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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from ____ to ____

Commission file number 001-37386

FTAI AVIATION LTD.

(Exact name of registrant as specified in its charter)

Cayman Islands	**98-1420784**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, 45th Floor	**New York**	**NY**	**10105**
(Address of principal executive offices)			(Zip Code)

(Registrant's telephone number, including area code) **(212) 798-6100**

(Former name, former address and former fiscal year, if changed since last report) **N/A**

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

Title of each class:	Trading Symbol:	Name of exchange on which registered:
Ordinary shares, $0.01 par value per share	FTAI	The Nasdaq Global Select Market
8.25% Fixed-to-Floating Rate Series A Cumulative Perpetual Redeemable Preferred Shares	FTAIP	The Nasdaq Global Select Market
8.00% Fixed-to-Floating Rate Series B Cumulative Perpetual Redeemable Preferred Shares	FTAIO	The Nasdaq Global Select Market
8.25% Fixed-Rate Reset Series C Cumulative Perpetual Redeemable Preferred Shares	FTAIN	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

There were 99,664,223 ordinary shares outstanding as of November 14, 2022.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS SUMMARY

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but instead are based on our present beliefs and assumptions and on information currently available to us. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “target,” “projects,” “contemplates” or the negative version of those words or other comparable words. Any forward-looking statements contained in this report are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us, that the future plans, estimates or expectations contemplated by us will be achieved.

Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. The following is a summary of the principal risk factors that make investing in our securities risky and may materially adversely affect our business, financial condition, results of operations and cash flows. This summary should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth in Part II, Item 1A. “Risk Factors” of this report. We believe that these factors include, but are not limited to:

- changes in economic conditions generally and specifically in our industry sectors, and other risks relating to the global economy, including, but not limited to, the Russia-Ukraine conflict, the ongoing COVID-19 pandemic and other public health crises, and any related responses or actions by businesses and governments;
- reductions in cash flows received from our assets, as well as contractual limitations on the use of our aviation assets to secure debt for borrowed money;
- our ability to take advantage of acquisition opportunities at favorable prices;
- a lack of liquidity surrounding our assets, which could impede our ability to vary our portfolio in an appropriate manner;
- the relative spreads between the yield on the assets we acquire and the cost of financing;
- adverse changes in the financing markets we access affecting our ability to finance our acquisitions;
- customer defaults on their obligations;
- our ability to renew existing contracts and enter into new contracts with existing or potential customers;
- the availability and cost of capital for future acquisitions;
- concentration of a particular type of asset or in a particular sector;
- competition within the aviation sector;
- the competitive market for acquisition opportunities;
- risks related to operating through joint ventures, partnerships, consortium arrangements or other collaborations with third parties;
- our ability to successfully integrate acquired businesses;
- obsolescence of our assets or our ability to sell, re-lease or re-charter our assets;
- exposure to uninsurable losses and force majeure events;
- the legislative/regulatory environment and exposure to increased economic regulation;
- exposure to the oil and gas industry’s volatile oil and gas prices;
- difficulties in obtaining effective legal redress in jurisdictions in which we operate with less developed legal systems;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940 and the fact that maintaining such exemption imposes limits on our operations;
- our ability to successfully utilize leverage in connection with our investments;
- foreign currency risk and risk management activities;
- effectiveness of our internal control over financial reporting;

- exposure to environmental risks, including natural disasters, increasing environmental legislation and the broader impacts of climate change;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- actions taken by national, state, or provincial governments, including nationalization, or the imposition of new taxes, could materially impact the financial performance or value of our assets;
- our dependence on our Manager and its professionals and actual, potential or perceived conflicts of interest in our relationship with our Manager;
- effects of the merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.;
- volatility in the market price of our shares;
- the inability to pay dividends to our shareholders in the future; and
- other risks described in the “Risk Factors” section of this report.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement except as required by law, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

FTAI AVIATION LTD.
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PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FTAI AVIATION LTD.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	Notes	(Unaudited) September 30, 2022	December 31, 2021
Assets			
Cash and cash equivalents	2	**$ 15,597**	$ 2,158
Accounts receivable, net	2	**82,877**	121,257
Leasing equipment, net	3	**1,559,575**	1,714,136
Finance leases, net	4	**7,094**	7,583
Investments	5	**22,280**	22,917
Intangible assets, net	6	**29,416**	30,962
Inventory, net	2	**160,019**	100,308
Other assets	2	**141,294**	97,531
Total assets		**$ 2,018,152**	$ 2,096,852
Liabilities			
Accounts payable and accrued liabilities		**$ 26,982**	$ 32,058
Management fees payable to affiliate	11	**46,095**	43,477
Loans payable to affiliate	7	**27,090**	25,181
Maintenance deposits	2	**51,430**	106,164
Security deposits	2	**25,905**	38,639
Other liabilities		**47,383**	31,274
Total liabilities		**$ 224,885**	$ 276,793
Commitments and contingencies	14		
Equity			
Ordinary shares ($1.00 par value per share; 50,000 shares authorized; 105.2 and 100.0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)		**—**	—
Additional paid in capital		**1,087,534**	1,139,628
Retained earnings		**705,733**	680,431
Total equity		**1,793,267**	1,820,059
Total liabilities and equity		**$ 2,018,152**	$ 2,096,852

See accompanying notes to consolidated financial statements.

FTAI AVIATION LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS ***(unaudited)***
(Dollars in thousands, except share and per share data)

	Notes	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues	9	**$ 218,249**	$ 93,938	**$ 412,205**	$ 228,482
Expenses					
Operating expenses	2	**14,612**	10,130	**83,651**	20,641
Cost of sales	2	**95,948**	5,367	**120,139**	8,577
General and administrative		**3,354**	2,862	**9,125**	7,166
Acquisition and transaction expenses		**2,848**	1,132	**5,449**	3,710
Management fees and incentive allocation to affiliate	11	**539**	2,116	**4,692**	7,027
Depreciation and amortization	3	**32,877**	34,825	**106,567**	102,194
Asset impairment	3	**4,495**	859	**128,171**	3,048
Interest expense		**644**	584	**1,910**	1,734
Total expenses		**155,317**	57,875	**459,704**	154,097
Other income (expense)					
Equity in losses of unconsolidated entities	5	**(358)**	(369)	**(125)**	(1,050)
Gain on sale of assets, net		**—**	12,685	**79,933**	17,467
Other income (expense)		**42**	(1,341)	**245**	(717)
Total other income (expense)		**(316)**	10,975	**80,053**	15,700
Income before income taxes		**62,616**	47,038	**32,554**	90,085
Provision for income taxes	10	**3,818**	500	**7,252**	1,037
Net income attributable to shareholders		**$ 58,798**	$ 46,538	**$ 25,302**	$ 89,048
Earnings per share:	13				
Basic		**$ 558.92**	$ 465.38	**$ 244.46**	$ 890.48
Diluted		**$ 558.92**	$ 465.38	**$ 244.46**	$ 890.48
Weighted average shares outstanding:					
Basic		**105.2**	100.0	**103.5**	100.0
Diluted		**105.2**	100.0	**103.5**	100.0

See accompanying notes to consolidated financial statements.

FTAI AVIATION LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*
(Dollars in thousands)

	Three and Nine Months Ended September 30,2022		
	Additional Paid In Capital	Retained Earnings	Total Equity
Equity - December 31, 2021	**$ 1,139,628**	**$ 680,431**	**$ 1,820,059**
Net loss	—	(33,496)	(33,496)
Capital contributions	230,766	—	230,766
Capital distributions	(104,821)	—	(104,821)
Equity - June 30, 2022	**$ 1,265,573**	**$ 646,935**	**$ 1,912,508**
Net income	—	58,798	58,798
Capital contributions	11,365	—	11,365
Capital distributions	(189,404)	—	(189,404)
Equity - September 30, 2022	**$ 1,087,534**	**$ 705,733**	**$ 1,793,267**

	Three and Nine Months Ended September 30,2021		
	Additional Paid In Capital	Retained Earnings	Total Equity
Equity - December 31, 2020	**$ 897,089**	**$ 550,560**	**$ 1,447,649**
Net income	—	42,510	42,510
Capital contributions	140,273	—	140,273
Capital distributions	(88,159)	—	(88,159)
Equity - June 30, 2021	**$ 949,203**	**$ 593,070**	**$ 1,542,273**
Net income	—	46,538	46,538
Capital contributions	109,191	—	109,191
Capital distributions	(56,803)	—	(56,803)
Equity - September 30, 2021	**$ 1,001,591**	**$ 639,608**	**$ 1,641,199**

See accompanying notes to consolidated financial statements.

