those statements. We have made our best estimates of certain amounts contained in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. However, application of our accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties, and, as a result, actual results could differ materially from these estimates. Management believes that the estimates, assumptions, and judgments involved in the accounting policies described below have the most significant impact on our consolidated financial statements.

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

Revenue Recognition

We determine and recognize revenue based on the type of service we provide to customers.

Aerial Services. We enter into contracts with our customers that may range from one-day to multiple-years with extension options for additional years. We recognize revenue for contracts as the services are rendered, which services include leasing of the Aircrane(s), pilot and field maintenance support, and related services. We charge daily rates, hourly rates, and production rates (such as timber volume transported) depending on the type of lease or service. Revenues from timber harvesting operations in Canada, the U.S., and Malaysia may be based on estimates of the number of cubic meters of timber delivered to customers, which are adjusted after the logs are measured and scaled, or may be recorded based on the number of flight hours, depending on the terms of the contract.

Manufacturing / MRO. Historically, we have recognized revenues on Aircrane sales when the Aircrane was delivered to a customer, because management did not believe it was able to accurately estimate the percentage of completion of an Aircrane during manufacturing. After our acquisition in September 2007, we revised our cost tracking and estimating processes, including personnel and system changes, which management believes provides them with the ability to accurately track and estimate costs in order to determine the percentage of completion of an Aircrane during manufacturing. Accordingly, we expect to recognize revenue for our long-term construction contracts in the future using the percentage of completion method, when all required criteria are met.

Aircranes are normally manufactured under long-term construction contracts. Changes in estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. A significant change in an estimate on one or more contracts could have a

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material effect on our results of operations. For contracts with anticipated losses at completion, we establish a provision for the entire amount of the estimated remaining loss and charge it against income in the period in which the loss becomes known. Amounts representing performance incentives, penalties, contract claims or change orders are considered in estimating revenues, costs and profits when they can be reliably estimated and realization is considered probable.

Contracts for the sale of Aircranes have multiple deliverables. Such elements may include warranty, spare parts, training and crew provisioning arrangements. We allocate arrangement consideration based on the relative selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Selling prices are determined using fair value, when available, third party evidence when fair value is not available, or our estimate of selling price when fair value and third party evidence is not available.

Other products and services. We recognize revenue for other products and services when the products are delivered or services are performed. Sales to customers for maintenance, repair, overhaul, and/or assembly of various major components and other Aircrane parts are deferred until the repair work is completed and the customer accepts the final product. Spare parts sales are recognized at the time of delivery and customer acceptance of the spare parts. CPH contracts are accounted for on a long-term contract basis; revenues are recorded based upon negotiated hourly rates and applicable flight hours earned, and profitability of the contract is based upon estimated costs over the life of the contract.

Accounts Receivable

Accounts receivable is composed of billed amounts for which revenue has been earned and recognized. The allowance for doubtful accounts, an estimate of the amount of accounts receivable outstanding which we believe may be uncollectable, is determined quarterly, principally based on the aging of receivables. We review the current trends and aged receivables periodically and adjust the estimated bad debt expense to accrue for doubtful accounts as needed. An account is written off when deemed uncollectable, although collection efforts may continue.

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.

A significant part of our inventory consists of Aircrane parts and components purchased over multiple years for which there is no liquid market. Therefore, there is no guarantee that we will be able to purchase new inventory at the carrying values currently reflected on our balance sheets.

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. Because we operate within a niche of the heavy-lift helicopter market, we experience long lead times and are required to carry large quantities of spare inventory in order to ensure availability of parts for servicing our fleet of Aircranes. As a result, the accounting judgments used in determining the provision for excess and obsolete Aircrane support parts can vary significantly based on forecasted demand.

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Income Taxes

We account for income taxes in accordance with Accounting Standards Codification 740, formerly Financial Accounting Standards No. 109, "Accounting for Income Taxes," and FIN 48, "Accounting for Uncertainties in Income Taxes." We recognize 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 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. We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. We are subject to income taxes in the U.S., state, and several foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain.

Reserves for taxes are established for taxes that may become payable in future years as a result of audits by tax authorities. These tax reserves are reviewed as circumstances warrant and adjusted as events occur that affect our potential liability for additional taxes, such as conclusion of tax audits, identification of new issues, changes in federal or state laws, or interpretations of the law.

Impairment and Depreciation of Long-Lived Assets

We record 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. Significant judgments and estimates used by management when evaluating long-lived assets for impairment cover, among other things, the following:

- program product volumes and remaining production life for parts produced on the assets being reviewed;
- product pricing over the remaining life of the parts, including an estimate of future customer price reductions which may be negotiated;
- product cost information, including an assessment of the success of our cost reduction activities; and
- assessments of future alternative applications of specific long-lived assets based on awarded programs.

In addition, we follow our established accounting policy for estimating useful lives of long-lived assets. This policy is based upon significant judgments and estimates as well as historical experience. Actual future experience with those assets may indicate different useful lives resulting in a significant impact on depreciation expense.

Warranty Reserves

Sales of Aircranes to third parties include limited warranty provisions that require us to remedy deficiencies in quality or performance of our 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 our estimate of the costs that will be incurred to fulfill those warranty requirements. Warranty reserves may be adjusted periodically to sustain levels representing the estimate of the costs to fulfill those warranty requirements over the remaining life of the warranty.

Recently Issued Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 to our audited condensed consolidated financial statements included in this prospectus.

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Quantitative and Qualitative Disclosure Regarding Market Risk

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

Interest Rate Risk

At December 31, 2011, we had total indebtedness of $130.6 million (excluding $15.1 million of letters of credit). Our exposure to market risk from adverse changes in interest rates is primarily associated with our senior secured credit facilities and long-term debt obligations. Market risk associated with our long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. Under the Credit Agreement, our borrowings bear interest at fluctuating rates. The applicable interest rate is calculated based on either LIBOR or a base rate plus a margin depending on the level of the Funded Indebtedness to Bank EBITDA ratio as defined in the Credit Agreement. The rates applicable to outstanding borrowings fluctuate based on many factors including, but not limited to, general economic conditions and interest rates, including the LIBOR, Federal Funds, and prime rates, and the supply of and demand for credit in the London interbank market. We estimate that a hypothetical 10% change in the LIBOR or prime rate as quoted by Wells Fargo would have impacted interest expense for the year ended December 31, 2011 by $0.8 million.

Aircraft Fuel

Our results of operations are affected by changes in price and availability of aircraft fuel. Based on our 2011 fuel consumption, a 10% increase in the average price per gallon of fuel would increase fuel expense for fiscal year 2011 by approximately $1.6 million. Many of our contracts allow for recovery of all or part of any fuel cost change through pricing adjustments. We do not currently purchase fuel under long-term contracts or enter into futures or swap contracts.

We are not exposed to material commodity price risks except with respect to the purchase of aircraft fuel.

Foreign Currency Exchange Rate Risk

A significant portion of our revenues are denominated in a currency other than the U.S. dollar. We are subject to exposures that arise from foreign currency movements between the date the foreign currency transactions are recorded and the date they are settled. Our exposure to foreign currency movements is somewhat mitigated through naturally offsetting asset and liability currency positions. We periodically enter into foreign currency hedging transactions to mitigate the risk of foreign currency movements and minimize the impact of exchange rate fluctuations on our profits. A hypothetical 10% decrease in the value of the foreign currencies in which our business is denominated relative to the U.S. dollar for the year ended December 31, 2011 would have resulted in an estimated pre-hedged $0.6 million decrease in our net income.

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THE COMMERCIAL HEAVY-LIFT HELICOPTER INDUSTRY

The heavy-lift helicopter is a highly specialized aircraft which typically has an external load capacity greater than 10,000 pounds. This large external load capacity, combined with the helicopter's maneuverability, provides a solution in situations where ground-based or fixed-wing lifting solutions are not optimal. Heavy-lift helicopters are essential in numerous commercial applications, including firefighting, timber harvesting, infrastructure construction, and emergency response.

The heavy-lift helicopter industry extends beyond the services and operations of the aircraft, and encompasses all manufacturing, after-market services, and crew training required to properly equip the aircraft to support the demands of government agencies and commercial customers.

History and Development of the Commercial Heavy-Lift Helicopter

Heavy-lift helicopters were first conceived in 1958, when the Sikorsky Aircraft Corporation designed and developed an aircraft capable of carrying heavy and irregular loads. After four years of development, the first S-64 model helicopter flight occurred in 1962. In 1965, Sikorsky worked with the U.S. Army to create the CH-54A Tarhe, a military aircraft similar to the S-64, and entered it into service in the Vietnam War. During the Vietnam War, the CH-54A earned recognition for its ability to transport 90-passenger pods, lift armored vehicles, recover aircraft, and relocate mobile hospitals and command posts for the U.S. Army's First Cavalry Division.

Due to the CH-54's success in military operations, the S-64 platform drew renewed interest for its potential use in commercial applications. In 1968, Sikorsky introduced the S-64E Skycrane to serve alongside the S-61, a smaller aircraft which was developed in 1961 for use in heavy-lift operations, oil rigging construction, and passenger transport. Around the same time, Boeing began to market the Boeing Vertol 107 and 234 model aircraft, which competed with the Skycrane for use in firefighting, infrastructure construction, and oil drilling. In 1971, Jack Erickson and Wes Lematta, founders of Erickson Air-Crane and Columbia Helicopters, respectively, completed the first successful commercial aerial timber harvesting operation, demonstrating the effectiveness of heavy-lift helicopters in precision heavy-lift applications.

Over the next several decades, design enhancements to the S-64 and other heavy-lift platforms increased their functionality and use in a variety of end markets. Heavy-lift helicopters became an attractive alternative to fixed-wing aircraft for firefighting due to their large water-carrying capacity, their precision in depositing water, and their ability to reload quickly and efficiently. The precision and heavy-lift capabilities applied in firefighting and timber harvesting projects were also used in the construction of transmission and utility grids, wind turbines, ski lifts, mine conveyor belts, and oil and gas pipelines, as well as in offshore oil-development work and heating, ventilating, and air conditioning ("HVAC") unit placement and general high-rise building construction. These applications are increasingly relied upon for projects in locations that lack ground vehicular access or require non-invasive and environmentally sustainable alternatives. Notable projects performed by the S-64 include the transportation of the 15,000-pound "Statue of Freedom" from the U.S. Capitol for restoration in 1993 and the movement of snow from Mount Strachan in British Columbia to nearby Cypress Mountain for the 2010 Winter Olympics.

Due to the growing utility of heavy-lift helicopters, the universe of users has expanded to include large and medium-sized businesses and federal, state, local, and international government agencies. Customers often lease the aircraft under arrangements where they pay for the aircraft, crew, maintenance, and insurance, as well as fuel expense.

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Commercial Heavy-Lift Helicopter Alternatives

The following table presents the most widely used commercial heavy-lift helicopters.

	S-64E/S-64F	**CH-54A/CH-54B**	**S-61[1][2]**	**Columbia 234[3]**	**Columbia 107[3]**	**KA-32[4]**	**MIL 26[5]**
Manufacturer	Erickson	Sikorsky	Sikorsky	Boeing	Boeing	Kamov	MIL
Original Production	1962	1962	1959	1962	1964	1980	1977
Country of Origin	U.S.	U.S.	U.S.	U.S.	U.S.	Russia	Russia
Payload Capacity (lbs)	20,000/25,000	20,000/25,000	10,000	26,000	10,000	11,000	44,000
Range (nautical miles)	245/227	245/227	470/408	240	207	605	497
Max Speed (knots)	115/104	115/104	165/143	170	143	166	183
Primary Civilian Activities	-Firefighting -Timber Harvesting -Construction	-Firefighting -Timber Harvesting -Construction	-Firefighting -Timber Harvesting -Construction -Passenger Transport	-Firefighting -Timber Harvesting -Construction -Passenger Transport	-Firefighting -Timber Harvesting -Construction -Passenger Transport	-Firefighting -Timber Harvesting -Construction -Passenger Transport	-Firefighting -Construction -Passenger Transport
Operating Restrictions							
Geographic	None	Country Specific	None	None	None	U.S. and Country Specific	U.S. and Country Specific
Category[6]	Standard	Restricted	Depends on Configuration	Standard	Standard	Restricted	Restricted
Approximate Number in Operation	29	11	102/47[8]	7[7]	14[7]	Unknown	Unknown

Note: Data not provided by sources are based on internal estimates. All performance data are based on operations at sea level.

Sources:

(1) TransGlobal Aviation, www.transglobalaviation.net.

(2) Evergreen Helicopters, Inc., www.evergreenaviation.com.

(3) Columbia Helicopters, www.colheli.com.

(4) Kamov Helicopters, www.kamov.net.

(5) FAS Military Analysis Network, www.fas.org.

(6) Category restrictions include not being authorized to fly over populated areas, carry passengers, and operate in multiple countries.

(7) PRWeb, www.prweb.com.

(8) 102 standard and 47 restricted S-61s in operation.

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Current S-64 and CH-54 Operators

The following table presents the current S-64 and CH-54 operators and the number of aircraft in operation.

	Standard	Restrictions for Use in U.S.[1]	
	S-64E/S-64F	CH-54A/CH-54B	Total
Erickson Air-Crane	17		17
Corpo Forestale (Italy)	4		4
Korea Forest Service	4		4
SDG&E	1		1
Siller Brothers	2	1	3
Helicopter Transport Services	1	10	11
Approximate Number in Operation	29	11	40

(1) CH-54 aircraft have a similar frame and similar capabilities to the S-64, but, because they are military aircraft, they are limited in the U.S. in their allowed applications due to certification restrictions.

Commercial Heavy-Lift Helicopter Markets

While heavy-lift helicopters have been used in a number of commercial applications, we believe that the key markets with the most significant growth potential include firefighting, timber harvesting, infrastructure construction, and emergency response. There is no guarantee, however, that growth will occur in the markets we serve or that we will be able to take advantage of growth opportunities. See "Risk Factors." The demand for these applications varies by region and depends on local environmental, economic, social, and political considerations. We have existing customers in some markets, and with respect to some of the aerial services, described below. For example, we have existing contracts to provide aerial firefighting services in Australia, Greece, and the United States and timber harvesting services in Malaysia. In some markets where we have an established presence, we derive revenues, in part, from "call when needed" provisions, which could increase if government spending to fight fires increases. In addition, we believe we are well-positioned to expand our services as governmental and commercial spending for aerial firefighting, timber harvesting and construction expands in these markets. We also believe our versatile product offering will be attractive to prospective customers in markets where we do not currently operate.

Aerial Firefighting

Aerial firefighting can be one of the most efficient means of combating wildfires because of the speed, mobility, and large carrying capacity of certain aircraft. The types of aircraft used in aerial firefighting include heavy-lift rotary aircraft such as the Aircrane, as well as fixed-wing aircraft, including the Bombardier CL-215 and 415, the Lockheed Martin C-130, and the McDonnell Douglas DC-10. We believe heavy-lift helicopters have several advantages over fixed-wing aircraft, including hovering capabilities that enable operations in congested areas, rapid refill from a greater variety of water sources, and more accurate fire retardant dispersion. We also believe heavy-lift helicopters are more cost-competitive than fixed-wing aircraft when water sources are nearby.

Fire Trends

Aerial firefighting has a long and established history. In recent years fires have become increasingly destructive around the world. For example, fires in 2007 in Greece, in 2009 in Australia, and in 2010 in Israel had unprecedented impacts on land and property. However, fires are inherently unpredictable and are impacted by a number of factors outside of our control, such as weather, population deconcentration,

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government policies and resources, and human factors. Population deconcentration reflects both regional shifts in population and the increasing attractiveness of owning property for both seasonal recreation and full-time residency in areas adjacent to public land. Population deconcentration has increased the amount of wildland-urban-interface ("WUI"), which has greatly complicated the mission of fire management in protecting communities at risk from wildfires. WUI creates an environment in which fire can move rapidly and readily, and threaten numerous buildings, homes, and people.

We believe that fire seasons in some areas are growing more intense and lasting longer, a phenomenon which some climatologists ascribe to climate change. This is consistent with findings in the 2009 Quadrennial Fire Review ("QFR"), an integrated strategic assessment process conducted by the U.S. Fire Executive Council and other government agencies to evaluate the future environment of fire management, that climate change will continue to result in a greater probability of longer fire seasons and bigger fires in various regions in the U.S. Over the past five years, longer and drier summers in the U.S. have contributed to an increase in the number of fires annually. The QFR suggests that fire mitigation efforts must address potentially 10-12 million annual wildfire acres in the U.S. alone in the coming decade, up from the previous 2005 estimate of 8-10 million annual wildfire acres. According to the QFR, research also confirmed that fire seasons are lengthening in the U.S., indicating that 30 days or more should be added to the start of the traditional fire season and possibly to the end.

We believe that if fire seasons in the U.S. and other parts of the world intensify and lengthen, government agencies may require more firefighting resources for longer periods of time, which we believe may benefit heavy-lift service providers. This increased demand for firefighting services may also ultimately drive some users to transition from leasing aircraft to owning them.

North America

In North America, the Western U.S. and Canada have historically suffered the most from the effects of wildfires. Since 1999, the U.S. has experienced 242 large wildfires, compared to 119 in the previous two decades combined. The following chart presents annual expenditures by the U.S. for fire suppression:

United States Federal Fire Suppression Costs

Source: National Interagency Fire Center.

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Larger and more frequent wildfires will continue to have a major impact on fire suppression strategy and spending. The following chart presents the number and size of large wildfires recorded by agencies in the U.S. from 1979 to 2010:

United States Large Wildfires 1979-2010 (Over 50,000 Acres)

Source: Fire report programs for each agency (Fish and Wildlife Service, National Park Service, Bureau of Land Management, USDA Forest Service and Bureau of Indian Affairs). Only agency fires are included in these data. Compiled by National Interagency Coordination Center, Predictive Services.

Southern Europe

The Southern European "Fire Club" includes France, Greece, Italy, Portugal, and Spain, countries that have historically suffered the most from severe fires. The following chart presents the annual burnt area due to wildfires in the Fire Club from 1980 to 2010:

Burnt Area in the "Fire Club" France, Greece, Italy, Portugal, and Spain 1980 to 2010

Source: European Commission Joint Research Center, Forest Fires in Europe 2010.

According to the European Commission Joint Research Center, the total burnt area in the 2007 fire season in Greece amounted to 225,734 hectares, making 2007 the country's most damaging year on record in terms of burned area and average fire size. Extremely hot and dry weather conditions combined with strong winds led to a disastrous upsurge in wildfires. Aerial firefighting techniques were heavily employed in the eventual calming of the fires. The Community Mechanism for Civil Protection, which facilitates civil protection assistance interventions in the event of major emergencies among European member states, deployed 10 Bombardier turboprops, three Pilatus prop planes, and 12 helicopters (including four Aircranes) to Greece over a 10-day period.

The following chart presents annual burnt area from 1980 to 2010 in Greece:

Burnt Area in Greece 1980-2010

Source: European Commission Joint Research Center, Forest Fires in Europe 2010.

Australia

Australia has endured forest fires that have damaged vast parts of the coast and have endangered metropolitan areas. As a result of the country's high susceptibility to forest fires, the Australian government continues to fund the civil defense budget for the procurement of firefighting suppression equipment, including the use of heavy-lift helicopters.

Drought, high winds, and high temperatures contributed to an outbreak of major brushfires in the Sydney metropolitan area in December 2001. Known as "Black Christmas," the fire was one of the worst wildfires in Australia's recent history, burning over 750,000 hectares. Government, public, and media interest piqued due to the scale of the fire, the proximity to Sydney, and the threat to residential property. Aerial firefighting played a critical role in the containment and extinguishment of the fire, and the aircraft used received widespread recognition. The Australian United Firefighters Union designated our "Elvis" as the flagship of its Aerial Firefighting Fleet.

Fires further devastated Australia in early 2009. The 2009 southeastern Australian heat wave began in late January 2009 and led to record-breaking prolonged high temperatures. The heat wave arrived during the peak of the 2008-2009 Australian fire season, and contributed to many bushfires throughout the region, the worst of which were the "Black Saturday" bushfires. The Black Saturday bushfires occurred on and around February 7, 2009 in the state of Victoria, as power lines were felled by winds in excess of 60 miles per hour and temperatures were near their peak during the heat wave. By the time the bushfires had been completely extinguished in mid-March, at least 173 people had perished, making it one of the deadliest wildfires in recorded history. The fires also injured over 400 people, burnt over 450,000 hectares, and destroyed over 3,500 structures. Several of our Aircranes were involved in the Australian firefighting efforts in February 2009.

In May 2009, following the Black Saturday fires, the Australian Attorney General announced that the government would increase its contributions to the national aerial firefighting program by approximately 30%, raising them from AU$43.2 million to AU$56.0 million over the 2009 to 2013 period. In addition, the Australian government is providing annual funding of AU$14.0 million to assist states and territories in extending lease arrangements on aerial firefighting aircraft. The Attorney General's Department stated that aerial firefighting equipment, such as the Aircrane, was a key weapon in the fight against major wildfires.

Timber Harvesting

Heavy-lift helicopters are used in timber harvesting to remove cut trees from forests, lifting them on cables attached to the aircraft. Due to helicopters' relatively high operational costs, companies use heavy-lift helicopters to harvest primarily high-value timber used in high-grade wood products such as furniture and flooring. Aerial timber harvesting is well suited for accessing high-grade timber where challenging terrain or environmental concerns limit the possibility of building access roads.

Tropical timber species in particular can carry premiums large enough to justify aerial timber harvesting when more common harvesting methods are not economically, environmentally, or politically acceptable. Tropical species are often found in dense forests which are difficult to access and where the cost of building roads can be prohibitive. In addition, local governments are increasingly facing environmental pressures and have begun limiting, and in some cases forbidding, the use of access roads in order to protect and preserve forest lands. We believe the tropical forests of Malaysia and Indonesia present significant near-term opportunities for aerial timber harvesting, and think there are additional opportunities in South America and Southeast Asia.

In addition to tropical forestlands, a number of countries have high-value timber in mountainous and difficult-to-reach locations, where aerial timber harvesting is a highly attractive alternative, including regions of the North America, Europe, and South America. North America, in particular, remains an attractive market for aerial timber harvesting. The demand for sawlogs, or softwood that typically carries a significant premium over pulpwood logs, remains strong and is expected to grow. The following chart shows the historical and estimated future demand for sawlogs in the U.S. and Canada:

North American Harvest Demand for Sawlogs

Source: RISI, March 2010 data.

Growing environmental awareness is a factor driving the use of aerial timber harvesting solutions. Consumer demand for more socially responsible businesses helped third-party forest certification emerge in the 1990s as a tool for communicating the environmental and social performance of forest operations. Today, 340 million hectares of forests are "certified," representing nearly 9.0% of the estimated four billion hectares of forestland in the world. Timber logged from certified forests is often more expensive and must be harvested in a sustainable manner, yielding growth opportunities for aerial timber harvesting as environmentally friendly forest resource management continues to grow in importance.

Infrastructure Construction

Heavy-lift helicopters are used in a variety of infrastructure construction projects, including oil and gas pipeline construction, transmission and utility grid construction, wind turbine construction, and offshore oil-development work. Additionally, heavy-lift helicopters are used in construction projects such as building construction, HVAC unit placement, ski lift construction, and mine conveyor belt construction. Aerial services are often the most efficient means to accomplish heavy-lift project goals.

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Promising growth prospects exist on a global basis, as infrastructure development opportunities arise in both developing and developed countries for power, oil and gas pipeline, and telecommunications construction. Throughout the world's developing economies, population growth, globalization, international trade, and reliance on technology have encouraged governments to accelerate various infrastructure development projects. Government agencies and private businesses are expected to increase the number of power, oil and gas pipeline, and telecommunications construction projects in order to develops each of these sectors. CIBC World Markets ("CIBC") predicts that between $25.0 trillion and $30.0 trillion of infrastructure investment will be carried out over the next two decades. CIBC believes that of this investment, 30.0% will be devoted to power projects, 22.5% to telecommunications projects, 10.0% to water projects, and 37.5% to transportation projects.

The following chart presents projected average annual global infrastructure expenditures by geography through 2030:

Projected Annual Global Infrastructure Expenditures through 2030

Source: CIBC World Markets.

Building Construction and Specialized Heavy-Lift Projects

Heavy-lift helicopters have a diverse range of construction and specialized heavy-lift applications, including the lifting of HVAC systems to building rooftops, the placement of mining conveyor systems over challenging terrain, and the assembly of ski lifts. Heavy-lift helicopters have also been used for projects such as the development of a NASA platform for astronaut training, the transportation of the 15,000-pound "Statue of Freedom" from the U.S. Capitol for restoration, and the movement of snow to Cypress Mountain in British Columbia for the 2010 Winter Olympics. Additional opportunities exist in the construction of high-rise buildings (*e.g.,* lifting building materials and installing/removing construction cranes) and the construction of isolated structures such as bridges, tunnels, and ports. Heavy-lift helicopters are frequently used in building construction and specialized heavy-lift projects because they offer highly efficient and safe solutions and provide access to challenging terrain.

Energy Transmission and Distribution

Heavy-lift helicopters are also used to support electric transmission line construction, allowing utilities and construction services firms to install infrastructure in remote or hard-to-access locations where traditional access methods may be too costly or impossible. Additionally, heavy-lift helicopters allow utilities to construct large lines faster and with minimal environmental impact, an increasing concern for asset owners.

The global market for electric power transmission and distribution equipment is forecasted to reach $154.4 billion by the year 2017. Catalysts for this spending include the acceleration of renewable energy generation project activity; allocation of stimulus funds to specific transmission, renewable energy generation, and smart grid installations; the availability of low-cost capital; and the continued need to upgrade aging grid components that are reaching the end of their useful lives.

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According to Global Industry Analysts, Asia-Pacific represents both the largest and the fastest growing regional market for electric power transmission and distribution equipment. Driven by China's significant economic growth and investment in electrifying new housing, as well as India's initial progress in the electrical sector, the Asia-Pacific electric power transmission and distribution equipment market is expected to grow at a compounded annual growth rate of 8.3% from 2010 to 2017.

Significant infrastructure construction and other heavy-lift opportunities exist in mature economies as well. According to the American Society of Civil Engineers, the U.S. electric power grid and associated infrastructure is aging, overloaded, and in need of maintenance, upgrade, and expansion. Consequently, the Edison Electric Institute, the association of U.S. shareholder-owned electric companies, projects that investor-owned utilities will spend in excess of $11.0 billion on transmission projects in 2010, up from approximately $5.7 billion in 2004. The recent American Recovery and Reinvestment Act of 2009 ("ARRA") dedicated more than $90.0 billion in government investment and tax incentives to lay the foundation for a clean energy economy, including grid modernization, renewable generation, and energy efficiency.

Power construction in the U.S. has already seen four years of rapid growth, with spending increasing at a compounded annual growth rate of 19%, from $35.5 billion in 2005 to $84.3 billion in 2010. FMI's Construction Outlook, a quarterly construction market forecast based on quantitative and qualitative studies within the construction industry, expects this trend to remain strong, with power construction spending projected to grow at a compounded annual growth rate of between 9.0% and 12.0%, or between $129.7 billion and $148.5 billion in 2015. This growth is mainly driven by investments in renewable energy projects, as well as by transmission and distribution projects, which include maintenance and replacement work.

European investment is expected to be driven by the continued replacement of aging assets, as well as efforts by the 10 new states that joined the European Union in 2004 to bring their countries' infrastructure in line with other member states.

Alternative Energy

The global wind power market grew in 2010, bolstered by the approval of the second Kyoto Protocol and promises of strong policy support such as the U.S. Government's Production Tax Credit ("PTC"). The U.S and China accounted for 54.0% of the world's new wind turbine installations in 2008. Both nations have set in motion powerful policy supports, indicating that these two countries will likely lead the global wind market going forward. Both the U.S. and China are expected to provide various support measures including PTCs and cash grants in lieu of credits, investment tax credits, and setting much higher wind turbine installation targets. Other governments around the world have also been strengthening wind power support measures. According to MAKE Consulting, the global wind power market is expected to grow at a compounded annual growth rate of over 10.0% from 2011 to 2016. We believe heavy-lift helicopters have the ability to play an important role in the construction of wind turbines, particularly in the delivery and installation of turbine blades.

Oil and Gas Pipeline Development

Heavy-lift helicopters are expected to play a significant role in the continued development of global oil and gas pipelines. Continued global demand for natural gas, crude oil, and petroleum products, coupled with production of gas and oil moving to more remote areas, drives the need for constant pipeline expansion. There are currently approximately 1.5 million kilometers of natural gas, crude oil, and petroleum product pipeline globally. According to Global Data, an additional 100,000 kilometers of pipeline are expected to be developed by 2015, driven by significant increases in global consumption of natural gas and crude oil.

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Significant regional opportunities exist around the world for pipeline development, as new projects come on-line in the next few years. The chart below shows the combined length of natural gas and crude oil pipeline projects currently planned in different regions:

Future Pipeline Projects by Region (km)

Source: SIMDEX, September 2010.

According to the Pipeline and Gas Journal, an estimated $193.0 billion will be spent on onshore pipelines from 2011 to 2015 and an estimated $55.0 billion is expected to be spent on pipeline construction in the Asia-Pacific region.

The following table highlights the key natural gas and crude oil pipeline projects currently planned around the world:

Region	Selected Projects
North America	364-mile Beluga to Fairbanks (B2F) gas pipeline
	700-mile Texas natural gas line (NGL) pipeline
Asia	285-mile Rizhao-Dongming oil pipeline
	1,240-mile Russia-China Crude Pipeline
	1,970-mile NGL pipeline network
	790-mile Jagdishpur-Haldia NGL pipeline
	510-mile Dabhol to Bangalore NGL pipeline
Australasia	280-mile coal seam gas (CSG) pipeline
	318-mile Malaysian pipeline
Europe	560-mile Black Sea NGL pipeline
	500-mile Turkey-Greece-Italy pipeline
	281-mile Skanled pipeline
	2,050-mile Nabucco pipeline
	130-mile Slovakia-Hungary pipeline
Middle East & Africa	595-mile Abu Dhabi pipeline
	560-mile Iran-Pakistan pipeline
	2,565-mile Nigeria-Algeria pipeline
South America	750-mile Brazilian pipeline network
	155-mile Carrasco-Cochabamba gas pipeline
	136-mile Humay-Marcona pipeline

Source: Pipeline & Gas Journal "2011 Worldwide Pipeline Construction Report," published in January 2011.

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Emergency Response

We believe that heavy-lift helicopters will be increasingly used in rescue missions and disaster relief operations for severe natural and man-made disasters (*e.g.*, the tsunami in Thailand in 2004, Hurricane Katrina in the U.S. in 2005, and earthquakes in Haiti, Chile, and China in 2010 and Japan in 2011). In the U.S. alone, the number of natural and man-made disasters declared by the Federal Emergency Management Agency increased from 45 in 2000 to 81 in 2010. Although it is impossible to predict the number of future disasters, the increasing frequency with which they are occurring in certain regions and the growing population globally is forcing numerous governments and affiliated agencies to evaluate improving response preparedness and increasing relief spending. As governments do so, we believe heavy-lift helicopters, because of their unique attributes and ability to operate when ground-based solutions are unavailable, will increasingly be called upon to help.

After-Market Support

After-market support is an important element of the heavy-lift helicopter industry and includes CPH agreements, MRO services, specialized educational and training services, and the development of customized aircraft components and tools. CPH involves an OEM providing a full suite of parts and services (*e.g.*, replacement parts, spare parts replenishment, scheduled, and unscheduled engine maintenance) to the aircraft it manufactures for a fixed cost per hour of utilization over a specified time period. The option provides a level of reliability and cost certainty for customers. It also allows OEMs to deepen their relationships with users, monitor the performance of their aircraft, and generate additional contracted revenue.

MRO business performance is directly correlated to the number of aircraft in service and the number of hours those aircraft are flown. In order to provide MRO services including major and minor maintenance, modifications, refurbishment, and repairs of aircraft airframes, engines and parts a provider must be licensed by the FAA in the U.S. and European Aviation Safety Agency in Europe. AeroStrategy, a specialist management consulting firm devoted to the aviation and aerospace sectors, estimated that the civil helicopter MRO market was approximately $5.0 billion in 2006, the most recent year for which information is available, with 50.0% dedicated to components, 20.0% dedicated to engines, 20.0% dedicated to modifications, and 10.0% dedicated to airframes. AeroStrategy predicts that this market will grow to $6.8 billion in 2016, representing a compounded annual growth rate of 3.1%.

Crew training and education are additional after-market services for the heavy-lift helicopter industry. Typical training requires a combination of ground school and flight training, and in some cases, the use of flight simulators. Training may also include maintenance and type training, as well as annual FAA certification courses. Heavy-lift helicopter pilots are required to log a minimum number of flight hours each year and must keep current on all industry certifications.

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COMPANY HISTORY

Our Company was founded in 1971 by Jack Erickson, a second-generation logger and entrepreneur. Mr. Erickson leased an S-64E Skycrane helicopter from Sikorsky Aircraft Corporation to assist in timber harvesting. After his initial success with the aircraft, the company purchased four Skycranes and subsequently changed its name to Erickson Air-Crane.

In 1972 we expanded into construction, first using an Aircrane for power line construction while working as a subcontractor for utility companies such as the Bonneville Power Administration, Pacific Gas and Electric Company, and Southern California Edison Company. Since these initial operations, we have placed transmission towers for over 8,000 miles of power lines. In 1975, we expanded our construction offering as an Aircrane placed the final 17 steel sections on the CN Tower in Canada. In 1993, the U.S. Government hired us to remove and replace the "Statue of Freedom," which sits atop the U.S. Capitol dome in Washington, D.C., for renovation, garnering significant media attention. In the years since these initial heavy-lift operations, the Aircrane has been flown in North America, Europe, Southeast Asia, Australia, and South America for use in large-scale delivery, installation, and construction operations.

In 1992, we purchased the Type Certificate to the Sikorsky S-64E and S-64F model Skycranes, and the aircraft designation was changed to the "S-64 Aircrane" helicopter. Since then, we have developed and certified over 350 modifications and improvements to the original design. By 1993, Erickson Air-Crane had become the manufacturer and support facility for all Aircrane parts and components.

We certified our attachable fire tank system in 1992, providing the basis for our success in aerial firefighting. Initial overseas firefighting operations commenced in Australia in 1998, and the Aircrane has since maintained an annual presence with the Australian firefighting corps. Aircranes have also been used to fight fires in the U.S., Canada, Greece, France, Italy, Turkey, and South Korea. The performance of the helicopter allowed us to make our first Aircrane sale in 2002, when the South Korea Forest Service purchased four aircraft. A year later, we sold an additional four aircraft to the Italian Forest Service. All eight of those Aircranes were built and delivered between 2002 and 2007. We sold an Aircrane to our first commercial customer in 2009 (subject to the purchaser's right to resell the aircraft to us on July 31, 2013, which was an important term to the purchaser when the sale agreement was negotiated).

On September 27, 2007, Stonehouse Erickson Investment Co. LLC, Stonehouse Erickson Management Co. LLC, and ZM EAC LLC acquired 100% of our outstanding common stock. On January 8, 2010, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. purchased the interests of the Stonehouse entities.

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BUSINESS

Overview

We specialize in the operation and manufacture of the Aircrane, a versatile and powerful heavy-lift helicopter. The Aircrane has a lift capacity of up to 25,000 pounds and is the only commercial aircraft built specifically as a flying crane without a fuselage for internal loads. The Aircrane is also the only commercial heavy-lift helicopter with a rear load-facing cockpit, combining an unobstructed view and complete aircraft control for precision lift and load placement capabilities.

We own and operate a fleet of 17 Aircranes, which we use to support a wide variety of government and commercial customers worldwide across a broad range of aerial services, including firefighting, timber harvesting, infrastructure construction, and crewing. We refer to this segment of our business as Aerial Services. We also manufacture Aircranes and related components for sale to government and commercial customers and provide aftermarket support and maintenance, repair, and overhaul services for the Aircrane and other aircraft. We refer to this segment of our business as Manufacturing / MRO. As part of our Manufacturing / MRO segment, we also offer CPH contracts pursuant to which we provide components and expendable supplies for a customer's aircraft at a fixed cost per flight hour. We believe CPH contracts help our customers better predict and manage their maintenance costs. In 2010, our Aerial Services and Manufacturing / MRO segments generated revenues of $105.7 million and $12.5 million, respectively, and in 2011, our Aerial Services and Manufacturing / MRO segments generated revenues of $138.6 million and $14.1 million, respectively. In 2010, we had a net loss attributable to Erickson Air-Crane of $8.3 million, and in 2011, we had net income attributable to Erickson Air-Crane of $15.9 million.

We own the Type and Production Certificates for the Aircrane, granting us exclusive design, manufacturing, and related rights for the aircraft and OEM components. We invest in new technologies and proprietary solutions with a goal of increasing our market share and entering new markets. We have made more than 350 design improvements to the Aircrane since acquiring the Type Certificate and we have developed S-64 Aircrane accessories that enhance our aerial operations, such as our firefighting tank system and snorkel, timber "heli harvester," and anti-rotation device and hoist.

We have manufactured 33 Aircranes for our own fleet and for our customers in several countries worldwide. To date, we have sold and delivered nine Aircranes, including our first sale to a commercial customer in 2009 (subject to the purchaser's right to resell the aircraft to us on July 31, 2013, which was an important term to the purchaser when the sale agreement was negotiated).

We believe we are the only fully integrated developer, manufacturer, operator, and provider of aftermarket parts and services for a precision heavy-lift helicopter platform, and that there are significant growth opportunities for our business. For example, we believe population growth and deconcentration, which increases the size and breadth of communities that must be protected from wildfires, will lead to increased government spending on rapid response, heavy-lift firefighting solutions such as the Aircrane. See "Business Competition" and "The Commercial Heavy-Lift Helicopter Industry Commercial Heavy-Lift Helicopter Markets." There is, however, no guarantee that growth will occur in the markets we serve or that we will be able to take advantage of growth opportunities. See "Risk Factors."

We target long-term contract opportunities and had a total backlog of $212.8 million as of February 29, 2012, of which $128.0 million was from signed contracts and $84.8 million was from anticipated exercises of customer extension options (including $54.3 million from multi-year annual customer extension options). We had a total backlog of $298.9 million as of February 28, 2011, of which $176.4 million was from signed contracts and $122.5 million was from anticipated exercises of customer extension options (including $22.6 million from multi-year annual customer extension options). No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011. We define long-term contracts as contracts of six months or more, to distinguish them from our contracts related to a specific task for a customer, which are generally short-term engagements. We include anticipated exercises of customer extension options in our backlog when our prior operating history, including past exercises of extension options by such customers and the other circumstances specific to the particular contract, causes us to conclude that the exercise of such extension option is likely. We expect that approximately $123.8 million of the backlog

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will not be filled in 2012. See " Our Competitive Strengths Valuable Long-Term Customer Relationships and Contracts" for a description of some of our long-term customer relationships. See " Backlog" for a discussion of how we define and calculate backlog. There is no guarantee, however, that any customer will exercise its extension options or that any contracts will be renewed or extended. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Our Aerial Services operations are seasonal and tend to peak in June through October and tend to be at a low point in January through April. As a result of this seasonality, we have historically generated higher revenue in our third quarter as compared to other quarters, and received the majority of our cash in the second half of the calendar year, although we often have unabsorbed costs in the fourth quarter which could lead to negative reported gross profit in the third and fourth quarters. We had cash used in operations of $8.4 million for the year ended December 31, 2010 and $20.7 million for the year ended December 31, 2011. Cash used in operations included an increase in inventory and work in process of approximately $26.7 million and $25.7 million for the years ended December 31, 2010 and 2011, respectively. A significant portion of this increase was attributable to the manufacture of two Aircranes during 2010 and 2011 that are currently held in inventory. We expect to have a significant decrease in the amount of cash used for inventory in 2012 as compared to the amounts used in 2010 and 2011 and, to a lesser extent, savings resulting from our reduction-in-force in November 2011. As a result, we believe that our cash flows from operations, together with cash on hand and the availability of our revolving credit facility, will provide us with sufficient liquidity to operate our business for the foreseeable future.

We have production, maintenance, and logistics facilities in Central Point, Oregon. We currently maintain a year-round international presence with operations in Canada, Italy, Malaysia, and Peru, and an operating presence in Australia and Greece. We employ approximately 700 employees of whom approximately 500 are located in Oregon, primarily at our Central Point facilities and Portland headquarters. We employ approximately 100 pilots. We deploy crews, including pilots and maintenance personnel, on-site globally where we deploy our Aircranes.

Our Competitive Strengths

We believe we have certain competitive advantages in the heavy-lift helicopter market that further our ability to execute on our strategy.

Versatile Heavy-Lift Helicopter Solutions. The versatility and high payload capacity of the Aircrane, its proprietary mission-specific accessories, and the skill of our pilots and crews make the Aircrane an attractive solution for a wide variety of aerial services. We believe our fleet of 17 owned and operating Aircranes is the largest commercial fleet of helicopters in the world capable of carrying loads of up to 25,000 pounds and that our role as the manufacturer of the Aircrane, combined with our scale, service readiness, and comprehensive global support network, provides us with a leadership position in the heavy-lift helicopter industry. See "Business Competition."

Vertically Integrated Business Model. We offer a full spectrum of heavy-lift helicopter solutions, including the design, engineering, development, manufacturing, and testing of the Aircrane, as well Aerial Services and MRO services. Our business benefits from close cooperation between our designers and engineers, on the one hand, and our operations personnel, on the other hand, allowing us to quickly react to changing customer needs and new business opportunities. We provide MRO services on our Aircrane fleet, and we continue to supply parts and major maintenance and overhaul services to every aircraft we have sold. We also perform similar operations on components for owners of other aircraft platforms. Our FAA-certificated repair station offers a full array of services, from small repairs to extensive heavy airframe maintenance. Beyond the usual capabilities of a repair station, we have a team of engineers and resident Designated Engineering Representatives to assist in repair and modifications, as well as to address engineering issues that arise during the maintenance process. We believe our integrated approach business model reduces our costs and diversifies our revenue stream, and results in better products and services through close collaboration between our product engineers and our operations personnel.

Established International Presence. During our history, we have operated in 18 countries across five continents. Global operations allow us to maximize the use of our fleet for seasonal aerial services and position us to capitalize on opportunities in a broad range of geographies. We currently maintain a year-round international presence in Canada, Italy, Malaysia and Peru, and an operating presence in Australia and Greece. Our global reach and our efficient management structure enable us to provide high-quality, reliable services with high levels of operational availability to our customers. In addition, our geographically distributed fleet minimizes our mobilization costs and the response times in meeting our customers' service requirements. Revenues from external customers by geographic area for the last three fiscal years are provided in Note 11 to our consolidated financial statements included in this prospectus. Global operations expose us to risks, such as currency fluctuations, different regulatory and legal environments, and risks of financial, political, and other instability related to the countries in which we operate. See "Risk Factors Risks Related to Our Business Our business is subject to risks associated with international operations, including operations in emerging markets."

Proprietary Technologies and Continuous Innovation. We have made more than 350 design improvements to the Aircrane and have developed a variety of innovative accessories for our Aerial Services, including a 2,650 gallon firefighting tank and snorkel refill system, a "heli harvester" for aerial timber harvesting, and an anti-rotation device and hoist that facilitates precision heavy load placement. We continuously explore ways to deliver innovative solutions to our customers and to potential customers in new markets.

Valuable Long-Term Customer Relationships and Contracts. We believe that our established relationships with customers, some of whom have been customers for more than 20 years, allow us to effectively compete for and win new projects and contract renewals. Our long-term relationships help provide us with visibility with respect to our revenue, aircraft utilization, and scheduled usage patterns. We increased our backlog as of February 29, 2012 by $179.8 million to $212.8 million compared to September 26, 2007, the date of the acquisition of the Company by a group of private equity investors. We had $298.9 million of backlog at February 28, 2011. No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011. We derived approximately 76% of our 2010 revenues and approximately 83% of our 2011 revenues from long-term contracts. We define a long-term contract to be a contract with a duration of six months or more. See "Business Backlog" for a discussion of how we define and calculate backlog. While our contracts with our largest customers have a term of six months or more, they may be subject to annual renewals or customer extension options, and there is no guarantee that such contracts will be renewed or extended. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Experienced and Growth-Oriented Management Team. Within the last four years, we have added the six members of our senior management team, including our CEO and CFO, our Vice President and Chief Marketing Officer, our Vice President of Manufacturing and MRO, our Vice President of Aerial Services, and our Vice President, General Counsel, and Corporate Secretary. Our senior management team has an average of more than 20 years of experience in the aviation industry and rotorcraft sector. This professional aerospace team provides us with deep domain knowledge, extensive operational and manufacturing expertise, and strong customer and business relationships.

Our Strategy

Our goals are to strengthen our position in the competitive heavy-lift helicopter industry by continuing to provide innovative, value-added solutions to our customers, and to expand our aircraft and component sales and MRO services. We intend to focus on the following strategies to achieve these goals:

Maintain Position in Aerial Services and Expand into New Markets. We intend to leverage our global presence, our vertically integrated offerings, and our innovative technologies to expand our customer base and increase our fleet utilization in existing and new markets.

- *Firefighting.* We intend to opportunistically enter European, Asian, and South American countries that have significant fire seasons. We expect the seasonal differences between these countries and those we currently serve will provide us with the opportunity to increase our global fleet utilization and provide more scale in each of our key target regions.

Timber harvesting. We intend to opportunistically enter new markets in South America and Asia where abundant high-value timber resources present significant growth potential for our heavy-lift solutions. In addition, we expect to continue to capitalize on the growing desire for sustainable timber harvesting practices, as we have done in North America and Malaysia. Specifically, we have been able to secure Aerial Services contracts in the United States, Canada, and Malaysia supporting customers who do not clear cut timber (which allows for easier access by road) and instead use sustainable timber harvesting practices that require extraction of heavy timber loads from sites that may not be accessible by ground transportation.

Infrastructure construction. We believe that infrastructure construction represents a large market with growth potential for us. In particular, we believe that electrical grid development and modernization, oil and gas pipeline construction, wind turbine construction, and other alternative energy projects represent our most significant growth opportunities in this sector.

Emergency response. We have developed and continue to expand a comprehensive emergency response marketing effort to provide advanced global aerial solutions in support of disaster recovery, hazard mitigation, and infrastructure restoration.

Crewing. We have experienced strong demand for crewing services from customers who have purchased our Aircranes and we expect this trend to continue as the global installed base of Aircranes expands.

Increase Our Aircrane Sales. We have not sold an Aircrane since 2009, but have manufactured two Aircranes that are ready for sale, one of which is complete and one of which is substantially complete. These two Aircranes are held in inventory and are not part of our fleet of 17 Aircranes that we operate for our customers. We intend to increase sales of the Aircrane to existing and new customers. In addition to generating profits upon sale, we expect an increase in the installed base of Aircranes to augment demand for our crewing services, OEM components, and MRO and other aftermarket services. We have established a sales team that is focused on expanding Aircrane sales and has significantly increased our sales pipeline activities. However, potential sales of Aircranes are subject to considerable uncertainties. For example, in September 2010, we entered into an aircraft purchase agreement for the purchase of one Aircrane with Aliar Aircrane Services Especializados Ltda that was subject to a purchaser financing condition. No payments were made by the purchaser and the agreement terminated. In December 2010, we entered into a non-binding memorandum of understanding with Wan Yu Industries Groups, Limited for the purchase of five Aircranes that was subject to a condition that the customer pay a non-refundable deposit by the end of January 2011. The deposit with respect to such potential Aircrane sales was not received and therefore the arrangement terminated. On August 1, 2011, we entered into an Aircraft Lease and Purchase Option Agreement with HRT, a subsidiary of a Brazilian oil and gas exploration company. HRT declined to exercise its option to purchase the Aircrane pursuant to such agreement and the lease expired on January 15, 2012. The failure of HRT to exercise its purchase option and the failure by us to otherwise sell an Aircrane increases the risk that we may fail to comply with the financial covenants under our Credit Agreement in 2012. See "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Trends and Uncertainties Affecting Our Business." In February 2012, we entered into a non-binding letter of intent with THK, pursuant to which THK expressed its intent to purchase one Aircrane on or prior to June 30, 2012. The terms of the binding purchase agreement remain subject to ongoing negotiations between us and THK, and we do not know when such negotiations will conclude. There can be no assurance that THK will purchase an Aircrane. See "Prospectus Summary Recent Developments." In addition, a sale of one of the 17 Aircranes that is part of our fleet would reduce the number of Aircranes available to provide Aerial Services. If we consummate such a sale, we may not always have the ability to maintain our desired level of Aerial Services operations with a reduced fleet, and our results of operations could be adversely affected. See "Risk Factors Risks Related to Our Business Our Aerial Services revenues depend on the availability and size of our Aircrane fleet."

Expand Our MRO and Aftermarket Solutions. We intend to leverage the expertise of our highly trained engineers and maintenance support personnel to extend our MRO capabilities across aircraft platforms similar to the Aircrane. We have entered into a service and supply agreement with Bell pursuant to which we will manufacture and sell certain commercial aircraft parts and components to Bell. We believe that we are also well-positioned to provide similar services for other aircraft, directly or in partnership with OEMs. These OEMs are increasingly focused on developing new platforms rather than on servicing legacy platforms, because their large fixed-cost structures and limited engineering capacity often render the latter uneconomical. We are currently pursuing aftermarket OEM opportunities that leverage our engineering expertise.

Maintain a Focus on Long-Term Customer Relationships and Contracts. We intend to focus on developing long-term relationships with key customers through reliable performance and a strong commitment to safety and service. This focus has resulted in an increase in our backlog and we believe it has given us a competitive advantage in competing for new contracts and renewals of existing contracts.

Maintain a Continued Focus on Research and Development. We are dedicated to continuous innovation and significant research and development projects. Our operations have benefited from innovations such as our fire tank and snorkels, anti-rotation device and hoist, hydraulic grapple and a redesigned automated flight control system. We have several new product applications and aircraft accessories under development, including composite main rotor blades, and a universal multipurpose container for cargo transportation. See "Business Research and Development." Innovative new products and capabilities enhance the reliability and versatility of our aircraft in existing and new markets, enabling us to expand our market access, increase our customer base, and capture additional market share.

Selectively Pursue Acquisitions of Businesses and Complementary Aircraft. We intend to continue to opportunistically evaluate the acquisition of businesses and aircraft that could complement and enhance our Aerial Services capabilities and service offerings and increase our access to customers and our penetration of new and existing markets.

There is no guarantee that we will be able to execute on our strategies, and, even if we successfully execute on our strategies, there is no guarantee that our strategies will strengthen our position in the heavy-lift helicopter industry. Our ability to execute on our strategies is subject to risks and uncertainties described in "Risk Factors."

Changes to Our Company Since Our 2007 Acquisition

Our Company was acquired by a group of private equity investors in September 2007. Our new stockholders have taken several steps to improve our business and financial position and improve our focus on implementing our strategies.

Management. We have added strong professional aerospace managers to our management team, adding six members of our senior management team, including our CEO and CFO, our Senior Vice President of Global Sales and Marketing, our Vice President of Manufacturing and MRO, our Vice President of Aerial Services, and our Vice President, General Counsel, and Corporate Secretary. This management team has extensive experience in the helicopter services and aerospace manufacturing sectors and has brought significant improvements to our operations.

Corporate Functions. Under the leadership of the current management team, we have institutionalized all corporate functions and developed key performance indicators that are reviewed monthly with our senior leadership team. This includes a comprehensive revenue forecasting process. Our governance has been enhanced through the use of a transaction approval process for all material transactions. Safety, operating, and strategic plans are now in place. Investments in leadership talent

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and systems have been made in our sales and marketing and finance groups. We have implemented a new ERP that integrates our financial and manufacturing processes.

Focus on Long-Term Relationships and Contracts. We have focused on building a diverse range of long-term relationships and obtaining long-term contracts. We have increased our backlog as of February 29, 2012 by $179.8 million to $212.8 million compared to September 26, 2007, the date of the acquisition of the Company by a group of private equity investors. We had $298.9 million of backlog at February 28, 2011. We derived approximately 76% of our 2010 revenues and approximately 83% of our 2011 revenues from long-term contracts. We define a long-term contract to be a contract with a duration of six months or more. See "Business Backlog" for discussion of how we define and calculate backlog. See also "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

Increased MRO Focus. Prior to our acquisition, our MRO effort was primarily internally focused. While servicing our own fleet of 17 Aircranes remains the largest component of our current MRO activities, we have broadened our focus to leverage our expertise with the Aircrane to offer MRO services across similar aircraft platforms. We are currently pursuing various aftermarket OEM opportunities.

Increased Effort to Expand Aircrane Sales. Our sales group is dedicated to expanding Aircrane sales, and has significantly increased our sales pipeline activities. We may enter into agreements providing options to potential customers on future aircraft deliveries, which options only become binding obligations on us if non-refundable deposits are paid. The options allow us to engage potential customers in the sale process. However, there is no assurance that any options will be exercised or any conditional sales will be completed. See " Our Strategy Increase our Aircrane Sales" and "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement."

Oil and Gas Pipeline Construction. We have begun penetrating the oil and gas pipeline construction services market. We have recently entered into a three-year services contract with Repsol Exploración Perú S.A. ("Repsol"), a Peruvian subsidiary of a Spanish oil and gas exploration company that is developing natural gas resources in Peru. See " Significant Customers."

Improved Standards for Safety and Quality. We have implemented specific, company-wide safety and quality processes to further enhance our safety and quality culture and now meet or exceed all recommended FAA standards. These processes allow us to provide all of our employees and customers with consistently safe and high-quality service, which we believe is essential to our business. In recognition of the importance of safety, we have a full-time dedicated Safety & Compliance Department reporting directly to our CEO. We operate under a fully implemented Safety Management System, which meets or exceeds current FAA requirements. We received AS9100 Certification in May 2009, and in March 2011, we successfully completed our annual AS9100 audit with no major findings. In 2011, we also received our third consecutive year of Safety and Health Achievement Recognition Program ("SHARP") accreditation. In February 2012, we successfully completed an in-depth FAA/Flight Standards District Offices audit of our repair station resulting in zero findings and added to our staff an accredited International Standards for Business Aircraft Operations ("IS-BAO") auditor. We anticipate that we will become IS-BAO certified this year.

Increased Media Exposure. Our management team has pursued various opportunities to increase the Aircrane's media exposure. In addition to features in newspapers and magazines, the unique design and capabilities of our Aircrane have been featured in a recent documentary by National Geographic and at the center stage of the 2009 EAA Airventure Oshkosh airshow.

Headquarters Relocation. In March 2009, we relocated our corporate headquarters from Central Point, Oregon to Portland, Oregon, which we believe has improved our ability to attract and retain highly qualified management personnel and provides us with improved access to our global customers and facilities.

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Products and Services

Our Aircrane is a versatile and powerful precision heavy-lift helicopter with lift capacity of up to 25,000 pounds. The Aircrane is the only commercial aircraft built specifically as a flying crane, in contrast to those with fuselages built for internal loads. The Aircrane's unique design allows us to perform a wide variety of critical services, including firefighting, timber harvesting, and infrastructure construction. The Aircrane is the only helicopter in the world with a rear load-facing pilot station that provides an unobstructed view and complete control of the load being placed. We believe the aircraft's inherent versatility, large payload capacity, and precision placement capabilities provide us with competitive advantages and support our position as a leading provider of heavy-lift helicopter solutions worldwide. See "Business Competition."

The table below highlights the specifications of our two Aircrane models:

Specification	S-64E	S-64F
Power Plant	2 Pratt & Whitney JFTD12A-4A	2 Pratt & Whitney JFTD12A-5A
Shaft HP	4,500 per engine, 9,000 total	4,800 per engine, 9,600 total
Gross Weight (Max.)	42,000 pounds	47,000 pounds
Empty Weight	20,200 pounds average	20,400 pounds average
Payload Capacity	20,000 pounds	25,000 pounds
Max Cruise Speed	115 knots = 132 miles per hour	104 knots = 119 miles per hour

The Aircrane was originally manufactured by Sikorsky Aircraft Corporation. We purchased the S-64 Type Certificate from Sikorsky in 1992 and have since developed and certified over 350 modifications and improvements to the original design, which have significantly enhanced the Aircrane's versatility and precision heavy-lift capabilities. In addition, we are committed to continuous innovation and the allocation of resources to the design, engineering, and development of new and improved Aircrane tools and accessories. Components such as the anti-rotation device and hoist, hydraulic grapple, and high-volume fire tank and snorkel enhance the Aircrane's ability to perform effectively and cost-efficiently. As we continue to enter new markets we will continue to design and develop products as needed. The table below highlights some of our proprietary Aircrane accessories.

Accessory	Market	Description
Fire Tank and Pond Snorkel	Firefighting	2,650 gallon tank that drops water, retardant, or foam mix; includes a water-collecting snorkel that refills the tank with fresh water in less than 45 seconds
Fire Tank and Sea Snorkel	Firefighting	2,650 gallon tank with anti-sea spray device, enabling in-flight seawater refill in less than 45 seconds while minimizing the damaging effects of seawater spray from stationary refilling
Foam Cannon	Firefighting	Water, foam, and fire retardant dispenser that forces a stream of retardant at 300 gallons per minute with a coverage range of 200 feet.

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Accessory	Market	Description
Hydromulch Loading Manifold	Post-Firefighting	Dispenser of mulch and other regenerative materials for post-fire management, promoting regrowth and reducing post-fire erosion
"Heli Harvester"	Timber Harvesting	Self-seating harvester that allows timber harvesting operations with no ground crew required during helicopter operations
Hydraulic Grapple	Timber Harvesting and Infrastructure Construction	Exerts over 42,000 pounds of pressure to secure timber as it is harvested in an ecologically friendly manner; supports debris removal
Long-Line Shock and Pendant	Timber Harvesting and Infrastructure Construction	Shock-absorbing aircraft attachment for hydraulic grapple that absorbs load variances, facilitating smoother flying and increased aircraft longevity
Anti-Rotation Device and Hoist	Infrastructure Construction	Prevents load rotation and enables precise load placement
Material Transport Bucket	Infrastructure Construction	Allows for the transportation and precision delivery of various materials to a particular location

We have several new product applications and aircraft accessories under development, including composite main rotor blades and a universal multi-purpose container for cargo transportation. Innovative new products and capabilities enhance the reliability and versatility of our aircraft, which we believe positions us well to increase our customer base and market share. See "Research and Development."