FTAI AVIATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*
(Dollars in thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities:		
Net income	**$ 25,302**	$ 89,048
Adjustments to reconcile net income to cash provided by operating activities:		
Equity in losses of unconsolidated entities	**125**	1,050
Gain on sale of assets, net	**(106,169)**	(17,467)
Security deposits and maintenance claims included in earnings	**(31,558)**	(30,866)
Depreciation and amortization	**106,567**	102,194
Payment-in-kind interest	**1,910**	1,734
Asset impairment	**128,171**	3,048
Change in deferred income taxes	**6,614**	(23)
Amortization of lease intangibles and incentives	**30,315**	21,348
Provision for credit losses	**47,128**	821
Change in:		
Accounts receivable, net	**(25,933)**	(38,575)
Inventory, net	**(11,041)**	(11,918)
Other assets	**(1,211)**	972
Accounts payable and accrued liabilities	**(19,659)**	(3,677)
Management fees payable to affiliate	**2,618**	15,692
Other liabilities	**(1,875)**	(1,553)
Net cash provided by operating activities	**151,304**	131,828
Cash flows from investing activities:		
Distribution from unconsolidated entities	**512**	—
Principal collections on finance leases	**2,165**	1,707
Acquisition of leasing equipment	**(360,642)**	(298,912)
Acquisition of property, plant and equipment	**(949)**	(1,121)
Acquisition of lease intangibles	**(6,542)**	(7,403)
Purchase deposits for aircraft and engines	**(28,621)**	(13,790)
Proceeds from sale of leasing equipment	**262,096**	78,463
Proceeds from deposit of sale of aircraft and engines	**7,801**	600
Return of purchase deposits	**—**	1,010
Net cash used in investing activities	**$ (124,180)**	$ (239,446)

See accompanying notes to consolidated financial statements.

FTAI AVIATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*
(Dollars in thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from financing activities:		
Receipt of security deposits	**2,636**	1,390
Return of security deposits	**(935)**	(1,034)
Receipt of maintenance deposits	**37,586**	23,075
Release of maintenance deposits	**(878)**	(19,615)
Capital contributions from Parent	**242,131**	249,464
Capital distributions to Parent	**(294,225)**	(144,962)
Net cash (used in) provided by financing activities	**(13,685)**	108,318
Net increase in cash and cash equivalents	**13,439**	700
Cash and cash equivalents, beginning of period	**2,158**	1,388
Cash and cash equivalents, end of period	**$ 15,597**	$ 2,088
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition and transfers of leasing equipment	**$ 124,932**	$ 66,988
Assumed and settled security deposits	**(12,161)**	(1,909)
Assumed and settled maintenance deposits	**(73,136)**	(30,302)

See accompanying notes to consolidated financial statements.

FTAI AVIATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(Dollars in tables in thousands, unless otherwise noted)

1. BACKGROUND AND BASIS OF PRESENTATION

Background

FTAI Aviation Ltd. ("we", "us", "our" or the "Company and formerly FTAI Finance Holdco Ltd.") is a Cayman Islands exempted company which, through its subsidiaries, owns and leases aviation equipment. The Company was incorporated on December 8, 2017 and as of September 30, 2022, was wholly owned by Fortress Transportation and Infrastructure Investors LLC (the "Parent"). On November 10, 2022, pursuant to the Agreement and Plan of Merger dated August 12, 2022, by and among the Company, the Parent, and FTAI Aviation Merger Sub LLC, the Parent became a wholly-owned subsidiary of the Company.

In connection with the consummation of the merger, the Company's corporate name was changed to FTAI Aviation Ltd., and the Company replaced the Parent as the publicly traded company. We consist of an equipment leasing business that owns and leases aviation equipment and also develops, manufactures, repairs and sells aftermarket components for aircraft engines. We have two reportable segments, (i) Aviation Leasing and (ii) Aerospace Products (see Note 12).

During the third quarter of 2021, the Parent announced its plan to spin off its infrastructure business and separate into two distinct, publicly traded companies (the ''Separation'') comprising the infrastructure business and the equipment leasing business. As part of a restructuring for the Separation, the Company, the Parent and its subsidiaries completed a series of transactions which included the contribution of remaining interests in aviation legal entities to the Company. As a result, on March 31, 2022 the Company acquired a 100% interest in FTAI CHR JV Holdings LLC, a subsidiary that owns a 25% ownership interest in the Advanced Engine Repair JV, and a 100% interest in WWTAI Aviation LLC, a subsidiary that owns aviation assets. The Parent completed the spin-off of its infrastructure business into an independent publicly traded company on August 1, 2022.

Basis of Presentation

The accompanying consolidated financial statements were prepared on a standalone legal entity basis. These financial statements reflect the consolidated historical results of operations, financial position and cash flows of FTAI Aviation Ltd. in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

The transfer of a business between entities under common control that result in a change in reporting entity require retrospective combination of the entities for all periods presented as if the combination had been in effect since the inception of common control. The transfer of remaining aviation legal entities, as described above, represents a transfer of a business under a common control transaction which has been recorded at carrying value and accounted for retrospectively for all periods presented.

Historically, separate financial statements have not been prepared for the Company and it has not operated as a standalone business separate from the Parent. The accompanying consolidated financial statements have been prepared from Parent's historical accounting records and are presented on a standalone basis as if the operations had been conducted independently from Parent. The historical results of operations, financial position, and cash flows of FTAI Aviation Ltd. represented in the consolidated financial statements may not be indicative of what they would have been had the Company actually been a separate standalone entity during such periods, nor are they necessarily indicative of our future results of operations, financial position, and cash flows.

The assets and liabilities in the consolidated financial statements have been reflected on a historical cost basis.

Corporate Function

The consolidated financial statements include all revenues and costs directly attributable to FTAI Aviation Ltd. and an allocation of certain expenses. The Parent is externally managed by Fortress Investment Group LLC (the ''Manager''), which performs the Parent's corporate function (''Corporate''), and incurs a variety of expenses including, but not limited to, information technology, accounting, treasury, tax, legal, corporate finance and communications. For purposes of the Consolidated Statements of Operations, an allocation of these expenses is included to reflect our portion of such corporate overhead from the Parent. The charges reflected have either been specifically identified or allocated based on an estimate of time spent on the Company. These allocated costs are recorded in General and administrative, and Acquisition and transaction expenses in the Consolidated Statements of Operations. We believe the assumptions regarding allocations of the Parent's corporate expenses are reasonable. Nevertheless, the allocations may not be indicative of the actual expense that would have been incurred had FTAI Aviation Ltd. operated as an independent, standalone public entity, nor are they indicative of FTAI Aviation Ltd.'s future expenses. Actual costs that may have been incurred if we had been a standalone company would depend on a number of factors, including the organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. The Parent funded our operating and investing activities as needed. Cash transfers to and from the Parent are reflected in the Consolidated Statements of Cash Flows as ''Capital contributions from Parent" and "Capital distributions to Parent". Refer to Note 11 for additional discussion on corporate costs allocated from the Parent that are included in these consolidated financial statements.