Aerial Services

We provide heavy-lift aerial helicopter solutions to domestic and international customers. Our Aircrane was designed as a versatile, airborne heavy-lift platform with capabilities that support a wide variety of missions and end-markets. The Aircrane is capable of providing heavy-lift solutions to a wide variety of

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industries, including firefighting, timber harvesting, infrastructure construction, oil and gas and energy related construction, disaster recovery, and emergency response. We own, operate, and maintain a fleet of 17 Aircranes, making us the world's largest Aircrane operator. We typically lease our aircraft to customers for specific missions, with customers generally paying for the aircraft, maintenance, and crewing services, as well as fuel expense. In addition, we currently provide crewing for the majority of aircraft we have sold.

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

Aerial services accounted for 91% of our consolidated revenues in 2011 (53% firefighting, 23% timber harvesting, 10% construction, and 14% crewing), 89% in 2010 (52% firefighting, 28% timber harvesting, 5% construction, and 15% crewing), and 76% in 2009 (66% firefighting, 21% timber harvesting, 6% construction, and 7% crewing). Our aerial services are seasonal, but our global operations help us mitigate the effects of seasonality; for example, the firefighting season in the U.S. typically runs from May to October and in Australia it typically runs from October to February.

Periodically, Aircranes are removed from service and undergo heavy maintenance activities, including inspections and repairs of the airframe and related parts as required. The actual time between heavy maintenance depends on many factors, including hours of operation and kind of use. We perform the heavy maintenance procedures at our Central Point facilities. Heavy maintenance requires several months to complete during which time the Aircrane is not available to provide Aerial Services. We attempt to schedule heavy maintenance so that no more than one Aircrane is out of service undergoing heavy maintenance at any time.

Firefighting. Our Aircrane Helitanker the Aircrane with an attached 2,650 gallon fire tank is a versatile, powerful, and cost-competitive aerial firefighter. The Aircrane Helitanker has provided firefighting services in the U.S., Canada, Mexico, Italy, Greece, France, Turkey, and Australia. Our firefighting customers include federal, state, local, and international government agencies who hire us to be available as needed. Under our typical firefighting contracts, aircraft are deployed to locations prone to seasonal fires and remain on standby throughout the fire season. For these contracts, which we refer to as exclusive-use contracts, we typically charge on a per-day basis for availability and on a per-hour basis for actual aircraft use. In some circumstances, we only charge for actual aircraft use; these contracts, which we refer to as call-when-needed contracts, have considerably higher daily and/or hourly rates than our exclusive-use contracts. Because fire seasons differ in the Northern and Southern Hemispheres, we are able to capitalize on the year-round demand for firefighting services by moving aircraft from one location to another.

Our 2,650 gallon fire tank features microprocessor controlled tank doors that allow for eight different coverage levels. The tank provides the Aircrane with a comparable delivery capacity of fixed-wing tanker planes and the increased maneuvering capabilities of a helicopter. Fixed-wing alternatives must land to reload or skim-load from large bodies of water. Our Helitanker reloads while in flight in 45 seconds or less from any available water source deeper than 18 inches, including rivers, lakes, oceans, and cisterns. As a result, if there is a water source nearby, the Aircrane can reload and return to its target significantly faster than fixed-wing alternatives, resulting in a substantially larger total drop capacity and a more cost-effective solution for fighting most fires.

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

Timber Harvesting. We have flown the Aircrane in high-performance, low-impact timber operations since 1971 in a number of regions, including the U.S., Canada, and the tropical forests in Malaysia. Our customers request our harvesting solutions primarily for high-value timber, such as tropical hardwoods and for remote area harvesting in locations that would otherwise require road construction or prohibit ground-based harvesting.

Aerial timber harvesting with the Aircrane is a cost-competitive, sustainable, and environmentally friendly method of harvesting high-value and difficult to access timber. Timber is vertically lifted and transported with our proprietary hydraulic grapple, minimizing the need for road development and large support crews on the ground. We believe one Aircrane can harvest and transport the same amount of timber in a day as approximately 50 ground tractors. The environmental benefits of this sustainable forest practice include far less damage to adjacent stands of trees, soil, and riparian areas.

Infrastructure Construction. The Aircrane's rear load-facing pilot seat, combined with the skill and experience of our pilots, makes the aircraft particularly well-suited for infrastructure projects that require extreme precision in load delivery, such as electricity transmission and broadcasting towers, oil and gas pipelines, wind turbines, mining conveying systems, industrial equipment, emergency shelters, and ski-lift equipment. The Aircrane can be configured to transport heavy machinery and equipment such as heating, ventilating, and air conditioning HVAC units, automotive equipment, and other large cargo items.

We have developed a number of innovative mission-specific tools and accessories that further enhance our capabilities and increase our versatility, including our anti-rotation device and hoist, hydraulic grapple, and material transport bucket.

Crewing. For customers who purchase an Aircrane but lack qualified operating personnel, we offer pilots and field maintenance crews on an annual or multi-year contract basis. Because we are currently the largest employer of trained and qualified Aircrane pilots, crew chiefs, field mechanics, and other support personnel worldwide, we are often a critical solution for effective crewing of our sold aircraft. We provide crewing services for five of the nine aircraft we have sold since 2002. For example, we provide crewing services on a multi-year basis to the Italian Forest Service in respect of four Aircranes we previously sold to the Italian Forest Service. We also provide maintenance and CPH for parts to this customer. As we increase our sales of Aircranes, we expect our crewing services to increase accordingly.

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

Through our Manufacturing / MRO segment we manufacture Aircranes from existing airframes, manufacture new components on a contract basis, and provide customers with FAA- and European Aviation Safety Agency-certified MRO services in our AS9100-certified facility. The MRO process includes the disassembly, cleaning, inspection, repair, and reassembly of airframes, engines, components, and accessories, as well as the testing of complete engines and components. We perform major maintenance, repair, and overhaul on our own Aircranes, and we continue to provide parts and major maintenance and overhaul services to each aircraft we have sold. We also offer CPH contracts in which we provide all parts and service for a customer's aircraft at a fixed hourly rate, increasing our customers' ability to predict and manage their maintenance costs. Our Manufacturing / MRO segment accounted for 9.3% and 10.6% of our 2011 and 2010 consolidated revenue, respectively.

We have manufactured a total of 33 Aircranes for our own use and for sale to customers, and have sold one for domestic construction operations and eight for international firefighting operations. The sale of an Aircrane to an existing or potential Aerial Services customer may reduce future Aerial Services revenues

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we may have received for services provided to such customer. Although we expect in the future to manufacture Aircranes only after entering into a binding sales agreement, we have substantially manufactured two Aircranes that we currently hold for sale. In years when aircraft sales occur, they typically account for more than 10% of our consolidated revenues. We also build and manufacture Aircranes for our own use as dictated by customer demand and currently own, operate, and maintain 17 Aircranes. All of our aircraft are built in-house at our facility in Central Point, Oregon, enabling us to manufacture an Aircrane to new specifications in approximately six to fourteen months depending on specifications and lead times. As the owner of the S-64 Type and Production Certificates, we also have the exclusive authority and ability to manufacture an Aircrane entirely from new parts. We believe our manufacturing operations are scalable. We recently reduced manufacturing capacity in our November 2011 reduction-in-force, and if we experience significantly increased customer demand for our Aircranes, we anticipate being able to meet such demand by rapidly expanding our manufacturing capacity and related resources. However, such expansion may require us to incur significant financial costs.

We have extensive capabilities in new parts production of airframes, aircraft systems, and avionics components for a wide variety of rotary and fixed-wing aircraft. Our highly skilled mechanics and technicians regularly manufacture airframe subassemblies and other sheet metal parts and have machining capabilities that include computer numerical control milling, grinding, and lathing. Our manufacturing operations can fabricate hard-to-locate parts, or even reverse engineer and reproduce parts that may no longer be available from traditional sources. We manufacture aluminum main and tail rotor blades and have partnered with OEMs to design and manufacture composite main rotor blades that we believe will significantly improve the performance of our Aircranes and other helicopters.

While we provide MRO services to our own Aircranes, we continue to provide parts and major maintenance and overhaul services to every Aircrane we have sold. We also perform similar operations on engines and other components for owners of other aircraft platforms. Our FAA-certificated repair station offers a full array of services from small repairs to extensive heavy airframe maintenance. Beyond the usual capabilities of a repair station, we have a team of engineers and resident Designated Engineering Representatives to assist in repair and modifications, as well as to address any engineering issues that arise during the maintenance process.

Research and Development

Our research and development efforts have been critical to our success, and we dedicate significant resources to improving our aircraft's performance and developing new applications and products. We spent approximately $4.8 million, $6.4 million, and $6.9 million on research and development in 2011, 2010, and 2009, respectively. We have recently completed several new product applications and aircraft accessories and have others under development, including the following:

- A redesigned Automated Flight Control System that significantly improves system performance and reliability and reduces maintenance costs, certified by the FAA in 2010.
- Night vision cockpit instrumentation, certified by the FAA in 2010.
- Composite main rotor blades, with respect to which the detailed design is complete and manufacturing tooling is fabricated, and prototype blades have been fabricated.
- A universal multi-purpose container for the transportation of cargo, a prototype of which has been tested and proven, and with respect to which variations are in development for medical facilities and portable command centers.

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

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Backlog

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

We calculate the contribution to backlog for some timber harvesting contracts based on our estimate of the cubic meters of high grade timber we expect to deliver under the contract based on our experience. As of February 29, 2012, $4.0 million of our backlog was attributable to our estimate of the cubic meters of timber we expect to deliver under timber harvesting contracts. Our backlog as of February 28, 2011 included $140.6 million attributable to our estimate of the cubic meters of timber we expected to deliver under timber harvesting contracts.

A substantial portion of our backlog is related to anticipated exercises of customer extension options. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized." We anticipate customer extension options based on our prior operating history and experience with these customers. There is no guarantee, however, that these extension options will be exercised. As of February 29, 2012, none of our backlog was attributable to the anticipated confirmation of extension options in connection with our contract with the Hellenic Fire Brigade. As of February 28, 2011, $25.4 million of our backlog was attributable to the anticipated confirmation of extension options in connection with our contract with the Hellenic Fire Brigade.

Our backlog as of February 29, 2012 was $212.8 million, of which $128.0 million was attributable to signed contracts and $84.8 million was attributable to anticipated exercises of customer extension options (including $54.3 million from multi-year annual customer extension options). We had total backlog of $298.9 million as of February 28, 2011, of which $176.4 million was from signed contracts and $122.5 million was from anticipated exercises of customer extension options (including $22.6 million from multi-year annual customer extension options). This decrease in total backlog was primarily the result of (1) the restructuring of our contractual relationship with Asiatic Lumber Industries from a multi-year contract to a year-to-year contractual relationship, (2) general consumption of backlog through our performance of Aerial Services and collection of revenue under existing contracts that were previously categorized as contract backlog, and (3) the removal of backlog attributable to customer extension options with the Hellenic Fire Brigade. These decreases were partially offset by increases in backlog resulting from new contract signings during the 12 months prior to February 29, 2012. $18.4 million of our backlog as of February 29, 2012 and $22.7 million of our backlog as of February 28, 2011 was attributable to our Manufacturing / MRO segment. No sales of Aircranes were associated with our backlog as of February 29, 2012 or February 28, 2011.

Sales and Marketing

Sales and marketing assignments are allocated based on geography to regional managers who are responsible for generating qualified sales leads. Once a potential customer is qualified, the managers are supported by segment managers who provide subject matter expertise on our various products and services. We have retained consultants to assist us with new government contracting opportunities in the

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U.S. We also retain independent representatives in specific countries on a commission basis. Our independent representatives operate under contracts in which they pledge to act in full compliance with the Foreign Corrupt Practices Act and other applicable legislation.

As a part of our sales effort, we may enter into agreements providing potential customers with an option to purchase an aircraft from future production. Such agreements can be structured as a purchase agreement which is not binding until a non-refundable deposit is paid. On payment of the negotiated option payment or non-refundable deposit, and on occasion negotiation of a more specific purchase agreement, the agreement becomes binding. Such agreements allow us to engage potential customers without committing the customer. No income is recognized on such agreements until the non-refundable payment is made and a binding purchase commitment exists. See "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement."

Our marketing functions are principally directed at identifying and understanding geographic markets and developing new applications for our products and services. We are currently focused on potential energy applications for oil and gas exploration, transmission towers, and pipeline development in South America, Europe, North America, and Asia. In firefighting applications, we are focused on Southern Europe, South America, and Asia. We are pursuing timber harvesting applications in North America, Asia, and South America and construction applications in North America, Europe, the Middle East, South America, and Asia. In addition to our traditional operating markets, we are exploring various new product applications to enable us to enter new markets such as emergency response.

Significant Customers

Both the U.S. Forest Service and the Italian Ministry of Civil Protection accounted for 10% or more of our total net revenues in 2011, and we have existing contracts with each of these customers. We believe that we have good relationships with the U.S. Forest Service and the Italian Ministry of Civil Protection.

The table below sets forth all customers that accounted for at least 10% of our total net revenues in 2009, 2010, or 2011:

	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011
U.S. Forest Service	16.6%	24.4%	27.2%
Italian Ministry of Civil Protection	13.6%	13.8%	15.9%
Hellenic Fire Brigade	10.5%	11.0%	8.4%
Samling Global	5.1%	12.3%	7.0%
	45.8%	61.5%	58.5%

In December 2011, the U.S. Department of Agriculture awarded us a National Exclusive Use Large Fire Support Helicopter Services contract with the U.S. Forest Service. The contract has a one-year term with a customer option for three one-year extensions. The contract comprises seven awards for a total contract award of approximately $24.0 million annually. The agreement with the U.S. Forest Service represents a material portion of our backlog. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized."

In June 2010, we entered into an agreement to provide firefighting services for the Hellenic Fire Brigade, which agreement calls for annual confirmation notices. On January 31, 2012, the Hellenic Fire Brigade notified us that it would not exercise its option to extend our existing contract for the 2012 fire season, which contract relates to the use of three Aircranes during the summer of 2012. The Hellenic Fire Brigade has not notified us whether it intends to exercise its option for the 2013 fire season. As a result of

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these developments, we are not currently providing services to the Hellenic Fire Brigade and our backlog has been reduced by approximately $25.4 million relating to services we had expected to provide to the Hellenic Fire Brigade in 2012 and 2013. See "Business Backlog" for a discussion of how we define and calculate backlog. We did not receive any advance payments under this contract for 2012.

Our agents and representatives in Greece have informed us that the Hellenic Fire Brigade has cancelled or not exercised its extension options in respect of all of its firefighting contracts for 2012 with us and all other aerial service providers. NAMSA has posted on its website a request for proposal for Greek aerial firefighting services for the 2012 to 2014 firefighting seasons. We have registered as a NAMSA supplier and we expect to provide a response by late April to the request for proposal to compete for the requested aerial firefighting services to be provided by three heavy-lift helicopters in Greece for 2012 through 2014. The aircraft specifications for the requested services are similar to those relating to the previous tender by the Hellenic Fire Brigade in 2010 that we successfully won. The Hellenic Fire Brigade has been a continuous customer of ours for more than ten years through several successful re-tendering processes. There is no guarantee that our bid will be successful or that we will be able to satisfy tender specifications. If a Greek contract is awarded to us, there is no guarantee that our revenues and profit margins thereunder will be similar to those that we have received in connection with past contracts with the Hellenic Fire Brigade. If a Greek contract is not awarded to us and we are unable to redeploy the three Aircranes we have historically used to provide services in Greece in order to generate comparable revenues and operating earnings, we may fail to comply with the financial covenants under our Credit Agreement in 2012. See "Risk Factors Risks Related to Our Business Cancellations, reductions or delays in customer orders, delays in delivery of Aircranes, or customer breaches of purchase agreements may adversely affect our results of operations and our ability to comply with covenants under our Credit Agreement."

In October 2011, we entered into a three-year helicopter services agreement with Repsol, a Peruvian subsidiary of a Spanish oil and gas company. Under the terms of the agreement, we are providing helicopter services to Repsol in connection with Repsol's construction of a natural gas pipeline in Peru. The agreement with Repsol represents a material portion of our total backlog. See "Risk Factors Risks Related to Our Business Some of our backlog may be deferred or may not be realized." The total amount we expect to be paid pursuant to this agreement is approximately $30.0 million.

In February 2012, our Malaysian subsidiary, Erickson Aircrane Malaysia Sdn. Bhd., entered into an amendment to our existing logging contract with Samling Global to extend the contract term to January 31, 2013. Pursuant to the amended contract, we began providing aerial timber harvesting services in Malaysia on February 1, 2012 to Samling Global. The total amount we expect to be paid pursuant to this agreement is approximately $11.2 million.

Intellectual Property

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

We have patents related to our fire tank in the U.S. that expire in 2011 and 2012. We also have patents related to our sea snorkel in the U.S., Canada, Korea, China, certain countries in Europe, and elsewhere. Our sea snorkel patents expire in the U.S. in 2021.

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We may file for additional patent protection as we deem appropriate to protect new products.

We have registered the AIR CRANE word mark in the United States and we have registered the Erickson logo, featuring a design of an Aircrane. We have also registered the A.I.R.S. word mark in the United States. We have a pending trademark filing in the United States for the AIRCRANE INCIDENT RESPONSE SYSTEMS word mark.

Insurance and Risk Management

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

Competition

We compete with several other heavy-lift helicopter operators in one or more of our markets. We believe our fleet of 17 owned and operating Aircranes is the largest commercial fleet of helicopters in the world capable of carrying loads of up to 25,000 pounds. See "The Commercial Heavy-Lift Helicopter Industry Commercial Heavy-Lift Alternatives."

The following table presents our primary competitors in the commercial heavy-lift market.

Competitor	Competitor's Services	Total Heavy-lift Helicopters Operated(1)
Helicopter Transport Services	Aerial services and support to the petroleum, forestry, and mining industries; aerial fire suppression, aerial construction, air ambulance, electronic news gathering, executive transport, motion pictures	14(2)
Columbia Helicopters	Heavy-lift aerial services, including construction, oil rig moves, oil rig support, timber removal, firefighting, disaster recovery Maintenance, overhaul, and repair services	22(3)
Siller Brothers	Aerial firefighting, construction, timber harvesting, hydroseeding Maintenance, facility, and overhaul	6(4)

(1) For purposes of this chart, heavy-lift helicopters are defined as having an external load capacity of 10,000 pounds or more. See "The Commercial Heavy-Lift Helicopter Industry Commercial Heavy-Lift Alternatives."

(2) Consists of ten CH-54A/B, one S-64E, and three S-61/N aircraft.

(3) Consists of six Columbia 234 and sixteen Columbia 107 aircraft.

(4) Consists of two S-64E, one CH-54A, and three S-61/N aircraft.

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In a more general sense, we compete with other airborne solutions, including fixed-wing firefighting operators, and with a variety of ground-based alternatives. Competition is generally on the basis of appropriateness of the solution, cost, reliability, and environmental impact. For some missions, such as the transportation of the "Statue of Freedom" from the U.S. Capitol or other precision placement of heavy loads, the Aircrane's precision and heavy-lift capabilities often make it the preferred choice. For other missions, such as firefighting, the Aircrane competes against other aircraft and ground-based solutions and is often one in an array of resources used by a customer.

On a platform basis, we believe our closest competitor is the Columbia 234 "Chinook" helicopter, the Type Certificate for which is owned by Columbia Helicopters. A number of military helicopters could, if made available for civilian use, be deployed in operations similar to those that we undertake and have significantly greater lift capacity and range.

Facilities

We operate from two principal facilities that we own in Central Point, Oregon. Our operations and general offices are located in an 88,548 square foot factory on an eight-acre site. We also operate a 50,000 square foot warehouse on a 40-acre site approximately four miles from our operations facility. In their current configuration, our facilities can support all of our current operations and the manufacture of up to four aircraft per year.

We lease approximately 7,300 square feet of headquarters office space in Portland, Oregon under a lease that expires in 2013. We lease office and hangar space for our foreign operations.

Employees and Training

We employ approximately 700 employees, of whom approximately 500 are located in Oregon, primarily at our Central Point facilities and Portland headquarters. We employ approximately 100 pilots. We deploy crews, including pilots and maintenance personnel, on-site globally where we deploy our aircraft. Our employee base is generally stable and turnover is low. None of our employees is represented by a labor union. Our 11 pilots in Italy are covered by statutory employment protections.

Our hiring policies dictate that pilots have a minimum of 1,500 hours of Pilot in Command helicopter time to be employed by us as a Second in Command pilot. The training process for these pilots to advance to Captain status is extensive and can take up to five years. Our Aircrane Captains have an average of over 10,000 hours of helicopter time, with extensive experience in fire and vertical reference missions.

Our field mechanics are qualified to a number of levels of Return to Service ("RTS") on the Aircrane based on work experience and task qualification. All field mechanics must meet the requirements of the FAA-approved Repair Station Part 145 Training Program and minimum task qualifications as specified in Erickson's Standard Operating Procedure # 2005 before becoming qualified to sign off the aircraft. The task qualification process typically takes three to five years for an FAA-certificated mechanic to reach Full RTS. This process ensures that the individuals maintaining our fleet of Aircranes meet the high standards that have become associated with Erickson Air-Crane. In addition to the Limited and Full RTS qualifications, a number of our field mechanics hold other task qualifications in Non Destructive Testing, Pilot-Static Testing, and ATC Transponder Testing.

On November 2, 2011, we completed a company restructuring that included a reduction-in-force of 119 employees. The restructuring was needed to realign our operating expenses to ensure that we remain competitive in the markets we serve.

Regulation

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

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

The FAA and comparable foreign agencies, including the European Aviation Safety Agency, have jurisdiction over many aspects of our business, including:

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

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

U.S. federal laws require that at least 75% of the voting securities of a domestic air carrier be owned or controlled by citizens of the U.S., and that its president and at least two-thirds of its directors and managing officers be U.S. citizens. We believe that these requirements do not apply to our operations. Nonetheless, out of caution and to allow for possible changes in our future operations, we have adopted governance practices to ensure our compliance with these provisions even if inapplicable. Our CEO and at least two-thirds of our directors and managing officers are U.S. citizens, and our second amended and restated certificate of incorporation and second amended and restated bylaws restrict voting of shares of our capital stock by non-U.S. citizens. Our second amended and restated bylaws provide that no shares of our capital stock may be voted by or at the direction of non-U.S. citizens unless such shares are registered on a separate stock record, which we refer to as the foreign stock record. Our second amended and restated bylaws further provide that the voting rights of the shares registered on the foreign stock record in the name of each foreign stockholder will be proportionally reduced so that the voting rights of the amount so registered are reduced if the amount registered would exceed the foreign ownership restrictions imposed by federal law.

The FAA and comparable foreign agencies may adopt new regulations, directives, or orders that could require us to take additional compliance steps or result in the grounding of some of our aircraft or the

suspension of certificates or licenses, which could increase our costs or result in a loss of revenues. New regulations could also restrict our operations or increase our operating costs.

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

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

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

Safety

We have company-wide safety and quality processes administered by a Safety & Compliance Department reporting directly to the CEO. In 2011, we received our third consecutive year of SHARP Certification from the Oregon OSHA. The SHARP Certification identifies companies that achieve a level of safety that far exceeds base compliance standards. We operate under a fully implemented Safety Management System ("SMS") which meets or exceeds FAA requirements. SMS is the global aviation gold standard for managing risk. We have been a participant in Helicopter Association International's Platinum Program of Safety for the last four years. We received AS9100 Certification in May 2009 and in March 2011, we successfully completed our annual AS9100 audit with no major findings. In February 2012, we successfully completed an in-depth FAA/Flight Standards District Offices audit of our repair station resulting in zero findings and added to our staff an accredited IS-BAO auditor. We anticipate that we will become IS-BAO certified this year.

Legal Proceedings

From time to time, we are party to various legal proceedings in the normal course of business. These claims, even if lacking in merit, may result in the expenditure of significant financial and managerial resources. We were recently a party to the following significant legal proceedings.

U.S. Forest Service Claim. In early June 2008, we were awarded four contracts with the U.S. Forest Service. In late June 2008, the U.S. Forest Service issued a stop work order on three of the four contracts. In October 2008, we filed a request for equitable adjustment on the stop work order with the U.S. Forest Service Contracting Officer. After being denied our request for equitable adjustment, in July 2009, we filed a claim with the Civilian Board of Contract Appeals for approximately $3.0 million, which represented our estimate of additional costs incurred by us under these contracts, which we were not able to mitigate, as a result of the stop work order. We recorded approximately $3.0 million as a receivable in 2008, and subsequently reduced this amount by $0.8 million in 2010 to reflect the revised estimate of additional costs we anticipated to recover. On February 1, 2012, the Civilian Board of Contract Appeals issued its final decision in the matter denying our claim in full. As of December 31, 2011, we further reduced our net receivable to zero as a result of the decision issued on February 1, 2012. We currently do not expect to appeal the decision of the Civilian Board.

IRS Claim. The IRS issued a Notice of Proposed Adjustment on June 3, 2009 proposing to reallocate foreign tax credits amounting to $9.5 million taken in 2005 and 2006 to earlier tax years. We submitted the matter to IRS appeals. On August 25, 2011, our assigned IRS appeals officer verbally advised us that the

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IRS agreed with our original position concerning the foreign tax credits, and this matter has now been formally settled with the IRS.

Evergreen Claim. Evergreen Helicopters, Inc. ("Evergreen") filed a complaint against us in the U.S. District Court for the District of Oregon on June 29, 2009 alleging claims under the Sherman Antitrust Act and the Clayton Act and for breach of contract. Evergreen alleged that we breached our obligations to Evergreen as a third-party beneficiary to a 1992 contract between us and Sikorsky Aircraft Corporation by restricting the supply of parts and 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 restricting the supply of parts and not supplying parts for CH-54As. Evergreen also alleged that we had monopoly power in the alleged heavy-lift helicopter service and parts markets, or that we were attempting to obtain such monopoly power, and that Evergreen's business was injured by our actions. On February 15, 2011, we entered into a settlement agreement with Evergreen, pursuant to which we paid Evergreen a total of $10.0 million in cash. In exchange for the $10.0 million payment from us, Evergreen dismissed the claim and has released us from all potential claims of any kind up to the date of the settlement.

Organizational Structure

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

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MANAGEMENT

Directors and Executive Officers

The following table provides information regarding our executive officers and directors as of the date of this prospectus. Concurrently with the listing of our common stock, we expect that our board of directors will consist of seven members, a majority of which are expected to be "independent" as defined under SEC and NASDAQ rules.

Name	Age	Position
Udo Rieder	52	President and Chief Executive Officer, Director
Charles Ryan	57	Senior Vice President and Chief Financial Officer
H.E. "Mac" McClaren	57	Vice President and Head of Aerial Services
David Ford	61	Vice President of Manufacturing and MRO
Gary Zamieroski	49	Vice President and Chief Marketing Officer
Edward Rizzuti	42	Vice President, General Counsel, and Corporate Secretary
Quinn Morgan	40	Director and Chairman of the Board of Directors
Kenneth Lau	34	Director
Hank Halter*	47	Director nominee
Gary R. Scott*	61	Director nominee
Meredith R. Siegfried*	38	Director nominee
James L. Welch*	57	Director nominee

* Ms. Siegfried and Messrs. Halter, Scott, and Welch are expected to take office immediately following the closing of this offering. All director nominees are "independent" as defined in the rules and regulations of the SEC and NASDAQ.

Udo Rieder has served as our Chief Executive Officer and as a member of our board of directors since March 2008. From February 2005 to March 2008, Mr. Rieder served as Vice President and General Manager, Parts Logistics and Services for Bombardier Aerospace Inc. Prior to Bombardier, July 1996 to December 2004, Mr. Rieder worked at Delta Air Lines, Inc., most recently as Vice President, Engineering and Planning and as Vice President, Purchasing. From May 1990 until June 1996, Mr. Rieder held various manager positions with American Airlines, Inc., including Manager of Power Plant Purchasing and Manager of Warranty and Repair Contracts. From May 1985 until May 1990, Mr. Rieder served as an engineer with Bell Helicopter, Inc. Mr. Rieder holds a BS in Mechanical Engineering from Texas A&M University and also holds an AAS in Business from Central Texas College. He has served as the Chairman of the Engineering, Maintenance and Materiel Council of the Air Transport Association and as the Chairman of the e-Business Committee for the same organization. Mr. Rieder was selected to serve as one of our directors because he is our Chief Executive Officer, and has extensive knowledge of our business and industry.

Charles Ryan has served as our Senior Vice President and Chief Financial Officer since January 2009. From August 2005 until December 2008, Mr. Ryan served as Chief Financial Officer and Treasurer of Latham International Inc. In December 2009, Latham International Inc. filed a petition for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code and emerged from reorganization under Chapter 11 in January 2010. From January 2002 until August 2005, Mr. Ryan served as Chief Financial Officer of SSG Precision Optronics, Inc. From July 1999 until December 2001, Mr. Ryan served as Group Vice President and Chief Financial Officer of the seating products group of B/E Aerospace Inc. From January 1995 until July 1999, Mr. Ryan served in various positions in General Electric's subsidiary GE Aircraft Engines, most recently as a Finance Officer in component repair and manufacturing operations. From July 1986 until January 1995, Mr. Ryan worked at Textron Inc. and its successor entity Allied Signal-Honeywell, most recently as a Group Controller in the Military Engines and Engineering Development

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Group. From June 1979 until July 1986, Mr. Ryan worked at Howmet Corporation in various financial controlling positions. Mr. Ryan started his career in May 1978 at Olin Corporation in the financial management development program and internal audit group. Mr. Ryan holds an MBA from the University of New Haven and a BS in Accounting from Quinnipiac University and is a licensed CPA in the state of Massachusetts and a current member of the American Institute of Certified Public Accountants.

H.E. "Mac" McClaren has served as our Vice President and Head of Aerial Services since January 2009. From July 2006 until December 2008, Mr. McClaren served as the Vice President and Program Manager of the V-22 Osprey Program and prior to that as the Vice President of H-1 Upgrades, Eagle Eye, and Presidential Helicopter Programs at Bell Helicopter Inc. From June 2003 until July 2006, Mr. McClaren worked as Capture Team Leader for the CH-53K program at Sikorsky Aircraft Corporation. From August 1975 until June 2003, Mr. McClaren served in the U.S. Marine Corps, including duty as head of the Expeditionary Aviation Working Group, Operations Officer for the 1st Marine Division, Commanding Officer of Marine Light Attack Helicopter Squadron 369, as well as various other positions. His personal awards include the Legion of Merit, Meritorious Service Medal, Air Medal, Navy Commendation Medal, and Navy Achievement Medal. Mr. McClaren retired from the Marine Corps at the rank of Colonel. Mr. McClaren is a graduate of the U.S. Army War College at Carlisle, Pennsylvania and holds a BS from the University of North Carolina.

David Ford has served as our Vice President of Manufacturing and MRO since June 2010. Mr. Ford was General Manager of Sikorsky Global Helicopters Manufacturing and MRO Operations in Coatesville, PA. from January 2006 through March 2010. He also served as Vice President of MRO for Keystone Helicopter from February 1996 through December 2001, and President from January 2002 through December 2005. Mr. Ford's background includes over 30 years of leadership experience in the aerospace industry, including as Engineering Director and GM for Regional Airline Products for PTC Aerospace from November 1993 through January 1996; Director of Customer Service for Textron Lycoming from November 1988 through October 1993; and Program Management, Engineering and Customer Support management positions for Bell Helicopter from June 1978 through October 1988. His formal education includes a Bachelor of Science in Aerospace Engineering from Georgia Tech and a Master of Science in Industrial Management from Purdue's Krannert Graduate School of Business. He has also successfully completed Executive Leadership training courses at the University of Virginia's Darden Business School. Mr. Ford has served as Chairman of the Manufacturer's Committee and Board Liaison for Helicopter Association International and currently serves on the Board of Directors for the American Helicopter Museum in West Chester, PA. He also serves on the Governor's Aviation Advisory Committee for the State of Pennsylvania.

Gary Zamieroski has served as our Vice President and Chief Marketing Officer since March 2012. Mr. Zamieroski has over 27 years of experience in the aerospace industry. From January 2010 through July 2011, Mr. Zamieroski served as Vice President, Marketing, Sales, and Strategy for Meggitt Safety Systems/Equipment Group. From September 2008 through December 2009, Mr. Zamieroski founded Aviation Associates International, a private consulting firm. From April 2007 through September 2008, Mr. Zamieroski was Vice President, Business Development and Strategy at HRTextron/Textron Systems. From November 2005 to November 2006, Mr. Zamieroski served as VP/Director, Marketing and Sales at MTU Maintenance in Hannover, Germany. Between February 1998 and November 2005, Mr. Zamieroski held leadership roles in Sales, Marketing, Strategy, and Service at Honeywell International. From October 1994 though February 1998, Mr. Zamieroski was Director of Sales for Airbus North America. From August 1985 through October 1994, Mr. Zamieroski held a variety of positions with GE Aircraft Engines and GE International, including postings in Australia, Indonesia, and Mexico. Mr. Zamieroski earned a Masters Degree from the School of International Service at American University, a post-graduate certificate in Legislative Studies from Georgetown University, and a BS in Aerospace from the School of Technology at Kent State University. In addition, he has completed MBA coursework at the College of William and Mary, Seattle Pacific University, and the University of Dayton.

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Edward Rizzuti joined Erickson in August 2010 and has served as our Vice President, General Counsel and Corporate Secretary since November 2011. Prior to joining Erickson, from August 2006 to August 2010, Mr. Rizzuti worked for NACCO Materials Handling Group, Inc., most recently serving as Associate General Counsel. From January 2004 to July 2006, Mr. Rizzuti served as Legal Counsel for Terex Corporation. Prior to his employment with Terex, Mr. Rizzuti worked as a lawyer with Mintz Levin Cohn Ferris Glovsky and Popeo PC from September 1999 to July 2003, focusing in the area of private equity and corporate transactional work. From September 1998 to September 1999 Mr. Rizzuti worked as a lawyer with Clifford Chance LLP. Mr. Rizzuti received his JD from New York University School of Law and holds a BS in civil engineering from Rutgers University.

Quinn Morgan has served on our board since September 2007 and as our Chairman since January 2010. Mr. Morgan is a founding member and Managing Director of Centre Lane Partners, LLC ("Centre Lane"), an affiliate of ZM Equity Partners, LLC. Mr. Morgan serves on the boards of several private companies affiliated with Centre Lane. Prior to co-founding ZM Equity Partners in May 2007, Mr. Morgan was a Managing Director and Head of Corporate Private Equity at D. B. Zwirn & Co., L.P., which he joined in January 2005. At D.B. Zwirn & Co., L.P. Mr. Morgan had overall responsibility for the corporate private equity investment program. From 2000 to 2005, he was employed with Moore Capital Management and its illiquid asset management joint venture, Steelpoint Capital Partners. From 1994 to 2000, he was employed with Goldman Sachs & Co. Mr. Morgan holds a BS in Economics from the London School of Economics and Political Science. Mr. Morgan was selected to serve as one of our directors because he is the managing member of our largest beneficial owner and has extensive experience in financing, private equity investment, and board service.

Kenneth Lau has served on our board since January 2010. Mr. Lau is a founding member and Managing Director of Centre Lane. Mr. Lau also serves on the boards of several private companies affiliated with Centre Lane. Prior to co-founding ZM Equity Partners in May 2007, Mr. Lau was a Vice President in the Corporate Private Equity Group of D. B. Zwirn & Co., L.P., which he joined in February 2005. From 2001 to 2005, he was employed with Moore Capital Management and its illiquid asset management joint venture, Steelpoint Capital Partners. From 1999 to 2001, he was employed with Merrill Lynch. Mr. Lau received a Master of Engineering and two BS degrees from the Massachusetts Institute of Technology. Mr. Lau was selected to serve as one of our directors because he is a member of our largest beneficial owner and has extensive experience in financing, private equity investment, and board service.

Hank Halter is expected to become a member of our board concurrently with the listing of our common stock. Mr. Halter served as Senior Vice President and Chief Financial Officer of Delta Air Lines from November 2008 until his retirement in February 2012. Mr. Halter previously served in a variety of finance positions at Delta Air Lines, including as Senior Vice President and Controller of Delta Air Lines (May 2005 through November 2008); Vice President-Controller (March 2005 through May 2005); Vice President-Assistant Controller (January 2002 through March 2005); Vice President-Finance-Operations (February 2000 through December 2001); and various other finance leadership positions (August 1998 through February 2000). In September 2005, Delta Air Lines filed a petition for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code and emerged from reorganization under Chapter 11 in April 2007. From June 1993 through August 1998, Mr. Halter held various finance positions at American Airlines in corporate reporting, financial planning, and corporate real estate. Prior to his tenure with American Airlines, Mr. Halter was a Senior Accountant in the Philadelphia office of Ernst & Young LLP from June 1987 through July 1991. Mr. Halter holds an MBA from Duke University and a BS in accountancy from Villanova University. Mr. Halter is a certified public accountant, a member of the Board of Directors of the Atlanta Police Foundation and the Delta Community Credit Union. He also serves on the Board of Trustees of the Delta Heritage Museum and on the Advisory Board for the Atlanta Chapter of the CFO Roundtable. Mr. Halter was selected as a director nominee because of his experience as the chief financial officer of Delta Air Lines, and for his general experience with finance and public accounting. We expect to appoint him chair of our Audit Committee. Mr. Halter will qualify as an

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"independent" director under the rules and regulations of the SEC and NASDAQ, and as an "audit committee financial expert" under SEC rules.

Gary R. Scott is expected to become a member of our board concurrently with the listing of our common stock. Mr. Scott recently retired from Bombardier, Inc., where he served as the President of the Commercial Aircraft unit of Bombardier Aerospace since April 2008. He joined Bombardier in March 2004, serving as President of New Commercial Aircraft from March 2004 through February 2006 and President of Aircraft Services and New Commercial Aircraft from February 2006 through April 2008. Before joining Bombardier, Mr. Scott was Group President, Civil Simulation and Training at CAE, Inc. from July 2002 through March 2004. Mr. Scott began his career in aviation with The Boeing Company in 1973, holding the following executive positions: President, Flight Safety Boeing Training International (July 2000 through July 2002); Vice President, Business Strategy and Finance, Commercial Aviation Services (January 1999 through July 2000); Vice President and Chief Operating Officer, Boeing Enterprises (April 1998 through January 1999); and Vice President and General Manager for the 737/757 programs (November 1995 through March 1998). Mr. Scott earned a BA in Business Administration at the University of Washington and an MBA at Seattle University. Mr. Scott has also completed the Executive Development Program, University of Illinois, as well as the Harvard Business School Advanced Management Program. Mr. Scott also serves on the Board of Directors of the Wings Club. Mr. Scott was selected as a director nominee because of his experience as the chief executive of a significant business unit of a public aerospace company, and for his general management and financial experience in the aerospace industry. Mr. Scott will qualify as an "independent" director under the rules and regulations of the SEC and NASDAQ.

Meredith Siegfried is expected to become a member of our board concurrently with the listing of our common stock. In June 2011, Ms. Siegfried was appointed Chief Executive Officer of The NORDAM Group, Inc. She previously served as the Chief Operating Officer of the Repair Group of The NORDAM Group, Inc., responsible for its worldwide maintenance, repair and overhaul operations, from January 2009. Before becoming COO of the Repair Group, Ms. Siegfried served in a variety of roles at The NORDAM Group, including Vice President of Global Sales of the Repair Group (May 2006 through December 2008); Vice President, International (February 2002 through April 2006); Director, International Operations (January 2000 through January 2002); and Manager, International Operations (February 1999 through December 1999). Ms. Siegfried joined The NORDAM Group from Arthur Andersen's Global Corporate Finance division, where she served as a Senior Consultant on mergers and acquisitions, seller services, and financial advisory from November 1996 through January 1999. Ms. Siegfried also serves on the board of World Travel Services, LLC. She is also a member of the Young Presidents' Organization and served as Chairman of the Board of Trustees for the Tulsa Airport Authority for seven years through 2010. In 2011, she was awarded a Henry Crown Fellowship, a two-year program sponsored by The Aspen Institute. Ms. Siegfried received a BA in Finance from Notre Dame and an MBA from the University of Chicago. Ms. Siegfried was selected as a director nominee because of her experience in international sales and manufacturing and maintenance and overhaul operations. Ms. Siegfried also has industry, finance, and management experience that will be valuable to us. Ms. Siegfried will qualify as an "independent" director under the rules and regulations of the SEC and NASDAQ.

James L. Welch is expected to become a member of our board concurrently with the listing of our common stock. Mr. Welch has served as Chief Executive Officer and a director of YRC Worldwide since July 2011. From October 2008 through July 2011, Mr. Welch served as President and Chief Executive Officer and a director of Dynamex Inc., a leading provider of same-day transportation services in North America. From October 2007 through September of 2008, Mr. Welch was a consultant and Interim Chief Executive Officer of JHT Holdings, Inc., a provider of truck transportation services. From June 2000 through January 2007, Mr. Welch served as President and Chief Executive Officer of Yellow Transportation, a leading provider of transportation services for industrial, commercial and retail goods. Mr. Welch joined Yellow Transportation in 1978, where he held various senior management positions prior to his appointment as

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President and Chief Executive Officer. Mr. Welch received his BS in Psychology from West Texas A&M. Mr. Welch currently serves on the Board of Directors of SkyWest, Inc. and formerly served on the Boards of Spirit AeroSystems Holdings, Inc. and Roadrunner Transportation Services. Mr. Welch was selected as a director nominee because of his experience as the chief executive of transportation companies, his experience with air transportation, and because of his board experience with other aerospace companies. Mr. Welch will qualify as an "independent" director under the rules and regulations of the SEC and NASDAQ.

Board Composition

Concurrently with the listing of our common stock, we expect our board of directors will consist of seven members, four of whom will qualify as "independent" under the rules and regulations of the SEC and NASDAQ.

Concurrently with the listing of our common stock, we will amend and restate our certificate of incorporation. In accordance with our second amended and restated certificate of incorporation, our board will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to the directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. The initial terms of the Class 1, Class 2, and Class 3 directors will expire in 2013, 2014, and 2015, respectively. Udo Rieder and an independent director will each serve as Class 1 directors, Quinn Morgan and two independent directors will each serve as Class 2 directors, and Kenneth Lau and an independent director will each serve as Class 3 directors.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Committees of the Board of Directors

Concurrently with the listing of our common stock, we will establish the following committees of our board of directors.

Audit Committee

The audit committee will oversee our accounting and financial reporting processes and audits of our financial statements.

The members of the committee will be Hank Halter, Meredith Siegfried, and Gary R. Scott, each of whom will be an "independent" director according to the rules and regulations of the SEC and of NASDAQ. Each of these directors will be determined to be financially literate by our board and as required by the rules and regulations of NASDAQ, and one will be an "audit committee financial expert" as defined under SEC rules. The audit committee will operate under a written charter, to be effective concurrently with the listing of our common stock, that will satisfy the applicable standards of the SEC and NASDAQ. The audit committee will also review and approve in advance any related person transaction, other than those that are pre-approved pursuant to pre-approval guidelines or rules established by the committee.

Compensation Committee

The compensation committee will:

- assist our board of directors in fulfilling its responsibilities relating to the design, administration, and oversight of employee compensation programs and benefit plans;

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- discharge our board of directors' duties relating to the compensation of executive officers; and

- recommend matters relating to director compensation for our board of directors' approval.

The compensation committee will operate under a written charter, to be effective concurrently with the listing of our common stock, that will satisfy the applicable standards of the SEC and NASDAQ. The members of the committee will be James L. Welch, Meredith Siegfried, and Gary R. Scott, each of whom will be an "outside director" under Section 162(m) of the Internal Revenue Code (the "Code") and an "independent" director under the rules and regulations of the SEC and NASDAQ concurrently with the closing of this offering. No member of our compensation committee has served as one of our executive officers.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee will be or will have been at any time during the past year an officer or employee of ours, and none of our executive officers will serve or will have served in the past year as a member of our board of directors or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

Nominating and Corporate Governance

Our entire board will oversee our nominating and corporate governance processes. However, only independent directors will be able to vote on matters related to the identification, selection, qualification, and recommendation of director candidates.

There will be no family relationships among any of our directors or executive officers.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers, and directors, including those officers responsible for financial reporting. The code of business conduct and ethics will be available on our website at www.ericksonaircrane.com concurrently with the listing of our common stock. Any amendments to the code, or any waivers of its requirements, will be disclosed on our website. The information on, or accessible through, our website is not part of this prospectus.

Compensation of Directors

We have not historically paid any compensation to our directors. Following the closing of this offering, we will pay an annual fee to each independent director equal to $70,000, payable semi-annually. Up to $35,000 of the annual director fee will be made through the issuance of RSUs, based on the value of our common stock at the date of issuance, rather than in cash. In addition, an annual fee of $10,000 will be paid to the chairs of each of the audit and compensation committees of our board of directors. Directors affiliated with our majority stockholder, however, will not be separately compensated by us, unless the fully diluted ownership of the majority stockholder falls below 50%. Management directors will not be separately compensated by us. All members of our board of directors will be reimbursed for reasonable costs and expenses incurred in attending meetings of our board of directors. Concurrently with the listing of our common stock, each independent director will be eligible to receive equity incentive awards.

Each of our independent directors will be granted a number of RSUs concurrently with the listing of our common stock, equal in value to the price at which we will sell shares in this offering. These RSUs will vest in three equal portions on the last day of each of our fiscal years 2012, 2013, and 2014, provided the director is still serving as of the applicable date.

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Limitation on Liability and Indemnification Matters

Our second amended and restated certificate of incorporation will provide that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the Delaware General Corporation Law (the "DGCL"), and any amendments to that law. As currently enacted, the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders; acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; payments of unlawful dividends or unlawful stock repurchases or redemptions; or any transaction from which the director derived an improper personal benefit. In addition, our second amended and restated certificate of incorporation provides that, if the DGCL is amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of our directors will be limited or eliminated to the extent permitted by the DGCL, as then amended.

The principal effect of this limitation on liability provision is that a stockholder will be unable to recover monetary damages against a director for breach of fiduciary duty unless the stockholder can demonstrate that one of the exceptions listed in the DGCL applies. This provision, however, will not eliminate or limit director liability arising in connection with causes of action brought under the federal securities laws. Our second amended and restated certificate of incorporation does not eliminate our directors' fiduciary duties. The inclusion of this provision in the certificate of incorporation may, however, discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited us and our stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director's breach of his or her fiduciary duties.

The DGCL provides that a corporation may indemnify its directors and officers as well as its other employees and agents against judgments, fines, amounts paid in settlement, and expenses, including attorneys' fees, in connection with various proceedings, other than an action brought by or in the right of the corporation, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. A similar standard applies to an action brought by or in the right of the corporation, except that indemnification in such a case may only extend to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation.

Our second amended and restated certificate of incorporation will provide that we will indemnify our directors, executive officers and other officers designated by our board of directors to the fullest extent permitted by Delaware law. Under these provisions and subject to the DGCL, we will be required to indemnify our current and former directors, executive officers, and other officers designated by our board of directors for all judgments, fines, settlements, legal fees, and other expenses incurred in connection with pending or threatened legal proceedings because of the director's or officer's position with us or with another entity at which the person serves as a director, an officer, an employee, or an agent at our request, subject to various conditions, and to advance funds to directors and officers before the final disposition of such proceedings to enable them to defend against such proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in our best interest.

Our second amended and restated bylaws provide that, to the fullest extent permitted by law, we will indemnify any director, executive officer, or other officer designated by our board of directors against all

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expenses incurred and arising out of the fact that such person is or was our director or officer, or served any other enterprise at our request as a director or an officer. We will pay such expenses in advance of the final disposition of such action only when we receive an undertaking to repay such amounts if it is ultimately determined that such person is not entitled to be indemnified by us.

We have entered into indemnification agreements with each of our directors that provide that we will indemnify the indemnitee against, and advance certain expenses relating to, liabilities incurred in the performance of such indemnitee's duties on our behalf to the fullest extent permitted under Delaware law, our second amended and restated certificate of incorporation, and our second amended and restated bylaws. Under these indemnification agreements, the indemnified party is indemnified against all expenses (including all reasonable attorneys' fees), judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by the indemnitee, or on the indemnitee's behalf, in connection with a proceeding or any claim, issue or matter therein, if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to our best interests. With respect to any criminal proceeding, the indemnitee will be indemnified if the indemnitee had no reasonable cause to believe the indemnitee's conduct was unlawful. If the indemnitee is not wholly successful in a proceeding, but is successful, on the merits or otherwise, as to one or more but less than all claims, issues, or matters in such proceeding, we will indemnify the indemnitee against all expenses actually and reasonably incurred by the indemnitee or on the indemnitee's behalf in connection with each successfully resolved claim, issue, or matter.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The discussion and analysis of our compensation program for our chief executive officer, chief financial officer, and the three other most highly compensated executive officers (collectively, the "named executive officers") which follows should be read in conjunction with the tables and text contained elsewhere in this filing. We describe below the compensation policies and procedures currently in effect and certain compensation and benefit arrangements that we intend to implement in connection with and following this offering.

The compensation paid to our named executive officers for 2011 is not necessarily indicative of how we will compensate our named executive officers after this offering and we anticipate that our compensation programs following this offering, as developed and implemented by our compensation committee, could vary significantly from our historical practice.

Compensation Philosophy and Objectives

Our non-management directors, and, following this offering, our compensation committee, are charged with establishing and reviewing the compensation programs for executive officers. Our overall goal in compensating executive officers is to attract, retain, and motivate key executives of superior ability who are critical to our future success. We believe that both short-term and long-term incentive compensation paid to executive officers should be aligned with our performance, and that compensation should be structured to ensure that a significant portion of executives' compensation opportunities is related to achieving financial and operational goals and other factors that impact stockholder value.

Our compensation decisions with respect to executive officer salaries, annual incentives, and long-term incentive compensation opportunities are influenced by: (i) the executive's level of responsibility and experience, (ii) our overall performance and profitability, (iii) our assessment of the competitive dynamics of the markets we operate in, and (iv) other factors we may deem relevant. Our philosophy is to focus on total direct compensation opportunities through a mix of base salary, annual non-equity incentive plan payments, and, after the closing of this offering, long-term incentives, including stock-based awards. In setting the pay of our named executive officers, we have historically not significantly relied on formal benchmarking or peer group data, but we do consider general information related to compensation at other private companies.

We also believe that the best way to directly align the interests of our executives with the interests of our stockholders is to make sure that a portion of the pay of our named executive officers is linked to increases in our stock value. Beginning in 2012, we intend to pursue this objective through equity-based long-term incentive awards.

We view each component of executive compensation as related but distinct, and we also review total compensation of our executive officers to ensure that our overall compensation objectives are met. Not all elements are provided to each executive officer.

Our philosophy is to tie a significant percentage of an executive officer's compensation to performance, including, after the closing of this offering, to stockholder returns. We strive to keep base salary at a competitive level while providing our named executive officers with the opportunity to be rewarded through annual incentive payments and, after the closing of this offering, periodic equity grants that will reward our executives if we perform well over time. To this end, we used non-equity incentive plan compensation to reward company and individual performance in the prior year, and, after the closing of this offering, we will use equity awards to provide long-term incentives to our senior executives.

We have not retained a compensation consultant to review our policies and procedures with respect to executive compensation, although the compensation committee may elect in the future to retain a compensation consultant, if it determines that doing so would assist it in implementing and maintaining our compensation philosophy and goals.

Elements of Compensation

Our executive compensation consists of the elements set forth below. Determinations regarding any one element of compensation affect determinations regarding each other element of compensation.

Base Salary

Base salaries for our named executive officers are established based upon the scope of their responsibilities, taking into account the compensation levels from their recent prior employment. Base salaries are reviewed annually and adjusted from time to time in view of each named executive officer's individual responsibilities, individual and company performance, and experience. The current base salaries for our named executive officers are set forth in "Management Compensation of Our Named Executive Officers Summary Compensation Table" below.

Annual Non-Equity Incentive Plan

Our board of directors and, after the closing of this offering, our compensation committee have the authority to award discretionary annual non-equity incentive plan payments to our named executive officers and other employees. These payments are intended to compensate our named executive officers and other employees for individual performance, for our overall financial performance, and for achieving important milestones. Payment levels vary depending on the individual recipient and generally take into account such factors as our overall financial performance, including our liquidity position; the recipient's individual performance; and other operating and non-operating elements we deem relevant. Our non-equity incentive plans do not provide for threshold or maximum amounts, but, rather, provide for a single estimated payout based on accomplishing the designated performance measures. A recipient may receive an incentive award even if all of the performance measures have not been met. We may also make additional discretionary cash incentive payments to key employees who contribute significantly to our strategic and long-term performance objectives and growth.

Non-equity incentive plan payments ordinarily are determined and communicated to our employees following the completion and delivery of our annual audit. Our employees, including our executives, are not entitled to any non-equity incentive plan payment unless they are employed by us on the date of payment. Incentive payments, if any, are paid in a single installment, typically in the first quarter of the year. Our board of directors uses financial measures to determine the aggregate incentive pool and makes incentive payments to individuals at its discretion based on non-financial criteria. Non-financial criteria for evaluating individual performance include specific goals or achievements that employees may set for themselves with management oversight at the beginning of a year or other intangible performance objectives, including completion of certain project milestones or improving a specific skill set relating to a given employee's position.

Our board of directors has typically used target Bank EBITDA (see "Management's Discussion and Analysis of Financial Condition and Results of Operations Description of Indebtedness Bank EBITDA") to determine the size of the incentive pool.

2011 Non-Equity Incentive Plan

For 2011, our board of directors set target Bank EBITDA at $46.6 million and the size of the potential pool at approximately $1.8 million multiplied by the percentage of target Bank EBITDA actually achieved. No pool would be established if actual Bank EBITDA were less than 80% of target Bank EBITDA and no additional incentive payments would be paid if Bank EBITDA exceeded 150% of target Bank EBITDA. The incentive pool was subject to increase or decrease at the board's discretion, and our board of directors could consider other financial measures, such as accounts receivable, and non-financial measures in determining whether to increase or decrease the size of the pool. Our board of directors determined that no incentive payments were payable for 2011.

Long-Term Equity Incentives

We intend to adopt a 2012 Long-Term Incentive Plan concurrently with the closing of this offering. The goal of the plan is to align the interests of our executive officers with the interests of our stockholders. Because vesting is based on continued employment, our equity-based incentives are also intended to encourage the retention of our named executive officers and other employees through the vesting period of the awards. In determining the size of the long-term equity incentives awarded to our named executive officers and other employees, we will take into account a number of internal factors, such as the relative job scope, the value of existing long-term incentive awards, individual performance history, prior contributions to us, and the size of prior grants, as well as general information related to compensation at other companies.

We intend to reserve 417,649 shares of our common stock for issuance under the plan, which includes the following RSUs that we intend to issue concurrently with the closing of this offering: (1) 252,935 RSUs to certain members of our management and (2) 4,864 RSUs to our independent directors. We intend to grant RSUs to our named executive officers concurrently with the closing of this offering as set forth in the following table.

Name and principal position	RSUs(1)
Udo Rieder, President and Chief Executive Officer(2)	110,257
Charles Ryan, Senior Vice President and Chief Financial Officer(3)	48,642
H.E. "Mac" McClaren, Vice President, Aerial Services(3)	19,456
David Ford, Vice President of Manufacturing and MRO(4)	19,456
Edward Rizzuti, Vice President, General Counsel, and Corporate Secretary(4)	16,214

(1) Each RSU entitles the holder to receive one share of our common stock. Each grant of RSUs to our named executive officers will vest in accordance with the vesting schedule set out in the executive officer's RSU agreement. On the grant date, a portion of the RSUs will vest immediately based on the number of years the executive officer has been employed by us.

(2) Four-fifths of the number of RSUs subject to the awards will vest on the grant date and one-fifth of the number of RSUs subject to the awards will vest on the first anniversary of the grant date.

(3) Three-fifths of the number of RSUs subject to the awards will vest on the grant date and one-fifth of the number of RSUs subject to the awards will vest on each of the first and second anniversaries of the grant date.

(4) Two-fifths of the number of RSUs subject to the awards will vest on the grant date and one-fifth of the number of RSUs subject to the awards will vest on each of the first, second, and third anniversaries of the grant date.

Severance Benefits

We have entered into employment agreements with all of our named executive officers that provide severance benefits to such officers, as detailed in the section of this prospectus entitled "Potential Payments upon Termination or Change in Control." We believe that these severance and change in control benefits are essential elements of our executive compensation and assist us in recruiting and retaining talented executives.

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Other Compensation

All of our executive officers are eligible to participate in our employee benefit plans, including medical, dental, and 401(k) plans. These plans are available to all employees and do not discriminate in favor of our executive officers. Certain of our named executive officers are also eligible for reimbursements for relocation expenses, temporary housing, and/or commuting expenses. We do not view perquisites as a significant element of our comprehensive compensation structure.

Assessment of Risk

Our board of directors has determined that our compensation policies do not pose risks that are reasonably likely to result in a material adverse effect on us. The base salary component of our compensation program is a fixed amount and does not depend on performance. Our non-equity incentive plans may take into account multiple non-financial metrics, diversifying the risk associated with any single performance metric, and we believe they do not incentivize our executive officers to focus exclusively on short-term outcomes. Grants under the 2012 Long-Term Incentive Plan we are adopting concurrently with the closing of this offering will be limited by the terms of the plan to a fixed maximum specified in the plan, and we expect will typically be subject to vesting requirements to align the long-term interests of our executive officers with those of our stockholders.

Internal Revenue Code Section 162(m)

Section 162(m) of the Code generally limits a tax deduction for any publicly held corporation of certain items of compensation paid to the chief executive officer and the three most highly compensated executive officers (other than the chief financial officer) to $1,000,000 annually per officer, unless the compensation qualifies as "performance-based" or is otherwise exempt from Section 162(m). As our shares of common stock have not been publicly held, we have not previously taken this deductibility limit into consideration in setting compensation. Under a transition rule, for a limited period of time after a company becomes publicly held, the deduction limits do not apply to any compensation paid pursuant to a compensation plan or agreement that existed during the period in which the company was not publicly held. We expect that the compensation committee will adopt a policy to consider the potential impact of Section 162(m) on compensation decisions but to ultimately maintain flexibility to approve compensation for an executive officer that does not meet the deductibility requirements of Section 162(m) in order to provide competitive compensation packages.

Compensation of Our Named Executive Officers

Set forth below is information concerning the cash and non-cash compensation earned by, awarded to, or paid to our named executive officers during 2011, 2010, and 2009. They did not participate in or have account balances under any pension or nonqualified deferred compensation plans. The potential payments to be made to a named executive officer upon a termination of employment or change in control of the Company are described in the section of this prospectus entitled "Potential Payments upon Termination or Change in Control."

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Summary Compensation Table

Name and principal position	Year	Salary ($)	Bonus ($)	Non-equity incentive plan compensation ($)(1)	All other compensation ($)	Total ($)
Udo Rieder, President and Chief Executive Officer	2011	300,060				300,060
	2010	300,060				300,060
	2009	311,538		233,199		544,737
Charles Ryan, Senior Vice President and Chief Financial Officer(2)	2011	280,060				280,060
	2010	291,260				291,260
	2009	274,615	100,000(2)	139,252	55,050(2)	568,917
H.E. "Mac" McClaren, Vice President, Aerial Services(3)	2011	200,060				200,060
	2010	205,060			50,451(3)	255,511
	2009	194,615		77,573	6,000(3)	278,188
David Ford, Vice President of Manufacturing and MRO(4)	2011	200,060				200,060
	2010	100,060			43,045(4)	143,105
Edward Rizzuti, Vice President, General Counsel, and Corporate Secretary(5)	2011	175,829	15,000(5)			190,829
	2010	67,368				67,368

(1) Annual non-equity incentive plan compensation is typically paid in the quarter following completion of our audit. Amounts are paid only if the executive is employed with us at the time of payment. Amounts earned for performance in 2009 were paid in 2010.

(2) Mr. Ryan commenced employment with us on January 5, 2009. His compensation for 2009 reflects the partial year of employment. We paid $55,050 of Mr. Ryan's relocation expenses and $100,000 as a hiring bonus.

(3) Mr. McClaren commenced employment with us on January 7, 2009. His compensation for 2009 reflects the partial year of employment. We paid $50,451 and $6,000 of Mr. McClaren's relocation expenses in 2010 and 2009, respectively.

(4) Mr. Ford commenced employment with us on June 28, 2010. His compensation for 2010 reflects the partial year of employment. We paid $43,045 of Mr. Ford's relocation expenses.

(5) Mr. Rizzuti commenced employment with us on August 13, 2010. His compensation for 2010 reflects the partial year of employment. Mr. Rizzuti received a signing bonus of $15,000 relating to his hire. The bonus was paid in 2011 after the completion of the audit of our financial statements for 2010.

Grants of Plan-Based Awards

The following table summarizes information regarding potential awards of non-equity incentive compensation for our named executive officers in 2011 that would have been paid if we had met our target

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Bank EBITDA. Our board of directors has determined that no awards of non-equity incentive compensation will be made for 2011.

Name	Grant date	Estimated future payouts under non-equity incentive plan awards[(1)] Threshold	Target	Maximum
Udo Rieder, President and CEO	March 31, 2011	$ 120,000	$ 150,000	$ 225,000
Charles Ryan, Senior Vice President and CFO	March 31, 2011	$ 112,000	$ 140,000	$ 210,000
H.E. "Mac" McClaren, Vice President, Aerial Services	March 31, 2011	$ 64,000	$ 80,000	$ 120,000
David Ford, Vice President of Manufacturing and MRO	March 31, 2011	$ 64,000	$ 80,000	$ 120,000
Edward Rizzuti, Vice President, General Counsel, and Corporate Secretary	March 31, 2011	$ 35,166	$ 43,957	$ 65,936

(1) Our 2011 non-equity incentive plan provides for an estimated payout based on accomplishing designated performance measures. A recipient may receive an incentive award even if all of the performance measures have not been met. If 80%, 100%, and 150% of target Bank EBITDA had been achieved, the aggregate estimated potential payouts under the 2011 non-equity incentive plan would have been approximately $1.4 million, $1.8 million, and $2.7 million, respectively. The threshold, target, and maximum amounts above are based upon an incentive pool of $1.4 million, $1.8 million, and $2.7 million, respectively. Each of Messrs. Rieder and Ryan was eligible for an incentive payment equal to 50% of his annualized base salary, each of Messrs. McClaren and Ford was eligible for an incentive payment equal to 40% of his annualized base salary, and Mr. Rizzuti was eligible for an incentive payment equal to 25% of his annualized base salary. A description of this non-equity incentive plan is included in " Elements of Compensation 2011 Non-Equity Incentive Plan."

Employment Agreements

We have entered into employment agreements with each of Messrs. Rieder, Ryan, McClaren, Ford, and Rizzuti providing for the payment of an annual base salary and non-equity incentive plan payment opportunities, as well as participation by each of them in the benefit plans and programs generally maintained by us for senior executives from time to time.

We or the employee may terminate the applicable employment agreement at any time. Upon termination of employment by us without "cause," by the executive for "good reason" following a "change in control," or as a result of the executive's death or disability, the executive is entitled to receive: (1) a basic termination payment equal to (i) his base salary earned through the date of termination, plus (ii) continued payment of his base salary for a specified time following the termination date; and (2) continuation of health benefits for a specified period of time after termination of employment at the same rate that was paid by the executive before termination of employment.

Summaries of the specific severance payments and continuation periods for health benefits for the named executive officers are provided below:

Mr. Rieder is entitled to receive: (i) a monthly sum equal to his monthly base salary in effect at such time for a period of 12 months and (ii) continuation of health benefits for Mr. Rieder and his family for that same period.

Mr. Ryan is entitled to receive: (i) a monthly sum equal to his monthly base salary in effect at such time for a period of 12 months and (ii) continuation of health benefits for Mr. Ryan and his family for that same period.

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Mr. McClaren is entitled to receive: (i) a monthly sum equal to his monthly base salary in effect at such time for a period of nine months and (ii) continuation of health benefits for Mr. McClaren and his family for that same period.

Mr. Ford is entitled to receive: (i) a monthly sum equal to his monthly base salary in effect at such time for a period of nine months and (ii) continuation of health benefits for Mr. Ford and his family for that same period.

Mr. Rizzuti is entitled to receive: (i) a monthly sum equal to his monthly base salary in effect at such time for a period of nine months and (ii) continuation of health benefits for Mr. Rizzuti and his family for that same period.

The employment agreements each contain confidentiality, non-compete, and non-solicitation provisions, and subject severance to the executive executing a general release of all claims against us and our affiliates.

Potential Payments upon Termination or Change in Control

The table below reflects the amount of compensation payable to each named executive officer in the event of termination of the executive's employment for various reasons. The table does not include payments that would be made to a named executive officer under benefit plans or employment terms generally available to other salaried employees similarly situated, such as group life or disability insurance. The amounts shown assume termination of employment as of December 31, 2011, the last day of our 2011 fiscal year.

If each of Messrs. Rieder's, Ryan's, McClaren's, Ford's, and Rizzuti's employment had been terminated on December 31, 2011 by us without cause, by the executive for good reason following a change in control, or as a result of the executive's death or disability, we would have paid the following amounts:

Name	Severance Payment	Health Benefits	Total
Udo Rieder	$ 300,000	$ 14,220	$ 313,897
Charles Ryan	$ 280,000	$ 12,600	$ 293,944
H.E. "Mac" McClaren	$ 150,000	$ 64	$ 150,628
David Ford	$ 112,500	$ 7,069	$ 119,963
Edward Rizzuti[1]			

(1) No amounts are presented for Mr. Rizzuti because he did not have an employment contract effective at December 31, 2011 and therefore he was not entitled to severance payments as of such date.

In each of Messrs. Rieder's, Ryan's, McClaren's, Ford's, and Rizzuti's executive employment agreements:

"Cause" means:

a breach of any material provision of his employment agreement or the proprietary rights, invention assignment, and confidentiality agreement;

fraud or an act of dishonesty in connection with his employment;

gross misconduct or gross negligence;

willful or habitual neglect in the performance of his duties after having received written notice calling his attention to the deficiency and requiring improvement;

the making of disparaging remarks about us, our products, employees, services, or other business, or otherwise causing any injury to our economic or ethical welfare;

sexual or any other prohibited form of harassment or discrimination;

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violation of any of our material policies, procedures, or guidelines; or

engaging in any of the following forms of misconduct: commission of any felony or misdemeanor involving dishonesty or moral turpitude; theft or misuse of our property or time; insubordination; appearing on our premises while intoxicated or while under the influence of controlled substances; illegal gambling on our premises; or falsifying any document or making any false or misleading statement relating to his employment by us.

"Good Reason" means a material reduction in his duties, level of responsibility, or authority, other than reductions solely attributable to our becoming a subsidiary or division of another company or isolated incidents that are promptly remedied by us.

A "Change of Control" occurs upon the completion of any of the following events in a single transaction or in a series of related transactions:

a merger or consolidation in which we are not the surviving entity, except for a transaction the principal purpose of which is to change the state of our incorporation or a transaction in which 50% or more of the surviving entity's outstanding voting stock following the transaction is held by holders who held 50% or more of our outstanding voting stock before the transaction;

the sale, transfer, or other disposition of all or substantially all of our assets;

any reverse merger in which we are the surviving entity if, immediately after the merger, 50% or more of our outstanding voting stock is transferred to holders different from those who held the stock immediately before the merger; or

the acquisition by any person (or entity), directly or indirectly, of 50% or more of the combined voting power of the outstanding shares of our common stock.

2012 Long-Term Incentive Plan

Before the closing of this offering, we plan to adopt a 2012 Long-Term Incentive Plan and to submit such plan to our pre-offering stockholders for approval. We intend to reserve 417,649 shares of our common stock for issuance under the plan, which includes the following RSUs that we intend to issue concurrently with the closing of this offering: (1) 252,935 RSUs to certain members of our management and (2) 4,864 RSUs to our independent directors. The following description of our 2012 Long-Term Incentive Plan and the shares that are available for future awards thereunder is qualified in its entirety by the full text of the plan, which will be filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

Eligibility; Types of Awards. Selected employees, officers, and directors of ours and any of our subsidiaries will be eligible to participate in the plan. The plan will provide for the grant of incentive stock options that qualify under Section 422 of the Internal Revenue Code of 1986 (subject to the plan's stockholder approval), nonqualified stock options, restricted stock, RSUs, stock bonuses, and stock appreciation rights. Incentive stock options may be granted only to our employees, including officers, or employees of any of our subsidiaries. Nonqualified stock options, and all awards other than incentive stock options, may be granted to our employees, officers, and directors. Our board of directors may elect, in its sole discretion, to grant an award in exchange for the cancellation of an existing award.

Administration. The plan will be administered by an independent committee of our board of directors, which has the authority to determine which eligible individuals should receive awards, the type and amount of the awards, and the other terms and conditions of the awards (including vesting and cancellation provisions) and has the full authority to interpret the plan. Such independent committee may delegate to our chief executive officer or to a committee of our officers any or all authority for administering the plan, subject to certain limitations.

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Term of Plan; Amendments. We expect the plan to be in effect until all shares available for issuance under the plan are issued and all restrictions on the shares have lapsed. However, no incentive stock options will be granted under the plan on or after the 10th anniversary of the last action by our board of directors, subsequently approved by our stockholders within 12 months of such action, adopting the plan or approving an increase in the number of shares available for issuance under the plan. Our board of directors may at any time modify or amend the plan in any respect, subject to applicable laws, rules and regulations, and requirements of NASDAQ Marketplace Rules. However, no change in an award already granted under the plan may generally be made without the written consent of the award holder if the change would adversely affect the holder.

Stock Options. Our board of directors will determine whether a stock option is granted as an incentive stock option or a nonqualified stock option. The exercise price per share of incentive stock options may not be less than the fair market value of our common stock at the date of the grant, and the maximum term of incentive stock options will be 10 years. The aggregate market value, on the date of the grant, of the common stock for which incentive stock options are exercisable for the first time by an employee during any calendar year may not exceed $100,000. For grantees who own more than 10% of the total combined voting power of the Company or our parent or subsidiaries, incentive stock options must have an exercise price of not less than 110% of the fair market value of the common stock underlying the option and a maximum term of five years. The exercise price per share of nonqualified stock options may be any amount determined by our board of directors, and nonqualified stock options may have any term fixed by the board of directors.

Stock Appreciation Rights. The plan will provide that our board of directors may grant stock appreciation rights, which entitle the person who exercises the rights to receive an amount equal to the difference between the fair market value of the common stock subject to the right at the time of exercise and the time of grant, in the amounts and subject to such terms, conditions, and restrictions as the board of directors determines.

Restricted Stock; Restricted Stock Units; Performance-Based Awards; Stock Bonuses. The plan will provide that our board of directors may issue restricted stock, RSUs, performance-based awards, or stock bonuses in the amounts and subject to such terms, conditions, and restrictions as the board of directors determines. Restricted stock, RSUs, and performance-based awards may be issued for any consideration determined by our board of directors, and all restricted stock and RSUs issued under the plan shall be subject to purchase agreements.

Changes in Capital Structure. The plan will authorize our board of directors to make appropriate adjustments in outstanding options and awards and in shares reserved under the plan in the event of a stock split, recapitalization, or certain other transactions. The board of directors also will have discretion to convert options, to limit the exercise period of outstanding options, and to accelerate the exercisability of options in the event of merger or certain other changes in our capital structure.

Retirement Benefits

We do not provide our named executive officers with supplemental or other retirement benefits other than eligibility to participate in our broad-based 401(k) plan.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

In addition to the director and executive officer compensation arrangements discussed above under "Executive Compensation," the following is a description of the transactions and series of similar transactions, during our last three fiscal years, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and

- any of our directors, executive officers, or holders of more than 5% of our common stock, or any member of their immediate family, had or will have a direct or an indirect material interest.

Registration Rights Agreement

We are party to an amended and restated registration rights agreement among us and ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P., our stockholders prior to this offering, which provides that ZM EAC LLC will have the right to demand that we register its shares for sale to the public. Those stockholders waived their registration rights with respect to this offering. Once we become subject to periodic reporting requirements under the Exchange Act, ZM EAC LLC will have the right to require that we register its shares under the Securities Act for sale to the public. If ZM EAC LLC exercises its demand registration right, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. will have the opportunity to include their shares in the registration. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with the exercise of these demand registration rights.

In addition, ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P., our stockholders prior to this offering, have piggyback registration rights, which means that they have the right to include their shares in any registration that we effect under the Securities Act, other than a registration effected pursuant to an exercise of demand registration rights, subject to specified exceptions. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these piggyback registration rights.

We are unable to estimate the dollar value of registration rights to the holders of these rights. The amount of reimbursable expenses under the registration rights agreement depends on a number of variables, including whether registration rights are exercised incident to a primary offering by us, the form on which we are eligible to register such a transaction, and whether we have a shelf registration in place at the time of a future offering. For a more detailed description of these registration rights, see "Description of Capital Stock Registration Rights."

Management Stockholders Agreement

We are a party to a management stockholders agreement with ZM EAC LLC, ZM Private Equity Fund I, L.P., ZM Private Equity Fund II, L.P., and certain of our executives. The management stockholders agreement restricts the transfer of the shares of our stock held by our executive officers, provides us with a right of first refusal (and ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. with a right of second refusal) with respect to those shares, and provides us with a right to repurchase those shares in defined circumstances. In addition, the agreement grants ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. a bring-along right in connection with specified stock sales by them. The agreement also provides our executive officers with a tag-along right in connection with the specified transfers of shares by ZM EAC LLC, ZM Private Equity Fund I, L.P., or ZM Private Equity Fund II, L.P. We intend to terminate this agreement concurrently with the closing of this offering.

Other Transactions

We have employment agreements with our chief executive officer and other executive officers that, among other things, provide for certain severance and change of control benefits. We intend to enter into RSU agreements with certain members of our senior management concurrently with the closing of this offering. For a description of the employment agreements, see "Executive Compensation Employment Agreements."

We have indemnification agreements with each of our current directors and executive officers, and some employees. See "Management Limitation on Liability and Indemnification Matters."

On January 8, 2010, upon payment of $0.5 million, we terminated our management services agreement with Stonehouse Erickson Management Co. LLC, an affiliate of former stockholders of ours. We paid Stonehouse Erickson Management Co., LLC a management fee of $125,000 in 2007, $500,000 in 2008, and $125,000 in 2009 under that management services agreement.

On June 30, 2010, concurrently with the entry into our current senior credit facilities, we used proceeds from such facilities to pay down $11.5 million of our $20.0 million second lien debt owed to ZM Private Equity Fund II, L.P., which is one of our stockholders, and 10th Lane Finance Co., LLC, an affiliate of ours through common ownership, under the Second Lien Credit Agreement, with the remaining $8.5 million exchanged for unsecured subordinated promissory notes. See "Management's Discussion and Analysis Liquidity and Capital Resources." We believe the terms of the notes are as fair to us as those that would have been available to us in arm's-length negotiations with an unrelated party.

On June 30, 2011, in connection with an amendment to the Credit Agreement, an additional $10.0 million of unsecured subordinated promissory notes were issued to ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. which accrue interest at a rate of 20.0% per annum, which is payable in kind by increasing the principal amount of such notes and is payable quarterly. No periodic payments of cash principal or interest are required and the notes mature on June 30, 2016. Additionally, in connection with the Working Capital Guarantee Credit Agreement, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. issued $1.0 million in unsecured subordinated promissory notes. Concurrently with the closing of this offering, we, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. will amend our unsecured subordinated promissory notes to decrease the interest rate on such notes from 20.0% per annum to 10.0% per annum. See "Management's Discussion and Analysis Liquidity and Capital Resources." We believe the terms of the loan are as fair to us as those that would have been available to us in arm's-length negotiations with an unrelated party.

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a written statement of policy requiring our audit committee to review any transactions with related persons, as defined in Item 404 of Regulation S-K, or in which a related person has a direct or an indirect interest, and determine whether to ratify or approve the transaction. Our related party transaction policy provides that a transaction may only be ratified or approved if the committee determines that it is fair to us or otherwise in our interest. Certain types of transactions have been pre-approved by the committee under the policy. These pre-approved transactions include: (i) certain compensation arrangements; (ii) transactions in the ordinary course of business where the related party's interest arises only (a) from his or her position as a director of another entity that is party to the transaction, (b) from an equity interest of less than 5% in another entity that is party to the transaction, or (c) from a limited partnership interest of less than 5%, subject to certain limitations; and (iii) transactions in the ordinary course of business where the interest of the related party arises solely from the ownership of a class of our equity securities where all holders of such class of equity securities will receive the same benefit on a pro rata basis. No director may participate in the approval of a related party transaction for which he or she is a related party.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock as of April 4, 2012 for:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership of a security is determined according to the rules of the SEC and generally means that a person possesses sole or shared voting or investment power with respect to that security, including as to any securities a person has the right to acquire within 60 days after the measurement date. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable.

The table lists beneficial ownership prior to the offering on a pro forma basis after giving effect to the completion of the recapitalization described under "Explanatory Note Regarding Recapitalization." This table lists applicable percentage ownership prior to the offering based on 4,802,970 shares of common stock outstanding as of April 4, 2012 and applicable percentage ownership after the offering based on 9,602,970 shares of common stock outstanding upon the closing of the offering. If the underwriters exercise the overallotment option to purchase additional shares, those shares will be sold by us and will increase the aggregate shares outstanding.

Unless otherwise noted below, the address for each of the stockholders in the table below is c/o Erickson Air-Crane Incorporated, 5550 SW Macadam Avenue, Suite 200, Portland, Oregon 97239.

	Shares Beneficially Owned Before the Offering		Shares Beneficially Owned After the Offering	
Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned[1]**	**Percent**	**Number of Shares Beneficially Owned[1]**	**Percent**
5% Stockholders:				
ZM EAC LLC	3,850,125[2]	80.1%	3,850,125	37.3%
ZM Private Equity Fund I, L.P.	666,991[2]	13.9%	666,991	6.5%
ZM Private Equity Fund II, L.P.	285,854[2]	6.0%	285,854	2.8%
Named Executive Officers and Directors:				
Udo Rieder				
Charles Ryan				
H.E. "Mac" McClaren				
David Ford				
Edward Rizzuti				
Quinn Morgan[2]	4,802,970[3]	100%	4,802,970	46.5%
Kenneth Lau[4]				
Hank Halter				
Gary R. Scott				
Meredith R. Siegfried				
James L. Welch				
All executive officers and directors as a group (12 persons)	4,802,970	100%	4,802,970	46.5%

* Represents beneficial ownership of less than 1% of the outstanding common stock.

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The number of shares below assumes full exercise of the overallotment option.

(1) Shares shown in the table above include shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee, or trustee for the beneficial owner's account. Under the terms of the RSU agreements, payment of shares underlying vested RSUs granted concurrently with the closing of this offering to our executive officers and directors will be deferred for more than 60 days after the grant date. As a result, such shares are not beneficially owned and are not presented in this table.

(2) Mr. Morgan serves on our board of directors and is the managing member of ZM EAC LLC and Q&U Investments LLC. Q&U Investments LLC is the managing member of ZM Private Equity Fund I GP, LLC, which is the general partner of ZM Private Equity Fund I, L.P. Q&U Investments LLC is also the managing member of ZM Private Equity Fund II GP, LLC, which is the general partner of ZM Private Equity Fund II, L.P. Accordingly, Mr. Morgan may be deemed to have sole voting and investment power with respect to the shares held by ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. Mr. Morgan disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein. The address of each of the parties is 60 East 42nd Street, Suite 1400, New York, NY 10165.

(3) Consists of 3,850,125 shares owned by ZM EAC LLC, 666,991 shares owned by ZM Private Equity Fund I, L.P., and 285,854 shares owned by ZM Private Equity Fund II, L.P. Mr. Morgan disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein.

(4) Mr. Lau serves on our board of directors and is a member of ZM Private Equity Fund I GP, LLC, which is the general partner of ZM Private Equity Fund I, L.P., and he is a member of ZM Private Equity Fund II GP, LLC, which is the general partner of ZM Private Equity Fund II, L.P. Mr. Lau disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein. The address of each of the parties is 60 East 42nd Street, Suite 1400, New York, NY 10165.

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DESCRIPTION OF CAPITAL STOCK

We will complete a recapitalization and amend and restate our certificate of incorporation prior to the closing of this offering. The following description of our capital stock gives effect to our recapitalization and assumes the amendment and restatement of our certificate of incorporation. See "Explanatory Note Regarding Recapitalization."

Common Stock

Our certificate of incorporation authorizes us to issue up to 110,000,000 shares of common stock, par value $0.0001 per share, of which 9,602,970 shares will be issued and outstanding immediately after the closing of this offering. Our certificate of incorporation provides that the holders of our common stock are entitled to one vote per share on all matters to be voted on by our stockholders. After payment of any dividends due and owing to the holders of our preferred stock, holders of our common stock will be entitled to receive dividends declared by our board of directors out of funds legally available for dividends. In the event of our liquidation, dissolution, or winding up, holders of our common stock will be entitled to share in all assets remaining after payment of liabilities and liquidation preferences of outstanding shares of our preferred stock. Holders of our common stock have no preemptive, conversion, subscription, or other rights. There are no redemption or sinking fund provisions available to holders of our common stock.

Limited Voting by Foreign Owners

To comply with restrictions imposed by federal law on foreign ownership of domestic common carriers that may apply to our operations, our second amended and restated certificate of incorporation restricts voting of shares of our capital stock by non-U.S. citizens. The restrictions imposed by federal law require that at least 75% of our voting stock be owned by persons who are U.S. citizens. Our second amended and restated certificate of incorporation further provides that the voting rights of the shares held by non-U.S. citizens shall be proportionally reduced so that the voting rights would not exceed the foreign ownership restrictions imposed by federal law.

Preferred Stock

Our certificate of incorporation provides that our board of directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock, par value $0.0001 per share. Our board of directors is able to issue preferred stock in one or more series and determine the rights, preferences, privileges, qualifications, and restrictions granted to or imposed upon our preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preferences, and sinking fund terms, any or all of which may be greater than the rights of our common stock. Issuances of preferred stock could adversely affect the voting power of holders of our common stock and reduce the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation. Any issuance of preferred stock also could have the effect of decreasing the market price of our common stock and could delay, deter, or prevent a change in control of the Company. We have no present plans to issue any shares of preferred stock.

Registration Rights

Substantially all of our stockholders prior to this offering are parties to an amended and restated registration rights agreement dated April 21, 2010. The terms of the registration rights agreement include provisions for demand registration rights and piggyback registration rights in favor of holders of our common stock. The demand and piggyback registration rights under the agreement terminate when the stockholders party to the agreement are first able to sell all of their shares under Rule 144 under the Securities Act within a three-month period. We and our stockholders have reciprocal indemnification obligations for misstatements in connection with the registration of our stockholders' shares, and these obligations survive the termination of the registration rights agreement. The stockholders waived their registration rights with respect to this offering.

Demand Registration Rights. Subject to the terms of the registration rights agreement, once we become subject to periodic reporting requirements under the Exchange Act, ZM EAC LLC will have the right to require that we register its shares under the Securities Act for sale to the public. If ZM EAC LLC exercises its demand registration right, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. will have the opportunity to include their shares in the registration. The underwriters in an underwritten offering have the right to limit on a pro rata basis the number of shares to be included in a registration statement filed in response to the exercise of these demand registration rights. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with the exercise of these demand registration rights.

Piggyback Registration Rights. ZM EAC LLC, ZM Private Equity Fund I, L.P., and ZM Private Equity Fund II, L.P. have piggyback registration rights under the terms of the registration rights agreement. The registration rights agreement provides that the stockholders with piggyback registration rights have the right to include their shares in any registration that we effect under the Securities Act, other than a registration effected pursuant to an exercise of demand registration rights, subject to specified exceptions. The underwriters of any underwritten offering have the right to limit on a pro rata basis the number of shares registered by these holders. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these piggyback registration rights.

Anti-Takeover Provisions

Certificate of Incorporation and Bylaws

Our second amended and restated certificate of incorporation provides for our board of directors to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our second amended and restated certificate of incorporation provides that, from and after the Trigger Date, all stockholder actions must be effected at a duly called meeting of stockholders and not by a consent in writing. In addition, our certificate of incorporation provides that only our board of directors or the chairman of our board may call a special meeting of stockholders. Prior to the Trigger Date, ZM EAC LLC, ZM Private Equity Fund I, L.P., or ZM Private Equity Fund II, L.P., as our controlling stockholders, also have the right to call a special meeting of stockholders.

Our second amended and restated certificate of incorporation requires a $66^2/_3$% stockholder vote for the alteration, amendment, or repeal of certain of its provisions. Further, stockholders may only remove directors for cause, as defined in our second amended and restated certificate of incorporation. The combination of the classification of our board of directors, the lack of cumulative voting, the $66^2/_3$% stockholder voting requirements, and the limitation on the ability of our stockholders to remove directors will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or a threatened acquisition of us. These provisions are designed to reduce our

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vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or an exchange offer; or

- on or after such date, the business combination is approved by our board of directors and authorized at an annual or a special meeting of the stockholders, and not by written consent, by the affirmative vote of at least $66^2/_3\%$ of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation or any direct or indirect majority owned subsidiary of the corporation and the interested stockholder or any other corporation, partnership, unincorporated association, or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation the transaction is not excepted as described above;

- any sale, transfer, pledge, or other disposition (in one transaction or a series) of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or a person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Listing

We have applied to list our common stock on The NASDAQ Global Market under the symbol "EAC."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

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SHARES ELIGIBLE FOR FUTURE SALE

Future sales of our common stock in the public market, or the availability of those shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after those restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at that time and our ability to raise equity capital in the future.

Upon the closing of this offering, 9,602,970 shares of common stock will be outstanding. In addition, the following RSUs that we intend to issue concurrently with the closing of this offering will be outstanding: (1) 252,935 RSUs issued to certain members of our management and (2) 4,864 RSUs issued to our independent directors. Of the outstanding shares, all of the shares sold in the offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below

All of our shares of common stock outstanding after this offering will be restricted as a result of RSU agreements or lock-up agreements described below. After the lock-up period expires, all shares will be eligible for resale in compliance with Rule 144 or Rule 701 to the extent those shares have been released from any repurchase option that we may hold. We issued and sold "restricted securities" as defined under Rule 144 in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if sold pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

Rule 144

In general, a person who beneficially owns restricted shares of our common stock for at least six months is entitled to sell his or her securities if that person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, the sale. A person who beneficially owns restricted shares of our common stock for at least six months and who is our affiliate at the time of, or was our affiliate any time during the 90 days preceding, a sale is subject to additional restrictions on the sale of securities. Those additional restrictions limit the number of securities such person may sell within any three-month period to the number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which equals approximately 48,030 shares based on the number of shares of common stock outstanding immediately prior to the closing of this offering; or

- the average weekly trading volume of our common stock on NASDAQ during the four calendar weeks before the filing of a notice on Form 144 with respect to the sale.

Sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information, and notice provisions of Rule 144.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144, but does not require the selling shareholder to comply with certain Rule 144 restrictions, including the Rule 144 holding period requirement. Most of our employees, executive officers, or directors who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. However, all of our holders of shares exempt under Rule 701 are required to wait until 90 days after the date of the prospectus relating to the offering before selling their shares; substantially all of the shares exempt under Rule 701 are subject to lock-up agreements described below and under the section of this prospectus entitled "Underwriting" and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

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Lock-Up Agreements

In connection with the offering, all of our existing stockholders signed lock-up agreements under which they agreed not to sell, transfer, or dispose of, directly or indirectly, any shares of our common stock or any securities into or exercisable or exchangeable for shares of our common stock without the prior written consent of the representative of the underwriters until 180 days after the closing of this offering, subject to extension under certain circumstances. These agreements are described below under "Underwriting." In addition, the purchase agreement will provide that any shares or rights to receive shares of our common stock that we issue to our directors, executives, and other employees will be subject to transfer restrictions restricting such persons from selling, transferring, or otherwise disposing of such shares or rights until at least 180 days after the completion of this offering. See "Executive Compensation 2012 Long-Term Incentive Plan."

Registration Rights

The holders of approximately 4,802,970 shares of our common stock, or their transferees, are entitled to certain rights with respect to the registration of those shares under the Securities Act. For a description of these registration rights, please see "Description of Capital Stock Registration Rights." After these shares are registered, they will be freely tradable without restriction under the Securities Act.

Equity Awards under Our 2012 Long-Term Incentive Plan

Immediately after the closing of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock outstanding or reserved for issuance under our 2012 Long-Term Incentive Plan. The shares covered by the Form S-8 registration statement will be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above, and Rule 144 limitations applicable to affiliates. For a more complete discussion of our long-term incentive plan, see "Executive Compensation 2012 Long-Term Incentive Plan."

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following is a summary of the material United States federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership, and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all the potential United States federal income tax consequences relating thereto, nor does it address any estate and gift tax consequences or any tax consequences arising under any state, local, or foreign tax laws, or any other United States federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (IRS), all as in effect as of the date of this offering. These authorities may change, possibly retroactively, resulting in United States federal income tax consequences different from those discussed below. No ruling from the IRS or opinion of counsel has been or will be sought with respect to the matters discussed below, and we cannot assure you that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership, or disposition of our common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold our common stock as a "capital asset" within the meaning of the Internal Revenue Code (generally, property held for investment). This discussion does not address all of the United States federal income tax consequences that may be relevant to a particular holder in light of such holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the United States federal income tax laws, including, without limitation, shareholders, partners, beneficiaries, or other owners of a person holding our common stock; former citizens or residents of the United States subject to tax as expatriates; S Corporations; partnerships or other entities taxed as partnerships; real estate investment trusts; regulated investment companies; corporations that accumulate earnings to avoid United States federal income tax; banks or financial institutions; thrifts; insurance companies; brokers, dealers, or traders in securities, commodities, or currencies; tax-exempt organizations; tax-qualified retirement plans; persons subject to the alternative minimum tax; persons that own, or have owned, actually or constructively, more than 5% of our common stock; and persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy.

PROSPECTIVE INVESTORS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL, OR FOREIGN TAX LAWS AND ANY OTHER UNITED STATES FEDERAL TAX LAWS OR UNDER ANY APPLICABLE TAX TREATY.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is a person that is not a "U.S. person" for United States federal income tax purposes. A U.S. person is any of the following:

- an individual citizen or resident of the United States;
- a corporation or partnership (including any entity treated as such for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to United States federal income tax regardless of its source; or
- a trust (1) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial

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decisions of the trust, or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

An individual may be treated as a resident of the United States in any calendar year by being present in the United States on at least 31 days in that calendar year and for an aggregate of at least 183 days during the three-year period ending in that calendar year. For purposes of determining days present in the United States, certain days that an individual is actually present in the United States are not taken into account. In addition, the 183-day test is determined by counting all of the days the individual is treated as being present in the current year, one-third of such days in the immediately preceding year and one-sixth of such days in the second preceding year.

Distributions on Our Common Stock

If we make distributions of cash or other property on our common stock, such distributions will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our current or accumulated earnings and profits generally will constitute a return of capital and will first be applied against and reduce a holder's tax basis in the common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of the common stock and will be treated as described under "Gain on Disposition of Our Common Stock" below.

Dividends paid to a non-U.S. holder of our common stock, except as provided below with respect to dividends that are treated as effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, will be subject to United States federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Dividends we pay to a non-U.S. holder that are treated as effectively connected with such holder's United States trade or business (and if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) are not subject to United States federal withholding tax. Instead, such dividends generally will be subject to United States federal income tax on a net income basis at regular graduated United States federal income tax rates in much the same manner as if such holder were a resident of the United States. To inform us that dividends are not subject to United States federal withholding tax, the non-U.S. holder generally must furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable successor form). This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders are encouraged to consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

A non-U.S. holder who claims the benefit of an income tax treaty generally will be required to satisfy applicable certification and other requirements prior to the distribution date. Non-U.S. holders are encouraged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

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Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to United States federal income tax on any gain realized upon the sale or other disposition of our common stock, unless:

- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year of the disposition (but nevertheless is treated as a nonresident alien because some or all of those days were not taken into account for purposes of determining whether the individual is a U.S. resident under the 183-day test described in the definition of "non-U.S. holder" above);

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States; or

- we are, or have been, a United States real property holding corporation (USRPHC) for United States federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock, unless (i) our common stock is regularly traded on an "established securities market" as defined in applicable Treasury Regulations and (ii) the non-U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, during the relevant period (the "5% exception"). Generally, we will be a USRPHC if the fair market value of our United States real property interests equals or exceeds 50% of the sum of the fair market value of our other trade or business assets, our United States real property interests, and our foreign real property interests, all as determined under applicable Treasury Regulations. Although we believe we are not currently and do not anticipate becoming a USRPHC for United States federal income tax purposes, no assurances can be made in this regard.

Gain realized on sale of our common stock by a non-U.S. holder described in the first bullet point above will be subject to United States federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by United States source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Gain described in the second and third bullet points above will be subject to United States federal income tax on a net income basis at regular graduated United States federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. In addition, if we are determined to be a USRPHC and the 5% exception does not apply, then a purchaser may be required to withhold 10% of the proceeds payable to a non-U.S. holder from a sale or other taxable disposition of our common stock. This 10% withholding, if applicable, is not an additional tax, and amounts withheld may be credited against the non-U.S. holder's federal income tax liability. Non-U.S. holders are encouraged to consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

We generally must report annually to the IRS and to each non-U.S. holder the amount of distributions on our common stock paid to such holder and the amount of any tax withheld with respect to those distributions. These information reporting requirements apply even if no withholding was required. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

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The gross amount of dividends paid to a non-U.S. holder subject to information reporting that fails to certify its non-U.S. holder status in accordance with applicable Treasury Regulations may be subject to backup withholding, currently at a 28% rate (scheduled to increase to 31% on January 1, 2013). Generally, a non-U.S. holder furnishes the required certification by providing a valid IRS Form W-8BEN or IRS Form W-8ECI, as applicable. Notwithstanding the foregoing, backup withholding may apply if either we have or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

Recent Legislation Imposing Additional Disclosure Requirements on Holders that are Foreign Entities

Non-U.S. holders are encouraged to be aware of recently enacted legislation under sections 1471 through 1474 of the Internal Revenue Code that, beginning on January 1, 2013, will impose a 30% withholding tax on certain payments (which could include dividends in respect of our common shares and gross proceeds from the sale, exchange or other disposition of our common shares and gross proceeds from the sale, exchange or other disposition of our common shares) made to a foreign entity if such entity fails to satisfy certain disclosure requirements. Various requirements and exceptions are provided under the legislation and additional requirements and exceptions may be provided in subsequent guidance. **Non-U.S. holders are encouraged to consult their own tax advisors regarding the potential application and impact of the new requirements based upon their particular circumstances.**

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UNDERWRITING

Stifel, Nicolaus & Company, Incorporated is acting as representative of each of the underwriters named below. We and the underwriters named below, have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of common stock indicated in the following table.

Underwriter	Number of Shares
Stifel, Nicolaus & Company, Incorporated	
Oppenheimer & Co. Inc.	
Lazard Capital Markets LLC	
D.A. Davidson & Co.	
Wedbush Securities Inc.	
Total	

The expenses of the offering, not including the underwriting discounts and commissions, are estimated at $4.4 million and are payable by us. This includes all reasonable fees and disbursements of counsel to the underwriters in connection with FINRA's review of the terms of this offering, which are estimated as $25,000, and includes all reasonable documented out-of-pocket expenses of the underwriters (other than fees and disbursements of the underwriters' counsel), which are estimated as $75,000.

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of common stock offered by this prospectus, other than those covered by the option to purchase additional shares described below, if any of these shares are purchased.

If the underwriters sell more shares of common stock than the total number set forth in the table above, the underwriters have an option to buy up to 720,000 shares of common stock from us to cover such excess sales. They may exercise that option for 30 days. If any shares of common stock are purchased pursuant to this option, the underwriters will severally purchase shares of common stock in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase an additional 720,000 shares of common stock.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$
Proceeds to us assuming full exercise of the underwriters' overallotment option	$	$	$

Shares of common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. The underwriters may allow a concession of not more than $ per share to selected dealers. The underwriters may also allow, and those dealers may re-allow, a concession of not more than $ per share to some other dealers. If all the shares of common stock are not sold at the initial public offering price, the representative may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith.

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We and our existing stockholders have agreed, subject to limited exceptions, with the underwriters not to sell or transfer any of our shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock without the prior written consent of the representative of the underwriters during the period from the date of this prospectus continuing through the date that is 180 days after the date of this prospectus. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell, or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right, or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

The 180-day restricted period described in the preceding paragraph may be extended by the representative of the underwriters by written notice to us if: (1) during the last 17 days of the initial 180-day restricted period we issue an earnings release or announce material news or a material event; or (2) prior to the expiration of the initial 180-day restricted period, we announce that we will release earnings results or we become aware that material news or a material event will occur during the 16-day period beginning on the last day of the initial 180-day period, then, in each case, the initial 180-day restricted period may be extended until the expiration of the 18-day period beginning on the date of the earnings release or the occurrence of the material news or material event.

In addition, the underwriting agreement will provide that any shares or rights to receive shares of our common stock that we issue to our directors, executives, or other employees will be subject to transfer restrictions restricting such persons from selling, transferring or otherwise disposing of such shares or rights until at least 180 days after the closing of this offering.

We have applied to list our common stock on The NASDAQ Global Market under the symbol "EAC."

Prior to this offering, there has been no public market for the shares of common stock. The initial public offering price will be negotiated between us and the representative. Among the factors to be considered in determining the initial public offering price of the shares of common stock, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management, and the consideration of the above factors in relation to market valuation of companies in related businesses. An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make for these liabilities.

In connection with this offering, the underwriters may purchase and sell our shares of common stock in the open market. These transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales may involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of common stock or purchasing shares of common stock in the open market. In determining the source of shares of common stock to close out the covered short position, the underwriters will consider, among other things, the price of shares of common stock available for purchase in the open market as compared to the price at which they may purchase additional shares of common stock pursuant to the option granted to them. "Naked" short sales are any sales in excess of that option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of, or offers to sell or sales of, shares of common stock made by the underwriters in the open market prior to the closing of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares of common stock sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain, or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NASDAQ exchange, in the over-the-counter market or otherwise.

Relationships with the Underwriters

Certain of the underwriters and their respective affiliates, as well as Lazard Frères & Co. LLC, have and may in the future perform various financial advisory, commercial banking, and investment banking services for us and our affiliates, for which they receive or will receive customary fees and expenses.

Online Offering

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters participating in this offering. Other than the prospectus in electronic format, the information on any such website, or accessible through any such website, is not part of the prospectus. The representative may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

Foreign Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area ("EEA"), which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

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(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representative for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall result in a requirement for the publication by us or any of the underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer within the EEA of shares which are the subject of the offering contemplated in this prospectus should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do we or they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares which are the subject of the offering contemplated by this prospectus under, the offers contemplated in this prospectus will be deemed to have represented, warranted, and agreed to and with us and each underwriter that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Service and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from, or otherwise involving the United Kingdom.

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Switzerland

This document, as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus, does not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, *i.e.,* to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the shares, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered pursuant to this prospectus should conduct their own due diligence on such shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

Hong Kong, Singapore, and Japan

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Australia

This document has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document for the purpose of Australia's Corporations Act 2001 (Cwlth) ("Corporations Act"). The offer is extended to Australian investors under section 708(8), 708(10), or 708(11) of the Corporations Act. Any of our shares issued as a result of the offer may not be offered for sale (or transferred, assigned, or otherwise alienated) to investors in Australia for at least 12 months after their issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act or unless a compliant disclosure document is prepared and lodged with ASIC under Chapter 6D. Disclosure to investors would not generally be required under Chapter 6D where:

(a) the shares are offered for sale in the ordinary course of trading on The NASDAQ Global Market;

(b) the shares are offered for sale to the categories of "professional investors" referred to in section 708(11) of the Corporations Act; or

(c) the shares are offered for sale to persons who are "sophisticated investors" that meet the criteria set out in sections 708(8) or 708(10) of the Corporations Act.

We are not licensed to provide financial product advice in relation to the shares, under Australian law. We recommend that investors obtain and consider this document before making any decision to acquire shares and confirm that there is no "cooling off" period under Australian law, in relation to the offer of shares under the offer. This document is not intended to provide financial product advice, and has been prepared without taking account of any particular investor's objectives, financial situation, or needs; as a result investors should consider the appropriateness of the information, having regard to their own objectives, financial situation, and needs. If in any doubt, stockholders should obtain their own professional advice in relation to any investment decision.

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LEGAL MATTERS

Certain legal matters with respect to the legality of the issuance of the shares of common stock offered by us by this prospectus will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP, New York, New York. The underwriters are being represented by DLA Piper LLP (US), Washington, DC, in connection with the offering. DLA Piper LLP (US) has in the past provided, and continues to provide, legal services to us.

EXPERTS

The audited consolidated financial statements included in this prospectus and elsewhere in the registration statement have been so included in reliance upon reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. You may obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements, and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

After this offering, we will file with the SEC periodic reports, proxy statements, and other information required by the Exchange Act. Our SEC filings will also be available at the office of The NASDAQ Global Market. For further information on obtaining copies of our public filings at NASDAQ, please call (212) 401-8700.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Erickson Air-Crane Incorporated and Subsidiaries

We have audited the accompanying consolidated balance sheets of Erickson Air-Crane Incorporated and its subsidiaries (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income (loss), redeemable preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erickson Air-Crane Incorporated and its subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Portland, Oregon
March 5, 2012

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 268	$ 1,928
Accounts receivable net of allowances for doubtful accounts of $476 and $1,360 in 2011 and 2010, respectively	26,528	22,763
Aircranes and support parts in process	27,395	18,193
Prepaid expenses and other	4,217	4,697
Income tax receivable	1,248	
Deferred tax assets	7,602	11,231
Total current assets	67,258	58,812
Restricted cash	5,214	4,340
Aircrane support parts, net	101,892	85,390
Aircranes, net	42,288	40,924
Property, plant, and equipment, net	14,341	11,591
Other noncurrent assets	2,918	2,646
Total assets	$ 233,911	$ 203,703
Liabilities, redeemable preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 10,526	$ 11,038
Current portion of long-term debt	6,500	6,500
Accrued and other current liabilities	17,277	27,699
Income taxes payable		8,037
Total current liabilities	34,303	53,274
Long-term debt, less current portion	124,070	87,394
Other long-term liabilities	4,328	8,389
Deferred tax liabilities	14,194	13,234
Total liabilities	176,895	162,291
Commitments and contingencies (Note 12)		
Series A redeemable preferred stock, $0.0001 par value		
Authorized 70,000 shares; issued and outstanding 34,999.5 shares; liquidation preference of $66,161 and $57,010 in 2011 and 2010, respectively	66,161	57,010
Stockholders' equity (deficit):		
Common stock, $0.0001 par value. Authorized 2,300 shares;		
Class A; designated 2,000; issued and outstanding 1,000 shares	1	1
Class B; designated 300; zero issued and outstanding		
Accumulated deficit	(9,988)	(16,707)
Accumulated other comprehensive income (loss)	(36)	178
Total stockholders' equity (deficit) attributable to Erickson Air-Crane Incorporated	(10,023)	(16,528)

Noncontrolling interest		878		930
Total stockholders' equity (deficit)		(9,145)		(15,598)
Total liabilities, redeemable preferred stock and stockholders' equity	$	233,911	$	203,703

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

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except share and per share data)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net revenues:			
Aerial services	$ 138,637	$ 105,747	$ 113,603
Manufacturing / MRO	14,132	12,493	36,019
Total net revenues	152,769	118,240	149,622
Cost of revenues:			
Aerial services	93,566	81,353	76,855
Manufacturing / MRO	13,730	7,651	21,272
Total cost of revenues	107,296	89,004	98,127
Gross profit	45,473	29,236	51,495
Operating expenses:			
General and administrative	13,023	14,105	14,877
Research and development	4,827	6,400	6,889
Selling and marketing	9,940	6,987	5,115
Restructuring charges	1,084		
Total operating expenses	28,874	27,492	26,881
Operating income	16,599	1,744	24,614
Other income (expense):			
Interest income	7	14	157
Interest expense	(9,157)	(4,879)	(6,163)
Interest income (expense) related to tax contingencies	2,745	(495)	(500)
Loss on early extinguishment of debt		(2,265)	
Amortization of debt issuance costs	(875)	(703)	(975)
Gain (loss) on disposal of equipment	26	(83)	349
Gain on involuntary conversions		6,285	
Unrealized foreign exchange gain (loss)	1,819	(905)	(992)
Realized foreign exchange gain (loss)	(956)	34	371
Litigation settlement		(10,000)	
Other income (expense), net	1,126	(326)	760
Total other expense	(5,265)	(13,323)	(6,993)
Income (loss) before noncontrolling interest and income taxes	11,334	(11,579)	17,621
Income tax expense (benefit)	(4,926)	(3,544)	5,330
Net income (loss)	16,260	(8,035)	12,291
Less: Net (income) loss related to noncontrolling interest	(390)	(216)	(239)
Net income (loss) attributable to Erickson Air-Crane Incorporated	15,870	(8,251)	12,052
Dividends on redeemable preferred stock	9,151	7,925	6,806
Net income (loss) attributable to common stockholders	$ 6,719	$ (16,176)	$ 5,246
Net income (loss)	$ 16,260	$ (8,035)	$ 12,291
Other comprehensive income (loss):			
Foreign currency translation adjustment	(402)	45	571

Comprehensive income (loss)		15,858		(7,990)		12,862
Comprehensive (income) loss attributable to noncontrolling interest		(202)		(141)		(259)
Comprehensive income (loss) attributable to Erickson Air-Crane Incorporated	$	15,656	$	(8,131)	$	12,603
Net income (loss) per share attributable to common stockholders						
Basic	$	6,718.57	$	(16,176.47)	$	5,246.00
Diluted	$	6,718.57	$	(16,176.47)	$	5,246.00
Weighted average shares outstanding						
Basic		1,000		1,000		1,000
Diluted		1,000		1,000		1,000

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

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

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

(in thousands, except share and per share data)

	Redeemable Series A Preferred Stock		Common Stock Class A		Common Stock Class B							
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings Accumulated (Deficit)	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity (Deficit) of Erickson Air-Crane	Noncontrolling Interest Amount	Total Stockholders' Equity (Deficit)
Balance at December 31, 2008	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	34,999.5	$ 49,085	1,000	$ 1		$	$	$ (531)	$ 58	$ (472)	$ 957	$ 485
Dividends accrued on redeemable preferred stock		7,925						(7,925)		(7,925)		(7,925)
Noncontrolling interest dividend											(168)	(168)
Components of comprehensive income (loss):												
Net income (loss)								(8,251)		(8,251)	216	(8,035)
Foreign currency translation									120	120	(75)	45
Comprehensive income (loss)												(7,990)
Balance at December 31, 2010	34,999.5	$ 57,010	1,000	$ 1		$	$	$ (16,707)	$ 178	$ (16,528)	$ 930	$ (15,598)
Dividends accrued on redeemable preferred stock		9,151						(9,151)		(9,151)		(9,151)
Noncontrolling interest dividend											(254)	(254)
Components of comprehensive income (loss):												

Net income (loss)							15,870		15,870	390	16,260
Foreign currency translation								(214)	(214)	(188)	(402)
Comprehensive income (loss)											15,858
Balance at December 31, 2011	34,999.5	$ 66,161	1,000	$ 1	$	$	$ (9,988)	$ (36)	$ (10,023)	$ 878	$ (9,145)

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

ERICKSON AIR-CRANE INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from operating activities:			
Net income (loss)	$ 16,260	$ (8,035)	$ 12,291
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,300	4,745	4,378
Deferred income taxes	4,589	(3,550)	3,360
Non-cash interest on subordinated notes	3,158	879	
Non-cash interest on tax contingencies	(2,745)	495	500
Non-cash tax settlement	(9,451)		
Write-off of issuance costs related to the early extinguishment of debt		1,812	
Amortization of debt issuance costs	875	703	976
Gain on disposal of equipment	(26)	83	(349)
Gain on involuntary conversions		(6,285)	
Changes in operating assets and liabilities:			
Accounts receivable	(4,648)	15,171	(4,933)
Aircranes and support parts in process	(9,201)	(11,521)	(1,601)
Prepaid expenses and other	484	(4,206)	1,452
Income tax receivable	(1,248)		
Net purchases of Aircrane support parts	(16,502)	(15,161)	(8,025)
Accounts payable	(190)	860	5
Accrued and other current liabilities	(6,816)	9,724	(2,753)
Income taxes payable	1,498	(2,535)	4,599
Other long-term liabilities	(4,060)	8,391	
Net cash provided by (used in) operating activities	(20,723)	(8,430)	9,900
Cash flows from investing activities:			
Purchases of Aircranes, property, plant, and equipment	(11,413)	(14,600)	(2,302)
Proceeds from sale of equipment		39	522
Insurance proceeds from involuntary conversions		9,500	
Restricted cash	(998)	411	
Dividends from, or purchases of, noncontrolling interest	(254)	(168)	(212)
Purchase of shareholder rights			(329)
Increase (decrease) in other assets	(418)	(199)	(346)
Net cash provided by (used in) investing activities	(13,083)	(5,017)	(2,667)
Cash flows from financing activities:			
Borrowings of long-term debt	317,737	299,976	92,665
Repayments of long-term debt	(284,220)	(287,506)	(98,327)
Debt issuance costs	(758)	(1,413)	
Net cash provided by (used in) financing activities	32,759	(11,057)	(5,662)
Effect of foreign currency exchange rates on cash and cash equivalents	(613)	782	(338)

Net increase (decrease) in cash and cash equivalents	(1,660)	(1,608)	(1,233)
Cash and cash equivalents at beginning of period	1,928	3,536	2,303
Cash and cash equivalents at end of period	$ 268	$ 1,928	$ 3,536
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$ 6,099	$ 3,963	$ 6,268
Net cash paid (received) during period for income taxes	$ (388)	$ 2,457	$ (2,859)

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

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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, 2011, 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.

On September 27, 2007, Stonehouse Erickson Investment Co. LLC and Stonehouse Erickson Management Co. LLC (together "Stonehouse") and ZM EAC LLC acquired 100% of the outstanding common stock of EAC. On January 8, 2010, ZM Private Equity Fund I, L.P. and ZM Private Equity Fund II, L.P. purchased the interests of the Stonehouse entities.

As of December 31, 2011 the Company owned and operated a fleet of thirteen S-64E and four S-64F model Aircranes which are used in timber harvesting, firefighting, and construction operations predominantly in North America, South America, Europe, Southeast Asia, and Australia. Nine of the Aircranes were deployed outside of North America as of December 31, 2011.

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 Aircranes and other aircraft.

Note 2. 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 ("US GAAP").

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.

Use of Estimates

The preparation of financial statements in conformity with 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, (d) warranty reserves and (e) cost per hour (CPH) reserves. Management of the Company bases their

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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 subsidiaries CAC and EuAC are measured in Canadian dollars (C$) and Euros (€), respectively (the functional currencies of each respective subsidiary) and then are translated into U.S. dollars. Generally, 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 total 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 $4.5 million and $5.8 million at December 31, 2011 and 2010, respectively, of which, $4.2 million and $4.3 million is restricted cash at December 31, 2011 and 2010, respectively.

Restricted Cash

Restricted cash of $5.2 million and $4.3 million at December 31, 2011 and 2010, 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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Aircranes and Support Parts in Process

Aircranes and support parts in process consist of manufactured aircranes, in process aircranes, and support parts relating to those aircranes. Because these are assets the Company is actively marketing as being available for sale, they are classified in the consolidated balance sheets as a current asset.

At December 31, 2011 and 2010, this account consisted of aircranes in various stages of production including one completed aircrane.

Aircrane Support Parts

Aircrane support parts consist of Aircrane parts, overhauls of certain major 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 major 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 statements of operations.

Aircranes and Property, Plant, and Equipment

Aircranes and property, plant, and equipment are recorded at cost. 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,

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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. No impairments were recorded for long-lived assets during the years ended December 31, 2011, 2010, and 2009.

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. Investments in which the Company does not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method.

Deferred Offering Costs

Deferred offering costs consist of direct incremental accounting and legal fees related to the Company's proposed anticipated initial public offering of its common stock. Approximately $2.8 million and $1.6 million of deferred offering costs are included in prepaid expenses and other on the Company's consolidated balance sheet as of December 31, 2011 and 2010, respectively. Upon completion of the initial public offering, these amounts will be offset against the proceeds of the offering. If the offering is terminated, the deferred offering costs will be expensed.

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 using a method that approximates the effective interest method. Amortization of debt issuance costs was $0.9 million, $0.7 million and $1.0 million for the years ended December 31, 2011, 2010 and 2009, respectively.

In connection with the full pay-off and replacement of the Company's working capital revolving line of credit in 2010, the Company wrote off deferred loan costs and expensed termination fees relating to the old debt in the amount of $2.3 million and capitalized loan costs relating to the new debt in the amount of $2.7 million. Such loan costs will be amortized to amortization of debt issuance costs over the term of the Credit Agreement.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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 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 subject to audit 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 a reserve for uncertain tax positions. The Company calculates its reserves in accordance with applicable accounting standards for accounting for uncertainty in income taxes. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax positions.

The Company records accrued interest and penalties associated with uncertain tax positions in interest expense related to tax contingencies in the statements of operations.

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 timber harvesting operations in Canada and the U.S. are earned based on the number of flight hours or the timber volume and quality delivered to customers, depending on the customer contract. Revenues from timber harvesting operations in Malaysia are recorded based on the number of flight hours, or the timber volume delivered to customers, depending on the customer contract.

Contracts for the sale of Aircranes have multiple deliverables. Such elements may include warranty, spare parts, training and crew provisioning arrangements. The Company allocates arrangement consideration based on the relative selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Selling prices are determined using fair value, when available, third party evidence when fair value is not available, or the Company's estimate of selling price when fair value and third party evidence is not available.

For the sale of Aircranes that involve significant production, modification or customization, the Company uses the percentage of completion method of accounting, when all the required criteria are met. In circumstances when the criteria for using the percentage of completion method of accounting are not met, revenue is recognized as each unit is completed, delivered, and accepted by the customer, and the rights of ownership are transferred. When total cost estimates exceed revenues, the Company accrues the estimated losses immediately.

Revenue recognized represents the price negotiated with the customer, adjusted by any discounts. 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 the Aircrane ordered by the customer. A discussion of revenue recognition with respect to the Company's 2009 Aircrane sale is included in "Note 12. Commitments and Contingencies Put Option."

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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 spare parts. Cost Per Hour ("CPH") contracts are accounted for on a long-term contract basis; revenues are recognized based upon negotiated hourly rates and applicable flight hours earned, and profitability of the contract is based upon estimated costs over the life of the contract.

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 15 Warranty Reserves")

Risks and Uncertainties

The Company performs aerial services operations, sells Aircranes and spare parts, and performs other services throughout the world. Customers outside the U.S. accounted for 55.8%, 62.5%, and 51.3% of consolidated revenue during 2011, 2010 and 2009, respectively. Services are performed for customers in the timber harvesting, firefighting, and construction industries, which are periodically subject to economic disruptions. The Company had revenues from two, four and three customers in excess of 10% of the total revenues for the years ended December 31, 2011, 2010, and 2009, respectively.

The following is a summary of customers that accounted for at least 10% of the Company's sales in 2011, 2010, or 2009:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
U.S. Forest Service	27.2%	24.4%	16.6%
Italian Ministry of Civil Protection	15.9%	13.8%	13.6%
Hellenic Fire Brigade	8.4%	11.0%	10.5%
Samling Global	7.0%	12.3%	5.1%
	58.5%	61.5%	45.8%

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, 2011, five customers made up 65.1% of the Company's accounts receivable balance. At December 31, 2010, six customers made up 70.4% of the Company's accounts

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

receivable balance. Allowance for doubtful accounts was $0.5 million and $1.4 million at December 31, 2011 and 2010, respectively.

The customers represented the following as a percentage of total Accounts Receivable:

	As of December 31, 2011	As of December 31, 2010
U.S. Forest Service		9.0%
Italian Ministry of Civil Protection	18.9%	10.5%
Corpo Forestale Services	5.9%	16.5%
Hellenic Fire Brigade	21.6%	16.2%
Helicorp	12.0%	10.4%
Samling Global	6.7%	7.8%
	65.1%	70.4%

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.

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

As of December 31, 2011, the Company had $19.3 million of outstanding purchase orders for scheduled parts deliveries, all in the ordinary course of business, through 2019.

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-term 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

Fair value is 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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2011 and 2010, which is valued using quoted market prices for contracts with similar terms and maturity dates.