Unaudited interim financial information

The accompanying interim consolidated balance sheet as of September 30, 2022, the consolidated statements of operations, changes in equity and cash flows for the nine months ended September 30, 2022 and 2021 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP. In the opinion of our management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair statement of our financial position as of September 30, 2022, the results of operations, changes in equity and cash flows for the nine months ended September 30, 2022 and 2021. The results of operations for the nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and include both our accounts and those of our subsidiaries.

Principles of Consolidation—We consolidate all entities in which we have a controlling financial interest and control over significant operating decisions. All intercompany transactions and balances have been eliminated.

We use the equity method of accounting for investments in entities in which we exercise significant influence, but which do not meet the requirements for consolidation. Under the equity method, we record our proportionate share of the underlying net income (loss) of these entities.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period, including allocations from the Parent. Actual results could differ from those estimates.

Risks and Uncertainties—In the normal course of business, we encounter several significant types of economic risk including credit, market, and capital market risks. Credit risk is the risk of the inability or unwillingness of a lessee or customer to make contractually required payments or to fulfill its other contractual obligations. Market risk reflects the risk of a downturn or volatility in the underlying industry in which we operate, which could adversely impact the pricing of the services offered by us or a lessee's or customer's ability to make payments, increase the risk of unscheduled lease terminations and depress lease rates and the value of our leasing equipment or operating assets. Capital market risk is the risk that we are unable to obtain capital at reasonable rates to fund the growth of our business. We, through our subsidiaries, also conduct operations outside of the United States; such international operations are subject to the same risks as those associated with our United States operations as well as additional risks, including unexpected changes in regulatory requirements, heightened risk of political and economic instability, potentially adverse tax consequences and the burden of complying with foreign laws. We do not have significant exposure to foreign currency risk as all of our leasing and customer arrangements are denominated in U.S. dollars.

Cash and Cash Equivalents—We consider all highly liquid short-term investments with a maturity of 90 days or less when purchased to be cash equivalents.

Inventory, net—We hold aircraft engine modules, spare parts and used material inventory for trading and to support operations. Inventory, net is carried at the lower of cost or net realizable value on our Consolidated Balance Sheets.

Property, Plant and Equipment, Leasing Equipment and Depreciation—Property, plant and equipment and leasing equipment are stated at cost (inclusive of capitalized acquisition costs, where applicable) and depreciated using the straight-line method, over estimated useful lives, to estimated residual values which are summarized as follows:

Asset	Range of Estimated Useful Lives	Residual Value Estimates
Aircraft	25 years from date of manufacture	Generally not to exceed 15% of manufacturer's list price when new
Aircraft engines	2 - 6 years, based on maintenance adjusted service life	Sum of engine core salvage value plus the estimated fair value of life limited parts
Aviation tooling and equipment	3 - 6 years from date of purchase	Scrap value at end of useful life
Furniture and fixtures	3 - 6 years from date of purchase	None

Major improvements and modifications incurred in connection with the acquisition of property, plant and equipment and leasing equipment that are required to get the asset ready for initial service are capitalized and depreciated over the remaining life of the asset. Property, plant and equipment is included in Other Assets in the Consolidated Balance Sheets.

We review our depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in our depreciation policies, useful lives of our equipment or the assigned residual values is warranted.

For planned major maintenance or component overhaul activities for aviation equipment off lease, the cost of such major maintenance or component overhaul event is capitalized and depreciated on a straight-line basis over the period until the next maintenance or component overhaul event is required.

In accounting for leasing equipment, we make estimates about the expected useful lives, residual values and the fair value of acquired in-place leases and acquired maintenance liabilities. In making these estimates, we rely upon observable market data for the same or similar types of equipment and our own estimates with respect to a lessee's anticipated utilization of the aircraft or engine. When we acquire leasing equipment subject to an in-place lease, determining the fair value of the in-place lease requires us to make assumptions regarding the current fair values of leases for identical or similar equipment, in order to determine if the in-place lease is within a fair value range of current lease rates. If a lease is below or above the range of current lease rates, the resulting lease discount or premium is recognized as a lease intangible and amortized into lease income over the remaining term of the lease.

Impairment of Long-Lived Assets—We perform a recoverability assessment of each of our long-lived assets whenever events or changes in circumstances, or indicators, indicate that the carrying amount or net book value of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination; a significant change in market conditions; or the introduction of newer technology aircraft or engines. When performing a recoverability assessment, we measure whether the estimated future undiscounted net cash flows expected to be generated by the asset exceeds its net book value. The undiscounted cash flows consist of cash flows from currently contracted leases, future projected leases, transition costs, estimated down time and estimated residual or scrap values. In the event that an asset does not meet the recoverability test, the carrying value of the asset will be adjusted to fair value resulting in an impairment charge.

Management develops the assumptions used in the recoverability analysis based on its knowledge of active contracts, current and future expectations of the global demand for a particular asset and historical experience in the leasing markets, as well as information received from third party industry sources. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in contracted lease rates, residual values, economic conditions, technology, demand for a particular asset type and other factors.

Security Deposits—Our operating leases generally require the lessee to pay a security deposit or provide a letter of credit. Security deposits are held until specified return dates stipulated in the lease or lease expiration.

Maintenance Payments—Typically, under an operating lease of aircraft, the lessee is responsible for performing all maintenance and is generally required to make maintenance payments to us for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft or engine. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending on the component, and are generally required to be made monthly in arrears. If a lessee is making monthly maintenance payments, we would typically be obligated to reimburse the lessee for costs they incur for heavy maintenance, overhaul or replacement of certain high-value components to the extent of maintenance payments received in respect of the specific maintenance event, usually shortly following the completion of the relevant work.

We record the portion of maintenance payments paid by the lessee that are expected to be reimbursed as maintenance deposit liabilities in the Consolidated Balance Sheets. Reimbursements made to the lessee upon the receipt of evidence of qualifying maintenance work are recorded against the maintenance deposit liability.

In certain acquired leases, we or the lessee may be obligated to make a payment to the other party at lease termination based on redelivery conditions stipulated at the inception of the lease. When the lessee is required to return the aircraft in an improved maintenance condition, we record a maintenance right asset, as a component of other assets, for the estimated value of the end-of-life maintenance payment at acquisition. We recognize payments received as end-of-lease compensation adjustments, within lease revenue or as a reduction to the maintenance right asset, when payment is received or collectability is assured. In the event we are required to make payments at the end of the lease for redelivery conditions, amounts are accrued as additional maintenance liability and expensed when we are obligated and can reasonably estimate such payment.

Lease Incentives and Amortization—Lease incentives, which include lease acquisition costs related to reconfiguration of the aircraft cabin, other lessee specific modifications and other direct costs, are capitalized and amortized as a reduction of lease income over the primary term of the lease, assuming no lease renewals.

Intangibles and Amortization—Intangibles include the value of acquired favorable and unfavorable leases.

In accounting for acquired leasing equipment, we make estimates about the fair value of the acquired leases. In determining the fair value of these leases, we make assumptions regarding the current fair values of leases for identical or similar equipment in order to determine if the acquired lease is within a fair value range of current lease rates. If a lease is below or above the range of current lease rates, the resulting lease discount or premium is recognized as a lease intangible and amortized into lease income over the remaining term of the lease.

Revenues

Operating Leases—We lease equipment pursuant to operating leases. Operating leases with fixed rentals and step rentals are recognized on a straight-line basis over the term of the lease, assuming no renewals. Revenue is not recognized when collection is not reasonably assured. When collectability is not reasonably assured, the customer is placed on non-accrual status and revenue is recognized when cash payments are received.

Generally, under our aircraft lease and engine agreements, the lessee is required to make periodic maintenance payments calculated based on the lessee's utilization of the leased asset or at the end of the lease. Typically, under our aircraft lease agreements, the lessee is responsible for maintenance, repairs and other operating expenses throughout the term of the lease. These periodic maintenance payments accumulate over the term of the lease to fund major maintenance events, and we are contractually obligated to return maintenance payments to the lessee up to the cost of maintenance events paid by the lessee. In the event the total cost of maintenance events over the term of a lease is less than the cumulative maintenance payments, we are not required to return any unused or excess maintenance payments to the lessee.