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 and Australia. Generally 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 Derivative Instruments and Hedging Activities")

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 forward contract is recognized in gross margin and operating income at the time of revenue recognition. At the end of each accounting period, the value of each outstanding foreign currency forward 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 investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support; or as a group, the holders of the equity investment at risk lack any one of the following characteristics: (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the entity's economic performance; (b) the obligation to absorb expected losses of the entity; (c) the right to receive the expected residual returns of the entity.

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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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. During 2009, EAC paid FCN €0.2 million ($0.3 million) of the €0.6 million, and the remaining €0.4 million ($0.6 million) was paid by EAC to FCN in 2010. As of December 31, 2011, EuAC had net assets of €1.8 million ($2.3 million).

The Company believes that EuAC is a VIE and 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 $0.9 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, 2011 and 2010, 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, the Company's contingencies, obligations and commitments for remediation of contaminated sites, including 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 its best estimate within a range of potential exposure for investigation, cleanup and monitoring costs to be incurred. (See "Note 12 Commitments and Contingencies")

Research and Development Costs

Research and development costs predominately consist of internal labor costs and engineering tooling design costs, which are charged to expense when incurred. The Company's research and development expense totaled $4.8 million, $6.4 million, and $6.9 million, for the years ended December 31, 2011, 2010 and 2009, 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, 2011, 2010 and 2009 includes 1,000 shares of outstanding common stock, since there are no dilutive potential common shares.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

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.

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

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and IFRSs." This guidance contains certain updates to the measurement guidance as well as enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for "Level 3" measurements including enhanced disclosure for: (1) the valuation process used by the reporting entity; and (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

This guidance is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. This guidance will only impact the Company's "Level 3" disclosures.

In December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." Under the amendments in ASU 2011-05 "Presentation of Comprehensive Income," entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments in ASU 2011-12 supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. ASU 2011-12 is issued to allow FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. This amendment is effective for the Company in 2012 and will be applied retrospectively. The adoption of ASU 2011-12 will result in changes to the Company's presentation and disclosure only and will not have an impact on its consolidated results of operations and financial condition.

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 of 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 605-25 was effective for the Company January 1, 2011. The adoption did not have a material impact on the Company's consolidated financial statements.

In December 2011 the FASB issued an accounting standards update to ASC 210-20, *Offsetting,* requiring new disclosures about financial instruments and derivative instruments that are either offset by or subject to an enforceable master netting arrangement or similar agreement. The standards update is effective for fiscal years beginning after December 15, 2012. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Note 3. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consisted of the following (in thousands):

	December 31, 2011	December 31, 2010
Trade accounts receivable	$ 26,432	$ 23,582
Other receivables	572	541
Less: Allowance for doubtful accounts	(476)	(1,360)
	$ 26,528	$ 22,763

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Accounts Receivable and Allowance for Doubtful Accounts (Continued)

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Balance at beginning of period	$ 1,360	$ 556	$
Additions	459	804	556
Amounts written off	(1,343)		
Balance at end of period	$ 476	$ 1,360	$ 556

The Company had bad debt expense in the years ended December 31, 2011, 2010, and 2009 of $2.5 million, $0.8 million, and $0.6 million, respectively.

Note 4. Aircrane Support Parts, net

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

	December 31, 2011	December 31, 2010
Aircrane parts	$ 50,572	$ 38,594
Major component overhauls	30,777	28,602
Work-in-process	25,593	21,769
Less: Excess and obsolete reserve	(5,050)	(3,575)
	$ 101,892	$ 85,390

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Balance at beginning of period	$ 3,575	$ 3,575	$ 3,075
Increase in reserves	1,565		500
Amounts written off	(90)		
Balance at end of period	$ 5,050	$ 3,575	$ 3,575

Note 5. Aircranes and Property, Plant and Equipment

Aircranes consisted of the following (in thousands):

	December 31, 2011	December 31, 2010
Aircranes	$ 54,264	$ 49,817
Less: accumulated depreciation	(11,976)	(8,893)
	$ 42,288	$ 40,924

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Aircranes and Property, Plant and Equipment (Continued)

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

	December 31, 2011	December 31, 2010
Land and land improvements	$ 308	$ 306
Buildings	1,472	1,101
Vehicles and equipment	14,566	13,041
Construction-in-progress	7,352	3,960
	23,698	18,408
Less: accumulated depreciation	(9,357)	(6,817)
	$ 14,341	$ 11,591

Depreciation expense for Aircranes and property, plant and equipment was $7.3 million, $4.7 million, and $4.4 million, for the years ended December 31, 2011, 2010 and 2009, respectively.

Repairs and maintenance costs were $17.2 million, $13.9 million, and $17.0 million, for the years ended December 31, 2011, 2010 and 2009, respectively.

Note 6. Accrued and Other Current Liabilities

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

	December 31, 2011	December 31, 2010
Payroll and related taxes	$ 3,627	$ 3,746
Interest	58	2,903
Warranty	1,015	1,244
Cost per Hour	2,770	2,905
Customer advance payments	4,326	1,493
Forward contracts	22	1,346
Advance from Cambiano	1,284	
Accrued settlement		10,000
Other	4,175	4,062
	$ 17,277	$ 27,699

Note 7. Long-Term Debt

Credit Facilities

At the end of June 2010, the Company entered into a Credit Agreement with a bank syndicate led by Wells Fargo Bank, National Association (Wells Fargo), which consists of up to $132.5 million in senior credit facilities, including a $65.0 million term loan facility and a revolving credit facility of up to $67.5 million. The $67.5 million revolving credit facility has a $30.0 million sublimit to be used for issuance of letters of credit and a $10.0 million sublimit for swingline loans. Subject to the terms of the Credit Agreement, including lender approval, the Company may request an increase in the senior credit facility of up to $50.0 million. A request for an increase must be in a minimum amount of $10.0 million and the

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Long-Term Debt (Continued)

Company may request an increase no more than three times during the term of the senior credit facilities. The commitment under the senior credit facilities is shared between Wells Fargo (60.4%), which is also the Administrative Agent, KeyBank National Association (13.2%), Bank of the West (13.2%), Bank of America, N.A. (7.5%), and Union Bank, N.A. (5.7%).

The senior credit facilities refinanced the Company's prior senior debt, resulting in a full pay-off and replacement of the Company's working capital revolving line of credit with Key Bank National Association ("KeyBank") and Bank of the West, and the Company's first lien term loan facility with The Prudential Insurance Company of America ("Prudential"). In addition, the Company used proceeds from the senior credit facilities to partially pay-down the second lien term loan facility, with the remaining amount outstanding under the second lien facility being converted into unsecured subordinated promissory notes. The interest rate on the senior credit facilities is calculated based on LIBOR or a base rate. The base rate is the higher of the federal funds rate plus 150 basis points, the prime rate as quoted by Wells Fargo, or LIBOR plus 150 basis points. The interest rate is calculated as LIBOR or base rate plus a LIBOR margin or base rate margin, respectively. Margin rates are tied to the total senior debt leverage covenant (Funded Indebtedness to Bank EBITDA) per the Company's Credit Agreement. LIBOR margin ranges between 2.75% and 5.00% and base rate margin ranges between 1.75% and 4.00%. The Company pays a quarterly unused commitment fee between 0.375% and 0.625% and fees between 2.75% and 5.00% on outstanding letters of credit, both of which are based on the level of the Funded Indebtedness to Bank EBITDA ratio.

The Company amended the Credit Agreement effective December 31, 2010. An initial amendment removed the requirement to comply with existing financial covenants as of December 31, 2010, added a net income covenant calculation for fiscal 2010, and adjusted certain amounts related to the determination of Bank EBITDA and Tangible Net Worth. In addition, the interest rate matrix was modified to add an additional pricing tier. Subsequent amendments waived the Company's non compliance with certain requirements and financial covenants under the Credit Agreement for both the fourth quarter of 2010 and the first quarter of 2011, and modified the financial covenants for future periods. Through the amendments the minimum 2010 net income covenant was ($11.6 million), the interest rate matrix was modified and reporting requirements were adjusted. The amendment also required a new subordinated debt in the amount of $10.0 million to be contributed by ZM Private Equity Funds I and II, L.P., which was funded on June 30, 2011. Absent these amendments, the Company would not have been in compliance with the covenants in the Credit Agreement at December 31, 2010 and March 31, 2011.

The senior credit facilities contain several affirmative and negative covenants customary for similar senior credit facilities, including a leverage ratio test based on maximum senior Funded Indebtedness (excluding subordinated debt) to Bank EBITDA, a minimum fixed charge coverage ratio, a minimum tangible net worth test and, for certain periods in 2011, a minimum net income. In addition, if at any time the amount advanced under the Company's senior credit facilities exceeds the most recent Asset Coverage Amount (as defined in the Company's Credit Agreement), the Company has to prepay the amount of such excess. Under the senior credit facilities the Company has affirmative covenants to, among other things, deliver certain financial statements, notices, and certificates to its lenders and maintain certain insurance policies. The negative covenants include limitations on indebtedness, liens, acquisitions, mergers and dispositions, investments, fundamental changes, certain lease transactions, restricted payments, transactions with affiliates, agreements that burden the Company's subsidiaries, and capital expenditures. See " Bank EBITDA."

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Long-Term Debt (Continued)

The indebtedness under the senior credit facilities is secured by liens on substantially all of the Company's assets, including the Company's interests in its subsidiaries, the Company's real and personal property, and interests in property and proceeds thereof, including, but not limited to, intangible assets, the type certificates and supplemental type certificates for the Company's aircraft.

The prior credit agreement ("KeyBank Credit Agreement") with KeyBank, was entered into on September 27, 2007 and contained a $40.0 million working capital revolving line of credit ("Revolver"). The KeyBank Credit Agreement provided for an alternative currency sublimit under the Revolver of $10.0 million, which provided for borrowing in Euros, Canadian dollars, and Australian dollars. Additionally, the 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 KeyBank Revolver was shared between KeyBank (62.5%) and Bank of the West (37.5%). The interest rate on the KeyBank Revolver was calculated based on the prime rate as quoted in The Wall Street Journal, plus a base rate margin and depended on the level of the funded debt to Bank EBITDA ratio as defined in the Key Bank Credit Agreement, and could convert to LIBOR based interest. Margin rates were tied to the Company's total debt leverage covenant per the KeyBank Credit Agreement.

The prior term loan agreement with Prudential Insurance Company of America was initially entered into on September 27, 2007, and contained a $65.0 million term loan facility (the "Term Debt"). The Term Debt required 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 new Credit Agreement allows borrowings up to $67.5 million under the revolving credit facility. The weighted average interest rate for borrowings under the revolving credit facility for the years ended December 31, 2011, 2010 and 2009 was 5.35%, 4.02% and 3.30%, respectively. The outstanding balance under the revolving credit facility at December 31, 2011, and 2010, excluding letters of credit, was $51.8 million and $22.8 million, respectively. These amounts were classified as long-term debt based on the maturity date of the respective credit agreements. The borrowing rate at December 31, 2011 and 2010 was 3.61% and 3.86%, respectively. The Company had $2.3 million and $7.8 million outstanding standby letters of credit issued as of December 31, 2011 and 2010. Borrowing availability was $13.4 million and $37.0 million as of December 31, 2011 and 2010, respectively.

The new Credit Agreement allows borrowings of up to $65.0 million under the term loan facility. On June 30, 2010, the Company borrowed $65.0 million and used proceeds to pay off existing debt. The Company is required to pay $1.625 million per quarter for principal, plus accrued interest, until maturity, at which time the remaining principal balance of $45.5 million, plus accrued interest, is due. The senior credit facilities terminate on June 24, 2013. The weighted average interest rate for the term loan borrowings for the year ended December 31, 2011, 2010 and 2009 was 4.73%, 3.32% and 3.14%, respectively. At December 31, 2011 and 2010 the outstanding balance under the term loan facility was $55.3 million and $61.8 million, respectively. The borrowing rate at December 31, 2011 and 2010 was 3.17% and 3.50%, respectively.

The Company expensed deferred loan costs and termination fees relating to the old debt in the amount of $2.3 million and capitalized loan costs relating to the new debt in the amount of $2.7 million. Such loan costs will be amortized to debt issuance costs over the term of the Credit Agreement.

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Long-Term Debt (Continued)

Working Capital Guarantee Credit Agreement

On June 30, 2011, in connection with an amendment to the Credit Agreement, the Company obtained a separate line of credit with Wells Fargo for up to $10.0 million, pursuant to which Wells Fargo issues standby letters of credit to the Company's certain non-domestic customers for the purpose of assuring the Company's performance of its obligations to such customers. The standby letters of credit are required to be collateralized by funds obtained from the Company from promissory notes to ZM Private Equity Fund I, L.P. in the initial principal amount of $700,000 and to ZM Private Equity Fund II, L.P. in the initial principal amount of $300,000 at a rate of 20% per annum. No periodic principal or interest payments are required and the notes mature no earlier than June 30, 2016. As of December 31, 2011 the Company had $8.6 million in outstanding letters of credit under this line of credit.

Subordinated Notes

The Company was 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, which was due on April 1, 2013. The lenders included ZM Private Equity Fund II, L.P. and 10th Lane Finance Co., LLC, which are affiliates of the Company through common ownership. Under the Second Lien Credit Agreement interest was payable quarterly and was calculated based on three-month LIBOR plus 8.00%.

On June 30, 2010, concurrent with the refinancing of the Company's senior debt, the Company used proceeds from the senior credit facilities to partially pay-down $11.5 million of its $20.0 million Second Lien Debt, with the remaining $8.5 million being exchanged for unsecured subordinated promissory notes. On June 30, 2010, the Company also paid accrued interest of $0.4 million and an early termination fee of $0.2 million related to the Second Lien Debt.

The interest rate on the unsecured subordinated promissory notes is 20.0% per annum. No periodic principal or interest payments are required and the promissory notes mature on June 30, 2015. Interest payments are accrued to principal on a quarterly basis. The promissory notes can be prepaid at any time prior to maturity, at our option, at the original principal amount plus accrued interest without any prepayment penalties, subject to limitations under the agreement.

On June 30, 2011, in connection with an amendment to the Credit Agreement, an additional $10.0 million of unsecured subordinated promissory notes were obtained from ZM Private Equity Funds I and II, L.P. at a rate of 20.0% per annum. No periodic principal or interest payments are required and the notes mature no earlier than June 30, 2016. Additionally, in connection with the Working Capital Guarantee Credit Agreement as disclosed above, ZM Private Equity Funds I and II issued $1.0 million in unsecured subordinated promissory notes.

The weighted average interest rate for the year ended December 31, 2011 and 2010 was 20.00% and 11.81%, respectively. The borrowing rate was 20.0% and 20.0% and the balance was $23.5 million and $9.4 million at December 31, 2011 and 2010, respectively.

Bank EBITDA

Bank EBITDA 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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Long-Term Debt (Continued)

In addition to adjusting net income (loss) to exclude interest expense, provision for (benefit from) income taxes and depreciation and amortization of debt issuance costs, Bank EBITDA also adjusts net income by excluding non-cash unrealized mark-to-market foreign exchange gains (losses), specified litigation expenses up to a maximum of $2.0 million for any 12-month period, certain management fees, gains from sale of equipment, non-cash charges arising from awards to employees relating to equity interests, non-cash charges relating to financings, initial public offering related non-capitalized expenses up to a maximum of $2.0 million, certain fourth quarter 2010 charges up to a maximum of $11.6 million and other unusual, extraordinary, non-recurring non-cash costs. For each calculation of Bank EBITDA made as of the end of the quarters ending June, September, and December 2011 and that will be made as of the quarter ending March 2012, Bank EBITDA also includes an amount equal to the $10.0 million in new unsecured subordinated promissory notes dated June 30, 2011 and any additional subordinated debt issued in connection with an equity cure under the Credit Agreement. The Company has complied with the requirements of its debt covenants at December 31, 2011.

Long-term debt maturity schedule is as follows:

	Term Debt	Revolving Line of Credit	Subordinated Notes	Total
2012	$ 6,500	$	$	$ 6,500
2013	48,750	51,783		100,533
2014				
2015			11,400	11,400
2016			12,137	12,137
	$ 55,250	$ 51,783	$ 23,537	$ 130,570

Long-term debt was as follows:

	December 31, 2011	December 31, 2010
Term Debt	$ 55,250	$ 61,750
Revolving Line of Credit	51,783	22,765
Subordinated Notes	23,537	9,379
	$ 130,570	$ 93,894

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 the Italian government. The purpose of this Agreement is to provide short term liquidity needs. At December 31, 2011 and 2010, there were €2.6 million and no advances outstanding, respectively, under this arrangement included within accounts payable and accrued liabilities. The agreement may be canceled by either party at any time.

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

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Income Taxes

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
U.S. and other	$ 9,842	$ (8,619)	$ 15,508
Canada	158	(3,988)	912
Italy	1,334	1,028	1,201
Income (loss) before noncontrolling interest and income taxes	$ 11,334	$ (11,579)	$ 17,621

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Current income tax expense (benefit):			
U.S. Federal income taxes	$ (10,055)	$ 300	$ 819
State and local income taxes	21	(23)	260
Foreign income taxes	519	(312)	891
Total current income tax expense (benefit)	$ (9,515)	$ (35)	$ 1,970
Deferred income tax expense (benefit):			
U.S. Federal income taxes	4,269	(3,196)	3,370
State and local income taxes	441	(313)	(10)
Foreign income taxes	(121)		
Total deferred income tax expense (benefit)	4,589	(3,509)	3,360
Total income tax expense (benefit)	$ (4,926)	$ (3,544)	$ 5,330

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Tax at U.S. statutory rate	$ 3,967	$ (3,937)	$ 5,991
State taxes, net of federal benefit	249	(130)	210
Nondeductible expenses	313	230	276
Foreign tax rate differences	57	457	143
Non-deductible receivable allowance		272	
Manufacturing deduction			(149)
Foreign tax credits	(129)	(260)	(251)
Reversal of tax contingency items	(9,451)		
Tax Rate Differential from prior year	286		
Tax law changes			(660)
Other, net	(218)	(176)	(230)
Total income tax expense (benefit)	$ (4,926)	$ (3,544)	$ 5,330

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Income Taxes (Continued)

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 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, 2011	Year Ended December 31, 2010
Deferred tax assets:		
Accrued and other current liabilities	$ 723	$ 469
Accrued benefits	512	498
Deferred offering costs		527
Warranty reserve	376	439
Cost per hour accruals	1,026	1,026
Litigation reserve		3,532
Allowance for doubtful accounts reserve	1,096	324
Foreign currency mark-to-market adjustments	74	759
Tax reserve interest		970
Inventory reserve	1,871	1,263
Advance Payments	3,003	
Foreign tax credits	624	600
Research credits	542	376
Other credits		18
Net operating loss carryforwards	8,228	2,950
Total deferred tax assets	18,075	13,751
Deferred tax liabilities:		
Tax-over-book depreciation and amortization	(17,237)	(13,147)
Basis difference in Aircrane support parts	(7,128)	(1,950)
Prepaid expenses and deferred costs	(302)	(657)
Total deferred tax liabilities	(24,667)	(15,754)
Net deferred tax assets (liabilities)	$ (6,592)	$ (2,003)
Net current deferred tax assets	$ 7,602	$ 11,231
Net noncurrent deferred tax liabilities	(14,194)	(13,234)
Net deferred tax assets (liabilities)	$ (6,592)	$ (2,003)

Federal net operating loss carryforwards of approximately $22.2 million at December 31, 2011 expire in 2031. Foreign tax credit carryforwards of approximately $0.6 million at December 31, 2011 expire in 2021. Research credit carryforwards of approximately $0.5 million as of December 31, 2011 expire from 2019 to 2021. State net operating loss carryforwards of approximately $11.1 million at December 31, 2011 expire from 2013 through 2031. State research and development credits of $0.2 million at December 31, 2011 expire from 2012 to 2016.

U.S. income taxes are not calculated on the undistributed earnings of the Company's foreign subsidiary in Canada because of the intent to reinvest these earnings. At December 31, 2011, the amount of

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Income Taxes (Continued)

undistributed earnings, which are considered indefinitely reinvested, are approximately C$2.0 million ($1.9 million) for CAC. The Company does not believe it is practical to estimate the tax effect of CAC's permanently reinvested earnings.

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Unrecognized tax benefits January 1,	$ 10,006	$ 10,040
Gross increases tax positions in prior periods		11
Gross decreases tax positions in prior periods		(45)
Gross increases current period		
Gross decreases current period		
Settlements	(9,451)	
Lapse of statute of limitations	(555)	
Unrecognized tax benefits December 31,	$	$ 10,006

The tax rate effect of our unrecognized tax benefits being recognized during 2011 is (83.39%). There are no further unrecognized tax benefits after December 31, 2011.

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, 2008 tax year. The tax years which remain open to examination in the U.S., the Company's only major taxing jurisdiction, are 2008 through 2011.

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 were fully reserved as unrecognized tax benefits. The Company successfully defended its position in the IRS Appeals Division and the IRS issued a final report in 2011 vacating their previous position. As a result, the Company recorded a reversal of interest expense of $2.7 million and a tax benefit of $9.5 million during 2011.

Note 9. 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 are Common Stock, $0.0001 par value per share, and (ii) 70,000 shares of which are Preferred Stock, $0.0001 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.

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Redeemable Preferred Stock and Stockholders' Equity (Continued)

Dividend Rights

The holders of 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 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 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 Certificate 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, 2011 and 2010, 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 Company 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 Class A Common Stock equal to the Class A Common Original Issue Price of $0.50 per share for such share of Class A Common Stock (the "Class A Common Liquidation

ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Redeemable Preferred Stock and Stockholders' Equity (Continued)

Preference"). If, upon any liquidation event, the assets of the Company 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 Company 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 15% per year, also called the Mandatory RPS Dividends. The Mandatory RPS Dividends accrue at the rate of 15% per year whether or not earned or declared. The Company accrued dividends of $9.2 million, $7.9 million, and $6.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. The Series A Redeemable Preferred Stock had a liquidation preference of $66.2 million and $57.0 million at December 31, 2011 and 2010, 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 shares of common stock.

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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. 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, for the year ended December 31, 2011, 2010, and 2009, 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. The Company contributed $0.3 million, $0.4 million, and zero for the years ended December 31, 2011, 2010, and 2009.

Canadian Air-Crane Ltd. 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 C22,450, C22,000 and C21,000 for 2011, 2010, and 2009, respectively. The Company may contribute up to 6% of an employee's compensation; however, the Company stopped contributions on April 4, 2009 and there were no further contributions to the plan in 2011, 2010, or 2009. The total matching amount under this plan was zero, zero, and C70,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

Note 11. 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 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.

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net revenues:			
Aerial Services	$ 138,637	$ 105,747	$ 113,603
Manufacturing / MRO	14,132	12,493	36,019
Total net revenues	$ 152,769	$ 118,240	$ 149,622

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Reportable Segments (Continued)

Gross Profit by Reportable Segment

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Gross profit:			
Aerial Services	$ 45,071	$ 24,395	$ 36,748
Manufacturing / MRO	402	4,841	14,747
Total gross profit	$ 45,473	$ 29,236	$ 51,495

Depreciation Expense by Reportable Segment

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Depreciation expense:			
Aerial Services	$ 5,477	$ 3,570	$ 3,536
Manufacturing / MRO	1,343	1,112	709
Corporate	480	63	133
Total depreciation expense	$ 7,300	$ 4,745	$ 4,378

Capital Expenditures by Reportable Segment

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Capital expenditures:			
Aerial Services	$ 6,556	$ 9,906	$ 407
Manufacturing / MRO	1,516	2,351	1,595
Corporate	3,341	2,343	300
Total capital expenditures	$ 11,413	$ 14,600	$ 2,302

Assets by Reportable Segment

	December 31, 2011	December 31, 2010
Assets:		
Aerial Services	$ 109,229	$ 98,033
Manufacturing / MRO	97,549	77,801
Corporate	27,133	27,869
Total assets	$ 233,911	$ 203,703

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Reportable Segments (Continued)

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.

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net revenues:			
North America	$ 84,150	$ 60,176	$ 87,329
South America	3,583		
Europe	37,466	34,322	38,589
Asia	16,524	16,543	11,588
Australia	11,046	7,199	12,116
Total net revenues	$ 152,769	$ 118,240	$ 149,622

Note 12. Commitments and Contingencies

Canadian Revenue Agency Audits Employment Taxes

In 2008, the Company was assessed by the Canada Revenue Agency ("CRA") C$0.8 million in Regulation 102 withholding tax and interest for the tax years 2002 and 2003. During 2008, the Company paid the assessment and filed a Notice of Objection with the Chief of Appeals of the CRA. On January 18, 2011, the Company received a final notice from the CRA confirming the assessment. The Company continues to work with its legal counsel in Canada to commence litigation in Canadian Tax Court to recover the amounts paid. The Company has established a reserve in the amount of $0.8 million, due to the uncertainty of collection of the amount.

Environmental Remediation Matters

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

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Commitments and Contingencies (Continued)

Legal Proceedings

Evergreen Claim

Evergreen Helicopters, Inc. (Evergreen) 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. Included in the complaint was Evergreen's allegations 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. The complaint sought damages in an unspecified sum, treble damages under the antitrust laws, and costs, disbursements, and attorneys' fees. On January 26, 2011, the Company received an unfavorable ruling from the court, dismissing its summary judgment motion, while granting Evergreen's summary judgment motion. On February 15, 2011, the Company entered into a settlement agreement with Evergreen, pursuant to which the Company was required to pay Evergreen a total of $10.0 million in cash, which was accrued as of December 31, 2010. An initial payment of $5.0 million was made on March 1, 2011, a second payment of $2.5 million was paid on April 1, 2011 and the final payment of $2.5 million was paid on April 27, 2011. In exchange for the $10.0 million payment from the Company, Evergreen dismissed the claim on February 15, 2011 and has released the Company from all potential claims of any kind up to the date of the settlement.

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 believed that these additional costs are compensable under Forest Service rules. An independent expert determined the amount of these additional costs at $2.8 million. 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. The Company reduced the net receivable to $2.0 million at December 31, 2010, due to the uncertainty of recovery of certain costs. The Company and the USFS each filed motions for summary judgment with the Civilian Board of Contract Appeals which were denied. The Company attended a hearing before the Civilian Board of Contract Appeals in April 2011. On February 1, 2012 the Civilian Board of Contract Appeals issued its final decision in the matter denying the Company's claim in full. As of December 31, 2011 the Company reduced the net receivable to zero as a result of the decision issued on February 1, 2012.

Other legal proceedings

In the ordinary course of business, the Company is party to various legal proceedings. The Company reviews 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. The Company has 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.

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Commitments and Contingencies (Continued)

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-S99. 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 the Company's experience and industry knowledge, should 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, $0.7 million and $0.7 million, for the years ended December 31, 2011, 2010 and 2009, respectively. Minimum future lease payments under noncancelable operating leases at December 31, 2011 are as follows (in thousands):

Year ending December 31:	
2012	$ 497
2013	280
2014	153
2015	60
2016	60
Thereafter	409
	$ 1,459

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. 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. Under the agreement, the Company was required to 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 for Stonehouse Erickson Management Co. LLC were $0.2 million and $0.5 million for the year ended December 31, 2010 and 2009, respectively. On December 31, 2009 the Company had a payable balance of $0.4 million to Stonehouse Erickson Management Co. L.L.C. 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 was 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, and which was due on April 1, 2013.

Lenders of the loan facility included ZM Private Equity Fund II, L.P. and 10th Lane Finance Co., LLC, which is an affiliate of the Company through common ownership.

On June 30, 2010, concurrent with the refinancing of our senior debt, the Company used proceeds from the senior credit facilities to pay-down $11.5 million of our $20.0 million Second Lien Debt, and the remaining $8.5 million was exchanged for unsecured subordinated promissory notes. On June 30, 2010, the Company also paid accrued interest of $0.4 million and an early termination fee of $0.2 million related to the Second Lien Debt.

On June 30, 2011, in connection with an amendment to the Credit Agreement, an additional $10.0 million of unsecured subordinated promissory notes were issued to ZM Private Equity Funds I and II, L.P. at a rate of 20.0% per annum, which is payable in kind by increasing the principal amount of such notes and is payable quarterly. No periodic principal or interest payments are required and the notes mature no earlier than June 30, 2016. Additionally, in connection with the Working Capital Guarantee Credit Agreement the Company issued $1.0 million in unsecured subordinated promissory notes to ZM Private Equity Funds I and II, L.P. at a rate of 20.0% per annum, which is payable in kind by increasing the principal amount of such notes and is payable quarterly.

Note 14. Derivative Instruments and Hedging Activities

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

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14. Derivative Instruments and Hedging Activities (Continued)

A summary of open foreign currency forward contracts at December 31, 2011 and 2010 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)
2011:								
Italy Aerial Operations maturing through December 2012	€	2,848	$	3,948	$	3,702	$	246
Greece Aerial Operations maturing through December 2012	€	13,718		18,789		17,790		999
Australia Aerial Operations maturing through March 2013		AUD17,848		16,417		17,746		(1,329)
			$	39,154	$	39,238	$	(84)

Purpose/Maturity		Foreign Quantity		Contract Value		Market Value		Asset (Liability)
2010:								
Italy Aerial Operations maturing through June 2012	€	6,540	$	8,592	$	8,718	$	(126)
Greece Aerial Operations maturing through December 2011	€	10,724		14,089		14,295		(206)
Australia Aerial Operations maturing through June 2012		AUD18,350		16,115		17,934		(1,819)
			$	38,796	$	40,947	$	(2,151)

Note 15. Warranty Reserves

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

		Year Ended December 31, 2011		Year Ended December 31, 2010		Year Ended December 31, 2009
Balance at beginning of period	$	1,244	$	1,705	$	1,561
Increases to reserves		879				1,500
Warranty provided		(1,108)		(461)		(1,356)
Balance at end of period	$	1,015	$	1,244	$	1,705

Note 16. Involuntary Conversions

On June 25, 2010 Aircrane N229AC was involved in an accident while timber harvesting in Sarawak, Malaysia. The helicopter received substantial damage. The pilot was killed in the accident and the co-pilot was injured, but survived. Insurance claim adjusters informed the Company prior to June 30, 2010, that the incident was a constructive total loss and that the Company's insured value, less deductible, was $9.5 million. The Company recorded a gain on involuntary conversion of $6.3 million, which is included in

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ERICKSON AIR-CRANE INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16. Involuntary Conversions (Continued)

the accompanying statement of operations for the year ended December 31, 2010. On July 13, 2010 the Company received the insurance proceeds of $9.5 million and used the proceeds to pay down the outstanding balance of its revolving credit facility.

Note 17. Restructuring

On November 2, 2011, the Company completed a company restructuring which included a reduction-in-force of 119 employees. The restructuring was needed to realign the Company's operating expenses to ensure that it remains competitive in the markets it serves. The cost of the restructuring was $1.1 million for the year ended December 31, 2011. As of December 31, 2011, $0.4 million of these costs were included in accounts payable.

Note 18. Subsequent Events

Subsequent events have been evaluated through March 5, 2012.

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Erickson Air-Crane Incorporated

4,800,000 Shares
Common Stock

PROSPECTUS

, 2012

Stifel Nicolaus Weisel **Oppenheimer & Co.** **Lazard Capital Markets**

D.A. Davidson & Co. **Wedbush Securities**

Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. You should not rely on any information other than the information contained in this prospectus and in any free writing prospectus that we prepare. Neither we nor the underwriters take any responsibility for, nor can provide any assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Until , 2012, 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.

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	$ 5,693
FINRA filing fee	5,468
NASDAQ listing fee	125,000
Legal fees and expenses	2,200,000
Accounting fees and expenses	895,000
Printing and engraving expenses	675,000
Transfer agent and registrar fees	3,500
Blue Sky fees and expenses	15,000
Directors and officers insurance	300,000
Miscellaneous fees and expenses	175,000
Total	4,399,661

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law (the "DGCL"), 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 or, arising under the Securities Act of 1933, as amended. Our second amended and restated certificate of incorporation provides for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the DGCL, and our second amended and restated bylaws provide for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the DGCL. 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 DGCL. 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

None.

Item 16. Exhibits and Financial Statement Schedules

(a)
Exhibits

Exhibit No.	Description of Exhibit
1.1	Form of Underwriting 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 21, 2010.
5.1	Opinion of Milbank, Tweed, Hadley & McCloy 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	[Reserved.]
10.3	[Reserved.]
10.4	[Reserved.]
10.5	[Reserved.]
10.6	[Reserved.]
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**	Severance Agreement and Release of All Claims by and between Eric Fraenkel and Erickson Air-Crane Incorporated, dated January 3, 2012.
10.10**	Amended and Restated Executive Employment Agreement between H.E. "Mac" McClaren and Erickson Air-Crane Incorporated, dated April 22, 2010.
10.11**	Executive Employment Agreement between Edward T. Rizzuti and Erickson Air-Crane Incorporated, effective as of January 1, 2012.
10.12**	Offer Letter between Gary Zamieroski and Erickson Air-Crane Incorporated, dated February 24, 2012.
10.13	[Reserved.]
10.14	[Reserved.]
10.15**	Exclusive Use Helicopter Services Large Fire Support Agreement between the U.S. Forest Service and Erickson Air-Crane

Incorporated, dated December 16, 2011.

Exhibit No.	Description of Exhibit
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 among Wells Fargo Bank, National Association, Keybank National Association, Bank of the West, Bank of America, N.A., Union Bank, N.A., and Erickson Air-Crane Incorporated, dated June 24, 2010.
10.17(a)**	First Amendment to Credit Agreement among Wells Fargo Bank, National Association, Keybank National Association, Bank of the West, Bank of America, N.A., Union Bank, N.A., and Erickson Air-Crane Incorporated, dated November 15, 2010.
10.17(b)**	Second Amendment to Credit Agreement among Wells Fargo Bank, National Association, Keybank National Association, Bank of the West, Bank of America, N.A., Union Bank, N.A., and Erickson Air-Crane Incorporated, dated December 31, 2010.
10.17(c)**	Third Amendment to Credit Agreement among Wells Fargo Bank, National Association, Keybank National Association, Bank of the West, Bank of America, N.A., Union Bank, N.A., and Erickson Air-Crane Incorporated, dated May 19, 2011.
10.17(d)**	Fourth Amendment to Credit Agreement among Wells Fargo Bank, National Association, Keybank National Association, Bank of the West, Bank of America, N.A., Union Bank, N.A., and Erickson Air-Crane Incorporated, dated June 30, 2011.
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.
10.19(a)**	Amendment No. 1 to Executive Employment Agreement between David A. Ford and Erickson Air-Crane Incorporated, dated January 27, 2012.
10.20	[Reserved.]
10.21**	Form of Erickson Air-Crane Incorporated 2012 Long-Term Incentive Plan.
10.21(a)**	Form of Restricted Stock Unit Agreement.
10.22**	Aircraft Lease and Purchase Option Agreement in Respect of One (1) Erickson S-64E Aircraft between HRT Netherlands B.V. and Erickson Air-Crane Incorporated, dated August 1, 2011. Portions of this exhibit have been redacted and filed separately with the SEC pursuant to a confidential treatment request.
10.22(a)**	Amendment No. 1 to the Aircraft Lease and Purchase Option Agreement in Respect of One (1) Erickson S-64E Aircraft between HRT Netherlands B.V. and Erickson Air-Crane Incorporated, dated October 11, 2011. Portions of this exhibit have been redacted and filed separately with the SEC pursuant to a confidential treatment request.
10.23**	Promissory Note issued by Erickson Air-Crane, Incorporated to ZM Private Equity Fund I, L.P., dated June 30, 2011.
10.24**	Promissory Note issued by Erickson Air-Crane, Incorporated to ZM Private Equity Fund I, L.P., dated June 30, 2011.

Exhibit No.	Description of Exhibit
10.25**	Promissory Note issued by Erickson Air-Crane, Incorporated to ZM Private Equity Fund II, L.P., dated June 30, 2011.
10.26**	Promissory Note issued by Erickson Air-Crane, Incorporated to ZM Private Equity Fund II, L.P., dated June 30, 2011.
10.27	Form of Amendment to Promissory Note issued by Erickson Air-Crane Incorporated.
21.1**	List of significant subsidiaries of the registrant.
23.1	Consent of Milbank, Tweed, Hadley & McCloy 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.
24.4**	Power of Attorney for Kenneth Lau.
99.1**	Letter of Intent in respect of the Purchase of One (1) Erickson Remanufactured S-64 Model Helicopter with Option for Three (3) Additional Aircraft between Erickson Air-Crane Incorporated and Türk Hava Kuruma, dated February 10, 2012.
99.2**	Consent of RISI, Inc.

**

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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Portland, State of Oregon, on the 4th day of April, 2012.

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)	April 4, 2012
/s/ CHARLES RYAN Charles Ryan	Chief Financial Officer (principal financial and accounting officer)	April 4, 2012
/s/ QUINN MORGAN Quinn Morgan	Director, Chairman of the Board	April 4, 2012
/s/ KENNETH LAU Kenneth Lau	Director	April 4, 2012

EXHIBIT INDEX

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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 21, 2010.
5.1	Opinion of Milbank, Tweed, Hadley & McCloy LLP.

No fractional shares will be issued upon exercise of warrants. If a holder exercises warrants and would be entitled to receive a fractional interest of a share, we will pay cash valued at the closing sale price of the exercise date.

This description is qualified in its entirety by reference to the complete text of the warrant agreement between us and Computershare Inc. and Computershare Trust Company, N.A., which is included as an exhibit to the registration statement of which this prospectus is a part.

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Preferred Stock

We are authorized to issue up to 10,000,000 shares of preferred stock, par value $0.001 per share. We have designated 2,000,000 shares of our authorized preferred stock as 7% cumulative participating convertible preferred stock, par value $0.001 per share, of which 1,052,446 are issued and outstanding as of November 11, 2010.

The following is a summary of the material terms of our 7% preferred stock, contained in the certificate of designations for the 7% preferred stock. This description is qualified in its entirety by reference to the complete text of the certificate of designations for our 7% preferred stock, which is included as an exhibit to the registration statement of which this prospectus is a part.

General

Pursuant to our plan of reorganization and the commitment agreement, the Backstop Parties purchased 1,000,000 shares of our 7% preferred stock, with a stated value of $100.00 per share.

Ranking

The 7% preferred stock ranks senior to our common stock and all other classes or series of our capital stock, except for any other class or series, the terms of which expressly provide that it ranks on a parity with the 7% preferred stock. In the event of our liquidation, winding-up or dissolution, holders of 7% preferred stock are entitled to priority in payments from us in an amount equal to the greater of (x) the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends and (y) the conversion value of the 7% preferred stock.

Dividends

Holders of 7% preferred stock are entitled to receive, when, as and if declared by our board of directors, out of funds legally available for the payment of dividends, cumulative preferred dividends on a quarterly basis at the rate of 7% per year. Dividends may be paid in cash or in-kind with additional shares of 7% preferred stock at the option of the Company.

In addition, shares of 7% preferred stock are entitled to receive dividends to the same extent and on the same basis as dividends with respect to our common stock determined, when, as and if declared by our board of directors, out of funds legally available for the payment of dividends, in accordance with the number of shares of common stock issuable upon conversion of the 7% preferred stock at the time such dividend is declared. For so long as any shares of 7% preferred stock are outstanding, dividends may not be declared or paid on the common stock (unless paid in common stock) and we may not acquire any common stock unless the full cumulative preferred dividends have been paid and, in the case of a cash dividend on or cash acquisition of the common stock, unless we have redeemed all shares of 7% preferred stock tendered in an offer to purchase such shares.

Conversion at option of holders

Shares of 7% preferred stock are convertible at any time into shares of common stock at the option of the holders. As of the date of this prospectus, the outstanding shares of 7% preferred stock are convertible into 4,469,568 shares of our common stock. The initial and current conversion price of the 7% preferred stock is $23.30574 per share of common stock, subject to certain adjustments, including, among others, stock splits and reclassifications, stock dividends and distributions, tender or exchange offers, reorganization events, rights plans and certain issuances of common stock or derivatives. The number of shares of common stock delivered upon conversion is equal to the number obtained by dividing (i) the sum of the stated value and all accrued and unpaid cumulative dividends by (ii) the conversion price.

Conversion at option of the Company

We may convert the 7% preferred stock at our option, for the number of shares of common stock as provided in the preceding paragraph, at any time after the third anniversary of our emergence from bankruptcy if (i) the closing sale price of the common stock exceeded 155% of the conversion price of the 7% preferred stock for each of 30 consecutive trading days within the 45-day period prior to the notification by us to the holders of the 7% preferred stock of our exercise of the conversion right, (ii) our common stock has been listed on the New York Stock Exchange, or the NYSE, or the NASDAQ Global Select Market or the NASDAQ Global Market, or, collectively, NASDAQ, and has been registered pursuant to section 12 of the Exchange Act, and (iii) a registration statement covering resales of the common stock issuable upon conversion of the 7% preferred stock has been declared effective prior to the date of notice and will remain available for resales for at least 60 days after the conversion date, subject to certain exceptions.

Conversion upon IPO

We may cause the conversion of all shares of 7% preferred stock into shares of common stock immediately prior to the consummation of an underwritten initial public offering of the common stock if (i) the holders of two-thirds of the then outstanding shares of 7% preferred stock approve the conversion and (ii) the common stock has been listed on the NYSE or NASDAQ and has been registered pursuant to section 12 of the Exchange Act.

Redemption rights upon certain transactions

On or within 30 days after receipt of a notice from us of certain events that constitute a change of control or involve a cash transaction (as defined below), the holders of 7% preferred stock may require us to redeem all or a portion of their 7% preferred stock at the greater of the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends or the value of the shares of the common stock into which such shares of 7% preferred stock are then convertible. If a cash transaction occurs prior to the fifth anniversary of our emergence from bankruptcy, holders of 7% preferred stock will be entitled to receive cash equal to the greater of (i), in the case of a cash transaction that occurs prior to the first anniversary of our emergence from bankruptcy, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends both multiplied by 1.175, after the first anniversary and prior to the fifth anniversary of our emergence from bankruptcy, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends both multiplied by 1.125 and, thereafter, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends and (ii) the conversion value of the 7% preferred stock as of such date. Cash transaction means a merger, consolidation, share exchange or other similar transaction or a sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of our consolidated assets in which all of the common stock is converted into the right to receive cash.

Redemption at option of the Company

From and after the sixth anniversary of our emergence from bankruptcy, we may, at our option, redeem shares of 7% preferred stock at any time, in whole or in part, for cash at the greater of (x) the stated value of the 7% preferred stock plus accrued and unpaid cumulative dividends (which value will be multiplied by 1.125 if the redemption occurs prior to the seventh anniversary of our emergence from bankruptcy) and (y) 75% of the conversion value of the 7% preferred stock as of the second trading day prior to the redemption date. If 75% of the conversion value of the 7% preferred stock is greater than the amount in (x) above, we may redeem the shares of 7% preferred stock in part for cash equal to the redemption value of the 7% preferred stock and in part for shares of common stock valued as of the second trading day prior to the redemption date equal to the difference between the redemption value of the 7% preferred stock and 75% of the conversion value of the 7% preferred stock. In order for us to elect to exercise this redemption right, a registration statement covering resales of the common stock issuable upon redemption of the 7% preferred stock must have been declared effective prior to the date of notice and must remain available for resales for at least 60 days after the redemption date, subject to certain exceptions. In addition, in order for us to exercise this redemption right, all cumulative preferred dividends and all participating dividends must have been paid for all past dividend periods.

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Voting

Each share of 7% preferred stock carries one vote for each share of common stock into which such share of 7% preferred stock may be converted on the record date for the determination of the stockholders entitled to vote and will be entitled to vote on any matter upon which shares of the common stock are entitled to vote, voting together with the common stock and not as a separate class. In addition, the holders of two-thirds of the outstanding 7% preferred stock are required to approve certain actions, including:

- changes to our certificate of incorporation or the certificate of designations of the 7% preferred stock that are adverse to the rights of the 7% preferred stock;

- changes of the 7% preferred stock (whether by merger, consolidation, reclassification or otherwise) into cash, securities or other property (except in accordance with the certificate of designations) or, in the case of a merger or consolidation involving us in which we are not the surviving entity, the 7% preferred stock may be exchanged for an equivalent number of shares of preferred stock of the surviving or resulting entity with substantially the same terms as the 7% preferred stock;

- any issuance of shares of 7% preferred stock (other than the shares of 7% preferred stock issued at the effective date and additional shares issued as in-kind dividends); provided, however, that any issuance of shares of 7% preferred stock that are not offered to the existing holders of 7% preferred stock on a pro rata basis relative to their holdings on the same terms as offered to other participants in the issuance shall require the approval of each holder of 7% preferred stock;

- the creation, authorization, issuance or increase in the amount of any equity security that ranks equally with or senior to the 7% preferred stock with respect to dividend rights, rights of redemption or rights of liquidation, dissolution or winding-up including us; and

- the conversion of the shares of 7% preferred stock into shares of common stock immediately prior to the consummation of our initial underwritten public offering.

Transfer Agent

Our transfer agent is Computershare Trust Company, N.A.

Anti-Takeover Effects of Certain Provisions of Our Certificate of Incorporation and Bylaws and Delaware Law

Certain provisions that are included in our certificate of incorporation and bylaws, which are summarized in the following paragraphs, and applicable provisions of the DGCL, may make it more difficult for or prevent an unsolicited third party from acquiring control of us or changing our board of directors and management. These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or in our management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and in the policies furnished by them and to discourage certain types of transactions that may involve an actual or threatened change in our control. The provisions also are intended to discourage certain tactics that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Size of board and vacancies

Our certificate of incorporation provides that the number of directors on our board of directors is fixed by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors and vacancies in our board of directors resulting from death, resignation or removal from office will be filled solely by a majority vote of the directors then in office, even if less than a quorum, or by a sole remaining director.

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No cumulative voting

The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not expressly provide for cumulative voting.

Removal of directors

Our certificate of incorporation provides that any director may be removed at any time, with or without cause by the affirmative vote of the holders of a majority of the voting power of all then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

Bylaw amendments

Our bylaws provide that the bylaws may only be amended by a majority of our board of directors or upon the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

Calling of special meetings of stockholders

Our certificate of incorporation provides that special meetings of our stockholders: (i) may be called by the chairman of the board, the chief executive officer, or any member of the board of directors pursuant to a resolution adopted by a majority of our board of directors; and (ii) must be called by the secretary at the written request of the holders of record of at least 20% of the voting power of the outstanding stock entitled to vote on the matter or matters to be brought before the proposed special meeting.

Stockholder action by written consent

The DGCL permits stockholder action by written consent unless otherwise provided by a corporation s certificate of incorporation. Our certificate of incorporation provides that our stockholders may not act by written consent, unless the action by written consent of the stockholders is approved in advance by a board resolution or except as expressly provided by the terms of any series of preferred stock.

Advance notice requirements for stockholder proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals. Stockholders will only be able to consider proposals specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of the stockholder s intention to bring that business before the meeting. In order to bring business before an annual meeting, a stockholder s notice must be received by the secretary of the company at the principal executive offices of the company not less than 90 calendar days or more than 120 calendar days before the first anniversary of the previous year s annual meeting of stockholders, subject to certain exceptions contained in our bylaws. If the date of the applicable annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by a stockholder to be timely must be so received not earlier than 120 calendar days and not later than 90 calendar days before the date of such annual meeting or the tenth day following the date on which notice of the date of the annual meeting was mailed or public announcement of the date of such meeting is made by the company.

For the purposes of determining whether a stockholder s notice is received in a timely manner for the annual meeting of stockholders in 2011, a stockholder s notice must be received not later than February 15, 2011 and not before January 15, 2011. The adjournment or postponement of an annual meeting or the announcement does not commence a new time period for the giving of a stockholder s notice as described above.

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Advance notice requirements for director nominations

Our bylaws establish advance notice procedures with respect to stockholder nomination of candidates for election as directors. Stockholders will only be able to consider nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of the stockholder s intention to bring that business before the meeting. In order to nominate directors to our board of directors at an annual meeting, a stockholder s notice must be received by the secretary of the company at the principal executive offices of the company not less than 90 calendar days or more than 120 calendar days before the first anniversary of the previous year s annual meeting of stockholders, subject to certain exceptions contained in our bylaws. If the date of the applicable annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by a stockholder to be timely must be so received not earlier than 120 calendar days and not later than 90 calendar days before the date of such annual meeting or the tenth day following the date on which notice of the date of the annual meeting was mailed or public announcement of the date of such meeting is made by the company.

In order to nominate directors at a special meeting of stockholders called for the purpose of electing directors, a stockholder s notice must be received by the secretary of the company at the principal executive offices of the company not earlier than 120 calendar days and not later than 90 calendar days before the date of the special meeting or the tenth day following the date on which notice of the date of the special meeting was mailed or public announcement of the date is made by the company. In the case of a special meeting of stockholders called due to a special meeting request for the purpose of electing directors, proper notice must be received not later than 15 days prior to the meeting.

For the purposes of determining whether a stockholder s notice is received in a timely manner for the annual meeting of stockholders in 2011, a stockholder s notice must be received not later than February 15, 2011 and not before January 15, 2011. The adjournment or postponement of an annual meeting or the announcement does not commence a new time period for the giving of a stockholder s notice as described above.

Amendments to certificate of incorporation and bylaws

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend a corporation s certificate of incorporation, unless the certificate of incorporation requires a greater percentage. Our certificate of incorporation provides that the following provisions may be amended by our stockholders only by a vote of at least two-thirds of the voting power of all then outstanding shares of our stock entitled to vote generally in the election of directors, voting together as a single class:

- the number, election and terms of the directors;
- the ability of our board of directors to fill vacancies on the board;
- the removal of directors;
- the rights of the holders of preferred stock to elect directors;
- the power of our board of directors to adopt, amend, alter or repeal the bylaws;

the limitation on stockholder action by written consent;

the limitation and notice requirements for special meetings; and

the amendment provision requiring that the above provisions be amended only with a two-thirds supermajority vote.

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Undesignated preferred stock

The authorization of our undesignated preferred stock makes it possible for our board of directors to issue our preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us.

Section 203 of the Delaware General Corporation Law

We are not governed by Section 203 of the Delaware General Corporation Law. Section 203 of the Delaware General Corporation Law regulates corporate acquisitions and provides that specified persons who, together with affiliates and associates, own, or within three years did own, 15% or more of the outstanding voting stock of a corporation may not engage in business combinations with the corporation for a period of three years after the date on which the person became an interested stockholder unless:

- prior to such time, the corporation s board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation s outstanding voting stock at the time the transaction commenced, other than statutorily excluded shares; or

- at or after the time a person became an interested stockholder, the business combination is approved by the corporation s board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

The term business combination is defined to include mergers, asset sales and other transactions in which the interested stockholder receives or could receive a financial benefit on other than a pro rata basis with other stockholders.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior ABL Facility

On the date of our emergence from bankruptcy, the Company, CSA U.S., or the U.S. Borrower, CSA Canada, or the Canadian Borrower and, together with the U.S. Borrower, the Borrowers, and certain subsidiaries of the U.S. Borrower entered into our senior ABL facility with certain lenders, Bank of America, N.A., as agent, or the Agent, for such lenders, Deutsche Bank Trust Company Americas, as syndication agent, and Banc of America Securities LLC, Deutsche Bank Securities Inc., UBS Securities LLC and Barclays Capital, as joint lead arrangers and bookrunners. This description is qualified in its entirety by reference to the complete text of the credit agreement governing our senior ABL facility, which is included as an exhibit to the registration statement of which this prospectus is a part.

General

Our senior ABL facility provides for an aggregate revolving loan availability of up to $125 million, subject to borrowing base availability, including a $45 million letter of credit sub-facility and a $20 million swing line sub-facility. Our senior ABL facility also provides for an uncommitted $25 million incremental loan facility, for a potential total senior ABL facility of $150 million (if requested by the Borrowers and the lenders agree to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase.

Maturity

Any borrowings under our senior ABL facility will mature, and the commitments of the lenders under our senior ABL facility will terminate, on May 27, 2014.

Use of proceeds

There were no borrowings made under our senior ABL facility on the date of our emergence from bankruptcy. After our emergence from bankruptcy, proceeds from our senior ABL facility may be used by the Borrowers to pay certain unsecured claims, administrative expenses and administrative claims as contemplated by our plan of reorganization, to issue commercial and standby letters of credit, to finance ongoing working capital needs and for general corporate purposes.

Borrowing base

Loan (and letter of credit) availability under our senior ABL facility is subject to a borrowing base, which at any time is limited to the lesser of: (A) the maximum facility amount (subject to certain adjustments) and (B) (i) up to 85% of eligible accounts receivable; plus (ii) up to the lesser of 70% of eligible inventory or 85% of the appraised net orderly liquidation value of eligible inventory; minus reserves established by the Agent. The accounts receivable portion of the borrowing base is subject to certain formulaic limitations (including concentration limits). The inventory portion of the borrowing base is limited to eligible inventory, as determined by an independent appraisal. The borrowing base is also subject to certain reserves, which are established by the Agent (which may include changes to the advance rates indicated above). Loan availability under our senior ABL facility is apportioned, as follows: $100 million to the U.S. Borrower and $25 million to the Canadian Borrower.

Guarantees; security

The obligations of the U.S. Borrower under our senior ABL facility and cash management arrangements and interest rate, foreign currency or commodity swaps entered into by us, in each case with the lenders and their affiliates, or collectively, additional ABL secured obligations, are guaranteed on a senior secured basis by us and all of our U.S. subsidiaries (other than CS Automotive LLC), and the obligations of the Canadian Borrower under our senior ABL facility and additional ABL secured obligations of the Canadian Borrower and its Canadian subsidiaries are guaranteed on a senior secured basis by us, all of the Canadian subsidiaries of the Canadian Borrower and all of our U.S. subsidiaries. The U.S. Borrower guarantees the additional ABL secured

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obligations of its subsidiaries and the Canadian Borrower guarantees the additional ABL secured obligations of its Canadian subsidiaries. The obligations under our senior ABL facility and related guarantees are secured by a first priority lien on all of each Borrower s and each guarantor s existing and future personal property consisting of accounts receivable, payment intangibles, inventory, documents, instruments, chattel paper and investment property, certain money, deposit accounts and securities accounts and certain related assets and proceeds of the foregoing.

Interest

Borrowings under our senior ABL facility bear interest at a rate equal to, at the Borrowers option:

- in the case of borrowings by the U.S. Borrower, LIBOR or the base rate *plus*, in each case, an applicable margin; or

- in the case of borrowings by the Canadian Borrower, BA rate, Canadian prime rate or Canadian base rate *plus,* in each case, an applicable margin.

The initial applicable margin is 3.5% with respect to the LIBOR or BA-based borrowings and 2.5% with respect to base rate, Canadian prime rate and Canadian base rate borrowings. The applicable margin is subject, in each case, to quarterly performance pricing adjustments commencing six months after the closing date.

Fees

In addition to paying interest on outstanding principal under our senior ABL facility, the Borrowers are required to pay a fee in respect of committed but unutilized commitments equal to 0.50% per annum when usage of our senior ABL facility (as apportioned between the U.S. and Canadian facilities) is greater than 50% and 0.75% per annum when usage of our senior ABL facility is equal to or less than 50%. The Borrowers are also required to pay a fee on outstanding letters of credit under our senior ABL facility at a rate equal to the applicable margin in respect of LIBOR and BA-based borrowings plus a fronting fee at a rate of 0.125% per annum to the issuer of such letters of credit, together with customary issuance and other letter of credit fees. Our senior ABL facility also requires the payment of customary agency and administrative fees.

Voluntary prepayments

The Borrowers are able to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans, in each case, in whole or in part, at any time without premium or penalty (other than customary breakage and related reemployment costs with respect to repayments of LIBOR-based borrowings).

Covenants; events of default

Our senior ABL facility includes affirmative and negative covenants that will impose substantial restrictions on our financial and business operations, including its ability to incur and secure debt, make investments, sell assets, pay dividends or make acquisitions. Our senior ABL facility also includes a requirement to maintain a monthly fixed charge coverage ratio of no less than 1.1 to 1.0 when availability under our senior ABL facility is less than specified levels. Our senior ABL facility also contains various events of default that are customary for comparable facilities.

Senior Notes due 2018

General

On May 11, 2010, we issued $450 million aggregate principal amount of 8 $^{1}/2$% senior notes due 2018 in a private placement exempt from registration under the Securities Act through CSA Escrow Corporation, or the escrow issuer, an indirect wholly-owned non-debtor subsidiary of Cooper-Standard Automotive Inc., or CSA, our direct wholly-owned subsidiary. Upon our emergence from bankruptcy on May 27, 2010, CSA Escrow Corporation merged with and into CSA, with CSA as the surviving entity, and CSA assumed all of the obligations under the senior notes and the indenture governing the senior notes and the guarantees by the guarantors became effective. This description is qualified in its entirety by reference to the full text of the indenture governing our senior notes, which is included as an exhibit to the registration statement of which this prospectus is a part.

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Guarantees

Our senior notes are guaranteed, jointly and severally, on a senior unsecured basis, by the Company and all of CSA s wholly-owned domestic restricted subsidiaries, or, collectively, the obligors. If CSA or any of its domestic restricted subsidiaries acquires or creates another wholly-owned domestic restricted subsidiary that guarantees certain debt of CSA or a guarantor, such newly acquired or created subsidiary will also guarantee our senior notes.

Ranking

Our senior notes and the guarantees constitute senior debt of the obligors and (1) rank equally in right of payment with all of the obligors existing and future senior debt, (2) rank senior in right of payment to all of the obligors existing and future subordinated debt, (3) are effectively subordinated in right of payment to all of the obligors existing and future secured indebtedness and secured obligations to the extent of the value of the collateral securing such indebtedness and obligations and (4) are structurally subordinated to all existing and future indebtedness and other liabilities of CSA s non-guarantor subsidiaries (other than indebtedness and liabilities owed to CSA or one of its guarantor subsidiaries).

Optional redemption

CSA has the right to redeem our senior notes at the redemption prices set forth below:

on and after May 1, 2014, all or a portion of our senior notes may be redeemed at a redemption price of 104.250% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2014, 102.125% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2015, and 100% of the principal amount thereof if redeemed on or after May 1, 2016, plus any accrued an unpaid interest to the redemption date;

prior to May 1, 2013, up to 35% of our senior notes issued under the indenture may be redeemed with the proceeds from certain equity offerings at a redemption price of 108.50% of the principal amount thereof, plus any accrued and unpaid interest to the redemption date; and

prior to May 1, 2014, all or a portion of our senior notes may be redeemed at a price equal to 100% of the principal amount thereof plus a make-whole premium.

Change of control

If a change of control occurs, unless CSA has exercised its right to redeem all of our outstanding senior notes through an optional redemption (as described above), each noteholder shall have the right to require that CSA repurchase such noteholder s senior notes at a purchase price in cash equal to 101% of the principal amount on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase, subject to the right of the noteholders of record on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The indenture limits, among other things, the ability of CSA and its restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt or make certain investments, incur additional debt or issue certain disqualified stock and preferred stock, incur liens, merge or consolidate with another company or sell all or substantially all of its assets, enter into transactions with affiliates and allow to exist certain restrictions on the ability of the subsidiary guarantors to pay dividends or make other payments to CSA, in each case, subject to exclusions and other customary exceptions. In addition, certain of these covenants will not be applicable during any period of time when our senior notes have an investment grade rating. The indenture also contains customary events of default.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain material U.S. federal income tax consequences of holding and disposing of our 7% preferred stock, common stock and warrants, converting our 7% preferred stock into common stock and exercising our warrants for common stock. This summary applies only to holders that are beneficial owners of our 7% preferred stock, common stock or warrants and that hold the 7% preferred stock, common stock or warrants as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing final, temporary and proposed Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the IRS), and judicial decisions, all as in effect or in existence as of the date of this prospectus and all of which at any time may be repealed, revoked or modified or subject to differing interpretations so as to result in U.S. federal income tax consequences different from those discussed below, possibly with retroactive effect. The Company has not obtained, and does not intend to obtain, any ruling from the IRS concerning any of the U.S. federal income tax consequences discussed in this summary. Accordingly, there can be no assurance that the IRS will not assert a different position concerning any of the U.S. federal income tax consequences discussed below or that any such position would not be sustained by a court.

This summary does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and you are urged to consult your own tax advisor regarding your specific tax situation. In particular, this summary does not address the tax consequences that may be relevant to holders in special tax situations including, for example:

- banks and financial institutions;
- insurance companies;
- brokers, dealers and traders in securities, currencies or commodities;
- entities that are tax-exempt for U.S. federal income tax purposes and retirement plans, individual retirement accounts and tax-deferred accounts;
- persons liable for alternative minimum tax;
- certain U.S. expatriates;
- regulated investment companies or real estate investment trusts;
- persons that actually or constructively own 10% or more (measured by voting power or value) of our stock;
- persons who acquired our 7% preferred stock, common stock or warrants pursuant to the exercise of any employee share option or otherwise as compensation, or pursuant to a tax free or tax deferred transaction;

persons whose functional currency is not the U.S. dollar;

partnerships, including entities and arrangements classified as partnerships for U.S. federal income tax purposes, and persons holding our 7% preferred stock, common stock or warrants through partnerships; or

persons holding our 7% preferred stock, common stock or warrants as part of a conversion, constructive sale, wash sale or other integrated transaction or a hedge, straddle or synthetic security.

This discussion does not address any tax consequences other than U.S. federal income tax consequences.

In this discussion, a U.S. Holder is a beneficial owner of our 7% preferred stock, common stock or warrants that is, for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any State thereof or the District of Columbia; (c) an estate whose income is subject to U.S. federal income taxation regardless of its source; or (d) a trust if (1) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person .

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In this discussion, a Non-U.S. Holder is a beneficial owner of 7% preferred stock, common stock or warrants that is not a U.S. Holder and not a partnership (or an entity or arrangement classified as a partnership for U.S. federal income tax purposes).

The tax treatment of a partner in a partnership (including an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that holds our 7% preferred stock, common stock or warrants generally will depend on the partner s status, the activities of the partnership and certain determinations made at the partner level. A prospective investor in our 7% preferred stock, common stock or warrants that is a partnership, and partners in such a partnerships, should consult their own tax advisors.

Based on the terms of the 7% preferred stock, the Company expects, and therefore this discussion assumes, that our 7% preferred stock should be treated as common stock for purposes of Section 305 of the Code. If our 7% preferred stock were not so treated the consequences may differ from those stated herein.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE U.S. STATE AND LOCAL, AND FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF PREFERRED STOCK, COMMON STOCK AND WARRANTS, CONVERSION OF PREFERRED STOCK INTO COMMON STOCK AND EXERCISE OF WARRANTS FOR COMMON STOCK.

Taxation of U.S. Holders of Warrants

Sale or other taxable disposition of warrants

Upon the sale, exchange or other taxable disposition of a warrant, in general, a U.S. Holder will recognize taxable gain or loss measured by the difference, if any, between (i) the amount realized on the sale, exchange or other taxable disposition, and (ii) the U.S. Holder s adjusted tax basis in the warrant disposed of. A U.S. Holder s adjusted tax basis in the warrant generally will equal the U.S. Holder s cost to acquire the warrant, as adjusted in the manner described below, under Adjustments under the warrants . A U.S. Holder s gain or loss generally will be capital gain or loss and generally will be long term capital gain or loss if, at the time of the sale or other disposition, the U.S. Holder s holding period for the warrant is more than one year. Subject to limited exceptions, capital losses cannot be used to offset ordinary income. Long term capital gain recognized by a non-corporate U.S. Holder currently is subject to a preferential rate of U.S. federal income taxation.

Exercise of warrants

Because the warrants permit settlement though a cashless net share settlement , the U.S. federal income tax consequences of the exercise of a warrant are not entirely clear. It is expected that a U.S. Holder exercising a warrant would not recognize gain or loss for U.S. federal income tax purposes either (i) because the warrant should be treated as an option to acquire common stock or (ii) because exercise of the warrant for common stock is treated as a tax free recapitalization . In either case, a U.S. Holder s initial tax basis in the common stock received (including any tax basis attributable to a fractional share of common stock), would equal such U.S. holder s adjusted tax basis in the warrant exercised, increased by the amount of cash paid (if any) to exercise the warrant. If the warrant is treated as an option to acquire common stock, a U.S. Holder s holding period for the common stock received on exercise generally would commence on the day following the exercise. If exercise of the warrant is treated as a tax free recapitalization, a U.S. Holder s holding period generally would include the U.S. Holder s holding period for the warrant exercised.

Despite the foregoing, the IRS could take the position that the exercise of a warrant constitutes a taxable exchange resulting in gain or loss, which would be capital gain or loss. The amount of capital gain or loss recognized on such an exchange and its character as short term or long term would depend on the position taken by the IRS regarding the nature of that exchange. If the U.S. Holder is treated as exchanging the warrants for

shares of our common stock, the amount of capital gain or loss would be the difference between the fair market value of our common stock (and cash received in lieu of a fractional share of common stock), reduced by the amount of cash paid (if any) to exercise the warrants, and the U.S. Holder s adjusted tax basis in the warrants exchanged. In that case, the U.S. Holder would have long term capital gain or loss if it has held the warrants for more than one year and the U.S. Holder s initial tax basis in the common stock received would equal its fair market value.

Alternatively specifically if the exercising U.S. Holder elects a cashless net share settlement the IRS could take the position that the U.S. Holder is treated as selling a portion of the warrants or underlying common stock for cash that is used to pay the exercise price for the warrants, in which case the amount of capital gain or loss would be the difference between that exercise price and the U.S. Holder s adjusted tax basis attributable to the warrants or common stock deemed sold. If the U.S. Holder is treated as selling warrants, such U.S. Holder would have long term capital gain or loss if the U.S. Holder held the warrants for more than one year at the time of exercise. If the U.S. Holder is treated as selling underlying common stock, such U.S. Holder would have short term capital gain or loss. The U.S. Holder s initial tax basis in the common stock received would equal such U.S. Holder s adjusted tax basis in the warrants deemed exercised, increased by the U.S. Holder s deemed amount realized from the warrants or common stock deemed sold.

A U.S. Holder that receives cash in lieu of receipt of a fractional share of common stock should generally be treated as recognizing capital gain or loss in an amount equal to the difference, if any, between the amount of cash received and the adjusted tax basis allocable to the fractional share.

Subject to limited exceptions, capital losses cannot be used to offset ordinary income. Long term capital gain recognized by a non-corporate U.S. Holder currently is subject to a preferential rate of U.S. federal income taxation.

U.S. holders should consult their tax advisors regarding the tax consequences of the exercise of the warrants.

Lapse of warrants

A U.S. Holder that allows a warrant to lapse would generally recognize a loss for U.S. federal income tax purposes equal to the adjusted tax basis of the warrant. In general, such a loss would be a capital loss, and would be a short term or long term capital gain or loss depending on the U.S. Holder s holding period for the warrant.

Adjustments under the warrants

Certain events, such as adjustment of the exercise price of the warrants, could result in a deemed taxable distribution to a U.S. Holder of warrants if the adjustment has the effect of increasing the proportionate interest of the U.S. Holder in our earnings and profits or assets, without regard to whether the U.S. Holder receives any cash or other property. However, adjustments to the exercise price made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interests of U.S. Holders of the warrants generally will not result in a taxable deemed distribution. In the event of a deemed taxable distribution, a U.S. Holder s basis in its warrants will be increased by the amount of the taxable distribution. If a taxable deemed distribution occurs, such deemed distribution would be taxable as a dividend, return of capital or capital gain in accordance with the rules discussed below, and U.S. Holders may recognize income as a result even though they receive no cash or property.

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Taxation of U.S. Holders of 7% Preferred Stock and Common Stock

Dividends and Other Distributions on 7% Preferred Stock or Common Stock. Distributions on our 7% preferred stock and common stock will constitute dividends and will be included in a U.S. Holder s gross income (as ordinary income) when paid to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions on our 7% preferred stock and common stock received by a U.S. Holder that exceed our current and accumulated earnings and profits will be treated first as a non-taxable return of capital reducing (but, not below zero) the U.S. Holder s adjusted tax basis in the 7% preferred stock or common stock and, to the extent such distributions exceed the U.S. Holder s adjusted tax basis in the 7% preferred stock or common stock, as capital gain. Subject to certain exceptions, dividends received by non-corporate U.S. Holders currently are taxed at a maximum rate of 15% (effective for tax years through 2010), provided that certain holding period requirements are met. Dividends paid to corporate U.S. Holders will generally qualify for the dividends-received deduction, provided that certain holding period requirements are met. Notwithstanding the foregoing, a distribution of additional shares of our 7% preferred stock to U.S. Holders of the 7% preferred stock in connection with payment of the quarterly preferred dividend (as described in Description of Capital Stock Preferred Stock Dividends) generally would not be expected to constitute a taxable event for U.S. federal income tax purposes. A U.S. Holder that receives additional shares of our 7% preferred stock in connection with such a payment of the quarterly preferred dividend would reallocate its tax basis in the shares of 7% preferred stock prior to the distribution between such shares and the additional shares of 7% preferred stock received in accordance with their relative fair market values and the U.S. Holder s holding period for the additional shares of 7% preferred stock received would include the holding period for the shares of 7% preferred stock on which such additional shares were distributed.

Certain events, such as adjustment of the conversion price of our 7% preferred stock could, in some circumstances, be deemed to result in the payment of a taxable distribution to the U.S. Holders of our 7% preferred stock if such event has the effect of increasing the proportionate interest of U.S. Holders of our 7% preferred stock in our earnings and profits or assets. A failure to fully adjust the conversion price of the 7% preferred stock to reflect a stock dividend or other event increasing the proportionate interest of U.S. Holders of the common stock in our earnings and profits or assets could, in some circumstances, be deemed to result in the payment of a taxable distribution to U.S. Holders of our common stock. In addition, a change in the exercise price of the warrants or another similar transaction could, in some circumstances, be deemed to result in the payment of a taxable distribution to U.S. Holders of the 7% preferred stock or common stock. However, adjustments to the conversion price made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interests of U.S. Holders of the 7% preferred stock or the common stock generally will not result in a taxable deemed distribution. If a taxable deemed distribution occurs, such deemed distribution would be taxable as a dividend, return of capital or capital gain in accordance with the rules discussed above, and U.S. Holders may recognize income as a result even though they receive no cash or property.

Conversion of 7% Preferred Stock into Common Stock. The conversion by a U.S. Holder of 7% preferred stock into common stock should not constitute a taxable event for U.S. federal income tax purposes (except to the extent of any cash received in lieu of a fractional share of common stock) and a U.S. Holder s holding period and tax basis in the 7% preferred stock converted (other than tax basis attributable to a fractional share of common stock for which cash is received) should carry over to the common stock received upon conversion. A U.S. Holder that receives cash in lieu of receipt of a fractional share of common stock should generally be treated as recognizing capital gain or loss in an amount equal to the difference, if any, between the amount of cash received and the adjusted tax basis allocable to the fractional share.

Sale or Other Taxable Disposition of 7% Preferred Stock or Common Stock. Upon the sale or other taxable disposition of the 7% preferred stock or common stock, in general, a U.S. Holder will recognize taxable gain or loss measured by the difference, if any, between (i) the amount realized on the sale, exchange or other taxable disposition, and (ii) the U.S. Holder s adjusted tax basis in the 7% preferred stock or the common stock disposed

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of. A U.S. Holder s adjusted tax basis in the 7% preferred stock or common stock generally would be computed by reference to the U.S. Holder s cost to acquire such 7% preferred stock or common stock, subject to certain adjustments, as discussed above. A U.S. Holder s gain or loss generally will be capital gain or loss and generally will be long term capital gain or loss if, at the time of the sale or other disposition, the U.S. Holder s holding period for the 7% preferred stock or the common stock is more than one year. Subject to limited exceptions, capital losses cannot be used to offset ordinary income. Long term capital gain recognized by a non-corporate U.S. holder currently is subject to a preferential rate of U.S. federal income taxation.

Taxation of Non-U.S. Holders of Warrants, 7% Preferred Stock and Common Stock

Dividends on 7% preferred stock or common stock and adjustments under the warrants

We will have to withhold U.S. federal income tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of the dividends paid on our 7% preferred stock or common stock, as well as any deemed dividends resulting from adjustments to the exercise price of the warrants or adjustments to the conversion rate of the 7% preferred stock (each as described above), to a Non-U.S. holder that are not effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States. Distributions, including taxable deemed distributions, will constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions that exceed our current and accumulated earnings and profits will be treated first as a non-taxable return of capital reducing (but, not below zero) the Non-U.S. Holder s tax basis in the 7% preferred stock, common stock or warrants (as applicable) and, to the extent such distributions exceed the Non-U.S. Holder s adjusted tax basis in the 7% preferred stock, common stock, or warrants (as applicable), as capital gain. In the case of any deemed dividends, the applicable withholding tax may apply to distributions on the Non-U.S. Holder s common stock or 7% preferred stock, common stock deliverable upon conversion of 7% preferred stock or upon exercise of warrants, or on other proceeds we subsequently pay to such Non-U.S. Holder. Notwithstanding the foregoing, a distribution of additional shares of our 7% preferred stock to Non-U.S. Holders of the 7% preferred stock in connection with payment of the quarterly preferred dividend (as described in Description of Capital Stock Preferred Stock Dividends) generally would not be expected to constitute a taxable event for U.S. federal income tax purposes.

In order to claim the benefit of an applicable income tax treaty, a Non-U.S. holder will be required to provide a properly executed IRS Form W-8BEN (or other applicable form) in accordance with the applicable certification and disclosure requirements. Special rules apply to partnerships and other pass-through entities and these certification and disclosure requirements also may apply to beneficial owners of partnerships and other pass-through entities that hold our 7% preferred stock or common stock. A Non-U.S. Holder that satisfies the requirements for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. Non-U.S. Holders should consult their own tax advisors regarding their entitlement to benefits under a relevant income tax treaty and the manner of claiming the benefits.

Dividends that are effectively connected with a Non-U.S. Holder s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty are attributable to a permanent establishment in the United States) are taxed on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a resident of the United States. In such cases, we will not have to withhold U.S. federal income tax if the Non-U.S. holder provides a properly executed IRS Form W-8ECI (or other applicable form) in accordance with the applicable certification and disclosure requirements. In addition, a branch profits tax may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on a foreign corporation that has earnings and profits (attributable to dividends or otherwise) that are effectively connected with the conduct of a trade or business in the United States.

Conversion of 7% preferred stock into common stock

The conversion by a Non-U.S. Holder of our 7% preferred stock into common stock should not constitute a taxable event for U.S. federal income tax purposes (except to the extent of any cash received in lieu of a fractional share of common stock, which will be treated in the manner described below) and a Non-U.S. Holder s holding period and tax basis in the 7% preferred stock converted (other than tax basis attributable to a fractional share of common stock for which cash is received) should carry over to the common stock received upon conversion.

Sale or other disposition of 7% preferred stock, common stock or warrants and exercise of warrants

A Non-U.S. Holder generally will not be subject to U.S. federal income tax or any withholding thereof with respect to gain realized on a sale or other disposition of our 7% preferred stock, common stock or warrants, or with respect to an exercise of warrants unless one of the following applies:

- the gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States (and if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States); in these cases, the Non-U.S. Holder will generally be taxed on its net gain derived from the disposition or exercise at the regular graduated rates in the same manner as if the Non-U.S. Holder were a resident of the United States and, if the Non-U.S. Holder is a foreign corporation, the branch profits tax described above may also apply;

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition or exercise and meets certain other requirements; in this case, except as otherwise provided by an applicable income tax treaty, the gain, which may be offset by U.S. source capital losses, generally will be subject to a flat 30% U.S. federal income tax (even though the Non-U.S. Holder is not considered a resident alien under the Code); or

- our 7% preferred stock, common stock or warrants constitute a United States real property interest by reason of our status as a United States real property holding corporation, or a USRPHC, for U.S. federal income tax purposes at any time during the shorter of (i) the 5-year period ending on the date you dispose of the 7% preferred stock, common stock or warrants, or exercise the warrants or (ii) the period you held the 7% preferred stock, common stock or warrants.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we are not currently, and we do not anticipate becoming in the future, a USRPHC.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of dividends on our 7% preferred stock and common stock and the proceeds of a sale or other disposition of our 7% preferred stock, common stock or warrants, or an exercise of warrants. A non-exempt U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its taxpayer identification number to the withholding agent and comply with certification procedures or otherwise establish an exemption from backup withholding.

A Non-U.S. Holder may be subject to U.S. information reporting and backup withholding on these payments unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person. In addition, the amount of any dividends (including deemed dividends) on our 7% preferred stock, common stock or warrants paid to a Non-U.S. Holder, and the amount of any U.S. federal tax withheld thereform, must be annually reported to the IRS and the holder. This information may be made available by the IRS under the provisions of an applicable income tax treaty or agreement with the tax authorities of the country in which the

Non-U.S. Holder resides.

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Payment of the proceeds of the sale or other disposition of the 7% preferred stock, common stock or warrants to or through a non-U.S. office of a U.S. broker or of a non-U.S. broker with certain specified U.S. connections generally will be subject to information reporting requirements, but not backup withholding, unless the Non-U.S. Holder certifies under penalties of perjury that it is not a United States person or an exemption otherwise applies. Payments of the proceeds of a sale or other disposition of the 7% preferred stock, common stock or warrants to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding, unless the Non-U.S. Holder certifies under penalties of perjury that it is not a United States person or otherwise establishes an exemption.

The amount of any backup withholding from a payment will be allowed as a credit against the holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

Additional Withholding Requirements

Under recently enacted legislation, the relevant withholding agent may be required to withhold 30% of any dividends and the proceeds of a sale of our 7% preferred stock, common stock or warrants paid after December 31, 2012 to (i) a foreign financial institution (as defined pursuant to that legislation) unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. If payment of this withholding tax is made, Non-U.S. Holders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction. Non-U.S. Holders should contact their own tax advisors regarding the particular consequences to them of this legislation.

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PLAN OF DISTRIBUTION

On behalf of the selling security holders, we are registering for resale 11,181,673 shares of our common stock, 1,010,345 shares of our 7% preferred stock, 4,335,176 shares of our common stock issuable upon conversion of our 7% preferred stock, 1,693,827 warrants to purchase shares of our common stock, and 1,693,827 shares of our common stock issuable upon exercise of our warrants. As used in this prospectus, selling security holders includes the successors-in-interest, donees, transferees or others who may later hold the selling security holders interests. This prospectus may also be used by transferees of the selling security holders, including broker-dealers or other transferees who borrow or purchase the securities to settle or close out short sales of shares of securities. Selling security holders will act independently of us in making decisions with respect to the timing, manner and size of each sale or non-sale related transfer. We will not receive any proceeds from sales by the selling security holders.

We expect that the selling security holders will sell their shares primarily through sales on the OTC Bulletin Board or any other stock exchange, market or trading facility on which our shares are traded or in private transactions. Sales of the securities may be made at fixed or negotiated prices and may be effected by means of one or more of the following transactions, which may involve cross or block transactions:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- transactions in which broker-dealers may agree with one or more selling security holders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or
- a combination of any of the above or any other method permitted pursuant to applicable law.

The selling security holders will have the sole discretion not to accept any purchase offer or make any sale of their securities if they deem the purchase price to be unsatisfactory at a particular time. To the extent required, this prospectus may be amended and supplemented from time to time to describe a specific plan of distribution.

Broker-dealers engaged by selling security holders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling security holders or, if any broker-dealer acts as agent for the purchase of securities, from the purchaser, in amounts to be negotiated. Selling security holders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

In connection with sales of securities, or interests therein, selling security holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. Selling security holders may also engage in short sales, puts and calls or other transactions in our securities or derivatives of our securities and may sell and deliver shares in connection with these transactions.

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Selling security holders and broker-dealers or agents involved in an arrangement to sell any of the offered securities may, under certain circumstances, be deemed to be underwriters with respect to securities they sell within the meaning of the Securities Act. Any profit on such sales and any discount, commission, concession or other compensation received by any such underwriter, broker-dealer or agent, may be deemed an underwriting discount and commission under the Exchange Act. No selling security holder has informed us that they have an agreement or understanding, directly or indirectly, with any person to distribute the securities. If a selling security holder should notify us that they have a material arrangement with a broker-dealer for the resale of their securities, we would be required to amend the registration statement of which this prospectus forms a part, and file a prospectus supplement to describe the agreement between the selling security holder and broker-dealer or agent, provide required information regarding the plan of distribution, and otherwise revise the disclosure in this prospectus as needed. We would also file the agreement between the selling security holder and the broker-dealer as an exhibit to the post-effective amendment to the registration statement.

We have agreed to pay all fees and expenses incurred by us incident to the registration of our securities, including SEC filing fees. Each selling security holder will be responsible for all costs and expenses in connection with the sale of their securities, including brokerage commissions or dealer discounts. Selling security holders will be indemnified by us against certain losses, claims, damages and liabilities, including certain liabilities under the Securities Act.

There can be no assurance that the selling security holders will sell any or all of the securities registered pursuant to the registration statement of which this prospectus forms a part.

To comply with the securities laws of certain jurisdictions, if applicable, the securities will be offered or sold in such jurisdictions only through registered or licensed brokers or dealers.

Selling security holders and other persons participating in the sale or distribution of the securities offered hereby, will be subject to applicable provisions of the Exchange Act and rules and regulations promulgated thereunder, including, without limitation, Regulation M. With certain exceptions, Regulation M restricts certain activities of, and limits the timing of purchases and sales of any of the securities by, selling security holders, affiliated purchasers and any broker-dealer or other person who participates in a distribution of the securities. Under Regulation M, these persons are precluded from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security subject to the distribution until the distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of these limitations may affect the marketability of the securities offered by this prospectus.

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LEGAL MATTERS

The validity of the securities offered in this prospectus is being passed upon for us by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

EXPERTS

The consolidated financial statements of Cooper-Standard Holdings Inc. as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about our ability to continue as a going concern as described in note 3 to our consolidated financial statements) appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file periodic and annual reports and other information with the SEC. We are not required to send annual reports to security holders pursuant to the SEC s proxy rules. You may read and copy any document that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings also are available to the public over the Internet at the SEC s website at http://www.sec.gov.

Our principal executive offices are located at 39550 Orchard Hill Place Drive, Novi, Michigan 48375, and our telephone number at that address is (248) 596-5900. You may find additional information about us and our subsidiaries on our website at www.cooperstandard.com. The information contained on, or that can be accessed through, our website is not incorporated by reference in, and is not part of, this prospectus, and should not be relied upon in connection with any investment decision.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Management

Cooper-Standard Holdings Inc.

We have audited the accompanying consolidated balance sheets of Cooper-Standard Holdings Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity (deficit) and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule for the three years in the period ended December 31, 2009. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper-Standard Holdings Inc. and subsidiaries at December 31, 2009 and 2008 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the three years in the period ended December 31, 2009, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 3 to the consolidated financial statements, on August 3, 2009, Cooper Standard Holdings, Inc. and its wholly owned United States subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. On August 4, 2009, the Company s Canadian subsidiary, Cooper Standard Automotive Canada Limited commenced proceedings seeking relief from its creditors under Canada s Companies Creditors Arrangement Act in the Ontario Superior Court of Justice in Toronto, Canada. As discussed in Note 3 to the consolidated financial statements, uncertainties inherent in the bankruptcy process raise substantial doubt about the Company s ability to continue as a going concern. Management s intentions with respect to these matters are also described in Note 3. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, in 2009, the Company changed its method of accounting for and presentation of consolidated net income (loss) attributable to Cooper-Standard Holdings, Inc. and non-controlling interests.

As discussed in Notes 11 and 12 to the consolidated financial statements in 2008 and in 2007, the Company changed its method of accounting for pension and other postretirement benefit plans, respectively.

/s/ Ernst & Young LLP

Detroit, Michigan

March 31, 2010

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COOPER-STANDARD HOLDINGS INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands)

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Sales	$ 2,511,153	$ 2,594,577	$ 1,945,259
Cost of products sold	2,114,039	2,260,063	1,678,953
Gross profit	397,114	334,514	266,306
Selling, administration, & engineering expenses	222,134	231,709	199,552
Amortization of intangibles	31,850	30,996	14,976
Impairment charges	146,366	33,369	363,496
Restructuring	26,386	38,300	32,411
Operating profit (loss)	(29,622)	140	(344,129)
Interest expense, net of interest income	(89,577)	(92,894)	(64,333)
Equity earnings	2,207	897	4,036
Reorganization items, net			(17,367)
Other income (expense), net	(468)	(1,368)	9,919
Loss before income taxes	(117,460)	(93,225)	(411,874)
Provision (benefit) for income tax expense	32,946	29,295	(55,686)
Consolidated net loss	(150,406)	(122,520)	(356,188)
Add: Net (income) loss attributed to noncontrolling interests	(587)	1,069	126
Net loss attributable to Cooper-Standard Holdings Inc.	$ (150,993)	$ (121,451)	$ (356,062)

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

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COOPER-STANDARD HOLDINGS INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2009

(Dollar amounts in thousands)

	December 31, 2008	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 111,521	$ 380,254
Accounts receivable, net	333,693	355,543
Inventories, net	116,952	111,575
Prepaid expenses	19,162	22,153
Other	42,226	76,454
Total current assets	623,554	945,979
Property, plant, and equipment, net	623,987	586,179
Goodwill	244,961	87,728
Intangibles, net	227,453	10,549
Other assets	98,296	106,972
	$ 1,818,251	$ 1,737,407
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities:		
Debt payable within one year	$ 94,136	$ 18,204
Debtor-in-possession financing		175,000
Accounts payable	192,948	166,346
Payroll liabilities	69,601	71,523
Accrued liabilities	94,980	87,073
Total current liabilities	451,665	518,146
Long-term debt	1,049,959	11,059
Pension benefits	161,625	148,936
Postretirement benefits other than pensions	76,822	76,261
Deferred tax liabilities	28,265	7,875
Other long-term liabilities	30,253	19,727
Liabilities subject to compromise		1,261,903
Total liabilities	1,798,589	2,043,907
Equity (deficit):		
Common stock, $0.01 par value, 4,000,000 shares authorized at December 31, 2008 and December 31, 2009, 3,479,100 shares issued and outstanding at December 31, 2008, 3,482,612 shares issued and outstanding at December 31, 2009	35	35
Additional paid-in capital	354,894	356,316
Accumulated deficit	(280,216)	(636,278)
Accumulated other comprehensive loss	(59,536)	(31,037)

Total Cooper-Standard Holdings Inc. equity (deficit)	15,177	(310,964)
Noncontrolling interests	4,485	4,464
Total equity (deficit)	19,662	(306,500)
Total liabilities and equity (deficit)	$ 1,818,251	$ 1,737,407

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

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COOPER-STANDARD HOLDINGS INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(Dollar amounts in thousands)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Cooper-Standard Holdings Inc. Equity (Deficit)	Non-Controlling Interest	Total Equity (Deficit)
Balance at December 31, 2006	3,238,100	$ 32	$ 323,778	$ (4,151)	$ 1,050	$ 320,709	$ 3,254	$ 323,963
Investment noncontrolling interest							2,453	2,453
Adoption of Fin 48				(195)		(195)		(195)
Issuance of common stock	250,000	3	29,997			30,000		30,000
Repurchase of common stock	(4,500)		(450)			(450)		(450)
Stock-based compensation			1,549			1,549		1,549
Impact of change in measurement date on benefit plans net of ($1,020) tax effect					25,846	25,846		25,846
Comprehensive income (loss):								
Net income (loss) for 2007				(150,993)		(150,993)	587	(150,406)
Other comprehensive income (loss):								
Benefit plan liability, net of ($1,934) tax effect					6,794	6,794		6,794
Currency translation adjustment					43,246	43,246	1,949	45,195
Fair value change of derivatives, net of $19 tax effect					(7,948)	(7,948)		(7,948)
Comprehensive income (loss):						(108,901)	2,536	(106,365)
Balance at December 31, 2007	3,483,600	35	354,874	(155,339)	68,988	268,558	8,243	276,801
Impact of Change in measurement date on benefit plans				(3,426)		(3,426)		(3,426)
Transaction with affiliate							(1,741)	(1,741)
Dividends paid to noncontrolling interest							(662)	(662)
Repurchase of common stock	(4,500)		(540)			(540)		(540)
Stock-based compensation			560			560		560
Comprehensive income (loss):								
Net loss for 2008				(121,451)		(121,451)	(1,069)	(122,520)

Other comprehensive loss:								
Benefit plan liability, net of ($1,097) tax effect					(53,614)	(53,614)		(53,614)
Currency translation adjustment					(58,929)	(58,929)	(286)	(59,215)
Fair value change of derivatives, net of ($44) tax effect					(15,981)	(15,981)		(15,981)
Comprehensive loss						(249,975)	(1,355)	(251,330)
Balance at December 31, 2008	3,479,100	35	354,894	(280,216)	(59,536)	15,177	4,485	19,662
Issuance of common stock	3,512		88			88		88
Stock-based compensation			1,334			1,334		1,334
Comprehensive income (loss):								
Net loss for 2009				(356,062)		(356,062)	(126)	(356,188)
Other comprehensive income (loss):								
Benefit plan liability, net of $1,120 tax effect					(3,499)	(3,499)		(3,499)
Currency translation adjustment					25,898	25,898	105	26,003
Fair value change of derivatives, net of ($3,843) tax effect					6,100	6,100		6,100
Comprehensive loss						(327,563)	(21)	(327,584)
Balance at December 31, 2009	3,482,612	$ 35	$ 356,316	$ (636,278)	$ (31,037)	$ (310,964)	$ 4,464	$ (306,500)

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

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COOPER-STANDARD HOLDINGS INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Operating Activities:			
Consolidated net loss	$ (150,406)	$ (122,520)	$ (356,188)
Adjustments to reconcile consolidated net loss to net cash provided by (used in) operating activities:			
Depreciation	104,199	109,109	98,801
Amortization of intangibles	31,850	30,996	14,976
Impairment charges	146,366	33,369	363,496
Reorganization items			17,367
Non-cash restructuring charges	626	9,029	1,268
Gain on bond repurchase		(1,696)	(9,096)
Amortization of debt issuance cost	4,883	4,866	10,286
Deferred income taxes	(1,296)	14,045	(36,797)
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	(10,976)	163,279	14,886
Inventories	14,836	28,062	9,914
Prepaid expenses	3,440	(2,880)	(974)
Accounts payable	39,945	(86,316)	50,081
Accrued liabilities	(16,567)	(28,148)	27,117
Other	18,473	(14,702)	(75,155)
Net cash provided by operating activities	185,373	136,493	129,982
Investing activities:			
Property, plant, and equipment	(107,255)	(92,125)	(46,113)
Acquisition of business, net of cash acquired	(158,671)	4,937	
Gross proceeds from sale-leaseback transaction	4,806	8,556	
Proceeds from sale of fixed assets	1,096	4,775	642
Other	7		
Net cash used in investing activities	(260,017)	(73,857)	(45,471)
Financing activities:			
Proceeds from issuance of debtor-in-possession financing			175,000
Payments on debtor-in-possession financing			(313)
Proceeds from issuance of long-term debt	59,968		
Increase in short term debt, net	6,189	37,004	24,104
Principal payments on long-term debt	(37,557)	(16,528)	(11,646)
Proceeds from issuance of stock	30,000		88
Debt issuance cost	(3,104)	(561)	(20,592)
Repurchase of common stock	(450)	(540)	
Repurchase of bonds		(5,306)	(737)
Other			171
Net cash provided by financing activities	55,046	14,069	166,075
Effects of exchange rate changes on cash	4,153	(6,061)	18,147

Changes in cash and cash equivalents	(15,445)	70,644	268,733
Cash and cash equivalents at beginning of period	56,322	40,877	111,521
Cash and cash equivalents at end of period	$ 40,877	$ 111,521	$ 380,254

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

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share amounts)

Note 1. Description of Business

Description of business

Cooper-Standard Holdings Inc. (the Company), through its wholly-owned subsidiary Cooper-Standard Automotive Inc., or CSA U.S, is a leading global manufacturer of fluid handling, body sealing, and Anti-Vibration Systems, or AVS, components, systems, subsystems, and modules, primarily for use in passenger vehicles and light trucks for global original equipment manufacturers, or OEMs, and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

The Company is one of the largest global producers of body sealing systems, one of the two largest North American producers in the AVS business, and the second largest global producer of the types of fluid handling products that we manufacture. We design and manufacture our products in each major automotive region of the world in close proximity to our customers through a disciplined and consistent approach to engineering and production. The Company operates in 66 manufacturing locations and nine design, engineering, and administrative locations in 18 countries around the world.

Note 2. Significant Accounting Policies

Principles of combination and consolidation The consolidated financial statements include the accounts of the Company and the wholly owned and less than wholly owned subsidiaries controlled by the Company. All material intercompany accounts and transactions have been eliminated. Acquired businesses are included in the consolidated financial statements from the dates of acquisition.

Effective January 1, 2009 the Company adopted Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 810, *Consolidation.* ASC Topic 810-10-65 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Upon adoption, certain prior period amounts have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on our previously reported results of operations. Refer to Note 17, Other Income (Expense) for additional information on the adoption of ASC Topic 810-10-65.

The equity method of accounting is followed for investments in which the Company does not have control, but does have the ability to exercise significant influence over operating and financial policies. Generally this occurs when ownership is between 20 to 50 percent. The cost method is followed in those situations where the Company s ownership is less than 20 percent and the Company does not have the ability to exercise significant influence.

The Company s investment in Nishikawa Standard Company, or NISCO, a 50 percent owned joint venture in the United States, is accounted for under the equity method. This investment totaled $11,905 and $13,400 at December 31, 2008 and 2009, respectively, and is included in other assets in the accompanying consolidated balance sheets.

The Company s investment in Guyoung Technology Co. Ltd, or Guyoung, a 20 percent owned joint venture in Korea, is accounted for under the equity method. This investment totaled $1,179 and $1,370 at December 31, 2008 and 2009, respectively, and is included in other assets in the accompanying consolidated balance sheets.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The fair value of Guyoung s stock has declined since the Company s 2006 acquisition and during 2008, the Company determined that the decline in fair value was other than temporary and an impairment of $2,669 was recorded in equity earnings in our consolidated statement of operations.

The Company s investment in Shanghai SAIC-Metzler Sealing Systems Co. Ltd., a 47.5 percent owned joint venture in China, is accounted for under the equity method. This investment totaled $20,166 and $20,994 at December 31, 2008 and 2009, respectively, and is included in other assets in the accompanying consolidated balance sheets.

Foreign currency The financial statements of foreign subsidiaries are translated to U.S. dollars at the end-of-period exchange rates for assets and liabilities and a weighted average exchange rate for each period for revenues and expenses. Translation adjustments for those subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) in stockholders equity. Transaction related gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other that the functional currency are recognized in earnings as incurred, except for those intercompany balances which are designated as long-term.

Cash and cash equivalents The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable The Company records trade accounts receivable when revenue is recorded in accordance with its revenue recognition policy and relieves accounts receivable when payments are received from customers. Generally the Company does not require collateral for its accounts receivable.

Allowance for doubtful accounts The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs, management s judgment of the probability of collecting accounts, and management s evaluation of business risk. This evaluation is inherently subjective, as it requires estimates that are susceptible to revision as more information becomes available. The allowance for doubtful accounts was $4,040 and $5,871 at December 31, 2008 and 2009, respectively.

Advertising expense Expenses incurred for advertising are generally expensed when incurred. Advertising expense was $842 for 2007, $1,080 for 2008, and $345 for 2009.

Inventories Inventories are valued at lower of cost or market. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records inventory reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory in production. As of December 31, 2008 and 2009, inventories are reflected net of reserves of $14,242 and $17,158, respectively.

Derivative financial instruments Derivative financial instruments are utilized by the Company to reduce foreign currency exchange, interest rate, and commodity price risks. The Company has established policies and procedures for risk assessment and the approval, reporting, and monitoring of derivative financial instrument activities. On the date the derivative is established, the Company designates the derivative as either a fair value hedge, a cash flow hedge, or a net investment hedge in accordance with its established policy. The Company does not enter into financial instruments for trading or speculative purposes.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Income taxes Income tax expense in the consolidated and combined statements of operations is accounted for in accordance with ASC Topic 740, *Accounting for Income Taxes*, which requires the recognition of deferred income taxes using the liability method.

Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if we determine that it is more likely than not that the asset will not be realized.

Long-lived assets Property, plant, and equipment are recorded at cost and depreciated using primarily the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the expected life of the asset or term of the lease, whichever is shorter. Intangibles with finite lives, which include technology, customer contracts, and customer relationships, are amortized over their estimated useful lives. The Company evaluates the recoverability of long-lived assets when events and circumstances indicate that the assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying value. If the net carrying value exceeds the fair value, an impairment loss exists and is calculated based on a discounted cash flow analysis or estimated salvage value. Discounted cash flows are estimated using internal budgets and assumptions regarding discount rates and other factors.

Pre-Production Costs Related to Long Term Supply Arrangements Costs for molds, dies, and other tools owned by us to produce products under long-term supply arrangements are recorded at cost in property, plant, and equipment and amortized over the lesser of three years or the term of the related supply agreement. The amounts capitalized were $10,896 and $9,324 at December 31, 2008 and 2009, respectively. Costs incurred during the engineering and design phase of customer-owned tooling projects are expensed as incurred unless a contractual arrangement for reimbursement by the customer exists. Reimbursable tooling costs included in other assets were $3,822 and $2,561 at December 31, 2008 and 2009, respectively. Development costs for tools owned by the customer are recorded in accounts receivable in the accompanying combined balance sheets if considered a receivable in the next twelve months. At December 31, 2008 and 2009, $77,769 and $65,351, respectively, was included in accounts receivable for customer-owned tooling of which $32,768 and $40,510, respectively, was not yet invoiced to the customer.

Goodwill Goodwill is not amortized but is tested annually for impairment by reporting unit which is determined in accordance with ASC Topic 350 *Intangibles-Goodwill and Other* . The Company utilizes an income approach to estimate the fair value of each of its reporting units. The income approach is based on projected debt-free cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit s expected long-term operating cash flow performance. Fair value is estimated using recent automotive industry and specific platform production volume projections, which are based on both third party and internally-developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include the weighted average cost of capital, terminal value growth rate, terminal value margin rates, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management s application of these assumptions to this analysis, the Company believes that the income approach provides a reasonable estimate of the fair value of its reporting units. The Company conducts its annual goodwill impairment analysis as of October 1st of each fiscal year.

Revenue Recognition and Sales Commitments We generally enter into agreements with our customers to produce products at the beginning of a vehicle s life. Although such agreements do not generally provide for minimum quantities, once we enter into such agreements, fulfillment of our customers purchasing requirements

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

can be our obligation for an extended period or the entire production life of the vehicle. These agreements generally may be terminated by our customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

We receive blanket purchase orders from many of our customers on an annual basis. Generally, such purchase orders and related documents set forth the annual terms, including pricing, related to a particular vehicle model. Such purchase orders generally do not specify quantities. We recognize revenue based on the pricing terms included in our annual purchase orders as our products are shipped to our customers. As part of certain agreements, we are asked to provide our customers with annual cost reductions. We accrue for such amounts as a reduction of revenue as our products are shipped to our customers. In addition, we generally have ongoing adjustments to our pricing arrangements with our customers based on the related content and cost of our products. Such pricing accruals are adjusted as they are settled with our customers.

Amounts billed to customers related to shipping and handling are included in sales in our consolidated statements of operations. Shipping and handling costs are included in cost of sales in our consolidated statements of operations.

Research and development Costs are charged to selling, administration and engineering expense as incurred and totaled, $77,183 for 2007, $81,942 for 2008, and $62,880 for 2009.

Stock-based compensation Effective January 1, 2006, the Company adopted ASC Topic 718, *Compensation-Stock Compensation*, using the prospective method. The prospective method requires compensation cost to be recognized for all share-based payments granted after the effective date of ASC 718. All awards granted prior to the effective date of ASC 718 are accounted for in accordance with Accounting Principles Board Opinion, or APB, No. 25, *Accounting for Stock Issued to Employees*.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of (1) revenues and expenses during the reporting period and (2) assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements. Actual results could differ from those estimates.

Reclassifications Certain prior period amounts have been reclassified to conform to the current year presentation. For further segment reclassifications, see Note 20. Business Segments.

Going Concern

The Company is operating pursuant to chapter 11 of the Bankruptcy Code and continuation as a going concern is contingent upon, among other things, the Company s ability to complete and execute a plan of reorganization. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities upon execution of the plan of reorganization. For additional details regarding the Company s reorganization under chapter 11 of the bankruptcy code and the current status of its plan of reorganization see Note 3. Reorganization under Chapter 11 of the Bankruptcy Code.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Recent accounting pronouncements

In June 2009, the FASB approved the FASB Accounting Standards Codification, or the Codification or ASC, as the single source of authoritative nongovernmental U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of the Codification changed the Company s references to U.S. GAAP accounting standards, but did not impact the Company s results of operating financial position or liquidity.

In May 2009, the FASB issued ASC Topic 855, subsequent events, which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC Topic 855 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. ASC Topic 855 is effective for interim and annual periods ending after June 15, 2009. The Company adopted this statement effective June 30, 2009. See Note 26. Subsequent Events for additional information.

In April 2009, the FASB issued FSP ASC Topic 320-10-65, which extends the Disclosures about Fair Value of Financial Instruments, to interim reporting periods. The provisions of this standard are effective for interim and annual reporting periods ending after June 15, 2009. The effects of adoption were not significant. See Note 21. Fair Value of Financial Instruments, for additional disclosures related to the fair value of the Company s Prepetition Credit Facility and Notes.

In August 2009, the FASB issued ASU No. 2009-05 which amends *Fair Value Measurements and Disclosures Overall* (ASC Topic 820-10) to provide guidance on the fair value measurement of liabilities. This update requires clarification for circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1) a valuation technique that uses either the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as an asset; or 2) another valuation technique that is consistent with the principles in ASC Topic 820 such as the income and market approach to valuation. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update further clarifies that if the fair value of a liability is determined by reference to a quoted price in an active market for an identical liability, that price would be considered a Level 1 measurement in the fair value hierarchy. Similarly, if the identical liability has a quoted price when traded as an asset in an active market, it is also a Level 1 fair value measurement if no adjustments to the quoted price of the asset are required. This update is effective for the fourth quarter 2009.

In December 2008, the FASB issued *Employers Disclosures about Postretirement Benefit Plan Assets* (ASC Topic 715-20-65). This guidance will expand disclosure by requiring the following new disclosures: 1) how investment allocation decisions are made by management; 2) major categories of plan assets; and 3) significant concentrations of risk. Additionally, ASC 715-20-65 will require an employer to disclose information about the valuation of plan assets similar to that required in ASC Topic 820 Fair Value Measurements and Disclosures. This guidance is effective for fiscal year ending December 31, 2009. The principal impact was expanded disclosure regarding the Company s benefit plan assets.

In March 2008, the FASB issued *Disclosures About Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133* (ASC Topic 815). ASC Topic 815 requires entities that utilize

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit risk related contingent features contained within derivatives. ASC Topic 815 also requires entities to disclose additional information about the amounts and locations of derivatives located within the financial statements, how the accounting provisions have been applied and the impact that hedges have on an entity s financial position, financial performance, and cash flows. The Company adopted this statement as of January 1, 2009.

In September 2006, the FASB issued *Fair Value Measurements* (ASC Topic 820). ASC Topic 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. This statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The Company adopted ASC Topic 820 as of January 1, 2008 except for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, for which the effective date was fiscal years beginning after November 15, 2008. See Note 21, Fair Value of Financial Instruments, for additional discussion of ASC Topic 820.

Note 3. Reorganization Under Chapter 11 of the Bankruptcy Code

Filing of Bankruptcy Cases

During 2009, the Company s revenues were adversely affected, particularly in the first half of the year, by the sharp decline in worldwide automotive production that followed the disruption in the global financial markets that began in 2008. Faced with a highly-leveraged balance sheet with debt exceeding $1.2 billion and unfavorable market conditions, including the severe downturn in the automotive industry and the accompanying decrease in production volumes, diminishing availability of credit and the overall deterioration in the U.S. economy, the Company dedicated a substantial portion of its cash flows from operations to the payment of principal and interest on the Company s indebtedness. Due to the adverse business impact of these factors, the Company s ability to maintain sufficient liquidity, satisfy its financial covenant requirements under the Prepetition Credit Agreement (as defined below) and make interest and principal payments on its outstanding indebtedness became uncertain. Recognizing the need for a comprehensive solution for these financial issues, prior to seeking bankruptcy protection, the Company engaged in discussions regarding possible alternatives to filing for bankruptcy, including refinancing a portion of its indebtedness with its key creditors. However, the Company was unable to complete those negotiations prior to seeking bankruptcy protection.

On August 3, 2009, the Company and each of its direct and indirect wholly-owned U.S. subsidiaries (collectively with the Company, the Debtors) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court). The Debtors chapter 11 cases (the Chapter 11 Cases) are being jointly administered under Case No. 09-12743(PJW). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the

applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. On August 14, 2009, the Official Committee of Unsecured Creditors (the Creditors Committee) was appointed in the Chapter 11 Cases.

On August 4, 2009, the Company s Canadian subsidiary, Cooper-Standard Automotive Canada Limited, a corporation incorporated under the laws of Ontario (CSA Canada), commenced proceedings seeking relief from its creditors under Canada s Companies Creditors Arrangement Act (the Canadian Proceedings) in the Ontario Superior Court of Justice in Toronto, Canada (Commercial List) (the Canadian Court), court file no.

09-8307-00CL. The Canadian court has granted the Canadian debtors a stay of any Canadian proceedings to

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

allow the Debtors to pursue confirmation of a plan of reorganization in the U.S. proceedings. The stay is currently in effect through May 31, 2010. The Company (and its legal counsel) believe the Canadian court will continue to issue this stay through completion of the chapter 11 proceedings. The Company s subsidiaries and operations outside the United States and Canada are not included in the Chapter 11 Cases or the Canadian Proceedings (other than CSA Canada) and continue to operate in the ordinary course of business.

As a result of the Chapter 11 Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating as debtors-in-possession under the protection of chapter 11 of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements, and may pursue various strategic alternatives as deemed appropriate by our board of directors to serve the best interests of the Company and its stakeholders.

In general, under the priority scheme established by the Bankruptcy Code, post-petition liabilities and secured claims must be satisfied before prepetition unsecured creditors and interest holders can receive any distribution or retain any property under a chapter 11 plan of reorganization. The ultimate recovery, if any, to the holders of the Company s 7% Senior Notes due 2012 (the Senior Notes) and 8 3/8% Senior Subordinated Notes due 2014 (the Senior Subordinated Notes and, together with the Senior Notes, the Notes, and the holders of the Notes, the Noteholders) and other interest holders will not be determined until confirmation of a chapter 11 plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 Cases to each of these constituencies or what types or amounts of distributions, if any, they will receive. If certain requirements of the Bankruptcy Code are met, a chapter 11 plan of reorganization can be confirmed notwithstanding its rejection by such holders and notwithstanding the fact that such holders do not receive or retain any property on account of their interests under the chapter 11 plan. Accordingly, the Company urges that the appropriate caution be exercised with respect to existing and future investments in the Company s securities as the value and prospects are highly speculative. At this time there is no assurance we will be able to restructure as a going concern or successfully obtain confirmation of and implement a plan of reorganization.

Filing of the Original Chapter 11 Plan of Reorganization and Original Disclosure Statement

Prior to commencing the Chapter 11 Cases and since the filing of the Debtors petition for relief under the Bankruptcy Code, the Debtors have sought a consensual restructuring of their balance sheets so as to be able to emerge from chapter 11 with an appropriate capital structure that would enable the Debtors to remain competitive. After exploring a number of restructuring alternatives, which included discussions with the Creditors Committee, the lenders under the Prepetition Credit Agreement (as defined below) and certain Noteholders (the First Backstop Parties) came forward with proposal to backstop an equity rights offering, the proceeds of which would be used to pay the claims under the Prepetition Credit Facility in full. After further negotiations with the First Backstop Parties and the Creditors Committee regarding the proposal, on February 1, 2010, the Debtors filed their Joint Chapter 11 Plan of Reorganization (the Original Plan), an accompanying Disclosure Statement (the Original Disclosure Statement) and a Commitment Agreement, dated February 1, 2010 (the Original Equity Commitment Agreement, which the Company entered into with the First Backstop Parties). The Original Plan provided for a backstopped $245,000 equity rights offering which, when combined with proposed exit financing, would allow the Debtors to pay the claims under the Prepetition Credit Agreement in full, in cash, while distributing equity in the Company upon emergence from chapter 11 to the Noteholders, as well as rights to purchase additional equity.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Filing of Amended Chapter 11 Plan of Reorganization and Disclosure Statement

Shortly after filing the Original Plan, certain Noteholders (the Second Backstop Parties and, with the First Backstop Parties , the New Backstop Parties) approached the Debtors with an alternative proposal to backstop a rights offering that contained certain advantages when compared to the recovery provided for in the Original Plan. While the Debtors made significant progress negotiating a commitment agreement with the Second Backstop Parties, the Debtors had significant concerns about going forward with such alternative proposal for various reasons including, without limitation, uncertainty about receiving sufficient votes to confirm any plan of reorganization based on such alternative.

After extensive, arm s-length negotiations between the Debtors, the Creditors Committee, the First Backstop Parties and the Second Backstop Parties, all parties agreed upon the terms of a revised restructuring proposal incorporated in a new Commitment Agreement, dated March 19, 2010 (the Equity Commitment Agreement), which terminated the Original Equity Commitment Agreement upon execution, and the Debtors filed with the Bankruptcy Court on March 20, 2010 a First Amended Joint Chapter 11 Plan of Reorganization (as amended by the Second Amended Joint Chapter 11 Plan of Reorganization, dated March 26, 2010, the Plan of Reorganization) and an accompanying new Disclosure Statement (as amended by the First Amended Disclosure Statement, dated March 26, 2010, the Disclosure Statement). The Disclosure Statement and the Equity Commitment Agreement were approved by the Bankruptcy Court on March 26, 2010. The Equity Commitment Agreement and the Plan of Reorganization provide for a backstopped equity rights offering and the purchase of new common stock and new preferred stock of the Company by the New Backstop Parties (as described below), with aggregate proceeds to the Company of $355,000 that would unimpair the claims under the Prepetition Credit Agreement and the Senior Notes and improve the recovery to the Senior Subordinated Noteholders. The Equity Commitment Agreement is subject to certain customary conditions, including, among other things, confirmation of the Plan of Reorganization. Under the Plan of Reorganization, holders of Senior Notes will receive payment in full, in cash, provided that certain of the New Backstop Parties have each agreed to forgo their right as holders of Senior Notes to receive payment in full, in cash, and in lieu thereof, have agreed to accept their pro rata share of 20.95% of the new common stock of the Company. In addition, holders of Senior Subordinated Notes will receive a distribution of 8% of the new common stock of the Company and warrants to acquire an additional 3% of the new common stock of the Company that may be exercised at a strike price of $27.33 per share, and eligible noteholders of Senior Subordinated Notes will receive rights to purchase 39.6% of the new common stock of the Company pursuant to the rights offering at a subscription price of $21.54 per share. In addition, the New Backstop Parties have agreed to purchase 11.75% of the new common stock of the Company at a price per share of $27.07 and 1,000,000 shares of new preferred stock of the Company at a price per share of $100.00 and will receive warrants to acquire an additional 7% of the new common stock of the Company that may be exercised at a strike price of $27.33 per share.

In order for the Debtors to successfully emerge from chapter 11, the Bankruptcy Court must first confirm a chapter 11 plan with respect to the Debtors that satisfies the requirements of the Bankruptcy Code. To be confirmed, a chapter 11 plan would, among other things, need to resolve the Debtors prepetition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

In order for the Amended Plan to be confirmed by the Bankruptcy Court pursuant to section 1129(b) of the Bankruptcy Code, at least one class of impaired claims must accept the Plan of Reorganization, determined without including votes to accept the Amended Plan cast by insiders, as that term is defined in section 101(31) of the Bankruptcy Code. A class of claims has accepted a plan if such plan has been accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors that have accepted or rejected such plan. The New Backstop Parties (which hold a substantial majority

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

in dollar amount of the outstanding principal amount of Senior Subordinated Notes) support the Amended Plan and have agreed to vote in favor of the Amended Plan. In addition, confirmation of the Amended Plan is subject to the satisfaction of numerous conditions, including, among other things, consummation of the rights offering and entry into a new debt agreement and a new secured working capital facility.

Under the Bankruptcy Code, the exclusive period in which the Debtors may file a chapter 11 plan or plans of reorganization is 120-days from the date of the filing of the petition. The exclusive period in which the Debtors may solicit acceptances for any chapter 11 plan or plans of reorganization is 180-days from the date of the filing of the petition. The Bankruptcy Code also provides that the Bankruptcy Court may extend the 120-day plan exclusivity period up to 18 months after the petition date and the 180-day solicitation exclusivity period up to 20 months after the petition date. The Debtors exclusive period to file a chapter 11 plan or plans of reorganization has been extended to June 29, 2010. The Debtors exclusive period to solicit any plan or plans has been extended to August 30, 2010. If the Debtors exclusivity periods expire, other parties in interest will be allowed to file their own plans and solicit acceptances in connection therewith.

Debtor-in-Possession Financing

In connection with the commencement of the Chapter 11 Cases and the Canadian Proceedings, the Company entered into a Debtor-in-Possession Credit Agreement, dated August 5, 2009 (the Initial DIP Credit Agreement), among the Company, CSA U.S., and Cooper-Standard Automotive Canada Limited (CSA Canada), various lenders party thereto, Deutsche Bank Trust Company Americas, as the administrative agent, Banc of America Securities LLC, General Electric Corporation and UBS Securities LLC, as co-syndication agents, Deutsche Bank Trust Company Americas, as documentation agent, Deutsche Bank Securities Inc. and General Electric Capital Corporation, as joint lead arrangers and book runners, and Banc of America Securities LLC and UBS Securities LLC, as co-arrangers. On December 2, 2009, Metzeler Automotive Profile Systems GmbH, a German limited liability company (the German Borrower and together with CSA U.S. and CSA Canada, the DIP Borrowers) became an additional borrower under the Initial DIP Credit Agreement. Under the Initial DIP Credit Agreement, the DIP Borrowers borrowed an aggregate of $175,000 principal amount of superpriority senior secured term loans in order to finance their operating, working capital and other general corporate needs (including the payment of fees and expenses in accordance with the orders of the Bankruptcy Court and the Canadian Court authorizing such borrowings).

In order to refinance the Initial DIP Credit Agreement on terms more favorable to the Company, on December 18, 2009 the Company entered into a new Debtor-in-Possession Credit Agreement (the DIP Credit Agreement), among Cooper-Standard Holdings Inc., the DIP Borrowers, various lenders party thereto, Deutsche Bank Trust Company Americas, as the administrative agent (in such capacity, the DIP Agent), collateral agent and documentation agent, and Deutsche Bank Securities Inc., as syndication agent, sole lead arranger and book runner.

On December 29, 2009, the Bankruptcy Court entered a final order approving the DIP Credit Agreement (and related loan documentation) and the borrowings thereunder. Funding under the DIP Credit Agreement occurred on December 30, 2009, whereby (i) $75,000 was borrowed by CSA U.S., (ii) $50,000 was borrowed by CSA Canada and (iii) $50,000 was borrowed by the German Borrower. Concurrently with such funding, liens on assets of the Company and certain of its subsidiaries were granted and guarantees by certain subsidiaries of the Company of the obligations under the DIP Credit Agreement were made. All of the proceeds of the borrowings under the DIP Credit Agreement, together with cash on hand of the DIP Borrowers, were used to repay all borrowings and amounts outstanding under the Initial DIP Credit Agreement, and to pay related fees and expenses.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

For additional information on the DIP Credit Agreement, see Note 10. Debt below.

Other Chapter 11 Cases Updates

On October 2, 2009, the Debtors filed their schedules of assets and liabilities (the Schedules) and statements of financial affairs with the Bankruptcy Court. On October 27, 2009, the Bankruptcy Court entered an order establishing December 4, 2009 as the deadline (the General Bar Date) for all entities, other than governmental agencies, to file proofs of claim against the Debtors stating the amounts to which the claimants contend that they are entitled, subject to the rights of the Debtors to contest both the validity and amount of the claims. The Bankruptcy Court also set February 1, 2010 as the deadline for governmental entities to file their proofs of claim (the Governmental Bar Date and, together with the General Bar Date, the Bar Dates). The Debtors will continue to evaluate all claims asserted in the Chapter 11 Cases and may file periodic motions seeking to modify, reject, liquidate or allow such claims.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern. This assumes a continuing of operations and the realization of assets and liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments that might result if we were forced to discontinue operations. We have had a history of net losses. Our net losses are principally attributable to insufficient revenue to cover our relatively high percentage of fixed costs, including the interest costs on our debt and our depreciation expense. We also have an accumulated stockholders deficit of $306,500 at December 31, 2009.