Maintenance payments received for which we expect to repay to the lessee are presented as Maintenance Deposits in our Consolidated Balance Sheets. All excess maintenance payments received that we do not expect to repay to the lessee are recorded as Maintenance revenues. Estimates in recognizing revenue include mean time between removal, projected costs for engine maintenance and forecasted utilization of aircraft which are affected by historical usage patterns and overall industry, market and economic conditions. Significant changes to these estimates could have a material effect on the amount of revenue recognized in the period.

For purchase and lease back transactions, we account for the transaction as a single arrangement. We allocate the consideration paid based on the relative fair value of the aircraft and lease. The fair value of the lease may include a lease premium or discount which is recorded as a favorable or unfavorable lease intangible.

Finance Leases—From time to time we enter into finance lease arrangements that include a lessee obligation to purchase the leased equipment at the end of the lease term, a bargain purchase option, or provides for minimum lease payments with a present value that equals or exceeds substantially all of the fair value of the leased equipment at the date of lease inception. Net investment in finance leases represents the minimum lease payments due from lessee, net of unearned income. The lease payments are segregated into principal and interest components similar to a loan. Unearned income is recognized on an effective interest method over the lease term and is recorded as finance lease income. The principal component of the lease payment is reflected as a reduction to the net investment in finance leases. Revenue is not recognized when collection is not reasonably assured. When collectability is not reasonably assured, the customer is placed on non-accrual status and revenue is recognized when cash payments are received.

Asset sales revenue—Asset sales revenue primarily consists of the transaction price related to the sale of aircraft and aircraft engines from our Aviation Leasing segment. From time to time, the Company may assign the related lease agreements to the customer as part of the sale of these assets. We routinely sell leasing equipment to customers and such transactions are considered recurring and ordinary in nature to our business. As such, these sales are accounted for within the scope of ASC 606. Revenue is recognized when a performance obligation is satisfied by transferring control over an asset to a customer. Revenue is recorded with corresponding costs of sales, presented on a gross basis in the Consolidated Statements of Operations. See Note 9 for additional information.

Aerospace Products revenue—Aerospace Products revenue primarily consists of the transaction price related to the sale of repaired CFM56-7B and CFM56-5B engines, engine modules, spare parts and used material inventory, and are accounted for within the scope of ASC 606. Revenue is recognized when a performance obligation is satisfied by transferring control over the related asset to a customer. Revenue is recorded with corresponding costs of sales, presented on a gross basis in the Consolidated Statements of Operations.

Leasing Arrangements—At contract inception, we evaluate whether an arrangement is or contains a lease for which we are the lessee (that is, arrangements which provide us with the right to control a physical asset for a period of time). Operating lease right-of-use ("ROU") assets and lease liabilities are included in Other assets and Other liabilities in our Consolidated Balance Sheets.

All lease liabilities are measured at the present value of the unpaid lease payments, discounted using our incremental borrowing rate based on the information available at commencement date of the lease. ROU assets, for both operating and finance leases, are initially measured based on the lease liability, adjusted for prepaid rent and lease incentives. Operating lease ROU assets are subsequently measured at the carrying amount of the lease liability adjusted for prepaid or accrued lease payments and lease incentives.

Operating lease expenses are recognized on a straight-line basis over the lease term. With respect to finance leases, amortization of the ROU asset is presented separately from interest expense related to the finance lease liability and is recorded in Operating expenses in the Consolidated Statements of Operations. Variable lease payments, which are primarily based on usage, are recognized when the associated activity occurs.

We have elected to combine lease and non-lease components for all lease contracts where we are the lessee. Additionally, for arrangements with lease terms of 12 months or less, we do not recognize ROU assets, and lease liabilities and lease payments are recognized on a straight-line basis over the lease term with variable lease payments recognized in the period in which the obligation is incurred.

Concentration of Credit Risk—We are subject to concentrations of credit risk with respect to amounts due from customers. We attempt to limit our credit risk by performing ongoing credit evaluations and, when deemed necessary, enter into collateral arrangements. During the three and nine months ended September 30, 2022, no customer accounted for more than 10% of total revenue. During the three and nine months ended September 30, 2021, one customer in the Aviation Leasing segment accounted for approximately 14% of total revenue in both periods.

As of September 30, 2022, there were two customers that represented 32% and 14% of total Accounts receivable, net. As of December 31, 2021, there were two customers that represented 52% and 19% of total Accounts receivable, net.

We maintain cash balances, which generally exceed federally insured limits, and subject us to credit risk, in high credit quality financial institutions. We monitor the financial condition of these institutions and have not experienced any losses associated with these accounts.

Allowance for Doubtful Accounts—We determine the allowance for doubtful accounts based on our assessment of the collectability of our receivables on a customer-by-customer basis. The allowance for doubtful accounts was $54.7 million and $16.0 million as of September 30, 2022 and December 31, 2021, respectively. There was no provision for credit losses and $1.5 million of provision for credit losses for the three months ended September 30, 2022 and 2021, respectively. There were provisions for credit losses of $47.1 million and $0.8 million for the nine months ended September 30, 2022 and 2021, respectively, and is included in Operating expenses in the Consolidated Statements of Operations.

Economic sanctions and export controls against Russia and Russia's aviation industry have been imposed due to its invasion of Ukraine during the first quarter of 2022. As a result of the sanctions imposed on Russian airlines, we terminated all lease agreements with Russian airlines and recognized approximately $47.1 million in provision for credit losses during the nine months ended September 30, 2022. Our allowance for doubtful accounts as of September 30, 2022 includes all accounts receivable exposure to Russian and Ukrainian customers.

Expense Recognition—Expenses are recognized on an accrual basis as incurred.

Acquisition and Transaction Expenses—Acquisition and transaction expenses is comprised of indirect costs related to asset acquisitions, dispositions and terminated deal costs, including salaries, advisory, legal, accounting, valuation and other professional or consulting fees.

Foreign Currency—Our functional and reporting currency is the U.S. dollar. Purchases and sales of assets and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Income Taxes—The Company is an exempted entity domiciled in the Cayman Islands where income taxes are not imposed. The Company is considered a Passive Foreign Investment Company for U.S. income tax purposes and certain income taxes are imposed on our owners. Taxable income or loss generated by our corporate subsidiaries is subject to U.S. federal, state and foreign corporate income tax in locations where they conduct business.

We account for these taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized.

(Dollars in tables in thousands, unless otherwise noted)

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions and in certain foreign jurisdictions. The income tax returns filed by us and our subsidiaries are subject to examination by the U.S. federal, state and foreign tax authorities. We recognize tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in the Consolidated Statements of Operations.

Other Assets**—**Other assets is primarily comprised of lease incentives of $35.5 million and $46.2 million, purchase deposits of $28.6 million and $13.7 million, prepaid expenses of $0.7 million and $3.1 million, notes receivable of $56.0 million and $22.9 million, maintenance right assets of $12.4 million and $5.1 million, and operating lease right-of-use assets, net of $3.2 million and $2.3 million, as of September 30, 2022 and December 31, 2021, respectively. As a result of the sanctions imposed on Russian airlines, we terminated all lease agreements with Russian airlines and recognized approximately $7.5 million in amortization for the remaining lease incentives during the nine months ended September 30, 2022.

Accounts Payable and Accrued Liabilities**—**Accounts payable and accrued liabilities primarily include payables relating to aviation leasing equipment maintenance and aircraft engine modules, spare parts, used material inventory, accrued compensation and operating expenses.

Recent Accounting Pronouncements—In July 2021, the FASB issued ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. This ASU requires lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if (i) the lease would have been classified as a sales-type lease or a direct financing lease under Topic 842 and (ii) the lessor would have otherwise recognized a day-one loss. This standard is effective for all reporting periods beginning after December 15, 2021. We adopted this guidance in the first quarter of 2022, which did not have a material impact on our consolidated financial statements.

3. LEASING EQUIPMENT, NET

Leasing equipment, net is summarized as follows:

	September 30, 2022	December 31, 2021
Leasing equipment	**1,990,115**	$ 2,122,428
Less: Accumulated depreciation	**(430,540)**	(408,292)
Leasing equipment, net	**$ 1,559,575**	$ 1,714,136

Economic sanctions and export controls against Russia and Russia's aviation industry have been imposed due to its invasion of Ukraine during the nine months ended September 30, 2022. As a result of the sanctions imposed on Russian airlines, we terminated all lease agreements with Russian airlines. As of September 30, 2022, four aircraft and two engines were still located in Ukraine and eight aircraft and seventeen engines were still located in Russia. We determined that it is unlikely that we will regain possession of the aircraft and engines that have not yet been recovered from Ukraine and Russia. As a result, we recognized an impairment charge totaling $120.0 million, net of maintenance deposits, to write-off the entire carrying value of leasing equipment assets that we do not expect to recover from Ukraine and Russia. Additionally, we identified certain assets in our leasing equipment portfolio with indicators of impairment. As a result, we adjusted the carrying value of these assets to fair value and recognized transaction impairment charges of $8.2 million, net of redelivery compensation during the nine months ended September 30, 2022.

The following table presents information related to acquisitions and dispositions of aviation leasing equipment during the nine months ended September 30, 2022:

Acquisitions:	
Aircraft	23
Engines	45
Dispositions:	
Aircraft	5
Engines	50

(Dollars in tables in thousands, unless otherwise noted)

Depreciation expense for leasing equipment is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Depreciation expense for leasing equipment	**$ 32,728**	$ 34,718	**$ 106,180**	$ 101,992

4. FINANCE LEASES, NET

Finance leases, net are summarized as follows:

	September 30, 2022	December 31, 2021
Finance leases	**$ 7,697**	$ 8,358
Unearned revenue	**(603)**	(775)
Finance leases, net	**$ 7,094**	$ 7,583

During the three months ended September 30, 2022, we entered into a 36-month sales-type lease arrangement for two airframes.

5. INVESTMENTS

The following table presents the ownership interests and carrying values of our investments:

			Carrying Value	
	Investment	**Ownership Percentage**	**September 30, 2022**	**December 31, 2021**
Advanced Engine Repair JV	Equity method	25%	**$ 20,439**	$ 21,317
Falcon MSN 177 LLC	Equity method	50%	**1,841**	1,600
			$ 22,280	$ 22,917

We did not recognize any other-than-temporary impairments for the three and nine months ended September 30, 2022 and 2021.

The following table presents our proportionate share of equity in losses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Advanced Engine Repair JV	**$ (314)**	$ (369)	**$ (879)**	$ (1,050)
Falcon MSN 177 LLC	**(44)**	—	**754**	—
Total	**$ (358)**	$ (369)	**$ (125)**	$ (1,050)

Advanced Engine Repair JV

In December 2016, we invested $15.0 million for a 25% interest in an advanced engine repair joint venture. We focus on developing new costs savings programs for engine repairs. We exercise significant influence over this investment and account for this investment as an equity method investment.

In August 2019, we expanded the scope of our joint venture and invested an additional $13.5 million and maintained a 25% interest.

(Dollars in tables in thousands, unless otherwise noted)

Falcon MSN 177 LLC

In November 2021, we invested $1.6 million for a 50% interest in Falcon MSN 177 LLC, an entity that consists of one Dassault Falcon 2000 aircraft. Falcon MSN 177 LLC leases the aircraft to charter operators on aircraft, crew maintenance, and insurance contracts. We account for our investment in Falcon as an equity method investment as we have significant influence through our interest.

6. INTANGIBLE ASSETS AND LIABILITIES, NET

Our intangible assets and liabilities, net are summarized as follows:

	September 30, 2022	December 31, 2021
Intangible assets		
Acquired favorable lease intangibles	**$ 59,789**	$ 67,013
Less: Accumulated amortization	**(30,373)**	(36,051)
Total intangible assets, net	**$ 29,416**	$ 30,962
Intangible liabilities		
Acquired unfavorable lease intangibles	**$ 13,114**	$ 14,795
Less: Accumulated amortization	**(2,216)**	(6,068)
Acquired unfavorable lease intangibles, net	**$ 10,898**	$ 8,727

Intangible assets and liabilities are all held within the Aviation Leasing segment. Intangible liabilities relate to unfavorable lease intangibles and are included as a component of Other liabilities in the Consolidated Balance Sheets.

Amortization of intangible assets and liabilities is as follows:

	Classification in Consolidated Statements of Operations	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Lease intangibles	Revenues	**$ 3,291**	$ 1,266	**$ 10,259**	$ 3,216

As of September 30, 2022, estimated net annual amortization of intangible assets and liabilities is as follows:

Remainder of 2022	3,323
2023	8,398
2024	4,848
2025	1,962
2026	519
Thereafter	(532)
Total	**$ 18,518**

7. LOANS PAYABLE TO AFFILIATE

FTAI CHR JV Promissory Note—On December 28, 2016, the Company entered into a Loan Agreement (the "Loan") with Fortress Worldwide Transportation and Infrastructure General Partnership, an affiliate, pursuant to which it borrowed an initial aggregate amount of $9.0 million in connection with its investment in the Advanced Engine Repair JV. In 2019, the Company made additional borrowings of $8.1 million. Borrowings under the Loan are unsecured and bear payment-in-kind accrued interest at a rate of 10% per year. The outstanding loan amount, including payment-in-kind accrued interest, was $27.1 million and $25.2 million as of September 30, 2022 and December 31, 2021, respectively. Interest expense on the Loan was $0.6 million, $0.6 million, $1.9 million, and $1.7 million for the three and nine months ended September 30, 2022 and 2021, respectively. The maturity date of the loan, including payment-in-kind accrued interest, is December 26, 2026.

8. FAIR VALUE MEASUREMENTS

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize use of unobservable inputs. These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs.
- Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

- Market approach—Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income approach—Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts.
- Cost approach—Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Our cash and cash equivalents consist largely of demand deposit accounts with maturities of 90 days or less when purchased that are considered to be highly liquid. These instruments are valued using inputs observable in active markets for identical instruments and are therefore classified as Level 1 within the fair value hierarchy.

The fair value of the loan payable to affiliate cannot be objectively determined due to the nature of the affiliate transaction.

Except as discussed below, our financial instruments other than cash and cash equivalents consist principally of accounts receivable, note receivable, accounts payable and accrued liabilities, security deposits and maintenance deposits, whose fair value approximates their carrying value due to their short maturity profiles.

We measure the fair value of certain assets and liabilities on a non-recurring basis when U.S. GAAP requires the application of fair value, including events or changes in circumstances that indicate that the carrying amounts of assets may not be recoverable. Assets subject to these measurements include intangible assets, property, plant and equipment and leasing equipment. We record such assets at fair value when it is determined the carrying value may not be recoverable. Fair value measurements for assets subject to impairment tests are based on an income approach which uses Level 3 inputs, which include our assumptions as to future cash flows from operation of the leasing and eventual sale of assets.

(Dollars in tables in thousands, unless otherwise noted)

9. REVENUES

We disaggregate our revenue from contracts with customers by products and services provided for each of our segments, as we believe it best depicts the nature, amount, timing and uncertainty of our revenue. Revenues are within the scope of ASC 842, *Leases* and ASC 606, *Revenue from contracts with customers*, unless otherwise noted. We have elected to exclude sales and other similar taxes from revenues.