As a result of filing for chapter 11 bankruptcy, the Company adopted ASC 852, *Reorganization* on August 3, 2009. ASC 852, is applicable to companies in chapter 11 of the Bankruptcy Code, generally does not change the manner in which financial statements are prepared. However, among other disclosures, it does require that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the statements of operations. The balance sheet must distinguish prepetition liabilities subject to compromise from both those prepetition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. In addition, reorganization items must be disclosed separately in the statement of cash flows. The Company has segregated those items as outlined above for all reporting periods subsequent to such date.

As a result of the Chapter 11 Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating as debtors-in-possession under the protection of chapter 11 of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements, and may pursue various strategic alternatives as deemed appropriate by the Company s board of directors to serve the best interests of the Company and its stakeholders.

Liabilities Subject to Compromise

The majority of the Debtors prepetition debt is in default and is classified as Liabilities Subject to Compromise in the accompanying consolidated balance sheet at December 31, 2009.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

In addition to the Debtors prepetition debt which is in default, liabilities subject to compromise reflects the Debtors other liabilities incurred prior to the commencement of the bankruptcy proceedings. These amounts represent the Company s estimate of known or potential prepetition claims to be resolved in connection with the bankruptcy proceedings. Such claims remain subject to future adjustments. Future adjustments may result from: (i) negotiations; (ii) actions of the Bankruptcy Court; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and leases; (v) the determination of value of any collateral securing claims; (vi) proofs of claims; or (vii) other events. Payment terms for these claims will be established in connection with a plan of reorganization. The Debtors liabilities subject to compromise consist of the following:

	December 31, 2009
Prepetition debt (including accrued interest of $27,095)	$ 1,138,565
Accounts payable	12,148
Pension and deferred compensation	20,680
Derivatives	18,090
Other	72,420
Debtor liabilities subject to compromise	$ 1,261,903

Effective August 3, 2009, the Company ceased recording interest expense on outstanding prepetition debt instruments classified as liabilities subject to compromise. An additional $28,274 of interest expense would have been recorded from August 3, 2009 to December 31, 2009 if the Company had continued to accrue interest on these instruments.

Reorganization Items

ASC Topic 852-10 requires reorganization items such as revenues, expenses such as professional fees directly related to the process of reorganizing the Debtors under chapter 11, realized gains and losses, provisions for losses, and interest income resulting from the reorganization and restructuring of the business to be separately disclosed. The Debtors reorganization items consist of the following:

	(Income)/ Expense For the year ended December 31, 2009
Professional fees directly related to reorganization	$ 17,737
Miscellaneous-other	(370)
Total reorganization items	$ 17,367

Note 4. Debtor-in-Possession Financial Statements

The financial statements contained within this note represent the combined financial statements for the Debtors and Canadian Debtor only. The Company s non-Debtor subsidiaries are treated as non-consolidated affiliates in these financial statements and as such their net income is included as Equity loss from non-Debtor affiliates, net of tax in the statement of operations and their assets are included as Investments in non-Debtor affiliates in the balance sheet. The Debtors and Canadian Debtor financial statements contained herein have been prepared in accordance with the guidance in ASC Topic 852-10.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

DEBTOR-IN-POSSESSION CONDENSED COMBINED

STATEMENTS OF OPERATIONS

	Year Ended December 31, 2009
Sales	$ 871,047
Cost of products sold	748,339
Gross profit	122,708
Selling, administration, & engineering expenses	90,827
Amortization of intangibles	11,093
Impairment charges	242,822
Restructuring	6,660
Operating loss	(228,694)
Interest expense, net of interest income	(53,101)
Equity earnings	1,650
Reorganization items, net	(17,367)
Other income	24,192
Loss before income taxes	(273,320)
Benefit for income tax expense	(26,551)
Equity loss from non-Debtor affiliates, net of tax	(109,293)
Consolidated net loss	(356,062)
Add: Net loss attributable to noncontrolling interests	
Net loss attributable to Debtors	$ (356,062)

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

DEBTOR-IN-POSSESSION CONDENSED COMBINED

BALANCE SHEET

	December 31, 2009
ASSETS	
Current assets:	
Cash and cash equivalents	$ 186,930
Accounts receivable, net	145,398
Inventories, net	48,017
Prepaid expenses	4,232
Receivable from non-Debtor affiliates, net	27,484
Other	66,363
Total current assets	478,424
Property, plant, and equipment, net	216,634
Goodwill	87,728
Investment in non-Debtor affiliates	279,215
Intangibles, net	1,679
Notes receivable from non-Debtor affiliates, net	260,139
Other assets	32,511
	$ 1,356,330
LIABILITIES AND DEFICIT	
Current liabilities:	
Debt payable within one year	$ 47
Debtor-in-possession financing	125,000
Accounts payable	60,846
Payroll liabilities	26,284
Accrued liabilities	31,632
Total current liabilities	243,809
Pension benefits	71,668
Postretirement benefits other than pensions	65,831
Deferred tax liabilities	10,662
Other long-term liabilities	13,421
Liabilities subject to compromise	1,261,903
Total liabilities	1,667,294
Total deficit	(310,964)
Total liabilities and deficit	$ 1,356,330

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

DEBTOR-IN-POSSESSION CONDENSED COMBINED

STATEMENTS OF CASH FLOW

	Year Ended December 31, 2009
Operating Activities:	
Net cash used in operating activities	$ (22,677)
Investing activities:	
Property, plant, and equipment	(15,033)
Other	236
Net cash used in investing activities	(14,797)
Financing activities:	
Proceeds from issuance of debtor-in-possession financing, net of debt issuance costs	104,720
Payments on debtor-in-possession financing	(313)
Increase (decrease) in short term debt	21,398
Principal payments on long-term debt	(9,029)
Transactions with non-Debtor subsidiaries	(22,443)
Repurchase of bonds	(737)
Other	123
Net cash provided by financing activities	93,719
Effects of exchange rate changes on cash	16,248
Changes in cash and cash equivalents	72,493
Cash and cash equivalents at beginning of period	114,437
Cash and cash equivalents at end of period	$ 186,930

Note 5. Acquisitions

In March of 2007, the Company completed the acquisition of the El Jarudo fuel rail manufacturing business of Automotive Components Holdings, LLC, or El Jarudo or the El Jarudo business. The business is located in Juarez, Mexico and is a producer of automotive fuel rails. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

On August 31, 2007, the Company completed the acquisition of nine Metzeler Automotive Profile Systems sealing systems operations in Germany, Italy, Poland, Belarus, Belgium, and a joint venture interest in China, or MAPS or the MAPS businesses, from Automotive Sealing Systems S.A. The MAPS businesses were acquired for $143,063 subject to an adjustment based on the difference between targeted working capital and working capital at the closing date, which was settled in June 2008. After adjusting for working capital and direct acquisition costs, the total acquisition value under purchase accounting was $144,378.

In December of 2007, the Company completed the acquisition of the 74% joint venture interest of Automotive Sealing Systems, S.A. (ASSSA) in Metzeler Automotive Profiles India Private Limited, or MAP India. The remaining 26 percent in the joint venture is owned by Toyoda Gosei Co., Ltd. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Note 6. Restructuring

The Company implemented several restructuring initiatives in prior years in connection with the closure of facilities in North America, Europe and Asia. The Company initiated all of these initiatives prior to December 31, 2007 and continued to execute the closures through the end of 2009. The majority of the costs associated with the closures were incurred shortly after the original implementation. However, the Company continues to incur costs related to principally to the liquidation of the respective facilities. The following table summarizes the 2008 and 2009 activity related to these initiatives:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 8,723	$ 4,752	$	$ 13,475
Expense incurred	2,209	4,780	4,687	11,676
Cash payments	(8,822)	(8,792)	165	(17,449)
Utilization of reserve			(4,852)	(4,852)
Balance at December 31, 2008	$ 2,110	$ 740	$	$ 2,850
Expense incurred	(517)	3,298	1,089	3,870
Cash payments	(1,593)	(3,800)		(5,393)
Utilization of reserve			(1,089)	(1,089)
Balance at December 31, 2009	$	$ 238	$	$ 238

2008 Initiatives

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other located in Germany. Both closures are a result of changes in market demands and volume reductions and are substantially completed as of December 31, 2009. However, the Company will continue to incur costs until the facilities are sold. The estimated total cost of this initiative is approximately $21,100. The following table summarizes the activity for this initiative during the year ended December 31, 2008 and December 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	14,455	149	3,282	17,886
Cash payments	(995)	(149)		(1,144)
Utilization of reserve			(3,282)	(3,282)
Balance at December 31, 2008	$ 13,460	$	$	$ 13,460
Expense incurred	562	2,557	118	3,237

Cash payments	(12,579)	(2,322)		(14,901)
Utilization of reserve			(118)	(118)
Balance at December 31, 2009	$ 1,443	$ 235	$	$ 1,678

As a result of this initiative, a pension plan curtailment gain of $800 was recognized as a reduction to restructuring expense during the fourth quarter of 2009.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

In 2008, the Company initiated the closing of a European facility and the idling of a Canadian facility. During the year ended December 31, 2009, the Company recorded other exit costs of $483 and asset impairments of $61 in connection with this initiative.

Reorganization-Product Line Operating Group Discontinuation Initiative

During 2008, the Company commenced the initial phase of a reorganization ultimately involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division (which included the body sealing and AVS product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. The estimated cost of this initial phase is approximately $7,800. The following table summarizes the activity for this initiative during the year ended December 31, 2008 and December 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	7,670			7,670
Cash payments	(3,741)			(3,741)
Utilization of reserve				
Balance at December 31, 2008	$ 3,929	$	$	$ 3,929
Expense incurred	134			134
Cash payments	(3,405)			(3,405)
Balance at December 31, 2009	$ 658	$	$	$ 658

2009 Initiatives

In the first quarter of 2009, the Company initiated the final phase of the reorganization of its operating structure, formally discontinuing its product line operating divisions and putting into place the new operating divisions based on geographic regions. The estimated total cost of this initiative is $18,700. The following table summarizes the activity for this initiative during the year ended December 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$	$	$	$
Expense incurred	18,570	86		18,656
Cash payments	(11,457)	(86)		(11,543)
Balance at December 31, 2009	$ 7,113	$	$	$ 7,113

As a result of this initiative a curtailment gain related to other postretirement benefits of $3,404 was recognized as a reduction to restructuring expense during the fourth quarter of 2009.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The Company also initiated several other initiatives during 2009. These initiatives relate to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific. The estimated total cost associated with these actions amount to $19,250. The following table summarizes the activity for these initiatives during the year ended December 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$	$	$	$
Expense incurred	9,864	368		10,232
Cash payments	(5,649)	(312)		(5,961)
Utilization of reserve				
Balance at December 31, 2009	$ 4,215	$ 56	$	$ 4,271

The Company expects the reorganization of its operating structure and the other 2009 initiatives to be substantially completed by the end of 2010.

Note 7. Inventories

Inventories are comprised of the following:

	December 31, 2008	December 31, 2009
Finished goods	$ 35,069	$ 27,826
Work in process	26,520	25,616
Raw materials and supplies	55,363	58,133
Inventories, net	$ 116,952	$ 111,575

Note 8. Property, Plant, and Equipment

Property, plant, and equipment is comprised of the following:

	December 31, 2008	December 31, 2009	Estimated Useful Lives
Land and improvements	$ 78,548	$ 81,609	
Buildings and improvements	229,384	240,413	15 to 40 years
Machinery and equipment	640,350	696,259	5 to 14 years
Construction in Progress	48,123	41,499	

	996,405	1,059,780
Accumulated depreciation	(372,418)	(473,601)
Property, plant and equipment, net	$ 623,987	$ 586,179

During 2008 it was determined that fixed assets at two of the Company s locations were impaired. As a result of this impairment, Property, Plant and Equipment was reduced by $6,408 during 2008.

During 2009 it was determined that fixed assets at several of the Company s locations were impaired. As a result of this impairment, Property, Plant and Equipment was reduced by $3,825 during 2009.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Depreciation expense totaled $104,199 for 2007, $109,109 for 2008, and $98,801 for 2009, respectively.

Note 9. Goodwill and Intangibles

Goodwill

The changes in the carrying amount of goodwill by reportable operating segment for the years ended December 31, 2008 and 2009 are summarized as follows:

	North America	International	Total
Balance at January 1, 2008	$ 181,687	$ 108,901	$ 290,588
Adjustments to the Acquisition of El Jarudo	(379)		(379)
Purchase price adjustments pre-acquisition		(22,107)	(22,107)
Impairment charge		(23,141)	(23,141)
Balance at December 31, 2008	$ 181,308	$ 63,653	$ 244,961
Impairment charge	(93,580)	(63,653)	(157,233)
Balance at December 31, 2009	$ 87,728	$	$ 87,728

Goodwill is not amortized but is tested annually for impairment, or when events or circumstances indicate that impairment may exist, by reporting units, which are determined in accordance with ASC Topic 350. During the second quarter of 2009, several events occurred that indicated potential impairment of the Company s goodwill. Such events included: (a) the chapter 11 bankruptcy of both Chrysler LLC and General Motors and unplanned plant shut-downs; (b) continued product volume risk and negative product mix changes; (c) the Company s commencement of negotiations with its Sponsors, senior secured lenders, and bondholders to recapitalize its long term debt and equity; (d) the Company s recognition as the second quarter progressed that there was an increasing likelihood that it would breach its financial covenants under its Prepetition Credit Agreement; (e) the Company s decision to defer its June 15, 2009 interest payment on its Notes pending the outcome of its quarterly financial results; (f) an analysis of whether the Company would meet its financial covenants for the past quarter; and (g) negotiations with its various constituencies. As a result of the combination of the above factors in the second quarter, the Company significantly reduced its projections for the remainder of the year. This significant decrease in projections resulted in the carrying value of assets at all of the Company s reporting units being greater than the related reporting units fair value. As a result, the Company recorded goodwill impairment charges of $93,580 in its North America reporting unit, $39,604 in its Europe reporting unit, $22,628 in its South America reporting unit and $1,421 in its Asia Pacific reporting unit during the second quarter of 2009. As of December 31, 2009, accumulated goodwill impairment for the North America and International segments is $243,988 and $86,794, respectively.

Changes in the factors noted above, including a change in the estimated transaction value of the bankruptcy could impact the valuation of the Company s remaining goodwill and other intangibles.

The pre-acquisition purchase price adjustments for the period ended December 31, 2008 represent adjustments related to various tax matters and were recorded in accordance with EITF Issue No. 93-7 Uncertainties Related to

Income Taxes in a Purchase Business Combination and restructuring accrual reversals related to the FHS acquisition.

During the fourth quarter of 2008, the Company recorded an impairment charge of $23,141 in its International segment. These charges were a result of a weakening global economy, a global decline in vehicle production volumes and changes in product mix.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Other Intangible Assets

During the second quarter of 2009, the Company assessed the realization of its intangible assets in connection with revisions to the Company s projections as a result of the negotiations associated with the bankruptcy. The Company s undiscounted cash flows (as adjusted to reflect the current outlook) were not sufficient to support the realization of certain intangible assets. As a result the Company performed discounted cash flow analysis for each intangible asset and determined that the fair value of certain intangible assets exceeded the assets respective fair value. During the second quarter of 2009, the Company recorded intangible impairment charges of $148,143 in its North America segment and $54,295 of intangible impairment charges in its International segment. The following table shows the impairment by intangible asset type:

Customer contracts	$ 68,177
Customer relationships	131,364
Developed technology	1,558
Trademarks and tradenames	1,339
Total intangible impairment	$ 202,438

During the fourth quarter of 2008 the Company recorded intangible impairment charges of $3,820 in its North America segment. Based on a discounted cash flow analysis it was determined that these intangible assets exceeded their fair value and impairment charges were recorded.

The following table presents intangible assets, which are amortized on a straight line basis, and accumulated amortization balances of the Company as of December 31, 2008 and 2009, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Customer contracts	$ 156,039	$ (78,100)	$ 77,939	7 to 9 years
Customer relationships	169,105	(33,669)	135,436	15 to 20 years
Developed technology	6,421	(2,204)	4,217	5 to 12 years
Trademarks and tradenames	1,700	(306)	1,394	12 to 20 years
Other	11,358	(2,891)	8,467	
Balance at December 31, 2008	$ 344,623	$ (117,170)	$ 227,453	
Developed technology	$ 3,335	$ (1,479)	$ 1,856	5 to 12 years
Other	8,986	(293)	8,693	
Balance at December 31, 2009	$ 12,321	$ (1,772)	$ 10,549	

Amortization expense totaled $31,850 for 2007, $30,996 for 2008, and $14,976 for 2009. Estimated amortization expense will total approximately $740 over each of the next five years.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Note 10. Debt

Outstanding debt consisted of the following at December 31, 2008 and 2009:

	December 31, 2008	December 31, 2009	
Senior Notes	$ 200,000	$	(a)
Senior Subordinated Notes	323,350		(a)
Term Loan A	25,036		(a)
Term Loan B	66,365		(a)
Term Loan C	165,805		(a)
Term Loan D	184,300		(a)
Term Loan E	88,458		(a)
Revolving Credit Facility	60,933		
DIP Financing		175,000	
Capital leases and other borrowings	29,848	29,263	
Total debt	1,144,095	204,263	
Less: Current portion of long term debt	(94,136)	(18,204)	
DIP financing		(175,000)	
Total long-term debt	$ 1,049,959	$ 11,059	

(a) Debt in default is classified as liabilities subject to compromise.

General

During the first quarter of 2008, the Company purchased and retired $7,150 of its $330,500 outstanding Senior Subordinated Notes on the open market. The purchase was accounted for as an extinguishment of debt and, accordingly, $1,696 was recognized as a gain on debt extinguishment, after writing off the related unamortized debt issuance costs. The gain is included in other income (expense) in the consolidated statement of operations.

During the second quarter of 2009, the Company purchased and retired $10,000 of its $323,350 outstanding Senior Subordinated Notes on the open market. The purchase was accounted for as an extinguishment of debt and, accordingly, $9,096 was recognized as a gain on debt extinguishment, after writing off the related unamortized debt issuance costs. The gain is included in other income (expense) in the consolidated statement of operations.

The Company had $28,067 of standby letters of credit outstanding under the Revolving Credit Facility as of December 31, 2009.

Default under the Notes and Forbearance Agreements

On June 15, 2009, the Company did not make required interest payments in an aggregate amount of approximately $20,121 due and payable under the Senior Notes and the Senior Subordinated Notes issued by CSA U.S. The Company announced that it would utilize the applicable 30-day grace period on these scheduled interest payments to allow the Company to continue discussions with its lenders and other parties in an effort to increase liquidity and improve the Company s capital structure. The failure to make the scheduled interest payments did not constitute an event of default at such time under the indentures governing the Notes. However, the failure to make the scheduled interest payments after the expiration of the 30-day grace period did constitute

COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

an event of default under the indentures. On July 15, 2009, the Company entered into (i) Senior Notes Forbearance Agreements (the Senior Notes Forbearance Agreements) with holders of more than 75% the aggregate principal amount of the outstanding Senior Notes and (ii) a Senior Subordinated Notes Forbearance Agreement (the Senior Subordinated Notes Forbearance Agreement and together with the Senior Notes Forbearance Agreements, the Forbearance Agreements) with holders of a majority of the aggregate principal amount of the outstanding Senior Subordinated Notes. The Forbearance Agreements provided that the noteholders party to the Forbearance Agreements would not exercise, and would not direct the applicable trustee to exercise, any remedies under the indenture agreements for a defined period of time not to exceed August 14, 2009 with respect to certain defaults resulting from the failure to make the interest payments under the Notes.

Default under the Prepetition Credit Agreement and Limited Waiver

As the event of default under the indentures governing the Notes resulted in a cross-default under the Company s Prepetition Credit Agreement, the Company obtained a limited waiver from a majority of the lenders party thereto on July 15, 2009. Under the limited waiver, as amended and restated, certain defaults resulting from the failure to make the interest payments on the Notes as described above were waived for a defined period of time not to exceed August 14, 2009.

Bankruptcy Cases

The filing of the Chapter 11 Cases by the Debtors on August 3, 2009 constituted a default or otherwise triggered repayment obligations under substantially all prepetition debt obligations of the Debtors, and as a result, the loan commitments of the lenders under the Prepetition Credit Agreement were terminated (including the availability under the revolving credit facility, including with respect to standby letters of credit) and all principal and accrued and unpaid interest outstanding under the Prepetition Credit Agreement, the Senior Notes and the Senior Subordinated Notes accelerated and became due and payable (subject to the automatic stay under chapter 11). Under chapter 11, the filing of a bankruptcy petition automatically stays most actions against a debtor, including actions with respect to prepetition claims and litigation. Absent an order of the Bankruptcy Court, substantially all prepetition liabilities are subject to compromise under a chapter 11 plan of reorganization. As of the date of the filing of the Chapter 11 Cases, approximately $608,000 of principal and accrued and unpaid interest was outstanding under the Prepetition Credit Agreement, approximately $208,800 of principal and accrued and unpaid interest was outstanding under the Senior Notes and approximately $329,900 of principal and accrued and unpaid interest was outstanding under the Senior Subordinated Notes.

DIP Credit Agreement

On August 5, 2009, the Bankruptcy Court entered an interim order approving debtor-in-possession financing on an interim basis. Pursuant to this interim order, the Company entered into a Debtor-in-Possession Credit Agreement, dated as of August 5, 2009 (the Initial DIP Credit Agreement), among the Company, CSA U.S., and CSA Canada, various lenders party thereto, Deutsche Bank Trust Company Americas, as administrative agent and collateral agent, Banc of America Securities LLC, General Electric Corporation and UBS Securities LLC, as co-syndication agents, Deutsche Bank Trust Company Americas, as documentation agent, Deutsche Bank Securities Inc. and General Electric Capital Corporation, as joint lead arrangers and book runners, and Banc of America Securities LLC and UBS Securities LLC, as co-arrangers. The Company received final approval of the Initial DIP Credit Agreement from the Bankruptcy Court on September 1, 2009. The Company received approval of the Initial DIP Credit Agreement from the Canadian Court on August 6, 2009. The Initial DIP Credit Agreement was amended on August 31, 2009 and September 11, 2009. Both amendments primarily updated some post-closing non-U.S. collateral delivery requirements. In addition, on December 2, 2009, Metzeler

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(Dollar amounts in thousands except per share amounts)

Automotive Profile Systems GmbH, a German limited liability company (the German Borrower and together with CSA U.S. and CSA Canada, the DIP Borrowers), became an additional borrower under the Initial DIP Credit Agreement. Under the Initial DIP Credit Agreement, the DIP Borrowers borrowed an aggregate of $175,000 principal amount of superpriority senior secured term loans in order to finance their operating, working capital and other general corporate needs (including the payment of fees and expenses in accordance with the orders of the Bankruptcy Court and the Canadian Court authorizing such borrowings). The Initial DIP Credit Agreement also provided for an ability to incur up to an aggregate of $25,000 in uncommitted incremental debt.

In order to refinance the Initial DIP Credit Agreement on terms more favorable to the Company, on December 18, 2009 the Company entered into a Debtor-in-Possession Credit Agreement (the DIP Credit Agreement), among the Company, the DIP Borrowers, various lenders party thereto, Deutsche Bank Trust Company Americas, as the administrative agent (in such capacity, the DIP Agent), collateral agent and documentation agent, and Deutsche Bank Securities Inc., as syndication agent, sole lead arranger and book runner. Under the DIP Credit Agreement, the lenders party thereto committed to provide superpriority senior secured term loans to the DIP Borrowers in an aggregate principal amount of up to $175,000 (the DIP Facility), subject to certain conditions. The DIP Credit Agreement also provides for an additional uncommitted $25,000 incremental facility, for a total DIP Facility of up to $200,000 (if the incremental facility is requested and committed to by the requisite lenders).

On December 29, 2009, the Bankruptcy Court entered a final order approving the DIP Credit Agreement (and related loan documentation) and the borrowings thereunder. Funding under the DIP Credit Agreement occurred on December 30, 2009, whereby (i) $75,000 was borrowed by CSA U.S., (ii) $50,000 was borrowed by CSA Canada and (iii) $50,000 was borrowed by the German Borrower. All of the proceeds of the borrowings under the DIP Facility, together with cash on hand of the DIP Borrowers, were used to repay all borrowings and amounts outstanding under the Initial DIP Credit Agreement, and to pay related fees and expenses.

The obligations of the DIP Borrowers under the DIP Credit Agreement are guaranteed by the Company and certain of its U.S. and foreign subsidiaries, subject to limitations on guarantees by foreign entities of the obligations of the DIP Borrowers. The obligations under the DIP Credit Agreement and related guarantees are secured by liens on the assets of the Company, the DIP Borrowers and certain of the Company s U.S. and foreign subsidiaries, subject to limitations on liens granted by foreign entities supporting certain of the obligations of the DIP Borrowers and guarantors. Liens under the DIP Credit Agreement have first priority priming status with respect to substantially all of the assets of the Company, the DIP Borrowers and their subsidiaries in the United States and Canada and are entitled to superpriority administrative expense claim status in the Chapter 11 Cases.

Loans under the DIP Credit Agreement bear interest at a rate per annum equal to (i) LIBOR (with a LIBOR floor of 2%) plus 6% or (ii) a base rate based on the higher of the federal funds overnight rate plus 0.5% and the prime lending rate (with a floor of 3%) plus 5%. Overdue principal and interest bear interest at a default rate of 2% over the applicable rate as determined under the terms of the DIP Credit Agreement. In addition, the DIP Credit Agreement obligates the DIP Borrowers to pay an agency fee and an extension fee to the DIP Agent.

Loans under the DIP Credit Agreement will amortize at a rate of 1% per annum, payable in quarterly installments. The outstanding principal amount of the loans under the DIP Credit Agreement, plus accrued and unpaid interest thereon, will be due and payable in full at maturity, which is the earliest of: (i) August 4, 2010, (ii) the first date on which both a plan of reorganization for each of the Company and its U.S. subsidiaries, which is confirmed by the Bankruptcy Court, and a plan of compromise or arrangement of CSA Canada, which is confirmed by the Canadian Court, in each case providing for the repayment of the obligations under the DIP Credit Agreement, become effective, and (iii) the acceleration of the DIP Facility or termination of the

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commitments thereunder, including, without limitation, as a result of the occurrence of an event of default. With the consent of the requisite lenders and payment of an extension fee equal to 1% of the outstanding loans and commitments, the DIP Borrowers may at their option extend the maturity date by 90 days if no default exists or would result therefrom. Loans under the DIP Credit Agreement may be prepaid by the DIP Borrowers at any time in whole or in part without premium or penalty (except for customary breakage costs).

The DIP Credit Agreement includes affirmative and negative covenants that will impose substantial restrictions on the financial and business operations of the Company and its subsidiaries, including their ability to incur and secure debt, make investments, sell assets, pay dividends or make acquisitions. The DIP Credit Agreement also contains certain financial covenants including (i) the achievement of a minimum amount of consolidated EBITDA, (ii) the maintenance of a minimum amount of liquidity and (iii) limitations on the amount of capital expenditures. The DIP Credit Agreement also contains various events of default that are customary for debtor-in-possession financings of this type.

Amendments to the Prepetition Credit Agreement

The Company, CSA U.S., CSA Canada and Cooper-Standard Automotive International Holdings B.V., a corporation organized under the laws of the Netherlands (the Dutch Borrower and together with CSA U.S, and CSA Canada, the Prepetition Borrowers), entered into the Fifth Amendment and Consent to Credit Agreement, dated July 14, 2009 (the Fifth Amendment to the Prepetition Credit Agreement), with the lenders party thereto and the Prepetition Agent (as defined below), providing for the amendment of the Company s existing Credit Agreement, dated as of December 23, 2004 (as amended from time to time, the Prepetition Credit Agreement), to permit, (i) the incurrence of the loans and guarantees and the granting of liens on the assets of the Company and its subsidiaries, pursuant to the Initial DIP Credit Agreement and (ii) the Prepetition Credit Agreement administrative agent s entering into intercreditor agreements and/or amendments to the security and pledge agreements that secure the obligations under the Prepetition Credit Agreement to provide that any liens incurred pursuant to the Initial DIP Credit Agreement will have priority over the liens under the Prepetition Credit Agreement. The Prepetition Credit Agreement was amended on December 16, 2009 in connection with the refinancing of the Initial DIP Credit Agreement in the same manner as provided by the Fifth Amendment to the Prepetition Credit Agreement except in respect of the DIP Credit Agreement. In addition, the Prepetition Credit Agreement was amended on August 18, 2009 to amend and define certain rights and allocations among the lenders party thereto.

Other borrowings at December 31, 2008 and 2009 reflect borrowings under capital leases and local bank lines, including $11,809 and $15,075 of short-term notes payable, respectively, classified in debt payable within one year on the consolidated balance sheet.

The maturities of debt at December 31, 2009 are as follows:

2010	$ 196,140
2011	3,270
2012	2,979
2013	637
2014	358
Thereafter	879

	$ 204,263

Interest paid on third party debt was $91,764, $95,419 and $57,851 for 2007, 2008, and 2009, respectively.

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Note 11. Pensions

The Company maintains defined benefit pension plans covering substantially all employees located in the United States. Benefits generally are based on compensation, length of service and age for salaried employees and on length of service for hourly employees. The Company s policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. The Company also sponsors defined benefit pension plans for employees in some of its international locations.

The Company also sponsors defined contribution pension plans for certain salaried and hourly U.S. employees of the Company. Participation is voluntary. The Company matches contributions of participants, up to various limits based on its profitability, in substantially all plans. Matching contributions under these plans totaled $3,872 in 2007, $2,549 in 2008 and $602 in 2009.

The following tables disclose information related to the Company s defined benefit pension plans.

	2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Change in projected benefit obligation:				
Projected benefit obligations at beginning of period	$ 255,959	$ 142,742	$ 251,791	$ 113,484
Measurement change service and interest cost	6,393	1,046		
Service cost employer	10,131	3,439	2,826	2,292
Participant contributions		35		
Interest cost	15,516	7,634	15,146	7,146
Actuarial (gain) loss	3,965	(18,968)	18,509	9,071
Amendments	66		(227)	
Benefits paid	(19,767)	(9,384)	(17,294)	(11,721)
Foreign currency exchange rate effect		(14,144)		7,763
Curtailment/Settlements	(20,472)	(305)		361
Acquisitions of MAPS & El Jarudo		410		
Other		979		(5)
Projected benefit obligations at end of period	$ 251,791	$ 113,484	$ 270,751	$ 128,391
Change in plans assets:				
Fair value of plans assets at beginning of period	$ 225,006	$ 62,318	$ 162,645	$ 41,122
Actual return on plans assets	(59,701)	(10,552)	31,414	6,203
Employer contributions	17,107	9,340	9,801	8,826
Participant contributions		35		
Benefits paid	(19,767)	(9,384)	(17,294)	(11,721)
Foreign currency exchange rate effect		(11,208)		6,320
Other		573		(4)
Fair value of plans assets at end of period	$ 162,645	$ 41,122	$ 186,566	$ 50,746
Funded status of the plans	$ (89,146)	$ (72,362)	$ (84,185)	$ (77,645)

Amounts recognized in the balance sheets:				
Accrued liabilities (current)	$ (210)	$ (4,897)	$ (12,847)	$ (4,418)
Pension benefits (long term)	(88,936)	(72,689)	(71,338)	(77,598)
Other assets		5,224		4,371
Net amount recognized at December 31	$ (89,146)	$ (72,362)	$ (84,185)	$ (77,645)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Included in cumulative other comprehensive loss at December 31, 2009 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of $ 1,742 ($1,720 net of taxes), unrecognized actuarial losses of $68,570 ($67,539 net of tax) and net transition obligation of $239 ($169 net of tax).

The amounts included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2010 are $186, $3,495 and $16, respectively.

The accumulated benefit obligation for all domestic and international defined benefit pension plans was $249,478 and $108,251 at December 31, 2008 and $268,911 and $123,131 at December 31, 2009, respectively. As of December 31, 2008, the fair value of plan assets for two of the Company s defined benefit plans exceeded the projected benefit obligation of $27,588 by $5,224. As of December 31, 2009, the fair value of plan assets for two of the Company s defined benefit plans exceeded the projected benefit obligation of $45,920 by $4,371.

During 2008, the Company froze the defined benefits for the US Salaried Plan which resulted in a curtailment gain that reduced the projected benefit obligation for 2008.

Weighted average assumptions used to determine benefit obligations at December 31:

	2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	6.18%	6.35%	5.79%	5.66%
Rate of compensation increase	3.25%	3.22%	3.25%	3.46%

The following table provides the components of net pension expense for the plans:

	2007		2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 12,030	$ 5,500	$ 10,131	$ 3,439	$ 2,826	2,292
Interest cost	14,390	5,778	15,516	7,634	15,146	7,146
Expected return on plan assets	(16,940)	(3,712)	(18,151)	(4,144)	(13,118)	(2,988)
Amortization of prior service cost, recognized actuarial loss and transition obligation	240	503	191	453	3,840	201
Curtailment gain/settlement		(5,231)			(159)	(261)
Other			140	(56)		
Net periodic benefit cost	$ 9,720	$ 2,838	$ 7,827	$ 7,326	$ 8,535	$ 6,390

A curtailment gain of ($779) for the year ended December 31, 2009 included in the table above for one of the Company s international locations was recorded as a reduction to restructuring expense.

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Weighted-average assumptions used to determine net periodic benefit costs for the years ended December 31 were:

	2007		2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.75%	4.90%	6.25%	5.53%	6.18%	6.02%
Expected return on plan assets	8.50%	8.00%	8.00%	6.92%	8.00%	7.11%
Rate of compensation increase	3.25%	3.44%	3.25%	3.14%	3.25%	3.34%

To develop the expected return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The weighted average asset allocations for the Company s pension plans at December 31, 2008 and 2009 by asset category are approximately as follows:

	2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Equity securities	37%	45%	41%	53%
Debt securities	28%	54%	23%	47%
Real Estate	5%	0%	3%	0%
Balanced funds(1)	29%	0%	31%	0%
Cash and cash equivalents	1%	1%	2%	0%
	100%	100%	100%	100%

(1) Invested primarily in equity, fixed income and cash instruments.

Equity security investments are structured to achieve an equal balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. This computed rate of return is reviewed by the Company s investment advisors and actuaries. Industry comparables and other outside guidance is also considered in the annual selection of the expected rates of return on pension assets.

Plan Assets

Investments in equity securities and debt securities are valued at fair value using a market approach and observable inputs, such as quoted market prices in active markets (Level 1 input based on the GAAP fair value hierarchy). Investments in Balanced Funds are valued at fair value using a market approach and inputs that are directly or indirectly observable (Level 2 input based on the GAAP fair value hierarchy). Investments in Real Estate funds are valued at fair value based on appraisals for each investment fund. The appraisals are considered an unobservable input (Level 3 input based on the GAAP fair value hierarchy). The Company s plan assets include investments in real estate funds of $6,003 as of December 31, 2009. For the year ended December 31, 2009, changes in the fair value of these plan assets were due to unrealized losses of $2,745. For further information on the GAAP fair value hierarchy, see Note 21. Fair Value of Financial Instruments.

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The Company estimates its benefit payments for its domestic and foreign pension plans during the next ten years to be as follows:

	U.S.	Non-U.S.	Total
2010	$ 20,799	$ 7,614	$ 28,413
2011	14,930	7,424	22,354
2012	15,465	7,313	22,778
2013	15,828	8,400	24,228
2014	16,151	8,285	24,436
2015-2019	88,588	45,048	133,636

The Company estimates it will make cash contributions of approximately $14,800 to its pension plans in 2010.

Note 12. Postretirement Benefits Other Than Pensions

The Company provides certain retiree health care and life insurance benefits covering substantially all U.S. salaried and certain hourly employees and employees in Canada. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Independent actuaries determine postretirement benefit costs for each applicable subsidiary of the Company. The Company s policy is to fund the cost of these postretirement benefits as these benefits become payable.

The following tables disclose information related to the Company s postretirement benefit plans.

	2008		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Change in benefit obligation:				
Benefit obligations at beginning of year	$ 66,787	$ 14,084	$ 58,905	$ 9,569
Measurement change service and interest cost	1,293	354		
Service cost	1,471	654	1,307	446
Interest cost	3,751	760	3,493	796
Actuarial loss (gain)	(5,516)	(3,463)	(2,228)	749
Benefits paid	(2,610)	(475)	(2,073)	(486)
Curtailment gain			(2,433)	(748)
Plan change	(6,271)		(94)	
Other			159	338
Foreign currency exchange rate effect		(2,345)		1,664
Benefit obligation at end of year	$ 58,905	$ 9,569	$ 57,036	$ 12,328
Funded status of the plans	$ (58,905)	$ (9,569)	$ (57,036)	$ (12,328)
Net amount recognized at December 31	$ (58,905)	$ (9,569)	$ (57,036)	$ (12,328)

Included in cumulative other comprehensive loss at December 31, 2009 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of $ 11,071 ($11,319 net of tax) and unrecognized actuarial gains of $26,316 ($25,889 net of tax). The amounts included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2010 are ($1,822) and ($1,527), respectively.

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During 2008 plan changes were made to four of the plans. These changes resulted in a decrease of $6,271 in projected benefit obligation at December 31, 2008.

The following table provides the components of net periodic expense for the plans:

	2007	2008	2009
Service cost	$ 2,509	$ 2,125	$ 1,753
Interest cost	4,901	4,511	4,289
Amortization of prior service credit and recognized actuarial gain	(908)	(2,895)	(3,290)
Curtailment gain			(3,404)
Other			160
Net periodic benefit cost	$ 6,502	$ 3,741	$ (492)

The curtailment gain for the year ended December 31, 2009 in the table above was recorded as a reduction to restructuring expense.

The weighted average assumed discount rate used to determine domestic benefit obligations was 6.10% and 5.80% at December 31, 2008 and 2009, respectively. The weighted-average assumed discount rate used to determine domestic net periodic expense was 5.75%, 6.25%, and 6.10% for 2007, 2008, and 2009, respectively.

The weighted average assumed discount rate used to determine international benefit obligations was 7.50% and 6.80% at December 31, 2008 and 2009, respectively. The weighted-average assumed discount rate used to determine domestic net periodic expense was 5.25%, 5.50%, and 7.50% for 2007, 2008, and 2009, respectively.

At December 31, 2009, the weighted average assumed annual rate of increase in the cost of health care benefits (health care cost trend rate) was 8.82% for 2010 for the U.S. and 9.0% for Non-U.S. with both grading down over time to 5.0% in 2018. A one-percentage point change in the assumed health care cost trend rate would have had the following effects:

	Increase	Decrease
Effect on service and interest cost components	$ 301	$ (241)
Effect on projected benefit obligations	2,609	(2,152)

The Company estimates its benefit payments for its postretirement benefit plans during the next ten years to be as follows:

	U.S.	Non-U.S.	Total
2010	$ 3,072	$ 546	$ 3,618
2011	3,257	551	3,808

2012	3,391	561	3,952
2013	3,520	584	4,104
2014	3,643	589	4,232
2015 - 2019	20,537	3,194	23,731

Other post retirement benefits recorded in our consolidated balance sheets include $11,725 and $10,429 as of December 31, 2008 and 2009, respectively, for termination indemnity plans for two of our European locations.

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Note 13. Income Taxes

Components of the Company s income (loss) before income taxes and adjustment for non-controlling interests are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Domestic	$ (182,579)	$ (124,515)	$ (285,177)
Foreign	65,119	31,290	(126,697)
	$ (117,460)	$ (93,225)	$ (411,874)

The Company s provision (benefit) for income taxes consists of the following:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Current			
Federal	$ 5,047	$ 2,293	$ (7,267)
State	212	701	417
Foreign	28,983	12,256	(12,039)
Deferred			
Federal			
State	(954)		
Foreign	(342)	14,045	(36,797)
	$ 32,946	$ 29,295	$ (55,686)

The following schedule reconciles the United States statutory federal rate to the income tax provision:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Tax at U.S. statutory rate	$ (41,111)	$ (32,629)	$ (144,156)
State and local taxes	(4,732)	(1,359)	(5,999)
Tax credits	(9,675)	(6,995)	(11,433)
Goodwill Impairment	50,024	8,099	50,712
Worthless security deduction	(23,947)		
Liquidation of foreign subsidiary		17,703	
US-Canada APA Settlement			7,132

Effect of tax rate changes	4,891	(1,304)	(260)
Foreign withholding taxes	5,176	2,529	861
Effect of foreign tax rates	(4,130)	(6,828)	(1,141)
Valuation allowance	51,788	45,154	39,898
Other, net	4,662	4,925	8,700
Income tax provision (benefit)	$ 32,946	$ 29,295	$ (55,686)
Effective income tax rate	(28.0)%	(31.4)%	13.5%

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Payment for income taxes net of refunds in 2007, 2008, and 2009 was $20,622, $25,797 and ($1,006) respectively. These amounts do not include any payments or refunds of income taxes related to the US-Canada Advanced Pricing Agreement settlement.

Deferred tax assets and liabilities reflect the estimated tax effect of accumulated temporary differences between the basis of assets and liabilities for tax and financial reporting purposes, as well as net operating losses, tax credit and other carryforwards. Significant components of the Company s deferred tax assets and liabilities at December 31 are as follows:

	2008	2009
Deferred tax assets:		
Postretirement and other benefits	$ 73,339	$ 68,398
Capitalized expenditures	12,765	10,892
Net operating loss and tax credit carryforwards	179,923	193,817
All other items	38,741	36,518
Total deferred tax assets	304,768	309,625
Deferred tax liabilities:		
Property, plant and equipment	(39,071)	(38,990)
Intangibles	(77,098)	
All other items	(2,497)	(12,129)
Total deferred tax liabilities	(118,666)	(51,119)
Valuation allowances	(175,215)	(210,650)
Net deferred tax assets (liabilities)	$ 10,887	$ 47,856

The net deferred taxes in the consolidated balance sheet are as follows:

	2008	2009
Current Assets	$ 9,078	$ 7,239
Non-Current Assets	32,508	58,555
Current Liabilities	(2,434)	(10,063)
Non-Current Liabilities	(28,265)	(7,875)
	$ 10,887	$ 47,856

At December 31, 2009, the U.S. has operating loss carryforwards of $83,400 with expiration dates beginning in 2027. The Company s foreign subsidiaries, primarily in France, Brazil, Germany, UK and Australia, have operating loss carryforwards aggregating $124,500 with indefinite expiration periods while Spain has an operating loss carryforward of $14,700 with expiration dates beginning in 2010. Other foreign subsidiaries in China, India, Mexico, Italy, the Netherlands, Belgium, Czech Republic and Korea have operating losses aggregating $64,900, with expiration dates beginning in 2013. The Company s Polish subsidiaries have special economic zone credits totaling $26,200. The Company s Czech Republic subsidiary has an income tax incentive totaling $5,800. The U.S. foreign tax credit and research tax credit carryforwards are $36,400 and $16,700 respectively, with expiration dates beginning in 2015 and 2023. The Company and its domestic subsidiaries have anticipated tax benefits of state net operating losses and credit carryforwards of $22,000 with expiration dates beginning in 2010.

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During 2009, due to our recent operating performance in the United States and current industry conditions, we continued to assess, based upon all available evidence, that it was more likely than not that we would not realize our U.S. deferred tax assets. During 2009, our U.S. valuation allowance increased by $33,100, primarily related to operating losses incurred in the United States during 2009, offset by reductions in tax attributes resulting from the settlement of the U.S. and Canadian Advanced Pricing Agreement. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in the Company s effective tax rate. The Company will maintain a full valuation allowance against our deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them. Effective January 1, 2009, with the adoption of ASC Topic 805 the benefit of the reversal of the valuation allowances on pre-acquisition contingencies will be included as a component of income tax expense.

Deferred income taxes have not been provided on approximately $300,000 of undistributed earnings of foreign subsidiaries as such amounts are considered permanently reinvested. It is not practical to estimate any additional income taxes and applicable withholding taxes that would be payable on remittance of such undistributed earnings.

Under the terms of the Stock Purchase Agreement with Cooper Tire, the Company is indemnified against substantially all contingent income tax liabilities related to periods prior to the 2004 Acquisition. During March 2008 the Company became aware of a potentially favorable settlement of the pending bi-lateral Advance Pricing Arrangement (APA) negotiations between the United States (US) and Canada relating to the periods 2000 2007. Agreement between the two governments will impact transfer pricing matters between the Company and its wholly owned Canadian subsidiary. In March 2009, the US and Canadian governments signed Mutual Agreement Letters agreeing to the terms of the bi-lateral APA. On June 23, 2009, the final Canadian bi-lateral Advance Pricing Agreement with the Company was completed and signed. The settlement of the bi-lateral APA results in income tax refunds to Cooper-Standard Automotive Canada for the years 2000 2007 of up to $88,000 Canadian dollars. Under the terms of the Stock Purchase Agreement with Cooper Tire and Rubber Company (CTR) dated September 16, 2004, CTR has a claim against the Company for the amount of tax refunds received by Cooper-Standard Automotive Canada relating to the years 2000 2004. Refunds received from the Canadian government will be based on the preparation of amended tax returns for the years 2000 2007. The settlement of the APA should also result in a corresponding increase to the US taxable income of CSA for the years 2005 2007, but is not expected to result in any significant cash payment as the increased U.S. tax liability will be largely offset by existing tax credit carryforwards. On July 27, 2009, Cooper Standard Automotive Canada received approximately CAD $80,000 which represented the federal portion of the expected refunds plus interest as a result of settlement of the Canadian APA.

The Company, CSA U.S. and CSA Canada (collectively, the Defendants) were named as defendants in an adversary proceeding (Case No. 09-52014 (PJW)) initiated by Cooper Tire & Rubber Company and Cooper Tire Rubber & Company UK Limited (together, CTR) in the Bankruptcy Court on August 19, 2009 (the CTR Adversary Proceeding). CTR s complaint had sought a declaratory judgment that CTR was entitled to a portion of the CAD$80,000 tax refund received by CSA Canada from the Canadian government on July 27, 2009 and a portion of all future refunds received by CSA Canada, in each case relating to the period prior to the Company s 2004 Acquisition. CTR also sought imposition of a resulting trust or, in the alternative, a constructive trust in favor of CTR and turnover of the portion of the Canadian income tax refunds attributable to the years 2000 through 2004. On September 29, 2009, the Canadian Court issued an order lifting the stay in the Canadian Proceedings to allow CTR to commence proceedings against CSA Canada in the Chapter 11 Cases and ordering all income tax refunds received by CSA Canada after September 29, 2009 be segregated immediately upon receipt and not disbursed, encumbered or otherwise dealt with in any way until further order of the Canadian Court. On October 5, 2009, CTR filed an amended complaint in the adversary proceeding against the Company,

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CSA U.S. and CSA Canada. It is the Company s belief that CTR s right to tax refunds for pre-acquisition periods is that of a general unsecured creditor and is subject to the general rules and processes of the Chapter 11 Cases. In connection with the CTR Adversary Proceedings, the Defendants, CTR and the Creditors Committee entered into an Agreement Concerning Terms and Conditions of a Compromise and Settlement, dated March 17, 2010 (the CTR Settlement Agreement). Under the terms of the CTR Settlement Agreement, which is subject to Bankruptcy Court approval CTR agreed to dismiss its complaint in the Bankruptcy Court with prejudice and claim no further entitlement to the tax refunds. The Defendants agreed to, among other things, (i) pay CTR approximately $17,600 in cash and (ii) to obtain a release of CTR s obligations in connection with a guarantee of one of the Company s leases or, alternatively, provide a letter of credit in favor of CTR, in the initial amount of $7,000 (but declining by $1,000 per year for seven years) to reimburse CTR for any amounts that it is required to pay the Company s landlord on account of such guarantee. The Defendants and CTR have also granted general mutual releases to each other with respect to claims and liabilities under the purchase agreement governing the 2004 Acquisition and other claims and liabilities, subject to certain exceptions relating to certain continuing indemnification obligations. As noted above, the effectiveness of the CTR Settlement Agreement is subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing on April 15, 2010 to consider the settlement.

At December 31, 2009, the Company has $3,218 ($3,654 including interest and penalties) of total unrecognized tax benefits. Of this total, $1,236 represents the amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate. The total unrecognized tax benefits differ from the amount which would effect the effective tax rate due to the impact of valuation allowances and the impact of Cooper Tire indemnifying substantially all income tax liabilities resulting from periods prior to the 2004 Acquisition.

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

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Balance as of January 1	$ 4,021	$ 3,930	$ 4,728
Tax Positions related to the current period			
Gross Additions	568	411	255
Gross Reductions			
Tax Positions related to prior years			
Gross Additions	167	1,127	
Gross Reductions		(244)	(1,086)
Settlements	(362)	(32)	(59)
Lapses on Statutes of Limitations	(464)	(464)	(620)
Balance as of December 31	$ 3,930	$ 4,728	$ 3,218

The Company, or one of its subsidiaries, files income tax returns in the United States and other foreign jurisdictions. Under the terms of the Stock Purchase Agreement with Cooper Tire, the Company is indemnified against substantially all income tax liabilities related to periods prior to the 2004 Acquisition. Subsequently, in the United States, all Internal Revenue Service examinations prior to the 2004 Acquisition are the responsibility of Cooper Tire; therefore the Company is not subject to U.S. federal, state, or local tax examinations for years ending December 23, 2004 and prior. The Internal Revenue Service (IRS) completed an examination of the Company s U.S. income tax returns for 2005 and 2006 during 2009. The only material adjustments were those related to the US and Canada Advanced Pricing Agreement. It is anticipated that an examination of the Company s U.S. income tax returns for 2007 and 2008 will begin during Q1 of 2010. The Company s foreign

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subsidiaries are legally required to comply with the statute of limitations in each jurisdiction; however the Company is indemnified against substantially all income tax liabilities that may result from periods prior to the 2004 Acquisition. The Company s major foreign jurisdictions are Brazil, Canada, France, Germany, Italy, Mexico and Poland. The Company is no longer subject to income tax examinations in major foreign jurisdictions for years prior to 2002.

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

The Company classifies all tax related interest and penalties as income tax expense. At December 31, 2009, the Company has recorded $436 in liabilities for tax related interest and penalties on its Consolidated Balance Sheet.

Note 14. Lease Commitments

The Company rents certain manufacturing facilities and equipment under long-term leases expiring at various dates. Rental expense for operating leases was $22,303, $23,331, and $21,570 for 2007, 2008, and 2009.

Future minimum payments for all non-cancelable operating leases are as follows:

2010	$ 14,546
2011	12,097
2012	9,715
2013	8,527
2014	6,713
Thereafter	19,981

Note 15. Accumulated Other Comprehensive Income (Loss)

Cumulative other comprehensive income (loss) in the accompanying balance sheets consists of:

	2007	**2008**	**2009**
Cumulative currency translation adjustment	$ 57,505	$ (1,424)	$ 24,474
Benefit plan liability	23,977	(28,540)	(33,159)
Tax effect	916	(181)	939
Net	24,893	(28,721)	(32,220)
Fair value change of derivatives	(16,748)	(32,685)	(22,742)
Tax effect	3,338	3,294	(549)
Net	(13,410)	(29,391)	(23,291)
	$ 68,988	$ (59,536)	$ (31,037)

The adoption of ASC Topic 810 resulted in the reclassification of amounts previously attributable to minority interest (now referred to as noncontrolling interest) to a separate component of stockholders equity on the accompanying consolidated balance sheets. Additionally, net income attributable to noncontrolling interests is shown separately from net income in the consolidated statement of operations. This reclassification has no effect on our previously reported results of operations.

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Note 16. Contingent Liabilities

Employment Contracts

The Company has employment arrangements with certain key executives that provide for continuity of management. These arrangements include payments of multiples of annual salary, certain incentives, and continuation of benefits upon the occurrence of specified events in a manner that is believed to be consistent with comparable companies.

Unconditional Purchase Orders

Noncancellable purchase order commitments for capital expenditures made in the ordinary course of business were \$12,593 and \$19,252 at December 31, 2008 and 2009, respectively.

Legal and Other Claims

The Company is periodically involved in claims, litigation, and various legal matters that arise in the ordinary course of business. In addition, the Company conducts and monitors environmental investigations and remedial actions at certain locations. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably with respect to the Company. A reserve estimate is established for each matter and updated as additional information becomes available. Based on the information currently known to us, we do not believe that the ultimate resolution of any of these matters will have a material adverse effect on our financial condition, results of operations, or cash flows.

Note 17. Other Income (Expense), net

The components of Other Income (Expense) for the years 2007, 2008, and 2009 are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2009
Foreign currency gains (losses)	$ (454)	$ (845)	$ 4,455
Gain on debt repurchase		1,696	9,096
Loss on disposal of fixed assets	(14)		
Interest rate swaps			(2,414)
Loss on sale of receivables		(2,219)	(1,218)
Other income (expense)	$ (468)	$ (1,368)	$ 9,919

Prior year amounts related to noncontrolling interest (minority interest) historically reflected as a component of other income (expense) have been reclassified to conform to current year presentation as required by ASC Topic 810. The adoption of ASC Topic 810 resulted in the reclassification of amounts being reported as minority interest, totaling \$587 and (\$1,069), for the years ended December 31, 2007 and 2008, respectively, being shown separately from net income (loss) in the accompanying consolidated statement of operations.

Note 18. Related Party Transactions

Sales to NISCO, a 50% owned joint venture, totaled \$30,941, \$26,658, and \$21,705, in 2007, 2008, and 2009, respectively. In 2008, the Company received from NISCO a dividend of \$5,000 all of which was related to earnings.

Purchases of materials from Guyoung Technology Co. Ltd, a 20% owned joint venture, totaled \$5,041, \$1,313 and \$4,204 in 2007, 2008 and 2009, respectively.

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In connection with the MAPS acquisition, the Company received $15,000 of capital contributions from each of its two Sponsors and their respective affiliates in 2007. The Company also paid $625 of transaction advisory fees to each of its two Sponsors in 2007.

Note 19. Capital Stock and Stock Options

In 2004, the Company was formed and was capitalized in conjunction with the 2004 Acquisition via the sale of 3,180,000 shares of common stock for $318,000 to affiliates of The Cypress Group L.L.C. and GS Capital Partners 2000, L.P., whom we refer to as our Sponsors . Pursuant to subscription agreements entered into as of August 27, 2007, the Company issued a total of 250,000 additional shares of common stock to its Sponsors for $30,000 which was invested by the Sponsors in connection with the financing of the Company s August 2007 acquisition of certain Metzeler Automotive Profile Systems sealing operations. Following the 2004 Acquisition and through December 31, 2007, five members of the board of directors and certain members of senior management purchased $4,910 of common stock. The Company repurchased $300 of common stock during 2005 from one such member of senior management whose employment with the Company terminated in 2005 and another $450 of common stock during 2007 from another such member of senior management whose employment with the Company terminated in 2006 and another $540 of common stock during 2008 from another such member of senior management whose employment with the Company terminated in 2007.

Effective as of the closing of the 2004 Acquisition, the Company established the 2004 Cooper-Standard Holdings Inc. Stock Incentive Plan, which permits the granting of nonqualified and incentive stock options, stock appreciation rights, restricted stock, and other stock-based awards to employees and directors. As of December 31, 2008 and 2009, the Company had 423,615 shares of common stock reserved for issuance under the plan, including outstanding options granted to certain employees and directors to purchase 192,615 and 168,017 shares of common stock, respectively, at a price of $100 per share, which was determined by the Company to be fair market value. In addition, there are also outstanding options granted to certain employees and directors to purchase 27,000 shares of common stock at a price of $120 per share. These options have a ten-year life. Of the options outstanding as of December 31, 2008 and 2009, options covering 165,239 and 140,641 shares of common stock, respectively, were granted upon the closing of the 2004 Acquisition or in the first year thereafter. During 2009, options covering 24,598 of these shares were forfeited. These options were issued prior to the effective date of ASC Topic 718 and therefore are accounted for in accordance with APB No. 25 and no stock compensation is required to be recognized. Of the 140,641 options outstanding at December 31, 2009, 108,326 are vested with a weighted average remaining contractual term of 5 years. A summary of option transactions for the years ended 2007, and 2008 for options that were granted after the effective date of ASC Topic 718 is shown below:

	2007		2008		2009	
	Options	Wtd. Avg. Ex. Price	Options	Wtd. Avg. Ex. Price	Options	Wtd. Avg. Ex. Price
Outstanding at Beginning of Year	4,025	$ 100.00	29,487	$ 100.00	54,376	$ 109.93
Granted	25,462	$ 100.00	27,000	$ 120.00		$
Cancelled		$	(655)	$ 100.00		$
Forfeited		$	(1,456)	$ 100.00		$
Outstanding at End of Year	29,487	$ 100.00	54,376	$ 109.93	54,376	$ 109.93
Exercisable at End of Year	4,264	$ 100.00	24,566	$ 108.01	38,960	$ 110.10

Weighted Average Fair Value of Options Granted	$ 46.02	$ 42.39	$
Weighted Average Remaining Contractual Life (years):			
Outstanding at End of Year	9.2	8.7	7.7
Exercisable at End of Year	9.2	8.6	7.8

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Stock compensation expense totaling $561, $635 and $699 has been recognized in 2007, 2008, and 2009, respectively for these options.

One-half of the options granted to employees in the initial one-year period following the 2004 Acquisition vest on a time basis, 20% per year over five years; the remaining one-half vest on a performance basis at a rate of between 0% and 20% per year, depending on the extent to which established performance targets are attained, with 85% attainment of performance targets being the threshold for any vesting. Performance-based options granted during this period are subject to certain acceleration provisions and, regardless of the achievement of performance targets in any year, may vest in full in the event of a transaction in which the Company s Sponsors realize an internal rate of return of at least 20% on their investment in the Company, or may vest in full 8 years following the date of grant if the compensation committee determines that certain accounting treatment would be required in the absence of such vesting. The same principles apply in the case of options granted after this initial period but before 2008, except that only the last three years of the five-year period applicable to options granted in the initial period are taken into account, and vesting occurs in increments of 33% rather than 20%. With respect to options granted in 2008, two-thirds of the options vest on a time basis at a rate of 50% per year over two years and the remaining one-third were eligible for vesting based on the performance of the Company in 2008. Options granted to employees covering 131,403 and 140,685 shares were vested as of December 31, 2008 and 2009, respectively. All of the options granted to directors vest on a time basis, 20% per year over five years in the case of options granted before 2008, and 50% per year over two years in the case of options granted in 2008. Options granted to directors covering an aggregate of 3,700 and 6,600 shares were vested as of December 31, 2008 and 2009, respectively.