During the three months ended September 30, 2022, we updated our corporate strategy based on the opportunities available in the market such that the sale of aircraft and engines is now an output of our recurring, ordinary activities. As a result of this update, the transaction price allocated to the sale of assets is included in Revenues in the Consolidated Statement of Operations for the three months ended September 30, 2022 and are accounted for in accordance with ASC 606. The corresponding net book values of the assets sold are recorded in Cost of sales in the Consolidated Statement of Operations for the three months ended September 30, 2022. Sales transactions of aircraft and engines prior to the three months ended September 30, 2022 were accounted for in accordance with ASC 610-20, *Gains and losses from the derecognition of nonfinancial assets* and were included in Gain on sale of assets, net on the Consolidated Statement of Operations, as we were previously only occasionally selling these assets. Generally, assets sold were under leasing arrangements with customers prior to sales and are included in Leasing equipment, net, on the Consolidated Balance Sheets.

	Three Months Ended September 30, 2022		
	Aviation Leasing	**Aerospace Products**	**Total**
Revenues			
Lease income	**$ 40,273**	**$ —**	**$ 40,273**
Maintenance revenue	**35,507**	**—**	**35,507**
Finance lease income	**119**	**—**	**119**
Asset sales revenue	**85,488**	**—**	**85,488**
Aerospace products revenue	**—**	**53,401**	**53,401**
Other revenue	**3,461**	**—**	**3,461**
Total revenues	**$ 164,848**	**$ 53,401**	**$ 218,249**

	Three Months Ended September 30, 2021		
	Aviation Leasing	**Aerospace Products**	**Total**
Revenues			
Lease income	$ 40,392	$ —	$ 40,392
Maintenance revenue	40,252	—	40,252
Finance lease income	439	—	439
Aerospace products revenue	—	7,730	7,730
Other revenue	5,125	—	5,125
Total revenues	$ 86,208	$ 7,730	$ 93,938

(Dollars in tables in thousands, unless otherwise noted)

	Nine Months Ended September 30, 2022		
	Aviation Leasing	Aerospace Products	Total
Revenues			
Lease income	**$ 111,316**	**$ —**	**$ 111,316**
Maintenance revenue	**112,171**	**—**	**112,171**
Finance lease income	**332**	**—**	**332**
Asset sales revenue	**85,488**	**—**	**85,488**
Aerospace products revenue	**—**	**94,211**	**94,211**
Other revenue	**8,687**	**—**	**8,687**
Total revenues	**$ 317,994**	**$ 94,211**	**$ 412,205**

	Nine Months Ended September 30, 2021		
	Aviation Leasing	Aerospace Products	Total
Revenues			
Lease income	$ 120,389	$ —	$ 120,389
Maintenance revenue	87,763	—	87,763
Finance lease income	1,285	—	1,285
Aerospace products revenue	—	13,284	13,284
Other revenue	5,761	—	5,761
Total revenues	$ 215,198	$ 13,284	$ 228,482

Presented below are the contracted minimum future annual revenues to be received under existing operating and finance leases:

	September 30, 2022
Remainder of 2022	**$ 32,414**
2023	**104,995**
2024	**70,428**
2025	**43,890**
2026	**24,835**
Thereafter	**65,820**
Total	**$ 342,382**

(Dollars in tables in thousands, unless otherwise noted)

10. INCOME TAXES

The current and deferred components of the income tax provision included in the Consolidated Statements of Operations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Current:				
Cayman Islands	**$ —**	$ —	**$ —**	$ —
United States:				
Federal	**247**	336	**581**	793
State and local	**(437)**	54	**69**	218
Non-U.S.	**3**	32	**(12)**	49
Total current (benefit) provision	**(187)**	422	**638**	1,060
Deferred:				
Cayman Islands	**$ —**	$ —	**$ —**	$ —
United States:				
Federal	**3,029**	45	**4,560**	45
State and local	**346**	14	**608**	14
Non-U.S.	**630**	19	**1,446**	(82)
Total deferred provision (benefit)	**4,005**	78	**6,614**	(23)
Total	**$ 3,818**	**$ 500**	**$ 7,252**	**$ 1,037**

The Company is an exempted entity domiciled in the Cayman Islands where income taxes are not imposed. The Company is considered a Passive Foreign Investment Company for U.S. income tax purposes and certain income taxes are imposed on our owners. Taxable income or loss generated by our corporate subsidiaries is subject to U.S. federal, state and foreign corporate income tax in locations where they conduct business.

Our effective tax rate differs from the U.S. federal tax rate of 21% primarily due to a significant portion of our income not being subject to U.S. corporate tax rates, or being deemed to be foreign sourced and thus either not taxable or taxable at effectively lower tax rates.

As of and for the nine months ended September 30, 2022, we had not established a liability for uncertain tax positions as no such positions existed. In general, our tax returns and the tax returns of our corporate subsidiaries are subject to U.S. federal, state, local and foreign income tax examinations by tax authorities. Generally, we are not subject to examination by taxing authorities for tax years prior to 2018. We do not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date.

11. MANAGEMENT AGREEMENT AND AFFILIATE TRANSACTIONS

In connection with the Parent's spin-off of its infrastructure business on August 1, 2022, the Parent assigned the then-existing management and advisory agreement, dated as of May 20, 2015, with its Manager to FTAI Infrastructure Inc. (the entity which holds the infrastructure business of the Parent). On July 31, 2022, the Parent entered into a new management and advisory agreement (the "Management Agreement"), by and among the Parent, and each of the subsidiaries that are party thereto and the Manager, with substantially similar terms and conditions as the existing management and advisory agreement between the Parent and the Manager. The Company, as part of the Parent, is externally managed by the Manager.

The Manager is paid annual fees in exchange for advising us on various aspects of our business, formulating our investment strategies, arranging for the acquisition and disposition of assets, arranging for financing, monitoring performance, and managing our day-to-day operations, inclusive of all costs incidental thereto. In addition, the Manager may be reimbursed for various expenses incurred by the Manager on our behalf, including the costs of legal, accounting and other administrative activities. Additionally, we have entered into certain incentive allocation arrangements with Master GP, which owns approximately 0.05% of the Partnership and is the general partner of the Partnership.

(Dollars in tables in thousands, unless otherwise noted)

The Manager is entitled to a management fee, incentive allocations (comprised of Income Incentive Allocation and Capital Gains Incentive Allocation, defined below) and reimbursement of certain expenses. The management fee is determined by taking the average value of total equity (excluding non-controlling interests) determined on a consolidated basis in accordance with U.S. GAAP at the end of the two most recently completed months multiplied by an annual rate of 1.5% and is payable monthly in arrears in cash.

The income incentive allocation is calculated and distributable quarterly in arrears based on the pre-incentive allocation net income for the immediately preceding calendar quarter (the “Income Incentive Allocation”). For this purpose, pre-incentive allocation net income means, with respect to a calendar quarter, net income attributable to shareholders during such quarter calculated in accordance with U.S. GAAP excluding the Parent’s pro rata share of (1) realized or unrealized gains and losses, and (2) certain non-cash or one-time items, and (3) any other adjustments as may be approved by the Parent’s independent directors. Pre-incentive allocation net income does not include any Income Incentive Allocation or Capital Gains Incentive Allocation (described below) paid to the Master GP during the relevant quarter.

The Master GP is entitled to an Income Incentive Allocation with respect to its pre-incentive allocation net income in each calendar quarter as follows: (1) no Income Incentive Allocation in any calendar quarter in which pre-incentive allocation net income, expressed as a rate of return on the average value of our net equity capital (excluding non-controlling interests) at the end of the two most recently completed calendar quarters, does not exceed 2% for such quarter (8% annualized); (2) 100% of pre-incentive allocation net income with respect to that portion of such pre-incentive allocation net income, if any, that is equal to or exceeds 2% but does not exceed 2.2223% for such quarter; and (3) 10% of the amount of pre-incentive allocation net income, if any, that exceeds 2.2223% for such quarter. These calculations will be prorated for any period of less than three months.