The Company uses expected volatility of similar entities to develop the expected volatility. The expected option life was calculated using the simplified method. The risk free rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected option life, on the date the stock options were granted. Fair value for the shares that are accounted for under ASC Topic 718 was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2007	2008
Expected volatility	40.00%	34.00%
Dividend yield	0.00%	0.00%
Expected option life	6.0 years	5.5 years
Risk-free rate	4.50%	2.40% - 2.65%

No options were granted during 2009.

The Company also maintains a nonqualified Deferred Compensation Plan which allows eligible executives and directors to defer base pay, bonus payments and long-term incentive pay and have it allocated on a pre-tax basis to various investment alternatives and ultimately distributed to the executive at a designated time in the future. In December 2006, a new plan feature referred to as the Management Stock Purchase Plan was established which provides participants the opportunity to purchase Company stock units with income deferred under the deferred compensation plan at a price based on the fair value of Company common stock determined on a semi-annual basis by the compensation committee of the Company s board of directors. Purchased stock units are matched by the Company at year-end on a one-for-one basis, subject to plan provisions which allow for an annual cap on the aggregate number of matching stock units, which the compensation committee may apply in its discretion. On December 31, 2009, approximately 37,417 Company stock units at $50 per unit were outstanding under this plan, subject to certain adjustments based on net actual incentive payments. Approximately 18,658 of these stock units are matching stock units that generally vest ratably over a three year period. As of

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December 31, 2009, approximately 11,646 units were vested. In accordance with ASC Topic 718, for units granted to retirement eligible employees, compensation expense must be recognized immediately, since employees meeting eligibility for retirement would be immediately vested in this plan upon leaving employment. Compensation expense related to Company stock units equaled $988, $629, and $662, in 2007, 2008, and 2009, respectively.

Note 20. Business Segments

During 2007, the Company began managing its operations through three business segments: Body & Chassis Systems, Fluid Systems, and Asia Pacific. The Body & Chassis segment consisted mainly of body sealing products and components that protect vehicle interiors from weather, dust, and noise intrusion as well as systems and components that control and isolate noise vibration in a vehicle to improve ride and handling. The Fluid segment consisted primarily of subsystems and components that direct, control, measure, and transport fluids and vapors throughout a vehicle. The Asia Pacific segment consisted of both Body & Chassis and Fluid operations in that region with the exception of the Company s interest in a joint venture in China which was acquired as part of the MAPS acquisition, and the MAP India joint venture. These joint ventures were included in the Body & Chassis segment which was in line with the internal management structure. The Company continued to report its operating results in three business segments for all of 2008 and the first quarter of 2009.

On March 26, 2009, the Company announced the implementation of a plan involving the discontinuation of its global Body & Chassis and Fluid Systems operating divisions and the establishment of a new operating structure organized on the basis of geographic regions. Under the plan, the Company s operating structure as well as reporting segments, has changed, and the Company revised its segment disclosures beginning with the second quarter of 2009 from the three previously used reportable segments to two reportable segments, North America and International (comprising all of the Company s operations outside of North America). Prior periods have been revised to conform to the current period presentation. The Company recognized a charge of $7,800 and $18,656 in 2008 and 2009, related to this realignment. See Note 6. Restructuring for discussions on the restructuring. Due to this segment revision, the Company has also revised the previously reported amounts in Note 9, Goodwill and Intangibles, to conform to the new segment presentation.

ASC Topic 280, *Segment Reporting*, establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it operates in two segments.

The accounting policies of the Company s business segments are consistent with those described in Note 2. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest, and other shared costs. However, certain shared costs are not allocated to the segments and are included below in Eliminations and other. Intersegment sales are conducted at market prices. Segment assets are calculated based on a moving average over several quarters and exclude corporate assets, goodwill, intangible assets, deferred taxes, and certain other assets.

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(Dollar amounts in thousands except per share amounts)

The following table details information on the Company s business segments:

	For the Year Ended December 31, 2007	2008	2009
Sales to external customers			
North America	$ 1,526,458	$ 1,244,423	$ 910,306
International	984,695	1,350,154	1,034,953
Consolidated	$ 2,511,153	$ 2,594,577	$ 1,945,259
Intersegment sales			
North America	$ 5,528	$ 3,687	$ 4,377
International	12,363	11,585	5,467
Eliminations and other	(17,891)	(15,272)	(9,844)
Consolidated	$	$	$
Segment profit			
North America	$ (86,723)	$ (36,662)	$ (246,015)
International	(30,737)	(56,563)	(165,859)
Income before income taxes	$ (117,460)	$ (93,225)	$ (411,874)
Depreciation and amortization expense			
North America	$ 85,617	$ 77,135	$ 60,192
International	46,788	59,199	49,240
Eliminations and other	3,644	3,771	4,345
Consolidated	$ 136,049	$ 140,105	$ 113,777
Capital expenditures			
North America	$ 45,738	$ 27,565	$ 14,194
International	58,263	54,783	30,076
Eliminations and other	3,254	9,777	1,843
Consolidated	$ 107,255	$ 92,125	$ 46,113
Segment assets			
North America		$ 938,946	$ 694,442
International		791,531	877,971
Eliminations and other		87,774	164,994
Consolidated		$ 1,818,251	$ 1,737,407

Net interest expense (income) included in segment profit for North America totaled $40,430, $45,831 and $31,013 for the years ended December 31, 2007, 2008 and 2009, respectively. International totaled $49,147, $47,063 and $33,320 for the years ended December 31, 2007, 2008 and 2009, respectively.

Restructuring costs included in segment profit for North America totaled $9,360, $13,356 and $8,624 for the years ended December 31, 2007, 2008 and 2009, respectively. International restructuring costs totaled $17,026, $24,944 and $23,787 for the years ended December 31, 2007, 2008 and 2009, respectively.

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Geographic information for revenues, based on country of origin, and long-lived assets is as follows:

	2007	2008	2009
Revenues			
United States	$ 857,051	$ 668,500	$ 516,411
Canada	380,793	304,652	175,670
Mexico	288,614	271,271	218,225
Germany	324,305	440,393	277,859
Other	660,390	909,761	757,094
Consolidated	$ 2,511,153	$ 2,594,577	$ 1,945,259
Tangible long-lived assets			
United States		$ 167,287	$ 138,098
Canada		50,773	48,450
Mexico		55,295	54,363
Germany		108,608	102,796
Other		242,024	242,472
Consolidated		$ 623,987	$ 586,179

Sales to customers of the Company which contributed ten percent or more of its total consolidated Sales and the related percentage of consolidated Company sales for 2007, 2008, and 2009 are as follows:

Customer	2007 Percentage of Combined Sales	2008 Percentage of Combined Sales	2009 Percentage of Combined Sales
Ford	27%	25%	31%
General Motors	20%	16%	14%

Note 21. Fair Value of Financial Instruments

Fair values of the Senior Notes and the Senior Subordinated Notes approximated $146,900 and $256,106 at December 31, 2008 and December 31, 2009 based on quoted market prices, compared to the recorded values totaling $523,350 and $505,300, respectively. Fair values of the Term Loans approximated $247,600 and $512,828 at December 31, 2008 and December 31, 2009, based on quoted market prices, compared to the recorded values totaling $530,000 and $520,637, respectively. The fair value of the DIP financing approximated $177,188 at December 31, 2009, based on quoted market prices, compared to the recorded value totaling $175,000 at December 31, 2009.

The Company uses derivative financial instruments, including forwards and swap contracts to manage its exposures to fluctuations in foreign exchange, interest rates and commodity prices. For a fair value hedge both the effective and ineffective, if significant, portions are recorded in earnings and reflected in the consolidated statement of operations. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income (loss) in the consolidated balance sheet. The ineffective portion, if significant, is recorded in other income or expense. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive income (loss) is recorded in earnings and reflected in the consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk.

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The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the cash flow hedges. The Company also formally assesses whether a cash flow hedge is highly effective in offsetting changes in the cash flows of the hedged item. Derivatives are recorded at fair value in other current assets and other current liabilities.

Derivative Instruments and Hedging Activities

The failure to make the scheduled interest payments on the Senior Notes and Senior Subordinated Notes and the expiration of the applicable 30-day period on July 16, 2009 constituted a cross-default under the Company s ISDA Agreements in the names of Cooper-Standard Automotive, Inc., Cooper-Standard Automotive Canada, Limited and Cooper-Standard Automotive International Holdings B.V., with its various senior lenders as counterparties. As a result, the counterparties to certain outstanding derivative contracts under these ISDA Agreements elected to exercise their option of early termination under such contracts. Certain interest rate, foreign exchange and commodity swap derivatives that were designated under ASC 815 as cash flow hedges were terminated for the purposes of ASC 815 as a result of the failure to make the interest payment and in anticipation of the termination events. The value of these terminated derivatives, totaling $18,090, is classified as liabilities subject to compromise. The amounts in accumulated other comprehensive income at termination were frozen and will be recognized at the time the Company emerges from bankruptcy to the statement of operations over the remaining life of the underlying exposures.

Cash Flow Hedges

Forward foreign exchange contracts The Company enters into forward contracts to hedge currency risk of the U.S. Dollar against the Euro. The forward contracts are used to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company s foreign currency transactions. The gain or loss on the forward contracts is reported as a component of other comprehensive income (loss) (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For the year ended December 31, 2009, $(30) was reclassified from AOCI into cost of products sold.

For the forward contracts terminated as cash flow hedges for the year ended December 31, 2009, $4,838 was reclassified from AOCI into cost of products sold.

Interest rate swaps The Company has an interest rate swap contract to manage cash flow fluctuations of variable rate debt due to changes in market interest rates. This contract which fixes the interest payment of a certain variable rate debt instrument is accounted for as a cash flow hedge. As of December 31, 2009, the USD notional amount of this contract was $9,508. At December 31, 2009, the fair value before taxes of the Company s interest rate swap contract was $(406) and is recorded in accrued liabilities and other long-term liabilities in the Company s consolidated balance sheet with the offset reflected in accumulated other comprehensive income (loss) (AOCI), net of deferred taxes. For the year ended December 31, 2009, $146 was reclassified from AOCI into interest expense. The amount to be reclassified in the next twelve months is expected to be approximately $(204).

For interest rate swaps terminated as cash flow hedges, $(22,912) is recognized in OCI as of December 31, 2009. For the year ended December 31, 2009, $6,807 was reclassified from AOCI into interest expense and for the year ended December 31, 2009, $2,414 was reclassified from AOCI to other expense (income).

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Commodity price hedges The Company has exposure to the prices of commodities in the procurement of certain raw materials. The primary purpose of the Company s commodity price hedging activities is to manage the volatility associated with these forecasted purchases. The Company primarily utilized forward contracts with maturities of less than 24 months, which were accounted for as cash flow hedges. These instruments were intended to offset the effect of changes in commodity prices on forecasted inventory purchases. As of December 31, 2009, these forward contracts have been terminated as cash flow hedges. For the year ended December 31, 2009, $3,774 was reclassified from AOCI to cost of products sold.

Fair Value Measurements

ASC clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. The Company also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. In certain instances where market data is not available, the Company uses management judgment to develop assumptions that are used to determine fair value.

Fair value measurements and the fair value hierarchy level for the Company s liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2009, are shown below:

Contract	**Asset (Liability)**	**Level 1**	**Level 2**	**Level 3**
Interest rate swap	$ (406)	$	$	$ (406)
Total	$ (406)	$	$	$ (406)

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

A reconciliation of changes in assets and liabilities related to derivative instruments measured at fair value using the market and income approach adjusted for our and our counterparty s credit risks for the year ended December 31, 2009, is shown below:

	Net Derivative Liabilities
Beginning Balance as of January 1, 2009	$ 22,370
Total (gains) or losses (realized or unrealized) included in earnings (or changes in net liabilities)	18,306
Included in other comprehensive income	(7,310)
Purchases, issuances, and settlements	(14,870)
Terminated hedges	(18,090)
Ending Balance as of December 31, 2009	$ 406
The amount of total (gains) or losses for the period included in earnings (or changes in net liabilities) attributable to the change in unrealized (gains) or losses relating to assets still held at the reporting date	$
(Gains) and losses (realized and unrealized) included in earnings (or changes in net liabilities) for the period (above) are reported in cost of products sold and other income (expense):	
Total (gains) or losses included in earnings (or changes in net liabilities) for the period (above)	$ 18,306
Change in unrealized (gains) or losses relating to assets still held at the reporting date	

Items measured at fair value on a non-recurring basis

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. For further information on assets and liabilities measured at fair value on a non-recurring basis, see Note 2. Summary of Significant Accounting Policies, Note 6. Restructuring, Note 8. Property, Plant and Equipment and Note 9. Goodwill and Intangibles.

Note 22. Selected Quarterly Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008				
Sales	$ 756,021	$ 765,639	$ 599,656	$ 473,261
Gross profit	119,119	117,989	62,484	34,922
Consolidated net income (loss)	15,705	11,403	(32,808)	(116,820)
Net income (loss) attributable to Cooper-Standard Holdings Inc.	15,672	11,587	(32,595)	(116,115)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
Sales	$ 401,768	$ 448,046	$ 517,842	$ 577,603
Gross profit	37,832	55,287	82,067	91,120
Consolidated net income (loss)	(55,277)	(349,344)	10,666	37,767
Net income (loss) attributable to Cooper-Standard Holdings Inc.	(54,966)	(349,340)	10,847	37,397

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Note 23. Sale Leaseback Transaction

During the year ended December 31, 2007, the Company sold a manufacturing facility to an independent third party. Gross proceeds from this sale were $4,806. Concurrent with this sale, the Company entered into an agreement to lease the facility back from the purchaser over a lease term of 10 years. This lease is accounted for as an operating lease. A gain of $723 was deferred and is being amortized over the lease term.

During the year ended December 31, 2008, the Company sold a manufacturing facility to an independent third party and simultaneously agreed to lease the facility from that party for a period of 15 years. Gross proceeds from this sale were $8,556. The transaction is structured as an operating lease.

Note 24. Guarantor and Non-Guarantor Subsidiaries

In connection with the December 2004 acquisition by the Company of the automotive segment of Cooper Tire & Rubber Company, Cooper-Standard Automotive Inc. (for purpose of this Note 24, the Issuer), a wholly-owned subsidiary, issued the Senior Notes and Senior Subordinated Notes with a total principal amount of $550,000. Cooper-Standard Holdings Inc. (the Parent) and all wholly-owned domestic subsidiaries of the Issuer (the Guarantors) unconditionally guarantee the notes. The following consolidated financial data provides information regarding the financial position, results of operations and cash flows of the Guarantors. Separate financial statements of the Guarantors are not presented because management has determined that those would not be material to the holders of the notes. The Guarantors account for their investments in the non-guarantor subsidiaries on the equity method. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
Sales	$	$ 456.8	$ 713.9	$ 1,464.3	$ (123.8)	$ 2,511.2
Cost of products sold		411.9	571.8	1,254.2	(123.8)	2,114.1
Selling, administration, & engineering expenses		103.0	51.8	67.3		222.1
Amortization of intangibles		21.5	2.8	7.6		31.9
Impairment charges		143.0	3.4			146.4
Restructuring		6.3	1.1	19.0		26.4
Operating profit (loss)		(228.9)	83.0	116.2		(29.7)
Interest expense, net of interest income		(76.2)		(13.3)		(89.5)
Equity earnings		(0.3)	2.3	0.2		2.2
Other income (expense)		41.5	0.2	(42.2)		(0.5)
Income (loss) before income taxes		(263.9)	85.5	60.9		(117.5)
Provision for income tax expense (benefit)		20.3	(15.3)	27.9		32.9
Income (loss) before equity in income (loss) of subsidiaries		(284.2)	100.8	33.0		(150.4)
Equity in net income (loss) of subsidiaries	(150.4)	133.8			16.6	
Consolidated net income (loss)	(150.4)	(150.4)	100.8	33.0	16.6	(150.4)
Less: Net (income) loss attributable to noncontrolling interest				(0.6)		(0.6)
Net Income (loss) attributable to Cooper-Standard Holdings Inc.	$ (150.4)	$ (150.4)	$ 100.8	$ 32.4	$ 16.6	$ (151.0)

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
Sales	$	$ 381.0	$ 553.7	$ 1,759.1	$ (99.2)	$ 2,594.6
Cost of products sold		347.7	465.4	1,546.2	(99.2)	2,260.1
Selling, administration, & engineering expenses		87.8	40.7	103.2		231.7
Amortization of intangibles		20.5	2.3	8.2		31.0
Impairment charges		24.7	2.3	6.4		33.4
Restructuring		5.4	4.2	28.7		38.3
Operating profit (loss)		(105.1)	38.8	66.4		0.1
Interest expense, net of interest income		(77.8)		(15.1)		(92.9)
Equity earnings		(4.4)	3.4	1.9		0.9
Other income (expense)		27.2	(0.9)	(27.7)		(1.4)
Income (loss) before income taxes		(160.1)	41.3	25.5		(93.3)
Provision for income tax expense (benefit)		4.1	(1.1)	26.3		29.3
Income (loss) before equity in income (loss) of subsidiaries		(164.2)	42.4	(0.8)		(122.6)
Equity in net income (loss) of subsidiaries	(122.6)	41.6			81.0	
Consolidated net income (loss)	(122.6)	(122.6)	42.4	(0.8)	81.0	(122.6)
Less: Net (income) loss attributable to noncontrolling interest				1.1		1.1
Net Income (loss) attributable to Cooper-Standard Holdings Inc.	$ (122.6)	$ (122.6)	$ 42.4	$ 0.3	$ 81.0	$ (121.5)

COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
Sales	$	$ 333.9	$ 404.6	$ 1,286.1	$ (79.3)	$ 1,945.3
Cost of products sold		288.1	326.9	1,143.3	(79.3)	1,679.0
Selling, administration, & engineering expenses		77.4	30.4	91.7		199.5
Amortization of intangibles		10.2	0.9	3.9		15.0
Impairment charges		240.7	31.6	91.2		363.5
Restructuring		4.3	1.0	27.1		32.4
Operating profit (loss)		(286.8)	13.8	(71.1)		(344.1)
Interest expense, net of interest income		(51.8)		(12.5)		(64.3)
Equity earnings		0.1	1.5	2.4		4.0
Reorganization items, net		(17.4)				(17.4)
Other income (expense), net		23.4	(1.4)	(12.1)		9.9
Income (loss) before income taxes		(332.5)	13.9	(93.3)		(411.9)
Provision for income tax expense (benefit)		65.0	(2.7)	(118.0)		(55.7)
Income (loss) before equity in income (loss) of subsidiaries		(397.5)	16.6	24.7		(356.2)
Equity in net income (loss) of subsidiaries	(356.2)	41.3			314.9	
Consolidated net income (loss)	(356.2)	(356.2)	16.6	24.7	314.9	(356.2)
Less: Net (income) loss attributable to noncontrolling interest				0.1		0.1
Net Income (loss) attributable to Cooper-Standard Holdings Inc.	$ (356.2)	$ (356.2)	$ 16.6	$ 24.8	$ 314.9	$ (356.1)

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING BALANCE SHEET

December 31, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 40.0	$	$ 71.5	$	$ 111.5
Accounts receivable, net		49.2	63.0	221.5		333.7
Inventories		17.1	21.2	78.7		117.0
Prepaid Expenses		(1.1)	0.6	19.7		19.2
Other		27.8	2.7	11.7		42.2
Total current assets		133.0	87.5	403.1		623.6
Investments in affiliates and intercompany accounts, net	15.2	315.4	599.5	161.4	(1,058.1)	33.4
Property, plant, and equipment, net		70.3	118.5	435.2		624.0
Goodwill		194.1	17.3	33.6		245.0
Other assets		149.4	17.1	125.8		292.3
	$ 15.2	$ 862.2	$ 839.9	$ 1,159.1	$ (1,058.1)	$ 1,818.3
LIABILITIES & EQUITY (DEFICIT)						
Current liabilities:						
Debt payable within one year	$	$ 43.5	$	$ 50.6	$	$ 94.1
Accounts payable		36.4	25.0	131.6		193.0
Accrued liabilities		65.6	6.7	92.3		164.6
Total current liabilities		145.5	31.7	274.5		451.7
Long-term debt		957.5		92.5		1,050.0
Other long-term liabilities		165.0	6.7	125.2		296.9
		1,268.0	38.4	492.2		1,798.6
Total Cooper-Standard Holdings Inc. equity (deficit)	15.2	(405.8)	801.5	662.4	(1,058.1)	15.2
Noncontrolling interest				4.5		4.5
Total equity (deficit)	15.2	(405.8)	801.5	666.9	(1,058.1)	19.7
Total liabilities and equity (deficit)	$ 15.2	$ 862.2	$ 839.9	$ 1,159.1	$ (1,058.1)	$ 1,818.3

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING BALANCE SHEET

December 31, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 91.5	$ 0.7	$ 288.1	$	$ 380.3
Accounts receivable, net		54.3	61.0	240.2		355.5
Inventories		16.4	22.9	72.3		111.6
Prepaid Expenses		3.4	0.4	18.4		22.2
Other		42.8	0.5	33.1		76.4
Total current assets		208.4	85.5	652.1		946.0
Investments in affiliates and intercompany accounts, net	(311.0)	580.2	660.4	(197.6)	(696.0)	36.0
Property, plant, and equipment, net		65.5	94.1	426.6		586.2
Goodwill		87.7				87.7
Other assets		11.2	3.7	66.6		81.5
	$ (311.0)	$ 953.0	$ 843.7	$ 947.7	$ (696.0)	$ 1,737.4
LIABILITIES & EQUITY (DEFICIT)						
Current liabilities:						
Debt payable within one year	$	$ 75.0	$	$ 118.2	$	$ 193.2
Accounts payable		37.4	14.2	114.7		166.3
Accrued liabilities		41.4	5.9	111.3		158.6
Total current liabilities		153.8	20.1	344.2		518.1
Liabilities subject to compromise	69.1	1,077.9	2.8	112.1		1,261.9
Long-term debt				11.1		11.1
Other long-term liabilities		141.3	6.4	105.1		252.8
	69.1	1,373.0	29.3	572.5		2,043.9
Total Cooper-Standard Holdings Inc. equity (deficit)	(380.1)	(420.0)	814.4	370.7	(696.0)	(311.0)
Noncontrolling interest				4.5		4.5
Total equity (deficit)	(380.1)	(420.0)	814.4	375.2	(696.0)	(306.5)

Total liabilities and equity (deficit)	$ (311.0)	$ 953.0	$ 843.7	$ 947.7	$ (696.0)	$ 1,737.4

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
				(dollars in millions)		
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	$	$ (56.4)	$ 28.2	$ 213.6	$	$ 185.4
INVESTING ACTIVITIES						
Property, plant, and equipment		(12.6)	(18.6)	(76.1)		(107.3)
Acquisition of businesses, net of cash acquired			(10.0)	(148.7)		(158.7)
Gross proceeds from sale-leaseback transaction				4.8		4.8
Other		0.1		1.1		1.2
Net cash used in investing activities		(12.5)	(28.6)	(218.9)		(260.0)
FINANCING ACTIVITIES						
Proceeds from issuance of long-term debt		60.0				60.0
Increase/(decrease) in short term debt		1.4		4.8		6.2
Principal payments on long-term debt		(2.7)		(34.9)		(37.6)
Debt issuance costs		(2.9)		(0.2)		(3.1)
Equity Contributions		30.0				30.0
Other		(0.5)				(0.5)
Net cash provided by (used in) financing activities		85.3		(30.3)		55.0
Effects of exchange rate changes on cash		4.3		(0.1)		4.2
Changes in cash and cash equivalents		20.7	(0.4)	(35.7)		(15.4)
Cash and cash equivalents at beginning of period		21.9	0.4	34.0		56.3
Cash and cash equivalents at end of period	$	$ 42.6	$	$ (1.7)	$	40.9
Depreciation and amortization	$	$ 40.8	30.8	$ 64.4	$	$ 136.0

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	$ 0.5	$ (24.0)	$ 12.2	$ 147.8	$	$ 136.5
INVESTING ACTIVITIES						
Property, plant, and equipment		(9.1)	(12.5)	(70.6)		(92.2)
Gross proceeds from sale-leaseback transaction				8.6		8.6
Other		4.1	0.3	5.3		9.7
Net cash used in investing activities		(5.0)	(12.2)	(56.7)		(73.9)
FINANCING ACTIVITIES						
Increase/(decrease) in short term debt		35.8		1.2		37.0
Principal payments on long-term debt		(2.9)		(13.6)		(16.5)
Repurchase of bonds		(5.3)				(5.3)
Other	(0.5)	(0.5)		(0.1)		(1.1)
Net cash provided by (used in) financing activities	(0.5)	27.1		(12.5)		14.1
Effects of exchange rate changes on cash		(0.7)		(5.4)		(6.1)
Changes in cash and cash equivalents		(2.6)		73.2		70.6
Cash and cash equivalents at beginning of period		42.6		(1.7)		40.9
Cash and cash equivalents at end of period	$	$ 40.0	$	$ 71.5	$	$ 111.5
Depreciation and amortization	$	$ 37.7	$ 24.8	$ 77.6	$	$ 140.1

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
			(dollars in millions)			
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	$	$ (32.3)	$ 9.1	$ 153.1	$	$ 129.9
INVESTING ACTIVITIES						
Property, plant, and equipment		(4.3)	(7.0)	(34.8)		(46.1)
Fixed asset proceeds			0.2	0.4		0.6
Net cash used in investing activities		(4.3)	(6.8)	(34.4)		(45.5)
FINANCING ACTIVITIES						
Increase/(decrease) in short term debt		81.7		96.5		178.2
Principal payments on long-term debt		(2.3)		(9.3)		(11.6)
Repurchase of bonds		(0.7)				(0.7)
Other		10.5	(1.7)	(8.6)		0.2
Net cash provided by (used in) financing activities		89.2	(1.7)	78.6		166.1
Effects of exchange rate changes on cash		(1.1)	0.1	19.3		18.3
Changes in cash and cash equivalents		51.5	0.7	216.6		268.8
Cash and cash equivalents at beginning of period		40.0		71.5		111.5
Cash and cash equivalents at end of period	$	$ 91.5	$ 0.7	$ 288.1	$	$ 380.3
Depreciation and amortization	$	$ 26.8	$ 22.3	$ 64.7	$	$ 113.8

Note 25. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through third party financial institutions without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company.

At December 31, 2008 and 2009, the Company had $43,544 and $ 39,703, respectively of receivables outstanding under receivable transfer agreements entered into by various locations. The Company incurred a loss on the sale of receivables for the year ended December 31, 2008 and 2009 of $2,219 and $950, respectively; this amount is recorded in other income (expense) in the consolidated statements of operations. The Company continues to service the receivables for one of the locations. These are permitted transactions under the Company s credit agreement. The Company is also pursuing similar arrangements in various locations.

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COOPER-STANDARD HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

In addition, during the second quarter of 2009, the Company elected to participate in the Auto Supplier Support Program sponsored by the U.S. Treasury Department. The Auto Supplier Support Program is designed to provide eligible suppliers with access to government-backed protection on those Chrysler LLC (Chrysler) and General Motors Corporation (GM) U.S. dollar receivables that are accepted into the program. In applying for the program, the Company selected the program option that provides government-backed protection on collection of the receivables and expedited payment terms, for which a charge of 3% of the accepted receivables is applicable. The Company has been designated by both Chrysler and GM as an eligible supplier. During the year ended December 31, 2009, the Company received payments of $8,936 and incurred charges of $268 which is recorded in other income (expense) in the consolidated statements of operations.

In addition, the Company has been advised that Export Development Canada (EDC) has made available to the Company s Canadian subsidiary insurance coverage on certain GM and Chrysler receivables. EDC s program is designed to guarantee a substantial portion of a Canadian supplier s eligible receivables under the program. The Canadian subsidiary will be charged 6% per annum of the amount made available to it under the program.

Note 26. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2010, the date the financial statements were issued.

On March 17, 2010 Cooper-Standard Holdings Inc., CSA U.S., and CSA Canada and CTR entered into the CTR Settlement Agreement. See Note 13. Income Taxes for a discussion of the settlement agreement reached between the Company, Cooper-Standard Automotive Inc. and the Canadian Debtor and CTR on March 17, 2010 in respect of tax refunds received by Cooper-Standard Automotive Canada relating to the years 2000 through 2004.

On February 1, 2010, the Debtors filed the Original Plan and the Original Disclosure Statement with the Bankruptcy Court. On March 26, 2010, the Debtors filed the Plan of Reorganization and the Disclosure Statement with the Bankruptcy Court. See Note 3. Reorganization under Chapter 11 of the Bankruptcy Code for a discussion of the current status of the Chapter 11 Cases and Canadian Proceedings.

During the first quarter of 2010, the Company decided to prepay a portion of the borrowing under the DIP agreement. On January 29, 2010, MAPS Germany, the Additional Borrower under the DIP Agreement, prepaid $25,000 of its portion of the borrowing and on March 26, 2010, the Canadian Borrower, prepaid $25,000.

See Item 1. Business Bankruptcy Cases for a discussion of the current status of the Chapter 11 Cases and Canadian Proceedings.

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SCHEDULE II

Valuation and Qualifying Accounts

(dollars in millions)

Description	Balance at beginning of period	Acquisition(a)	Charged to Expenses	Charged (credited) to other accounts(b)	Deductions	Balance at end of period
Allowance for doubtful accounts deducted from accounts receivable						
Year ended December 31, 2007	$ 10.1	0.9	0.1	0.8	(1.7)	$ 10.2
Year ended December 31, 2008	$ 10.2		(1.4)	(2.1)	(2.7)	$ 4.0
Year ended December 31, 2009	$ 4.0		0.9	2.5	(1.6)	$ 5.8
Inventory reserve account deducted from inventories						
Year ended December 31, 2007	$ 10.5	2.1	7.6	0.9	(7.1)	$ 14.0
Year ended December 31, 2008	$ 14.0		5.9	(1.6)	(4.1)	$ 14.2
Year ended December 31, 2009	$ 14.2		10.9	1.1	(9.0)	$ 17.2

(a) 2007 relates to MAPS acquisition.
(b) Primarily foreign currency translation.

Description	Balance at beginning of period	Additions: Charged to Income	Additions: Charged to Equity	Deductions(a)	Balance at end of period
Tax valuation allowance					
Year ended December 31, 2007	$ 80.8	56.4	(3.3)	(5.1)	$ 128.8
Year ended December 31, 2008	$ 128.8	45.2	21.4	(20.2)	$ 175.2
Year ended December 31, 2009	$ 175.2	39.9	(4.5)		$ 210.6

(a) Net reduction in tax valuation allowance is a result of the reversal of valuation allowances set up through purchase accounting and reversed through goodwill as a result of utilization of tax loss carry forwards and other cumulative book/tax difference.

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COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollar amounts in thousands, except per share data)

	Predecessor Three Months Ended September 30, 2009	Successor Three Months Ended September 30, 2010
Sales	$ 517,842	$ 585,650
Cost of products sold	435,775	483,559
Gross profit	82,067	102,091
Selling, administration & engineering expenses	52,658	68,584
Amortization of intangibles	194	3,842
Restructuring	4,378	818
Operating profit	24,837	28,847
Interest expense, net of interest income	(11,914)	(10,664)
Equity earnings	1,228	1,815
Reorganization items, net	(5,642)	
Other income, net	5,930	5,454
Income before income taxes	14,439	25,452
Provision for income tax expense	3,773	4,443
Consolidated net income	10,666	21,009
Add: Net (income) loss attributed to noncontrolling interests	181	(176)
Net income attributable to Cooper-Standard Holdings Inc.	$ 10,847	$ 20,833
Net income available to Cooper-Standard Holdings Inc. common stockholders	N/A	$ 15,116
Basic net income per share attributable to Cooper-Standard Holdings Inc.	N/A	$ 0.86
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	N/A	$ 0.83

	Predecessor		Successor
	Nine Months Ended September 30, 2009	Five Months Ended May 31, 2010	Four Months Ended September 30, 2010
Sales	$ 1,367,656	$ 1,009,128	$ 801,292
Cost of products sold	1,192,470	832,201	665,434
Gross profit	175,186	176,927	135,858
Selling, administration & engineering expenses	146,233	92,166	91,629
Amortization of intangibles	14,783	319	5,106
Impairment charges	362,699		

Restructuring	32,871	5,893	1,200
Operating profit (loss)	(381,400)	78,549	37,923
Interest expense, net of interest income	(53,632)	(44,505)	(14,195)
Equity earnings	1,701	3,613	2,549
Reorganization items and fresh-start accounting adjustments, net	(5,642)	660,048	
Other income (expense), net	13,679	(21,156)	5,024
Income (loss) before income taxes	(425,294)	676,549	31,301
Provision (benefit) for income tax expense	(31,339)	39,940	5,352
Consolidated net income (loss)	(393,955)	636,609	25,949
Add: Net (income) loss attributed to noncontrolling interests	496	(322)	(186)
Net income (loss) attributable to Cooper-Standard Holdings Inc.	$ (393,459)	$ 636,287	$ 25,763
Net income available to Cooper-Standard Holdings Inc. common stockholders	N/A	N/A	$ 18,328
Basic net income per share attributable to Cooper-Standard Holdings Inc.	N/A	N/A	$ 1.05
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	N/A	N/A	$ 1.00

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

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COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	Predecessor December 31, 2009	Successor September 30, 2010 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 380,254	$ 232,349
Accounts receivable, net	355,543	443,311
Inventories, net	111,575	123,860
Prepaid expenses	22,153	24,703
Other	76,454	35,674
Total current assets	945,979	859,897
Property, plant and equipment, net	586,179	594,469
Goodwill	87,728	138,471
Intangibles, net	10,549	153,034
Other assets	106,972	116,587
	$ 1,737,407	$ 1,862,458
Liabilities and Equity (Deficit)		
Current liabilities:		
Debt payable within one year	$ 18,204	$ 19,166
Debtor-in-possession financing	175,000	
Accounts payable	166,346	179,944
Payroll liabilities	71,523	104,975
Accrued liabilities	87,073	111,762
Total current liabilities	518,146	415,847
Long-term debt	11,059	457,867
Pension benefits	148,936	175,406
Postretirement benefits other than pensions	76,261	82,131
Deferred tax liabilities	7,875	24,322
Other long-term liabilities	19,727	32,173
Liabilities subject to compromise	1,261,903	
Total liabilities	$ 2,043,907	$ 1,187,746
7% Cumulative participating convertible preferred stock, $0.001 par value, 10,000,000 shares authorized at September 30, 2010, 1,052,444 shares issued and outstanding at September 30, 2010		129,939
Equity (deficit):		
Predecessor common stock, $0.01 par value, 4,000,000 shares authorized at December 31, 2009, 3,482,612 shares issued and outstanding at December 31, 2009	35	
Common stock, $0.001 par value, 190,000,000 shares authorized at September 30, 2010, 18,376,112 shares issued		17

and outstanding at September 30, 2010		
Additional paid-in capital	356,316	476,341
Accumulated retained earnings (deficit)	(636,278)	22,871
Accumulated other comprehensive income (loss)	(31,037)	43,143
Total Cooper-Standard Holdings Inc. equity (deficit)	(310,964)	542,372
Noncontrolling interests	4,464	2,401
Total equity (deficit)	(306,500)	544,773
Total liabilities and equity (deficit)	$ 1,737,407	$ 1,862,458

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

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COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollar amounts in thousands)

	Predecessor		Successor
	Nine Months Ended September 30, 2009	Five Months Ended May 31, 2010	Four Months Ended September 30, 2010
Operating Activities:			
Consolidated net income (loss)	$ (393,955)	$ 636,609	$ 25,949
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	73,343	35,333	31,843
Amortization	14,783	319	5,106
Impairment charges	362,699		
Non-cash restructuring	182	46	
Reorganization items	5,642	(660,048)	
Gain on bond repurchase	(9,096)		
Amortization of debt issuance cost	5,407	11,505	408
Changes in operating assets and liabilities	(28,776)	(99,159)	16,976
Net cash provided by (used in) operating activities	30,229	(75,395)	80,282
Investing activities:			
Property, plant and equipment	(25,526)	(22,935)	(23,517)
Proceeds from the sale of assets and other	308	3,851	104
Net cash used in investing activities	(25,218)	(19,084)	(23,413)
Financing activities:			
Proceeds from issuance of debtor-in-possession financing, net of debt issuance cost	108,012		
Proceeds from issuance of long-term debt		450,000	
Payments on debtor-in-possession financing	(313)	(175,000)	
Increase (decrease) in short term debt	22,943	(2,069)	3,138
Cash dividends paid			(1,395)
Payments on long-term debt	(11,310)	(709,574)	(1,484)
Debt issuance cost and back stop fees		(30,991)	
Issuance of preferred and common stock		355,000	
Repurchase of bonds	(737)		
Other	259		22
Net cash provided by (used in) financing activities	118,854	(112,634)	281
Effects of exchange rate changes on cash	18,269	5,528	(3,470)
Changes in cash and cash equivalents	142,134	(201,585)	53,680
Cash and cash equivalents at beginning of period	111,521	380,254	178,669
Cash and cash equivalents at end of period	$ 253,655	$ 178,669	$ 232,349

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollar amounts in thousands except per share amounts)

1. Overview

Basis of presentation

Cooper-Standard Holdings Inc. (the Company), through its wholly-owned subsidiary Cooper-Standard Automotive Inc. (CSA U.S.), is a leading manufacturer of body sealing, anti-vibration (AVS) and fluid handling components, systems, subsystems and modules, primarily for use in passenger vehicles and light trucks, that are manufactured by global automotive original equipment manufacturers (OEMs) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

On May 27, 2010, the Company and certain of its U.S. and Canadian subsidiaries emerged from bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) (Chapter 11). In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, Reorganizations, the Company adopted fresh-start accounting upon its emergence from Chapter 11 bankruptcy proceedings and became a new entity for financial reporting purposes as of June 1, 2010. Accordingly, the consolidated financial statements for the reporting entity subsequent to emergence from Chapter 11 bankruptcy proceedings (the Successor) are not comparable to the consolidated financial statements for the reporting entity prior to emergence from Chapter 11 bankruptcy proceedings (the Predecessor).

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. The operating results for the interim period ended September 30, 2010 are not necessarily indicative of results for the full year.

Recent accounting pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, Guidance Amending Fair Value Disclosures for Interim and Annual Reporting Periods Beginning After December 15, 2009. This guidance requires disclosures about transfers of financial instruments into and out of Level 1 and 2 designations and disclosures about purchases, sales, issuances and settlements of financial instruments with a Level 3 designation. The Company adopted this statement effective January 1, 2010. The adoption of ASU No. 2010-06 did not have a material impact on the Company s consolidated financial statements.

The FASB amended ASC 810, Consolidations, with ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This update significantly changes the model for determining whether an entity is the primary beneficiary and should thus consolidate a variable interest entity. In addition, this update requires additional disclosures and an ongoing assessment of whether a variable interest entity should be consolidated. The provisions of this update are effective for annual reporting periods beginning after November 15, 2009. The effects of adoption were not significant.

2. Reorganization Under Chapter 11

Filing of Bankruptcy Cases

During the first half of 2009, the Company experienced a substantial decrease in revenues caused by the severe decline in worldwide automotive production that followed the global financial crisis that began in 2008. On

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

August 3, 2009, the Company and each of its direct and indirect wholly-owned U.S. subsidiaries (collectively with the Company, the Debtors) filed voluntary petitions for relief under Chapter 11 in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court) (Consolidated Case No. 09-12743(PJW)) (the Chapter 11 Cases). On August 4, 2009, the Company s Canadian subsidiary, Cooper-Standard Automotive Canada Limited, a corporation incorporated under the laws of Ontario (CSA Canada), commenced proceedings seeking relief from its creditors under Canada s Companies Creditors Arrangement Act (the Canadian Proceedings) in the Ontario Superior Court of Justice in Toronto, Canada (Commercial List) (the Canadian Court), court file no. 09-8307-00CL. The Company s subsidiaries and operations outside of the United States and Canada were not subject to the requirements of the Bankruptcy Code. On March 26, 2010, the Debtors filed with the Bankruptcy Court their Second Amended Joint Chapter 11 Plan of Reorganization (as amended and supplemented, the Plan of Reorganization) and their First Amended Disclosure Statement (as amended and supplemented, the Disclosure Statement). On May 12, 2010, the Bankruptcy Court entered an order approving and confirming the Plan of Reorganization (the Confirmation Order). CSA Canada s plan of compromise or arrangement was sanctioned on April 16, 2010.

On May 27, 2010 (the Effective Date), the Debtors consummated the reorganization contemplated by the Plan of Reorganization and emerged from Chapter 11 bankruptcy proceedings.

Post-Emergence Capital Structure and Recent Events

Following the Effective Date, our capital structure consisted of the following:

Senior ABL facility. A senior secured asset-based revolving credit facility in the aggregate principal amount of $125,000 (the Senior ABL Facility), which contains an uncommitted $25,000 accordion facility that will be available at our request if the lenders at the time consent.

8 $^{1}/2$% senior notes due 2018. $450,000 of senior unsecured notes (the Senior Notes) that bear interest at 8 $^{1}/2$% per annum and mature on May 1, 2018.

Common stock, 7% preferred stock and warrants. Equity securities comprised of (i) 17,489,693 shares of our common stock, (ii) 1,000,000 shares of our 7% cumulative participating convertible preferred stock (7% preferred stock), which are initially convertible into 4,290,788 shares of our common stock, and (iii) 2,419,753 warrants (warrants) to purchase up to an aggregate of 2,419,753 shares of our common stock.

On the Effective Date, the Company issued to key employees of the Company, (i) 757,896 shares of common stock plus, subject to realized dilution on the warrants, an additional 104,075 shares of common stock as restricted stock, (ii) 41,664 shares of 7% preferred stock as restricted 7% preferred stock, and (iii) 702,509 options to purchase shares of common stock, plus, subject to realized dilution on the warrants, an additional 78,057 options to purchase shares of common stock. On the day after the Effective Date, the Company issued to certain of its directors and Oak Hill Advisors L.P. or its affiliates, 26,448 shares of common stock as restricted stock and 58,386 options to purchase shares of common stock. The Company also reserved 780,566 shares of common stock for future issuance to the Company s management. On July 19, 2010, the Company paid a dividend to holders of its outstanding 7% preferred stock in the form of 10,780 additional shares of 7% preferred stock.

For further information on the Senior ABL Facility and the Senior Notes, see Note 7. Debt below. For further information on our common stock, 7% preferred stock and warrants, see Note 12. Capital Stock below.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

Satisfaction of Debtor-in-Possession Financing

In connection with the commencement of the Chapter 11 Cases and the Canadian Proceedings, the Company entered into debtor-in-possession financing arrangements. On the Effective Date, all remaining amounts outstanding under the Company s debtor-in-possession financing arrangement were repaid using proceeds of the Debtors exit financing. For additional information on these financing arrangements, see Note 7. Debt below.

Cancellation of Certain Prepetition Obligations

Under the Plan of Reorganization, the Company s prepetition equity, debt and certain of its other obligations were cancelled and extinguished as follows:

- the Predecessor s equity interests, including common stock and any options, warrants, calls, subscriptions or other similar rights or other agreements, commitments or outstanding securities obligations, were cancelled and extinguished, and no distributions were made to the Predecessor s former equity holders;

- the Predecessor s prepetition debt securities were cancelled and the indentures governing such obligations were terminated (other than for the purposes of allowing holders of the notes to receive distributions under the Plan of Reorganization and allowing the trustees to exercise certain rights); and

- the Predecessor s prepetition credit agreement was cancelled and terminated, including all agreements related thereto (other than for the purposes of allowing creditors under that facility to receive distributions under the Plan of Reorganization and allowing the administrative agent to exercise certain rights).

For further information regarding the resolution of certain of the Company s other prepetition liabilities in accordance with the Plan of Reorganization, see Note 3, Fresh-Start Accounting Liabilities Subject to Compromise.

3. Fresh-Start Accounting

As discussed in Note 2, Reorganization Under Chapter 11, the Debtors emerged from Chapter 11 bankruptcy proceedings on May 27, 2010. As a result, the Successor adopted fresh-start accounting as (i) the reorganization value of the Predecessor s assets immediately prior to the confirmation of the Plan of Reorganization was less than the total of all post-petition liabilities and allowed claims and (ii) the holders of the Predecessor s existing voting shares immediately prior to the confirmation of the Plan of Reorganization received less than 50% of the voting shares of the emerging entity. Accounting principles generally accepted in the United States (GAAP) require the adoption of fresh-start accounting as of the Plan of Reorganization s confirmation date, or as of a later date when all material conditions precedent to the Plan of Reorganization becoming effective are resolved, which occurred on May 27, 2010. The Company elected to adopt fresh-start accounting as of May 31, 2010 to coincide with the timing of its normal May accounting period close. There were no transactions that occurred from May 28, 2010 through May 31, 2010, that would materially impact the Company s consolidated financial position, results of operations or cash flows for the 2010 Successor or 2010 Predecessor periods.

Reorganization Value

The Bankruptcy Court confirmed the Plan of Reorganization, which included an enterprise value (or distributable value) of $1,025,000, assuming $50,000 of excess cash, as set forth in the Disclosure Statement. For purposes of the Plan of Reorganization and the Disclosure Statement, the Company and certain unsecured creditors agreed

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

upon this value. This reorganization value was determined to be a fair and reasonable value and is within the range of values considered by the Bankruptcy Court as part of the confirmation process. The reorganization value reflects a number of factors and assumptions, including the Company s statements of operations and balance sheets, the Company s financial projections, the amount of cash to fund operations, current market conditions and a return to more normalized light vehicle production and sales volumes. The range of values considered by the Bankruptcy Court of $975,000 to $1,075,000 was determined using comparable public company trading multiples, precedent transactions analysis and discounted cash flow valuation methodologies.

The comparable public company analysis identified a group of comparable companies giving consideration to lines of business, size, geographic footprint and customer base. The analysis compared the public market implied enterprise value for each comparable public company to its projected earnings before interest, taxes, depreciation and amortization (EBITDA). The calculated range of multiples for the comparable companies was used to estimate a range which was applied to the Company s projected EBITDA to determine a range of enterprise values for the reorganized company or the reorganization value.

Precedent transactions analysis estimates the value of a company by examining public merger and acquisition transactions. An analysis of a company s transaction value as a multiple of various operating statistics provided industry-wide valuation multiples for companies in similar lines of business to the Debtors. Transaction multiples are calculated based on the purchase price (including any debt assumed) paid to acquire companies that are comparable to the Debtors. Prices paid as a multiple of revenue, EBIT and EBITDA were considered, which were then applied to the Debtors key operating statistics to estimate the Enterprise Value, or value to a potential strategic buyer.

The discounted cash flow analysis was based on the Company s projected financial information, which includes a variety of estimates and assumptions. While the Company considers such estimates and assumptions reasonable, they are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks, many of which are beyond the Company s control and may not materialize. Changes in these estimates and assumptions may have had a significant effect on the determination of the Company s reorganization value. The discounted cash flow analysis was based on recent automotive industry and specific platform production volume projections developed by both third-party and internal forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include terminal value growth rate, terminal value margin rate, future capital expenditures and changes in working capital requirements.

Reorganization Adjustments

The unaudited consolidated financial information gives effect to the following Reorganization Adjustments, the Plan of Reorganization and the implementation of the transactions contemplated by the Plan of Reorganization. These adjustments give effect to the terms of the Plan of Reorganization and certain underlying assumptions, which include, but are not limited to, the below.

The issuance of the Senior Notes, which resulted in cash proceeds of $450,000.

The issuance of 17.5 million shares of our common stock, including 8.6 million shares offered to holders of the Predecessor s prepetition senior subordinated notes in connection with the rights offering conducted pursuant to the Plan of Reorganization (the Rights Offering), 2.6 million shares to certain of the Debtors creditors that agreed to backstop the Rights Offering (the Backstop Parties) pursuant to an equity commitment agreement (the Equity Commitment Agreement) and 6.3 million shares to certain holders of the Predecessor s prepetition senior notes and prepetition senior subordinated notes.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

The Company also issued shares of 7% preferred stock convertible into 4.3 million shares of common stock pursuant to the Equity Commitment Agreement. The Company received cash proceeds of $355,000 in connection with the Rights Offering and Equity Commitment Agreement and also received the full and complete satisfaction, settlement and release of allowed prepetition senior note claims and allowed prepetition senior subordinated note claims for such shares. In addition, the Company also issued warrants to purchase 2.4 million shares of common stock.

The repayment of $175,000 of liabilities under the Debtors Debtor-in-Possession Credit Agreement (the DIP Credit Agreement). On the Effective Date, each holder of an allowed DIP claim received, in full and complete satisfaction, settlement and release of and in exchange for such allowed claim against the Debtors, an amount in cash equal to the allowed amount of such claim.

The repayment of the $639,600, including interest, outstanding under the Predecessor s prepetition credit agreement in cash.

The repayment of the $105,200, including interest, outstanding of the Predecessor s prepetition senior notes in cash.

The effects of the above reorganization adjustments resulted in a decrease in interest expense, including the amortization of debt issuance costs, resulting from a lower level of debt.

Adoption of Fresh-Start Accounting

Fresh-start accounting results in a new basis of accounting and reflects the allocation of the Company s fair value to its underlying assets and liabilities. The Company s estimates of fair value included in the Successor Company financial statements represent the Company s best estimates based on independent appraisals and valuations. The Company s estimates of fair value are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, there can be no assurance that the estimates, assumptions, valuations and appraisals will be realized, and actual results could vary materially.

The Company s reorganization value was allocated to its assets in conformity with ASC 805, Business Combinations. The excess reorganization value over the fair value of tangible and identifiable intangible assets was recorded as goodwill. Liabilities existing as of the Effective Date, other than deferred taxes, were recorded at the present value of amounts expected to be paid using appropriate risk adjusted interest rates. Deferred taxes were determined in conformity with applicable income tax accounting standards. Predecessor accumulated depreciation, accumulated amortization, retained deficit, common stock and accumulated other comprehensive loss were eliminated.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

The following Fresh-Start Consolidated Balance Sheet illustrates the financial effects on the Company of the implementation of the Plan of Reorganization and the adoption of fresh-start accounting. This Fresh-Start Consolidated Balance Sheet reflects the effects of the consummation of the transactions contemplated in the Plan of Reorganization, including settlement of various liabilities, issuance of certain securities, incurrence of new indebtedness, repayment of old indebtedness and other cash payments.

	Predecessor May 31, 2010	Reorganization Adjustments (1)	Fresh-start Adjustments (9)	Successor May 31, 2010
Assets				
Current assets:				
Cash and cash equivalents	$ 200,311	(21,642)(2)		$ 178,669
Restricted cash	482,234	(482,234)(2)		
Accounts receivable, net	409,041			409,041
Inventories, net	116,248		8,136	124,384
Prepaid expenses	26,931	(1,243)(3)		25,688
Other	36,858	(68)(2)		36,790
Total current assets	1,271,623	(505,187)	8,136	774,572
Property, plant and equipment, net	527,306		40,665	567,971
Goodwill	87,728		48,938	136,666(8)
Intangibles, net	10,294		144,711	155,005
Other assets	125,120	4,895(3)	(26,721)	103,294
	$ 2,022,071	$ (500,292)	$ 215,729	$ 1,737,508
Liabilities and Equity (Deficit)				
Current liabilities:				
Debt payable within one year	$ 15,335			$ 15,335
Debtor-in-possession financing	74,813	(74,813)(2)		
Accounts payable	171,886	6,763(4)		178,649
Payroll liabilities	94,427	374(4)	(1,154)	93,647
Accrued liabilities	92,426	4,232(4)	(9,462)	87,196
Total current liabilities	448,887	(63,444)	(10,616)	374,827
Long-term debt	458,373			458,373
Pension benefits	134,278	12,473(4)	21,685	168,436
Postretirement benefits other than pensions	75,198		4,948	80,146
Deferred tax liabilities	9,218	(268)(4)	12,267	21,217
Other long-term liabilities	21,124	1,891(4)	7,839	30,854
Liabilities subject to compromise	1,213,781	(1,213,781)(4)		
Total liabilities	2,360,859	(1,263,129)	36,123	1,133,853
Successor preferred stock		128,000(2)(4)		128,000

Equity (deficit):				
Successor common stock		17(2)(4)(7)		17
Successor additional paid-in capital		473,275(2)(4)(7)		473,275
Predecessor common stock	35	(35)(5)		
Predecessor additional paid-in capital	356,560	(356,560)(5)		
Accumulated deficit	(633,481)	518,130(6)	115,351	
Accumulated other comprehensive loss	(62,083)	10(4)	62,073	
Total Cooper-Standard Holdings Inc. equity (deficit)	(338,969)	634,837	177,424	473,292
Noncontrolling interests	181		2,182	2,363
Total equity (deficit)	(338,788)	634,837	179,606	475,655
Total liabilities and equity (deficit)	$ 2,022,071	$ (500,292)	$ 215,729	$ 1,737,508

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

(1) Represents amounts recorded as of the Effective Date for the consummation of the Plan of Reorganization, including the settlement of liabilities subject to compromise, the satisfaction of the DIP Credit Agreement, the incurrence of new indebtedness and related cash payments, the issuances of 7% preferred stock and common stock and the cancellation of the Predecessor s common stock.
(2) This adjustment reflects net cash payments recorded as of the Effective Date.

Release of restricted cash (a)	$ 482,234
Cash received from Rights Offering	355,000
Payment of prepetition bank debt	(639,646)
Payment of prepetition senior notes	(105,227)
Repayment of DIP Credit Agreement	(75,777)
Other	(38,226)
Net cash payments	$ (21,642)

(a) Includes proceeds from issuance of long term debt held in restricted cash until the Effective Date.

(3) This adjustment reflects the capitalization of $4,895 of debt issuance costs related to the Senior ABL Facility.
(4) This adjustment reflects the settlement of liabilities subject to compromise (see Liabilities Subject to Compromise below).

Settlement of liabilities subject to compromise	$ (1,213,781)
Liabilities settled by cash (a)	765,931
Issuance of Successor common stock, 7% preferred stock and warrants, net	258,716
Liabilities reinstated	26,891
Gain on settlement of liabilities subject to compromise	$ (162,243)

(a) Cash received from borrowings under the Senior Notes and amounts received from the Rights Offering.

(5) This adjustment reflects the cancellation of the Predecessor s common stock.
(6) This adjustment reflects the cumulative impact of the Reorganization Adjustments discussed above.

Gain on settlement of liabilities subject to compromise	$ (162,243)
Cancellation of Predecessor s common stock	(356,595)
Other	708
	$ (518,130)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

(7) A reconciliation of the reorganization value of the Successor s common stock as of the Effective Date is shown below:

Reorganization value	$ 1,025,000
Less: Senior Notes	(450,000)
Other debt	(23,708)
7% preferred stock	(128,000)
Plus: Excess cash	50,000
Reorganization value of Successor s common stock and warrants	473,292
Less: Fair value of warrants (a)	20,919
Reorganization value of Successor s common stock	$ 452,373
Shares outstanding as of May 31, 2010 (b)	17,489,693
Per share value (c)	$ 25.87

(a) For further information on the fair value of the warrants, see Note 12, Capital Stock.
(b) Does not include restricted shares issued to management upon emergence that vest over 3-4 years.
(c) The per share value of $25.87 was used to record the issuance of the Successor s common stock.

(8) A reconciliation of the reorganization value of the Successor s assets and goodwill is shown below:

Reorganization value	$ 1,025,000
Plus: Liabilities (excluding debt and after giving effect to fresh-start accounting adjustments)	660,145
Fair value of noncontrolling interest	2,363
Excess cash	50,000
Reorganization value of Successor s assets	1,737,508
Less: Successor s assets (excluding goodwill and after giving effect to fresh-start accounting adjustments)	1,600,842
Reorganization value of Successor s assets in excess of fair value - Successor s goodwill	$ 136,666

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(9) Represents the adjustment of assets and liabilities to fair value, or other measurement as specified by ASC 805, in conjunction with the adoption of fresh-start accounting. Significant adjustments are summarized below.

Elimination of Predecessor s goodwill	$ (87,728)
Successor s goodwill	136,666
Elimination of Predecessor s intangible assets	(10,294)
Successor s intangible asset adjustment (a)	155,005
Defined benefit plans adjustment (b)	(30,680)
Inventory adjustment (c)	8,136
Property, plant and equipment adjustment (d)	40,665
Investments in non-consolidated affiliates adjustment (e)	9,021
Noncontrolling interest adjustments (e)	(2,182)
Elimination of Predecessor s accumulated other comprehensive loss and other adjustments	(78,678)
Pretax income on fresh-start accounting adjustments	139,931
Tax related to fresh-start accounting adjustments (f)	(24,580)
Net gain on fresh-start accounting adjustments	$ 115,351

(a) Intangible assets This adjustment reflects the fair value of intangible assets determined as of the Effective Date. For further information on the valuation of intangible assets, see Note 4, Goodwill and Intangibles.

(b) Defined benefit plans This adjustment primarily reflects differences in assumptions, such as the expected return on plan assets and the weighted average discount rate related to the payment of benefit obligations, between the prior measurement date of December 31, 2009 and the Effective Date. The $(30,680) is reflected in the pension benefits $(21,685), postretirement benefits other than pension $(4,948), other assets $(4,701), accrued payroll $(591) and accrued liabilities $1,245 line items on the Fresh-Start Consolidated Balance Sheet.

(c) Inventory This amount adjusts inventory to fair value as of the Effective Date, which is estimated for finished goods and work-in-process based upon the expected selling price less cost to complete, selling and disposal cost and a normal selling profit. Raw material inventory was recorded at a carrying value as such value approximates the replacement cost.

(d) Property, plant and equipment This amount adjusts property, plant and equipment to fair value as of the Effective Date, giving consideration to the highest value and best use of these assets. Fair value estimates were based on independent appraisals. Key assumptions used in the appraisals were based on a combination of income, market and cost approaches, as appropriate.

(e) Investments in non-consolidated and noncontrolling interests These amounts adjust investments in non-consolidated affiliates and noncontrolling interests to their estimated fair values. Estimated fair values were based on internal and external valuations using customary valuation methodologies, including comparable earnings multiples, discounted cash flows and negotiated transaction values. The adjustment to investments in non-consolidated affiliates of $9,021 is included in the other assets line item on the Fresh-Start Consolidated Balance Sheet.

(f) Tax expense This amount reflects the tax expense related to the fair value adjustments of inventory, property, plant and equipment, intangibles, tooling and investments and is included in the other assets $(17,313), accrued liabilities $5,000 and deferred tax liabilities $(12,267) line items on the Fresh-Start Consolidated Balance Sheet.

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Liabilities Subject to Compromise

Certain prepetition liabilities were subject to compromise under the Plan of Reorganization and were reported at amounts allowed or expected to be allowed by the Bankruptcy Court. Certain of these claims were resolved and satisfied as of the Effective Date. A summary of liabilities subject to compromise reflected in the Predecessor consolidated balance sheet as of May 31, 2010, is shown below:

Predecessor - May 31, 2010	
Short-term borrowings	$ 85,503
Accounts payable	8,007
Accrued liabilities	23,433
Derivatives	18,081
Debt subject to compromise	
Prepetition primary credit facility	520,637
Prepetition senior notes	197,320
Prepetition senior subordinated notes	308,009
Accrued interest	52,791
Liabilities subject to compromise	$ 1,213,781

Reorganization Items and Fresh-Start Accounting Adjustments, net

Reorganization items include expenses, gains and losses directly related to the Debtors reorganization proceedings. Fresh-start accounting adjustments reflect the impact of adoption of fresh-start accounting. A summary of reorganization items and fresh-start accounting adjustments, net for the Predecessor Period, is shown below:

Pre-tax reorganization items:	
Professional and other fees	$ 48,701
Gain on prepetition settlement	(49,980)
Gain on settlement of liabilities subject to compromise	(162,243)
Cancellation of Predecessor common stock	(356,595)
	(520,117)
Pre-tax fresh-start accounting adjustments	(139,931)
Reorganization items and fresh-start accounting adjustments, net	$ (660,048)

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4. Goodwill and Intangibles

The changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2010 are summarized as follows:

	North America	International	Total
Balance as of January 1, 2010 - Predecessor	$ 87,728	$	$ 87,728
Fresh-start accounting adjustments (Note 3)	28,778	20,160	48,938
Balance as of May 31, 2010 - Successor	$ 116,506	$ 20,160	$ 136,666
Foreign exchange translation	87	1,718	1,805
Balance as of September 30, 2010 - Successor	$ 116,593	$ 21,878	$ 138,471

Goodwill is not amortized but is tested annually for impairment, or when events or circumstances indicate that impairment may exist, by reporting units, which are determined in accordance with ASC Topic 350, Goodwill and Other Intangible Assets.

The following table presents the Predecessor s intangible assets and accumulated amortization balances as of December 31, 2009:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Developed technology	$ 3,335	$ (1,479)	$ 1,856	5 to 12 years
Other	8,986	(293)	8,693	
Balance at December 31, 2009 - Predecessor	$ 12,321	$ (1,772)	$ 10,549	

Amortization expense of $194 was recognized for the three months ended September 30, 2009. Amortization expense of $319 and $14,783 was recognized for the five months ended May 31, 2010 and for the nine months ended September 30, 2009, respectively.

In connection with the adoption of fresh-start accounting, the Company, with the assistance of independent appraisal, valued certain intangible assets at their estimated fair value, as of May 31, 2010. The value assigned to developed technology intangibles is based on the royalty savings method, which applies a hypothetical royalty rate to projected revenues attributable to the identified technologies. Royalty rates were determined based on analysis of market information. The customer-based intangible asset includes the Company s established relationship with its customers and the ability of these customers to generate future economic profits for the

Company. A summary of intangible assets as of September 30, 2010 is shown below:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Customer relationships	$ 139,508	$ (4,571)	$ 134,937	9.9
Developed technology	9,710	(542)	9,168	5.9
Other	8,980	(51)	8,929	
Balance at September 30, 2010 - Successor	$ 158,198	$ (5,164)	$ 153,034	9.4

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Amortization expense totaled $3,842 and $5,106 for the three and four months ended September 30, 2010, respectively. Estimated amortization expense will total approximately $9,000 for the Successor period ending December 31, 2010 and approximately $15,500 for each of the next five years.

5. Restructuring

The Company implemented several restructuring initiatives in prior years in connection with the closure of facilities in North America, Europe and Asia. The Company commenced these initiatives prior to December 31, 2007 and continued to execute the closures through September 30, 2010. The majority of the costs associated with the closures were incurred shortly after the original implementation. However, the Company continues to incur costs related principally to the liquidation of the respective facilities. The total expense incurred for the Predecessor period ending May 31, 2010 and Successor period ending September 30, 2010 amounted to $470 and $222 respectively.

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other located in Germany. Both closures were a result of changes in market demands and volume reductions and are substantially completed as of September 30, 2010. However, the Company will continue to incur costs until the facilities are sold. The estimated total cost of these initiatives is approximately $20,940. The following table summarizes the activity related to these initiatives for the nine months ended September 30, 2010.

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	$ 1,443	$ 235	$	$ 1,678
Expense	(460)	159		(301)
Cash payments	(724)	(318)		(1,042)
Balance at May 31, 2010	$ 259	$ 76	$	$ 335
Expense		117		117
Cash payments	(155)	(193)		(348)
Balance at September 30, 2010 - Successor	$ 104	$	$	$ 104

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During 2008, the Company commenced the initial phase of a reorganization ultimately involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division (which included the body sealing and AVS product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. In the first quarter of 2009, the Company initiated the final phase of the reorganization of its operating structure, formally discontinuing its product line operating divisions and putting into place the new operating divisions based on geographic regions. The estimated cost of this initiative is approximately $26,000. The following table summarizes the activity for this initiative for the nine months ended September 30, 2010:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	$ 7,771	$	$	$ 7,771
Expense	(450)			(450)
Cash payments	(3,297)			(3,297)
Balance at May 31, 2010	$ 4,024	$	$	$ 4,024
Expense	(96)			(96)
Cash payments	(163)			(163)
Balance at September 30, 2010 - Successor	$ 3,765	$	$	$ 3,765

The Company commenced several initiatives during 2009. These initiatives related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific. The estimated total cost associated with these actions amount to $18,900. The following table summarizes the activity for these initiatives for the nine months ended September 30, 2010:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	$ 4,215	$ 56	$	$ 4,271
Expense	5,168	314	(21)	5,461
Cash payments	(2,680)	(347)	21	(3,006)
Balance at May 31, 2010	$ 6,703	$ 23	$	$ 6,726
Expense	(71)	842		771
Cash payments	(5,479)	(865)		(6,344)
Balance at September 30, 2010 - Successor	$ 1,153	$	$	$ 1,153

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In the second quarter of 2010, the Company initiated the closure of a facility and the consolidation of two other facilities located in North America. The estimated total costs of these initiatives is $2,100 and are expected to be completed in 2010. The following table summarizes the activity for these initiatives for the nine months ended September 30, 2010:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	$	$	$	$
Expense	595	118		713
Cash payments	(132)	(118)		(250)
Balance at May 31, 2010	$ 463	$	$	$ 463
Expense	(83)	269		186
Cash payments	(214)	(269)		(483)
Balance at September 30, 2010 - Successor	$ 166	$	$	$ 166

6. Inventories

Inventories are comprised of the following:

	Predecessor December 31, 2009	Successor September 30, 2010
Finished goods	$ 27,826	$ 31,013
Work in process	25,616	30,330
Raw materials and supplies	58,133	62,517
	$ 111,575	$ 123,860

In connection with the adoption of fresh-start accounting, an $8,136 fair value write-up was recorded at May 31, 2010 in the Predecessor. Such inventory was liquidated as of June 30, 2010 in the Successor and recorded as an increase to cost of products sold.

7. Debt

Outstanding debt consisted of the following at December 31, 2009 and September 30, 2010, respectively:

	Predecessor	Successor

	December 31, 2009	September 30, 2010
Senior Notes	$	$ 450,000
DIP Credit Agreement	175,000	
Other borrowings	29,263	27,033
Total debt	$ 204,263	$ 477,033
Less: Current portion of long term debt	(18,204)	(19,166)
DIP Credit Agreement	(175,000)	
Total long-term debt	$ 11,059	$ 457,867

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Senior Notes

On May 11, 2010, CSA Escrow Corporation (the Escrow Issuer), an indirect wholly-owned non-debtor subsidiary of CSA U.S., issued $450,000 aggregate principal amount of the Senior Notes. On the Effective Date, the Escrow Issuer was merged with and into CSA U.S., with CSA U.S. assuming the obligations under the Senior Notes. Proceeds from the Senior Notes, together with proceeds of the Rights Offering and cash on hand, were used to pay claims under the Predecessor s prepetition credit agreement, the DIP Credit Agreement and the portion of the Predecessor s prepetition senior notes payable in cash, in full, together with related fees and expenses.

The Senior Notes are guaranteed, jointly and severally, on a senior unsecured basis, by the Company and all of CSA U.S. s wholly-owned domestic restricted subsidiaries (collectively, the obligors). If CSA U.S. or any of its domestic restricted subsidiaries acquires or creates another wholly-owned domestic restricted subsidiary that guarantees certain debt of CSA U.S. or a guarantor, such newly acquired or created subsidiary will also guarantee the Senior Notes. The Senior Notes bear an interest rate of 8 $^1/2$% and mature on May 1, 2018. Interest is payable semi-annually on May 1 and November 1.

The Senior Notes and the guarantees constitute senior debt of the obligors and (1) rank equally in right of payment with all of the obligors existing and future senior debt, (2) rank senior in right of payment to all of the obligors existing and future subordinated debt, (3) are effectively subordinated in right of payment to all of the obligors existing and future secured indebtedness and secured obligations to the extent of the value of the collateral securing such indebtedness and obligations and (4) are structurally subordinated to all existing and future indebtedness and other liabilities of CSA U.S. s non-guarantor subsidiaries (other than indebtedness and liabilities owed to CSA U.S. or one of its guarantor subsidiaries).

CSA U.S. has the right to redeem the Senior Notes at the redemption prices set forth below:

on and after May 1, 2014, all or a portion of the Senior Notes may be redeemed at a redemption price of 104.250% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2014, 102.125% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2015, and 100% of the principal amount thereof if redeemed on or after May 1, 2016, plus any accrued and unpaid interest to the redemption date;

prior to May 1, 2013, up to 35% of the Senior Notes issued under the indenture may be redeemed with the proceeds from certain equity offerings at a redemption price of 108.50% of the principal amount thereof, plus any accrued and unpaid interest to the redemption date; and

prior to May 1, 2014, all or a portion of the Senior Notes may be redeemed at a price equal to 100% of the principal amount thereof plus a make-whole premium.

If a change of control occurs, unless CSA U.S. has exercised its right to redeem all of the outstanding Senior Notes through an optional redemption (as described above), each noteholder shall have the right to require that CSA U.S. repurchase such noteholder s Senior Notes at a purchase price in cash equal to 101% of the principal amount on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase, subject to the right of the noteholders of record on the relevant record date to receive interest due on the relevant interest payment date.

The indenture limits, among other things, the ability of CSA U.S. and its restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt or make certain investments, incur additional debt or issue certain disqualified stock and preferred stock, incur liens, merge or consolidate with another company or

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sell all or substantially all of its assets, enter into transactions with affiliates and allow to exist certain restrictions on the ability of the subsidiary guarantors to pay dividends or make other payments to CSA U.S., in each case, subject to exclusions and other customary exceptions. In addition, certain of these covenants will not be applicable during any period of time when the Senior Notes have an investment grade rating. The indenture also contains customary events of default.

Senior ABL Facility

On the Effective Date, the Company, CSA U.S., CSA Canada (together with CSA U.S., the Borrowers) and certain subsidiaries of CSA U.S. entered into the Senior ABL Facility with certain lenders, Bank of America, N.A., as agent (the Agent), for such lenders, Deutsche Bank Trust Company Americas, as syndication agent, and Banc of America Securities LLC, Deutsche Bank Securities Inc., UBS Securities LLC and Barclays Capital, as joint lead arrangers and bookrunners. The Senior ABL Facility provides for an aggregate revolving loan availability of up to $125,000, subject to borrowing base availability, including a $45,000 letter of credit sub-facility and a $20,000 swing line sub-facility. The Senior ABL Facility also provides for an uncommitted $25,000 incremental loan facility, for a potential total Senior ABL Facility of $150,000 (if requested by the Borrowers and the lenders agree to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase. As of September 30, 2010, no amounts were drawn under the Senior ABL Facility, but there was approximately $36,300 of letters of credit outstanding.

Any borrowings under the Senior ABL Facility will mature, and the commitments of the lenders under the Senior ABL Facility will terminate, on May 27, 2014. Proceeds from the Senior ABL Facility may be used by the Borrowers to pay certain unsecured claims, administrative expenses and administrative claims as contemplated by the Plan of Reorganization, to issue commercial and standby letters of credit, to finance ongoing working capital needs and for general corporate purposes. Loan (and letter of credit) availability under the Senior ABL facility is subject to a borrowing base, which at any time is limited to the lesser of: (A) the maximum facility amount (subject to certain adjustments) and (B) (i) up to 85% of eligible accounts receivable; plus (ii) up to the lesser of 70% of eligible inventory or 85% of the appraised net orderly liquidation value of eligible inventory; minus reserves established by the Agent. The accounts receivable portion of the borrowing base is subject to certain formulaic limitations (including concentration limits). The inventory portion of the borrowing base is limited to eligible inventory, as determined by an independent appraisal. The borrowing base is also subject to certain reserves, which are established by the Agent (which may include changes to the advance rates indicated above). Loan availability under the Senior ABL Facility is apportioned, as follows: $100,000 to CSA U.S. and $25,000 to CSA Canada.

The obligations of CSA U.S. under the Senior ABL Facility and cash management arrangements and interest rate, foreign currency or commodity swaps entered into by the Company, in each case with the lenders and their affiliates (collectively Additional ABL Secured Obligations), are guaranteed on a senior secured basis by the Company and all of our U.S. subsidiaries (other than CS Automotive LLC), and the obligations of CSA Canada under the Senior ABL Facility and Additional ABL Secured Obligations of CSA Canada and its Canadian subsidiaries are guaranteed on a senior secured basis by the Company, all of the Canadian subsidiaries of CSA Canada and all of the Company s U.S. subsidiaries. CSA U.S. guarantees the Additional ABL Secured Obligations of its subsidiaries and CSA Canada guarantees the Additional ABL Secured Obligations of its Canadian subsidiaries. The obligations under the Senior ABL Facility and related guarantees are secured by a first priority lien on all of each Borrower s and each guarantor s existing and future personal property consisting of accounts receivable, payment intangibles, inventory, documents, instruments, chattel paper and investment property, certain money, deposit accounts and securities accounts and certain related assets and proceeds of the foregoing.

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Borrowings under the Senior ABL Facility bear interest at a rate equal to, at the Borrowers option:

- in the case of borrowings by the U.S. Borrower, LIBOR or the base rate plus, in each case, an applicable margin; or

- in the case of borrowings by the Canadian Borrower, BA rate, Canadian prime rate or Canadian base rate plus, in each case, an applicable margin.

The initial applicable margin is 3.5% with respect to the LIBOR or BA-based borrowings and 2.5% with respect to base rate, Canadian prime rate and Canadian base rate borrowings. The applicable margin is subject, in each case, to quarterly performance pricing adjustments commencing six months after the closing date.

In addition to paying interest on outstanding principal under the Senior ABL Facility, the Borrowers are required to pay a fee in respect of committed but unutilized commitments equal to 0.50% per annum when usage of the Senior ABL Facility (as apportioned between the U.S. and Canadian facilities) is greater than 50% and 0.75% per annum when usage of the Senior ABL Facility is equal to or less than 50%. The Borrowers are also required to pay a fee on outstanding letters of credit under the Senior ABL Facility at a rate equal to the applicable margin in respect of LIBOR and BA-based borrowings plus a fronting fee at a rate of 0.125% per annum to the issuer of such letters of credit, together with customary issuance and other letter of credit fees. The Senior ABL Facility also requires the payment of customary agency and administrative fees.

The Borrowers are able to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans, in each case, in whole or in part, at any time without premium or penalty (other than customary breakage and related reemployment costs with respect to repayments of LIBOR-based borrowings).

The Senior ABL Facility includes affirmative and negative covenants that will impose substantial restrictions on the Company s financial and business operations, including our ability to incur and secure debt, make investments, sell assets, pay dividends or make acquisitions. The Senior ABL Facility also includes a requirement to maintain a monthly fixed charge coverage ratio of no less than 1.1 to 1.0 when availability under the Senior ABL Facility is less than specified levels. The Senior ABL Facility also contains various events of default that are customary for comparable facilities.

Prepetition Debt

The filing of the Chapter 11 Cases by the Debtors on August 3, 2009 constituted a default or otherwise triggered repayment obligations under substantially all prepetition debt obligations of the Debtors, and as a result, the loan commitments of the lenders under the Predecessor s prepetition credit agreement were terminated and all principal and accrued and unpaid interest outstanding under the prepetition credit agreement and the Predecessor s prepetition notes accelerated and became due and payable (subject to the automatic stay under Chapter 11). As of the date of the filing of the Chapter 11 Cases, approximately $608,000 of principal and accrued and unpaid interest was outstanding under the Predecessor s prepetition credit agreement, approximately $208,800 of principal and accrued and unpaid interest was outstanding under the Predecessor s prepetition 7% senior notes due 2012 and approximately $329,900 of principal and accrued and unpaid interest was outstanding under the Predecessor s prepetition 8 3/8% senior subordinated notes due 2014. Approximately $639,600 of claims under the Predecessor s prepetition credit agreement were paid in full in cash on the Effective Date with proceeds of the

Company s exit financing and obligations under the Predecessor s prepetition credit agreement were cancelled. Holders of the Predecessor s prepetition senior notes were paid in full in cash on the Effective Date, except that certain of the noteholders received a distribution of common stock in lieu of the cash payment for certain of their prepetition senior note claims. Holders of the prepetition senior subordinated notes were

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issued 8% of our outstanding common stock and warrants to purchase, in the aggregate, 3% of our outstanding common stock (in each case, assuming the conversion of our 7% preferred stock). Obligations under both the Predecessor s prepetition senior notes and prepetition senior subordinated notes were cancelled.

DIP Credit Agreement

On August 5, 2009, the Bankruptcy Court entered an interim order approving debtor-in-possession financing on an interim basis. Pursuant to this interim order, the Predecessor entered into a Debtor-In-Possession Credit Agreement, dated as of August 5, 2009 (the Initial DIP Credit Agreement), among the Company, CSA U.S., and CSA Canada, various lenders party thereto, Deutsche Bank Trust Company Americas, as administrative agent and collateral agent, Banc of America Securities LLC, General Electric Capital Corporation and UBS Securities LLC, as co-syndication agents, Deutsche Bank Trust Company Americas, as documentation agent, Deutsche Bank Securities Inc. and General Electric Capital Corporation, as joint lead arrangers and book runners, and Banc of America Securities LLC and UBS Securities LLC, as co-arrangers. The Predecessor received final approval of the Initial DIP Credit Agreement from the Bankruptcy Court on September 1, 2009. The Predecessor received approval of the Initial DIP Credit Agreement from the Canadian Court on August 6, 2009. The Initial DIP Credit Agreement was amended on August 31, 2009 and September 11, 2009. Both amendments primarily updated some post-closing non-U.S. collateral delivery requirements. In addition, on December 2, 2009, Metzeler Automotive Profile Systems GmbH, a German limited liability company (the German Borrower and together with CSA U.S. and CSA Canada, the DIP Borrowers), became an additional borrower under the Initial DIP Credit Agreement. Under the Initial DIP Credit Agreement, the DIP Borrowers borrowed an aggregate of $175,000 principal amount of superpriority senior secured term loans in order to finance their operating, working capital and other general corporate needs (including the payment of fees and expenses in accordance with the orders of the Bankruptcy Court and the Canadian Court authorizing such borrowings). The Initial DIP Credit Agreement also provided for an ability to incur up to an aggregate of $25,000 in uncommitted incremental debt.

In order to refinance the Initial DIP Credit Agreement on terms more favorable to the Predecessor, on December 18, 2009 the Predecessor entered the DIP Credit Agreement, among the Company, the DIP Borrowers, various lenders party thereto, Deutsche Bank Trust Company Americas, as the administrative agent (in such capacity, the DIP Agent), collateral agent and documentation agent, and Deutsche Bank Securities Inc., as syndication agent, sole lead arranger and book runner. Under the DIP Credit Agreement, the lenders party thereto committed to provide superpriority senior secured term loans to the DIP Borrowers in an aggregate principal amount of up to $175,000 (the DIP Facility), subject to certain conditions. The DIP Credit Agreement also provided for an additional uncommitted $25,000 incremental facility, for a total DIP Facility of up to $200,000.

The Predecessor prepaid $25,000 of the borrowings under the DIP Credit Agreement on each of January 29, 2010, March 26, 2010, April 20, 2010, and May 18, 2010. In addition, the Company repaid $188 on March 31, 2010. The remaining balance was repaid on the Effective Date, at which time the DIP Credit Agreement was cancelled and terminated, including all agreements related thereto.

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8. Pension and Postretirement Benefits other than Pensions

The following tables disclose the amount of net periodic benefit costs for the three and nine months ended September 30, 2009 and 2010 for the Company s defined benefit plans and other postretirement benefit plans:

	Pension Benefits			
	Predecessor Three Months Ended September 30, 2009		Successor Three Months Ended September 30, 2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 707	$ 686	$ 560	$ 599
Interest cost	3,787	1,841	3,846	1,706
Expected return on plan assets	(3,280)	(776)	(3,694)	(871)
Amortization of prior service cost and recognized actuarial loss	960	52		
Net periodic benefit cost	$ 2,174	$ 1,803	$ 712	$ 1,434

	Pension Benefits					
	Predecessor				Successor	
	Nine Months Ended September 30, 2009		Five Months Ended May 31, 2010		Four Months Ended September 30, 2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 2,120	$ 1,961	$ 1,002	$ 893	$ 747	$ 791
Interest cost	11,360	5,247	6,278	2,871	5,128	2,256
Expected return on plan assets	(9,839)	(2,190)	(6,050)	(1,460)	(4,925)	(1,159)
Amortization of prior service cost and recognized actuarial loss	2,881	149	1,467	70		
Curtailment cost	68					
Net periodic benefit cost	$ 6,590	$ 5,167	$ 2,697	$ 2,374	$ 950	$ 1,888

	Other Postretirement Benefits				
	Predecessor	Successor	Predecessor		Successor
	Three Months Ended September 30,		Nine Months Ended September 30,	Five Months Ended May 31,	Four Months Ended September 30,
	2009	2010	2009	2010	2010
Service cost	$ 442	$ 433	$ 1,307	$ 638	$ 577
Interest cost	1,079	1,025	3,201	1,701	1,367

Amortization of prior service credit and recognized actuarial gain	(823)		(2,466)	(1,395)	
Other	40	21	120	35	28
Net periodic benefit cost	$ 738	$ 1,479	$ 2,162	$ 979	$ 1,972

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9. Income Taxes

Under ASC Topic 270, Interim Reporting, the Company is required to determine its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.

The effective tax rate for the five month Predecessor period ended May 31, 2010 was 6%. The effective tax rate for the three and four month Successor periods ended September 30, 2010 was 18% and 17%, respectively. The effective tax rate for the three and nine month periods ended September 30, 2009 was 26% and 7%, respectively. The income tax rate for the five month Predecessor period ended May 31, 2010 and the three and four month Successor periods ended September 30, 2010 varies from statutory rates due to the impact of deferred taxes recorded on fresh-start and reorganization adjustments, income taxes on foreign earnings, the impact of valuation allowances in the U.S. and foreign jurisdictions, tax credits, income tax incentives, withholding taxes and other permanent items. Further, the Company s current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

On June 23, 2009, a U.S. and Canadian bi-lateral Advanced Pricing Arrangement (APA) with the Company was completed and signed. The settlement of the bi-lateral APA resulted in income tax refunds to CSA Canada for the years 2000 through 2007 totaling approximately CAD $88,000. Under the terms of the Stock Purchase Agreement with Cooper Tire and Rubber Company dated September 16, 2004, Cooper Tire and Rubber Company had a claim against the Company for the amount of tax refunds received by CSA Canada relating to the years 2000 through 2004. On July 27, 2009, CSA Canada received approximately CAD $80,000, which represented the federal portion of the expected refunds plus interest.

The Company, CSA U.S. and CSA Canada (collectively, the Defendants) were named as defendants in an adversary proceeding (Case No. 09-52014 (PJW)) initiated by Cooper Tire & Rubber Company and Cooper Tire Rubber & Company UK Limited (together, CTR) in the Bankruptcy Court on August 19, 2009 (the CTR Adversary Proceeding). CTR s complaint had sought a declaratory judgment that CTR was entitled to a portion of the CAD $80,000 tax refund received by CSA Canada from the Canadian government on July 27, 2009 and a portion of all future refunds received by CSA Canada, in each case relating to the period prior to the Company s 2004 Acquisition. CTR also sought imposition of a resulting trust or, in the alternative, a constructive trust in favor of CTR and turnover of the portion of the Canadian income tax refunds attributable to the years 2000 through 2004. In connection with the CTR Adversary Proceedings, the Defendants, CTR and the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases entered into an Agreement Concerning Terms and Conditions of a Compromise and Settlement, dated March 17, 2010 (the CTR Settlement Agreement). Under the terms of the CTR Settlement Agreement, CTR agreed to, among other things, dismiss its complaint in the Bankruptcy Court with prejudice and claim no further entitlement to the tax refunds. The Defendants agreed to, among other things, (i) pay CTR approximately $17,600 in cash and (ii) to obtain a release of CTR s obligations in connection with a guarantee of one of the Company s leases or, alternatively, provide a letter of credit in favor of CTR in the initial amount of $7,000 (but declining by $1,000 per year for seven years) to reimburse CTR for any amounts that it is required to pay the Company s landlord on account of such guarantee. The Defendants and CTR have also granted general mutual releases to each other with respect to

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claims and liabilities under the purchase agreement governing the Company s 2004 acquisition and other claims and liabilities, subject to certain exceptions relating to certain continuing indemnification obligations. On April 15, 2010, the Bankruptcy Court issued an order approving the CTR Settlement Agreement. In May 2010, the Company received approximately CAD $33,000 of the remaining tax refund and related interest from Canada.

10. Comprehensive Income (Loss) and Equity (Deficit)

On an annual basis, disclosure of comprehensive income is incorporated into the statement of stockholders equity, which is not presented on a quarterly basis. The components of comprehensive income (loss), net of related tax, are as follows:

	Predecessor			Successor		
	Three Months Ended September 30, 2009			Three Months Ended September 30, 2010		
	Total	Cooper-Standard Holdings Inc.	Non-controlling Interest	Total	Cooper-Standard Holdings Inc.	Non-controlling Interest
Net income (loss) (1)	$ 10,666	$ 10,847	$ (181)	$ 20,845	$ 20,833	$ 12
Currency translation adjustment	23,029	23,037	(8)	45,989	45,968	21
Pension and other postretirement benefits, net of tax	500	500				
Fair value change of derivatives, net of tax	(58)	(58)		151	151	
Comprehensive income (loss):	$ 34,137	$ 34,326	$ (189)	$ 66,985	$ 66,952	$ 33

	Predecessor						Successor		
	Nine Months Ended September 30, 2009			Five Months Ended May 31, 2010			Four Months Ended September 30, 2010		
	Total	Cooper-Standard Holdings Inc.	Non-controlling Interest	Total	Cooper-Standard Holdings Inc.	Non-controlling Interest	Total	Cooper-Standard Holdings Inc.	Non-controlling Interest
Net income (loss) (1)	$ (393,955)	$ (393,459)	$ (496)	$ 636,609	$ 636,287	$ 322	$ 25,785	$ 25,763	$ 22
Currency translation adjustment	26,112	26,076	36	(31,075)	(31,092)	17	42,953	42,937	16
Pension and other postretirement benefits, net of tax	786	786		126	126				
Fair value change of	4,867	4,867		(81)	(81)		206	206	

derivatives, net of tax									
Comprehensive income (loss):	$ (362,190)	$ (361,730)	$ (460)	$ 605,579	$ 605,240	$ 339	$ 68,944	$ 68,906	$ 38

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The following table summarizes the Company s equity (deficit) activity for the nine months ended September 30, 2010:

	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Total Equity (Deficit)
Equity (deficit) at January 1, 2010 - Predecessor	$ (310,964)	$ 4,464	$ (306,500)
Net income	636,287	322	636,609
Other comprehensive income (loss)	(31,047)	17	(31,030)
Sale of non-controlling interest		(1,844)	(1,844)
Stock-based compensation	245		245
Reorganization and fresh start adjustments	(294,521)	(596)	(295,117)
Equity at May 31, 2010 - Predecessor	$	$ 2,363	$ 2,363
Issuance of 17,489,693 shares of common stock and 2,419,753 warrants in connection with emergence from bankruptcy	473,292		473,292
Equity at June 1, 2010 - Successor	$ 473,292	$ 2,363	$ 475,655
Net income (1)	25,763	22	25,785
Preferred stock dividends	(2,892)		(2,892)
Other comprehensive income	43,143	16	43,159
Stock-based compensation	3,066		3,066
Equity at September 30, 2010 - Successor	$ 542,372	$ 2,401	$ 544,773

(1) Net income attributable to redeemable noncontrolling shareholders interest recorded in other long-term liabilities amounted to $164 for the three and four months ended September 30, 2010.

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11. Net Income Per Share Attributable to Cooper-Standard Holdings Inc.

Basic net income per share attributable to Cooper-Standard Holdings Inc. was computed using the two-class method by dividing net income attributable to Cooper-Standard Holdings Inc., after deducting dividends on the Company s 7% preferred stock and undistributed earnings allocated to participating securities, by the average number of common shares outstanding during the period. The Company s preferred shares outstanding are considered participating securities. A summary of information used to compute basic net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	Successor Three Months Ended September 30, 2010	Successor Four Months Ended September 30, 2010
Net Income attributable to Cooper-Standard Holdings Inc.	$ 20,833	$ 25,763
Less: Preferred stock dividends (paid or unpaid)	(1,970)	(2,892)
Less: Undistributed earnings allocated to participating securities	(3,747)	(4,543)
Net income available to Cooper-Standard Holdings Inc. common stockholders	$ 15,116	$ 18,328
Average shares of common stock outstanding	17,489,693	17,489,693
Basic net income per share attibutable to Cooper-Standard Holdings Inc.	$ 0.86	$ 1.05

Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method dividing net income attributable to Cooper-Standard Holdings Inc. by the average number of shares of common stock outstanding, including the dilutive effect of common stock equivalents, using the average share price during the period. Diluted net income per share attributable to Cooper-Standard Holdings Inc. computed using the two-class method was anti-dilutive. A summary of information used to compute diluted net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	Successor Three Months Ended September 30, 2010	Successor Four Months Ended September 30, 2010
	$ 15,116	$ 18,328

Net income available to Cooper-Standard Holdings Inc. common stockholders				
Average common shares outstanding		17,489,693		17,489,693
Dilutive effect of:				
Common restricted stock		263,527		251,820
Preferred restricted stock		66,537		64,397
Warrants		478,677		467,665
Average dilutive shares of common stock outstanding		18,298,434		18,273,575
Diluted net income per share attibutable to Cooper-Standard Holdings Inc.	$	0.83	$	1.00

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The effect of certain common stock equivalents, including convertible preferred stock and options were excluded from the computation of weighted average diluted shares outstanding for the three months ended September 30, 2010, and the four months ended September 30, 2010, respectively, as inclusion would have resulted in antidilution. A summary of these preferred shares (as if converted), and options are shown below:

	Successor Three Months Ended September 30, 2010	Successor Four Months Ended September 30, 2010
Number of Options	838,952	838,952
Exercise price	$ 25.52	$ 25.52
Preferred shares, as if converted	4,335,188	4,335,188
Preferred dividends and undistributed earnings allocated to participating securities that would be added back in the diluted calculation.	$ 5,717	$ 7,435

12. Capital Stock

Common Stock

The Company is authorized to issue up to 190,000,000 shares of common stock, par value $0.001 per share. As of November 5, 2010, an aggregate of 18,376,112 shares of its common stock were issued and outstanding.

All shares of common stock vote as one class, except as otherwise provided by law. Each share of common stock carries one vote on the record date for the determination of the stockholders entitled to vote.

Each share of common stock is entitled to any dividends to be declared on a record date on or after the issue date of the common stock, except, however, that for so long as any shares of 7% preferred stock are outstanding, dividends may not be declared or paid on common stock (unless paid in common stock) unless the full cumulative preferred dividends on the 7% preferred stock have been paid and, in the case of a cash dividend, the Company shall have redeemed all shares of 7% preferred stock previously issued as a dividend paid in kind to holders of 7% preferred stock (Additional Preferred Shares) and subsequently tendered in an offer by the Company to purchase such Additional Preferred Shares.

Holders of common stock are not entitled to preemptive rights, and no redemption or sinking fund provisions are applicable to common stock. All outstanding shares of common stock are, and any shares of common stock to be issued upon the conversion of the 7% preferred stock or exercise of warrants will be, fully paid and non-assessable.

In the event of liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in proportion to their shareholding in the Company assets, if any, remaining after the payment of all the Company s debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

Warrants

An aggregate of 2,419,753 warrants have been issued and 2,419,753 shares of common stock are issuable upon exercise of the warrants. The warrants are exercisable into shares of common stock at an exercise price of $27.33

per share (subject to adjustment in accordance with anti-dilution protections) or on a cashless basis whereby for each warrant exercised its holder will receive a number of shares of common stock equal to (i) the closing sale

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price (as defined in the Warrant Agreement that the Company entered into with Computershare Inc. and Computershare Trust Company, N.A. on May 28, 2010) minus the exercise price (in each case as of the exercise date), divided by (ii) such closing sale price. The warrants may be exercised at any time during the period beginning on the Effective Date and ending at the close of business on the 90-month anniversary of the Effective Date, or November 2017.

The warrants are subject to certain anti-dilution protection, including in the case of, among others, stock splits, stock dividends and distributions, tender or exchange offers, rights plans and certain issuances of common stock or derivatives. Warrant holders do not have the rights or privileges of holders of common stock, including voting rights, until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of warrants. If a holder exercises warrants and would be entitled to receive a fractional interest of a share, the Company will pay cash valued at the closing sale price of the common stock on the exercise date.

Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock, par value $0.001 per share. The Company has designated 2,000,000 shares of its authorized preferred stock as 7% cumulative participating convertible preferred stock, par value $0.001 per share, of which 1,052,444 are issued and outstanding as of November 5, 2010. The 7% preferred stock ranks senior to the common stock and all other classes or series of its capital stock, except for any other class or series, the terms of which expressly provide that it ranks on a parity with the 7% preferred stock. In the event of its liquidation, winding-up or dissolution, holders of 7% preferred stock are entitled to priority in payments from the Company in an amount equal to the greater of (x) the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends and (y) the conversion value of the 7% preferred stock.

Holders of 7% preferred stock are entitled to receive, when, as and if declared by the Company s board of directors, out of funds legally available for the payment of dividends, cumulative preferred dividends on a quarterly basis at the rate of 7% per year. Dividends may be paid in cash or in-kind with additional shares of 7% preferred stock at the option of the Company. In addition, shares of 7% preferred stock are entitled to receive dividends to the same extent and on the same basis as dividends with respect to the common stock determined, when, as and if declared by its board of directors, out of funds legally available for the payment of dividends, in accordance with the number of shares of common stock issuable upon conversion of the 7% preferred stock at the time such dividend is declared. For so long as any shares of 7% preferred stock are outstanding, dividends may not be declared or paid on the common stock (unless paid in common stock) and the Company may not acquire any common stock unless the full cumulative preferred dividends have been paid and, in the case of a cash dividend on or cash acquisition of the common stock, unless the Company has redeemed all shares of 7% preferred stock tendered in an offer to purchase such shares.

Shares of 7% preferred stock are convertible at any time into shares of common stock at the option of the holders. The initial and current conversion price of the 7% preferred stock is $23.30574 per share of common stock, subject to certain adjustments, including, among others, stock splits and reclassifications, stock dividends and distributions, tender or exchange offers, reorganization events, rights plans and certain issuances of common stock or derivatives. The number of shares of common stock delivered upon conversion is equal to the number obtained by dividing (i) the sum of the stated value and all accrued and unpaid cumulative dividends by (ii) the conversion price.

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The Company may convert the 7% preferred stock at its option, for the number of shares of common stock as provided in the preceding paragraph, at any time after the third anniversary of the Effective Date if (i) the closing sale price of the common stock exceeded 155% of the conversion price of the 7% preferred stock for each of 30 consecutive trading days within the 45-day period prior to the notification by the Company to the holders of the 7% preferred stock of its exercise of the conversion right, (ii) its common stock has been listed on the New York Stock Exchange (the NYSE) or the NASDAQ Global Select Market or the NASDAQ Global Market (collectively NASDAQ) and has been registered pursuant to section 12 of the Exchange Act, and (iii) a registration statement covering resales of the common stock issuable upon conversion of the 7% preferred stock has been declared effective prior to the date of notice and will remain available for resales for at least 60 days after the conversion date, subject to certain exceptions.

The Company may cause the conversion of all shares of 7% preferred stock into shares of common stock immediately prior to the consummation of an underwritten initial public offering of the common stock if (i) the holders of two-thirds of the then outstanding shares of 7% preferred stock approve the conversion and (ii) the common stock has been listed on the NYSE or NASDAQ and has been registered pursuant to section 12 of the Exchange Act.

On or within 30 days after receipt of a notice from the Company of certain events that constitute a change of control or involve a cash transaction (as defined below), the holders of 7% preferred stock may require the Company to redeem all or a portion of their 7% preferred stock at the greater of the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends or the value of the shares of the common stock into which such shares of 7% preferred stock are then convertible. If a cash transaction occurs prior to the fifth anniversary of our emergence from bankruptcy, holders of 7% preferred stock will be entitled to receive cash equal to the greater of (i), in the case of a cash transaction that occurs prior to the first anniversary of our emergence from bankruptcy, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends both multiplied by 1.175, after the first anniversary and prior to the fifth anniversary of our emergence from bankruptcy, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends both multiplied by 1.125 and, thereafter, the stated value of the 7% preferred stock plus accrued and unpaid cumulative preferred dividends and (ii) the conversion value of the 7% preferred stock as of such date. Cash transaction means a merger, consolidation, share exchange or other similar transaction or a sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of its consolidated assets in which all of the common stock is converted into the right to receive cash.

From and after the sixth anniversary of the Effective Date, the Company may, at its option, redeem shares of 7% preferred stock at any time, in whole or in part, for cash at the greater of (x) the stated value of the 7% preferred stock plus accrued and unpaid cumulative dividends (which value will be multiplied by 1.125 if the redemption occurs prior to the seventh anniversary of its emergence from bankruptcy) and (y) 75% of the conversion value of the 7% preferred stock as of the second trading day prior to the redemption date. If 75% of the conversion value of the 7% preferred stock is greater than the amount in (x) above, the Company may redeem the shares of 7% preferred stock in part for cash equal to the redemption value of the 7% preferred stock and in part for shares of common stock valued as of the second trading day prior to the redemption date equal to the difference between the redemption value of the 7% preferred stock and 75% of the conversion value of the 7% preferred stock. In order for the Company to elect to exercise this redemption right, a registration statement covering resales of the common stock issuable upon redemption of the 7% preferred stock must have been declared effective prior to the date of notice and must remain available for resales for at least 60 days after the redemption date, subject to certain exceptions. In addition, in order for the Company to exercise this redemption right, all cumulative preferred dividends and all participating dividends must have been paid for all past dividend periods.

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Each share of 7% preferred stock carries one vote for each share of common stock into which such share of 7% preferred stock may be converted on the record date for the determination of the stockholders entitled to vote and will be entitled to vote on any matter upon which shares of the common stock are entitled to vote, voting together with the common stock and not as a separate class. In addition, the holders of two-thirds of the outstanding 7% preferred stock are required to approve certain actions, including:

- changes to the Company s certificate of incorporation or the certificate of designations of the 7% preferred stock that are adverse to the rights of the 7% preferred stock;

- changes of the 7% preferred stock (whether by merger, consolidation, reclassification or otherwise) into cash, securities or other property (except in accordance with the certificate of designations) or, in the case of a merger or consolidation involving the Company in which it is not the surviving entity, the 7% preferred stock may be exchanged for an equivalent number of shares of preferred stock of the surviving or resulting entity with substantially the same terms as the 7% preferred stock;

- any issuance of shares of 7% preferred stock (other than the shares of 7% preferred stock issued at the Effective Date and additional shares issued as in-kind dividends); provided, however, that any issuance of shares of 7% preferred stock that are not offered to the existing holders of 7% preferred stock on a pro rata basis relative to their holdings on the same terms as offered to other participants in the issuance shall require the approval of each holder of 7% preferred stock;

- the creation, authorization, issuance or increase in the amount of any equity security that ranks equally with or senior to the 7% preferred stock with respect to dividend rights, rights of redemption or rights of liquidation, dissolution or winding-up including the Company; and

- the conversion of the shares of 7% preferred stock into shares of common stock immediately prior to the consummation of its initial underwritten public offering.

The following table summarizes the Company s 7% preferred stock activity for the four months ended September 30, 2010:

	Successor 7% Preferred Stock
Preferred Stock at June 1, 2010	$ 128,000
Stock-based compensation	520
Preferred stock dividends	1,419
Preferred Stock at September 30, 2010 - Successor	$ 129,939

On July 19, 2010, the Company paid a dividend to holders of its outstanding 7% preferred stock in the form of 10,780 additional shares of 7% preferred stock.

13. Stock-Based Compensation

The Company measures stock-based compensation expense at fair value in accordance with the provisions of GAAP and recognizes such expense over the vesting period of the stock-based employee awards.

Predecessor

Prior to the Effective Date, the Company established the 2004 Cooper-Standard Holdings Inc. Stock Incentive Plan (Stock Incentive Plan), which permitted the granting of nonqualified and incentive stock options, stock appreciation rights, restricted stock and other stock-based awards to employees and directors. On the Effective

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Date, outstanding awards under the Stock Incentive Plan were cancelled in accordance with the terms of the Plan of Reorganization. Total compensation expense recognized under these plans amounted to $245 for the five months ended May 31, 2010.

Successor

On the Effective Date, the Company adopted the 2010 Cooper-Standard Holdings Inc. Management Incentive Plan (the Management Incentive Plan) that was filed with the Bankruptcy Court on May 5, 2010 as part of the supplement to the Plan of Reorganization. The total number of shares authorized to be issued under the Management Incentive Plan as the Initial Grant Awards are as follows: (1) 4% of the common stock (or 757,896 shares of common stock, plus, subject to realized dilution on the warrants, an additional 104,075 shares of common stock) to be granted as restricted stock; (2) 4% of the 7% preferred stock (initially convertible into 178,771 shares of common stock) to be granted as restricted 7% preferred stock; and (3) 3% of the equity (or 702,509 shares of common stock, plus, subject to realized dilution on the warrants, an additional 78,057 shares of common stock) to be granted as stock options. On the day after the Effective Date, the Company issued to certain of its directors and Oak Hill Advisors L.P. or its affiliates, 26,448 shares of common stock as restricted stock and 58,386 options to purchase shares of common stock. The Company also reserved 780,566 shares of common stock for future issuance to the Company s management.

The total number of shares which may be issued under the Management Incentive Plan as the Future Grant Awards, to be issued incrementally, are 3% of the equity (or 702,509 shares of common stock, plus, subject to realized dilution on the warrants, 78,057 shares of common stock). The issuance of shares or the payment of cash upon the exercise of an award or in consideration of the cancellation or termination of an award will reduce the total number of shares available under the Management Incentive Plan, as applicable. Shares which are subject to awards which terminate or lapse without the payment of consideration may be granted again under the Management Incentive Plan.

The compensation expense related to stock options and restricted stock granted to key employees and directors of the Company in connection with the Company s emergence from bankruptcy, which is qualified below, does not represent payments actually made to these employees. Rather, the amounts represent the non-cash compensation expense recognized by the Company in connection with these awards for financial reporting purposes. The actual value of these awards to the recipients will depend on the trading price of the Company s stock when the awards vest.

Stock Options. On the Effective Date, 780,566 options to purchase common stock were issued, and on the day after the Effective Date, 58,386 options were granted, all with an exercise price of $25.52. The weighted average fair value of these options is $11.42 as of September 30, 2010. All options were outstanding as of September 30, 2010, and no options were cancelled, forfeited, exercised or vested. Stock option awards are granted at the fair market value of the Company s stock price at the date of the grant and have a 10 year term. The stock option grants vest over three or four years from the date of grant. Total compensation expense recognized for stock options amounted to $562 and $835 for the three and four months ended September 30, 2010, respectively. As of September 30, 2010, unrecognized compensation expense for stock options amounted to $8,639.

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The Company uses expected volatility of similar entities to develop the expected volatility. The expected option life was calculated using the simplified method. The risk free rate is based on the U.S. Treasury zero-coupon issues with a term equal to the expected option life on the date the stock options were granted. Fair value of the shares that are accounted for under ASC Topic 718 was estimated at the date of the grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	2010
Expected volatility	40.00%
Dividend yield	0.00%
Expected option life years	6.25
Risk-free rate	3.40%

Restricted Common Shares. On the Effective Date, 861,971 restricted shares of common stock were granted, and on the day after the Effective Date, 26,448 restricted shares were granted. All restricted shares of common stock were outstanding as of September 30, 2010 and no restricted shares of common stock were cancelled, forfeited or vested. The fair value of the restricted shares of common stock is determined based on the closing sales price of the common stock on the date of grant. The weighted average grant date fair value of these shares is $25.52. The restricted shares of common stock vest over three and four years. Total compensation expense recognized for restricted shares of common stock amounted to $1,763 and $2,232 for the three and four months ended September 30, 2010, respectively. As of September 30, 2010, unrecognized compensation expense for restricted shares of common stock amounted to $20,328.

*Restricted Preferred Stoc*k. On the Effective Date, 41,664 restricted preferred stock shares were granted, and they vest over three or four years from the date of grant. On July 19, 2010, the Company paid a stock dividend of 435 restricted preferred shares. The fair value of the restricted preferred stock is determined based on the fair market value of the 7% preferred stock on the date of grant. As of September 30, 2010, there were 42,099 restricted preferred stock shares outstanding, which are convertible into 180,637 shares of common stock. The weighted average grant date fair value of these shares is $127.77. No restricted preferred stock shares were cancelled, forfeited or converted during the three months ended September 30, 2010. Total compensation expense recognized for restricted preferred stock totaled $418 and $520 for the three and four months ended September 30, 2010, respectively. As of September 30, 2010, unrecognized compensation expense for restricted preferred stock amounted to $4,804.

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14. Other Income (Expense)

The components of other income (expense) are as follows:

	Predecessor Three Months Ended September 30, 2009	Successor Three Months Ended September 30, 2010
Foreign currency gains	$ 6,290	$ 5,380
Interest rate swaps	(323)	
Loss on sale of receivables	(37)	(239)
Miscellaneous income		313
Other income	$ 5,930	$ 5,454

	Predecessor		Successor
	Nine Months Ended September 30, 2009	Five Months Ended May 31, 2010	Four Months Ended September 30, 2010
Foreign currency gains (losses)	$ 7,838	$ (20,779)	$ 5,031
Gain on debt repurchase	9,096		
Interest rate swaps	(2,414)		
Loss on sale of receivables	(841)	(377)	(320)
Miscellaneous income			313
Other income (expense)	$ 13,679	$ (21,156)	$ 5,024

15. Related Party Transactions

Sales to NISCO, a 50% owned joint venture, totaled $7,129 and $6,590 for the three months ended September 30, 2010 and 2009, respectively. Sales to NISCO totaled $12,273 and $9,530 for the five months ended May, 31, 2010 and four months ended September 30, 2010, respectively. Sales to NISCO totaled $15,297 for the nine months ended September 30, 2009.

Purchases of material from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled $1,394 and $1,852 for the three months ended September 30, 2010 and 2009, respectively. Purchases of material from Guyoung Technology Co. Ltd totaled $4,052 and $2,291 for the five months ended May 31, 2010 and four months ended September 30, 2010, respectively. Purchases of material from Guyoung Technology Co. Ltd totaled $2,489 for the nine months ended September 30, 2009.

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16. Business Segments

The Company has two reportable segments, North America and International (comprising all of the Company s operations outside of North America). The Company evaluates segment performance based on segment profit before tax. The following table details information on the Company s business segments:

	Predecessor Three Months Ended September 30, 2009	Successor Three Months Ended September 30, 2010
Sales to external customers		
North America	$ 251,700	$ 316,585
International	266,142	269,065
Consolidated	$ 517,842	$ 585,650
Intersegment sales		
North America	$ 1,598	$ 1,156
International	1,441	2,064
Eliminations and other	(3,039)	(3,220)
Consolidated	$	$
Segment profit (loss)		
North America	$ 20,036	$ 29,122
International	(5,597)	(3,670)
Income before income taxes	$ 14,439	$ 25,452

	Predecessor Nine Months Ended September 30, 2009	Predecessor Five Months Ended May 31, 2010	Successor Four Months Ended September 30, 2010
Sales to external customers			
North America	$ 632,234	$ 508,738	$ 432,981
International	735,422	500,390	368,311
Consolidated	$ 1,367,656	$ 1,009,128	$ 801,292
Intersegment sales			
North America	$ 3,325	$ 1,757	$ 1,665
International	4,101	3,206	2,560
Eliminations and other	(7,426)	(4,963)	(4,225)

Consolidated	$	$	$
Segment profit (loss)			
North America	$ (259,702)	$ 590,121	$ 37,255
International	(165,592)	86,428	(5,954)
Income (loss) before income taxes	$ (425,294)	$ 676,549	$ 31,301

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Predecessor December 31, 2009	Successor September 30, 2010
Segment assets		
North America	$ 694,442	$ 789,218
International	877,971	891,888
Eliminations and other	164,994	181,352
Consolidated	$ 1,737,407	$ 1,862,458

Restructuring costs included in segment profit for North America totaled $197 and $87 for the three months ended September 30, 2010 and 2009, respectively. International restructuring costs totaled $621and $4,370 for the three months ended September 30, 2010 and 2009, respectively. Eliminations and other totaled $0 and $(79) for the three months ended September 30, 2010 and 2009, respectively.

Restructuring costs included in segment profit for North America totaled $851 and $340 for the five months ended May 31, 2010 and four months ended September 30, 2010, respectively and $9,608 for the nine months ended September 30, 2009. International restructuring costs totaled $5,042 and $860 for the five months ended May 31, 2010 and four months ended September 30, 2010, respectively and $21,279 for the nine months ended September 30, 2009. Eliminations and other totaled $0 for the five months ended May 31, 2010 and four months ended September 30, 2010 and $1,984 for the nine months ended September 30, 2009.

17. Financial Instruments

Fair values of the Predecessor s prepetition senior notes and prepetition senior subordinated notes approximated $256,106 at December 31, 2009, based on quoted market prices, compared to the recorded values totaling $505,300. Fair values of the Predecessor s term loans approximated $512,828 at December 31, 2009, based on quoted market prices, compared to the recorded values totaling $520,637. As a result of the adoption of fresh-start accounting, all remaining amounts recorded related to the Predecessor s prepetition senior notes, prepetition senior subordinated notes, and term loans were eliminated. See Note 3, Fresh-Start Accounting.

Fair values of the Debtors DIP financing approximated $177,188 at December 31, 2009, based on quoted market prices, compared to the recorded value totaling $175,000. Upon the Company s emergence from bankruptcy, the DIP financing was repaid.

Fair values of the Senior Notes approximated $465,750 at September 30, 2010, based on quoted market prices, compared to the recorded value of $450,000.

The Company uses derivative financial instruments, including forwards and swap contracts to manage its exposures to fluctuations in foreign exchange, interest rates and commodity prices. For a fair value hedge, both the effective and ineffective, if significant, portions are recorded in earnings and reflected in the consolidated statement of operations. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income (loss) in the consolidated balance sheet. The ineffective portion, if significant, is recorded in other income or expense. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive income (loss) is recorded in earnings and reflected in the consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the cash flow hedges. The Company also formally assesses whether a cash flow hedge is highly effective in offsetting changes in the cash flows of the hedged item. Derivatives are recorded at fair value in other current assets, accrued liabilities and other long-term liabilities.

Derivative Instruments and Hedging Activities

The Predecessor s failure to make the scheduled interest payments on its prepetition senior notes and prepetition senior subordinated notes and the expiration of the applicable 30-day period on July 16, 2009 constituted a cross-default under the Company s ISDA Agreements in the names of CSA U.S., CSA Canada and Cooper-Standard Automotive International Holdings B.V., with its various senior lenders as counterparties. As a result, the counterparties to certain outstanding derivative contracts under these ISDA Agreements elected to exercise their option of early termination under such contracts. Certain interest rate, foreign exchange and commodity swap derivatives that were designated under ASC 815 as cash flow hedges were terminated for the purposes of ASC 815 as a result of the failure to make the interest payment and in anticipation of the termination events. The values of these terminated derivatives, totaling $18,081, were classified as liabilities subject to compromise and were repaid upon emergence from bankruptcy.

Cash Flow Hedges

Forward foreign exchange contracts The Company enters into forward contracts to hedge currency risk of the U.S. Dollar against the Mexican Peso, Canadian Dollar and the Euro against the Czech Koruna, Polish Zloty and U.S. Dollar. The forward contracts are used to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company s foreign currency transactions. The gain or loss on the forward contracts is reported as a component of other comprehensive income (loss) (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The amounts reclassified from accumulated other comprehensive income (loss) (AOCI) into cost of products sold were $52 and $79 for the three months ended September 30, 2010 and 2009, respectively. Amounts reclassified from AOCI into cost of products sold were $126 and $96 for the five months ended May 31, 2010, and four months ended September 30, 2010, respectively. Amounts reclassified from AOCI into cost of products sold were $(141) for the nine months ended September 30, 2009.

A summary of the outstanding contracts and the respective notional amounts is below:

		Notional Amount	Notional Amount (local currency)
Mexican peso	USD	4,950	63,372
United States Dollar	CAD	4,959	4,800
Czech Koruna	EUR	1,133	28,000
Polish Zloty	EUR	1,063	4,250
United States Dollar	EUR	1,597	2,075

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

At September 30, 2010, the fair value before taxes of the Company s forward exchange contracts and the accounts in the condensed consolidated balance sheet in which the fair value amounts are included are shown below:

	September 30, 2010 Asset/(liability)
Other current assets	$ 80
Accrued liabilities	(12)
	$ 68

Interest rate swaps The Company has an interest rate swap contract to manage cash flow fluctuations of variable rate debt due to changes in market interest rates. This contract, which fixes the interest payment of a certain variable rate debt instrument, is accounted for as a cash flow hedge. As of September 30, 2010, the USD notional amount of this contract was $6,789. At September 30, 2010, the fair value before taxes of the Company s interest rate swap contract was $363 and is recorded in accrued liabilities and other long-term liabilities in the Company s consolidated balance sheet with the offset reflected in AOCI, net of deferred taxes. The amounts reclassified from AOCI into interest expense for this swap was $61 for the three months ended September 30, 2010 and 2009. The amounts reclassified from AOCI into interest expense for this swap were $102 and $81 for the five months ended May 31, 2010 and four months ended September 30, 2010, respectively. The amounts reclassified from AOCI into interest expense for this swap were $70 for the nine months ended September 30, 2009. The amount to be reclassified in the next twelve months is expected to be approximately $201. The maturity date of this interest rate swap contract is September 2013.

As a result of the adoption of fresh-start accounting, all remaining amounts recorded in accumulated other comprehensive income (loss) related to forward foreign exchange contracts and interest rate swaps were eliminated. See Note 3, Fresh-Start Accounting .

Fair Value Measurements

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs, such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. The Company also considers the risk of non-performance in the estimation of fair value and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. In certain instances where market data is not available, the Company uses management judgment to develop assumptions that are used to determine fair value. Fair value measurements and the fair value hierarchy level for the Company s liabilities measured or disclosed at fair value on a recurring basis as of September 30, 2010, are shown below:

Contract	Asset (Liability)	Level 1	Level 2	Level 3
Interest rate swap	$ (363)	$	$	$ (363)
Forward foreign exchange contract	68			68
Total	$ (295)	$	$	$ (295)

A reconciliation of changes in assets and liabilities related to derivative instruments measured at fair value using the market and income approach adjusted for our and our counterparty s credit risks for the nine months ended September 30, 2010, is shown below:

Beginning Balance as of January 1, 2010 - Predecessor	$ 406
Total (gains) or losses (realized or unrealized) included in earnings (or changes in net liabilities)	228
Included in other comprehensive income	87
Purchases, issuances and settlements	(228)
Balance as of May 31, 2010	$ 493
Total (gains) or losses (realized or unrealized) included in earnings (or changes in net liabilities)	177
Included in other comprehensive income	(198)
Purchases, issuances and settlements	(177)
Ending Balance as of September 30, 2010 - Successor	$ 295
The amount of total (gains) or losses for the period included in earnings (or changes in net liabilities) attributable to the change in unrealized (gains) or losses relating to assets still held at the reporting date	$

(Gains) and losses (realized and unrealized) included in earnings (or changes in net liabilities) for the period (above) are reported in cost of products sold and other income (expense):

	Predecessor Five Months Ended May 31, 2010	Successor Four Months Ended September 30, 2010
Total (gains) or losses included in earnings (or changes in net liabilities) for the period (above)	$ 228	$ 177
Change in unrealized (gains) or losses relating to assets still held at the reporting date		

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

Items measured at fair value on a non-recurring basis

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. For further information on assets and liabilities measured at fair value on a non-recurring basis, see Note 3, Fresh-Start Accounting, and Note 5, Restructuring.

18. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through third party financial institutions without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company. At September 30, 2010 and 2009, the Company had $39,040 and $33,428, respectively, of receivables outstanding under receivable transfer agreements entered into by various locations. For the four months ended September 30, 2010 and five months ended May 31, 2010, total accounts receivables factored was $31,510 and $40,592, respectively. The Company incurred a loss on the sale of receivables of $239 and $23 for the three months ended September 30, 2010 and 2009, respectively. Losses incurred on the sale of receivables were $377 and $320 for the five months ended May 31, 2010 and four months ended September 30, 2010, respectively and $573 for the nine months ended September 30, 2009; these amounts are recorded in other income (expense) in the consolidated statements of operations. The Company continues to service the receivables for one of the locations. These are permitted transactions under the Company s credit agreement. The Company is also pursuing similar arrangements in various locations.

19. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

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Cooper-Standard Holdings Inc.

17,210,676 Shares of Common Stock

1,010,345 Shares of 7% Cumulative Participating Convertible Preferred Stock

Warrants to Purchase 1,693,827 Shares of Common Stock

Prospectus