Capital Gains Incentive Allocation is calculated and distributable in arrears as of the end of each calendar year and is equal to 10% of the Parent’s pro rata share of cumulative realized gains from the date of the Parent’s IPO through the end of the applicable calendar year, net of the Parent’s pro rata share of cumulative realized or unrealized losses, the cumulative non-cash portion of equity-based compensation expenses and all realized gains upon which prior performance-based Capital Gains Incentive Allocation payments were made to the Master GP.

A portion of the management fee, income incentive allocation, and capital gains incentive allocation that are attributable to the operations of FTAI Aviation Ltd. is recorded in the Management fees and incentive allocation to affiliate on the Consolidated Statement of Operations. These amounts are allocated on the following basis:

Management fee—Management fee is allocated to FTAI Aviation Ltd. from the Parent by applying the calculation methodology described above to the equity of FTAI Aviation Ltd. included in these consolidated financial statements.

Income Incentive Allocation and Capital Gains Incentive Allocation—The Income Incentive Allocation and Capital Gains Incentive Allocation are allocated to FTAI Aviation Ltd., from the Parent, by applying the calculation methodology described above to FTAI Aviation Ltd.’s financial results in each respective period.

The following table summarizes the management fees and incentive allocations included in these consolidated financial statements:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
Management fees	**$ 539**	2,116	**$ 4,692**	7,027
Income incentive allocation	**—**	—	**—**	—
Capital gains incentive allocation	**—**	—	**—**	—
Total	**$ 539**	$ 2,116	**$ 4,692**	$ 7,027

(Dollars in tables in thousands, unless otherwise noted)

The Parent pays all of its operating expenses, except those specifically required to be borne by the Manager under the Management Agreement. The expenses required to be paid by the Parent include, but are not limited to, issuance and transaction costs incident to the acquisition, disposition and financing of its assets, legal and auditing fees and expenses, the compensation and expenses of the Parent's independent directors, the costs associated with the establishment and maintenance of any credit facilities and other indebtedness of the Parent (including commitment fees, legal fees, closing costs, etc.), expenses associated with other securities offerings of the Parent, costs and expenses incurred in contracting with third parties (including affiliates of the Manager), the costs of printing and mailing proxies and reports to the Parent's shareholders, costs incurred by the Manager or its affiliates for travel on the Parent's behalf, costs associated with any computer software or hardware that is used by the Parent, costs to obtain liability insurance to indemnify the Parent's directors and officers and the compensation and expenses of the Parent's transfer agent.

The Parent will pay or reimburse the Manager and its affiliates for performing certain legal, accounting, due diligence tasks and other services that outside professionals or outside consultants otherwise would perform, provided that such costs and reimbursements are no greater than those which would be paid to outside professionals or consultants. The Manager is responsible for all of its other costs incident to the performance of its duties under the Management Agreement, including compensation of the Manager's employees, rent for facilities and other "overhead" expenses. A portion of the Parent's reimbursement to the Manager is allocated to FTAI Aviation Ltd. based on an estimate of time incurred by the Manager's employees on activities related to our operations.

A portion of these reimbursable expenses that the Parent paid to the Manager and are attributable to FTAI Aviation Ltd. are included in the consolidated financial statements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Classification in the Consolidated Statements of Operations:				
General and administrative expenses	**$ 1,466**	$ 1,195	**$ 4,160**	$ 3,584
Acquisition and transaction expenses	**1,025**	273	**1,677**	820
Total	**$ 2,491**	$ 1,468	**$ 5,837**	$ 4,404

In addition to the above, the following corporate expenses, which were allocated from the Parent, are also included in the consolidated financial statements:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Classification in the Consolidated Statements of Operations:				
General and administrative expenses	**$ 1,888**	$ 1,667	**$ 4,965**	$ 3,582

The following table summarizes amounts due to the Parent, which are included within Management fees payable to affiliate in the Consolidated Balance Sheets:

	September 30, 2022	December 31, 2021
Management fees payable to affiliate	**$ 46,095**	$ 43,477

12. SEGMENT INFORMATION

During the third quarter of 2022, as a result of the Parent's spin-off of its infrastructure business effective on August 1, 2022 and its reevaluation of segments, the Company reevaluated its operating segments. The key factors used to identify the reportable segments are the organization and alignment of our internal operations and the nature of our products and services. Our two reportable segments are (i) Aviation Leasing and (ii) Aerospace Products. The Aviation Leasing segment owns and manages aviation assets, including aircraft and aircraft engines, which it leases and sells to customers. The Aerospace Products segment develops, manufactures, repairs, and sells aircraft engines and aftermarket components for aircraft engines. The interim periods disclose the reportable segments under this basis with prior periods restated to reflect the change in accordance with the requirements of ASC 280.

Corporate and Other primarily consists of debt, allocated corporate general and administrative expenses, shared services costs, and management fees.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies; however, financial information presented by segment includes the impact of intercompany eliminations. Our Chief Executive Officer is our Chief Operating Decision Maker ("CODM"). Segment information is presented in the same manner that our CODM reviews the operating results in assessing performance and allocating resources. The CODM evaluates performance for each reportable segment primarily based on Adjusted EBITDA. Historically, the CODM's assessment of segment performance included asset information. During the third quarter of 2022, the CODM determined that segment asset information is not a key factor in measuring performance or allocating resources. Therefore, segment asset information is not included in the tables below as it is not provided to or reviewed by our CODM.

Adjusted EBITDA is defined as net income (loss) attributable to shareholders, adjusted (a) to exclude the impact of provision for (benefit from) income taxes, equity-based compensation expense, acquisition and transaction expenses, losses on the modification or extinguishment of debt and capital lease obligations, changes in fair value of non-hedge derivative instruments, asset impairment charges, incentive allocations, depreciation and amortization expense, (b) to include the impact of our pro-rata share of Adjusted EBITDA from unconsolidated entities, and (c) to exclude the impact of equity in earnings (losses) of unconsolidated entities and the non-controlling share of Adjusted EBITDA.

We believe that net income attributable to shareholders, as defined by GAAP, is the most appropriate earnings measurement with which to reconcile Adjusted EBITDA. Adjusted EBITDA should not be considered as an alternative to net income attributable to shareholders as determined in accordance with GAAP.

(Dollars in tables in thousands, unless otherwise noted)

The following tables set forth certain information for each reportable segment:

I. For the Three Months Ended September 30, 2022

	Three Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues	$ 164,848	$ 53,401	$ —	$ 218,249
Expenses				
Operating expenses	10,533	3,491	588	14,612
Cost of sales	64,855	31,093	—	95,948
General and administrative	—	—	3,354	3,354
Acquisition and transaction expenses	247	15	2,586	2,848
Management fees and incentive allocation to affiliate	—	—	539	539
Depreciation and amortization	32,728	77	72	32,877
Asset impairment	4,495	—	—	4,495
Interest expense	—	—	644	644
Total expenses	112,858	34,676	7,783	155,317
Other expense				
Equity in losses of unconsolidated entities	(45)	(313)	—	(358)
Other income	42	—	—	42
Total other expense	(3)	(313)	—	(316)
Income (loss) before income taxes	51,987	18,412	(7,783)	62,616
Provision for income taxes	1,232	2,586	—	3,818
Net income (loss) attributable to shareholders	$ 50,755	$ 15,826	$ (7,783)	$ 58,798

The following table sets forth a reconciliation of Adjusted EBITDA to net income attributable to shareholders:

	Three Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Adjusted EBITDA	$ 95,994	$ 18,560	$ (4,481)	$ 110,073
Add: Equity in losses of unconsolidated entities				(358)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities				241
Less: Interest expense				(644)
Less: Depreciation and amortization expense				(39,353)
Less: Asset impairment charges				(4,495)
Less: Acquisition and transaction expenses				(2,848)
Less: Provision for income taxes				(3,818)
Net income attributable to shareholders				$ 58,798

(Dollars in tables in thousands, unless otherwise noted)

Summary information with respect to our geographic sources of revenue, based on location of customer, is as follows:

	Three Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues				
Africa	**$ 250**	**$ —**	**$ —**	**$ 250**
Asia	**23,496**	**1,200**		**24,696**
Europe	**41,869**	**15,511**	**—**	**57,380**
North America	**90,183**	**36,690**		**126,873**
South America	**9,050**	**—**	**—**	**9,050**
Total revenues	**$ 164,848**	**$ 53,401**	**$ —**	**$ 218,249**

II. For the Nine Months Ended September 30, 2022

	Nine Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues	$ 317,994	$ 94,211	$ —	$ 412,205
Expenses				
Operating expenses	72,135	8,094	3,422	83,651
Cost of sales	64,855	55,284	—	120,139
General and administrative	—	—	9,125	9,125
Acquisition and transaction expenses	624	15	4,810	5,449
Management fees and incentive allocation to affiliate	—	—	4,692	4,692
Depreciation and amortization	106,180	178	209	106,567
Asset impairment	128,171	—	—	128,171
Interest expense	—	—	1,910	1,910
Total expenses	371,965	63,571	24,168	459,704
Other expense				
Equity in earnings (losses) of unconsolidated entities	753	(878)	—	(125)
Gain on sale of assets, net	61,371	18,562	—	79,933
Other income	245	—	—	245
Total other income	62,369	17,684	—	80,053
Income (loss) before income taxes	8,398	48,324	(24,168)	32,554
Provision for income taxes	2,197	5,055	—	7,252
Net income (loss) attributable to shareholders	$ 6,201	$ 43,269	$ (24,168)	$ 25,302

(Dollars in tables in thousands, unless otherwise noted)

The following table sets forth a reconciliation of Adjusted EBITDA to net income attributable to shareholders:

	Nine Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Adjusted EBITDA	$ 273,788	$ 48,685	$ (17,239)	$ 305,234
Add: Equity in losses of unconsolidated entities				(125)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities				(165)
Less: Interest expense				(1,910)
Less: Depreciation and amortization expense				(136,860)
Less: Asset impairment charges				(128,171)
Less: Acquisition and transaction expenses				(5,449)
Less: Provision for income taxes				(7,252)
Net income attributable to shareholders				$ 25,302

Summary information with respect to our geographic sources of revenue, based on location of customer, is as follows:

	Nine Months Ended September 30, 2022			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues				
Africa	$ 250	$ 850	$ —	$ 1,100
Asia	60,111	2,601	—	62,712
Europe	94,751	26,410	—	121,161
North America	130,362	64,350	—	194,712
South America	32,520	—	—	32,520
Total revenues	$ 317,994	$ 94,211	$ —	$ 412,205

(Dollars in tables in thousands, unless otherwise noted)

III. For the Three Months Ended September 30, 2021

	Three Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues	$ 86,208	$ 7,730	$ —	$ 93,938
Expenses				
Operating expenses	7,282	1,774	1,074	10,130
Cost of sales	—	5,367	—	5,367
General and administrative	—	—	2,862	2,862
Acquisition and transaction expenses	234	—	898	1,132
Management fees and incentive allocation to affiliate	—	—	2,116	2,116
Depreciation and amortization	34,718	40	67	34,825
Asset impairment	859	—	—	859
Interest expense	—	—	584	584
Total expenses	43,093	7,181	7,601	57,875
Other income (expense)				
Equity in losses of unconsolidated entities	—	(369)	—	(369)
Gain on sale of assets, net	10,961	1,724	—	12,685
Other expense	(1,341)	—	—	(1,341)
Total other income	9,620	1,355	—	10,975
Income (loss) before income taxes	52,735	1,904	(7,601)	47,038
Provision for (benefit from) income taxes	610	(110)	—	500
Net income (loss)	$ 52,125	$ 2,014	$ (7,601)	$ 46,538

The following table sets forth a reconciliation of Adjusted EBITDA to net income attributable to shareholders:

	Three Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Adjusted EBITDA	$ 94,990	$ 2,001	$ (6,052)	$ 90,939
Add: Equity in losses of unconsolidated entities				(369)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities				312
Less: Interest expense				(584)
Less: Depreciation and amortization expense				(41,269)
Less: Asset impairment charges				(859)
Less: Acquisition and transaction expenses				(1,132)
Less: Provision for income taxes				(500)
Net income attributable to shareholders				$ 46,538

(Dollars in tables in thousands, unless otherwise noted)

Summary information with respect to our geographic sources of revenue, based on location of customer, is as follows:

	Three Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues				
Asia	$ 36,420	$ —	$ —	$ 36,420
Europe	35,709	—	—	35,709
North America	10,422	7,730	—	18,152
South America	3,657	—	—	3,657
Total revenues	$ 86,208	$ 7,730	$ —	$ 93,938

IV. For the Nine Months Ended September 30, 2021

	Nine Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues	$ 215,198	$ 13,284	$ —	$ 228,482
Expenses				
Operating expenses	14,177	3,519	2,945	20,641
Cost of sales	—	8,577	—	8,577
General and administrative	—	—	7,166	7,166
Acquisition and transaction expenses	804	—	2,906	3,710
Management fees and incentive allocation to affiliate	—	—	7,027	7,027
Depreciation and amortization	101,992	40	162	102,194
Asset impairment	3,048	—	—	3,048
Interest expense	—	—	1,734	1,734
Total expenses	120,021	12,136	21,940	154,097
Other (expense) income				
Equity in losses of unconsolidated entities	—	(1,050)	—	(1,050)
Gain on sale of assets, net	15,751	1,716	—	17,467
Other expense	(717)	—	—	(717)
Total other income	15,034	666	—	15,700
Income (loss) before income taxes	110,211	1,814	(21,940)	90,085
Provision (benefit from) for income taxes	1,048	(11)	—	1,037
Net income (loss) attributable to shareholders	$ 109,163	$ 1,825	$ (21,940)	$ 89,048

(Dollars in tables in thousands, unless otherwise noted)

The following table sets forth a reconciliation of Adjusted EBITDA to net income attributable to shareholders:

	Nine Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Adjusted EBITDA	$ 237,404	$ 1,998	$ (17,138)	$ 222,264
Add: Equity in losses of unconsolidated entities				(1,050)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities				906
Less: Interest expense				(1,734)
Less: Depreciation and amortization expense				(123,543)
Less: Asset impairment charges				(3,048)
Less: Acquisition and transaction expenses				(3,710)
Less: Provision for income taxes				(1,037)
Net income attributable to shareholders				$ 89,048

Summary information with respect to our geographic sources of revenue, based on location of customer, is as follows:

	Nine Months Ended September 30, 2021			
	Aviation Leasing	Aerospace Products	Corporate and Other	Total
Revenues				
Africa	$ 235	$ —	$ —	$ 235
Asia	93,925	—	—	93,925
Europe	88,296	812	—	89,108
North America	26,630	12,472	—	39,102
South America	6,112	—	—	6,112
Total revenues	$ 215,198	$ 13,284	$ —	$ 228,482

V. Location of Long-Lived Assets

The following tables set forth summarized geographic location of leasing equipment, net:

	September 30, 2022
	Total
Leasing equipment, net	
Africa	**$ 17,776**
Asia	**222,830**
Europe	**602,833**
North America	**391,219**
South America	**324,917**
Total leasing equipment, net	**$ 1,559,575**

	December 31, 2021
	Total
Leasing equipment, net	
Asia	$ 365,331
Europe	839,555
North America	263,718
South America	245,532
Total leasing equipment, net	$ 1,714,136

13. EARNINGS PER SHARE AND EQUITY

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding, plus any participating securities. Diluted EPS is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding, plus any participating securities and potentially dilutive securities. Potentially dilutive securities are calculated using the treasury stock method.

The calculation of basic and diluted EPS is presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share data)	**2022**	**2021**	**2022**	**2021**
Net income attributable to shareholders	**$ 58,798**	$ 46,538	**$ 25,302**	$ 89,048
Weighted average shares outstanding:				
Basic	**105.2**	100.0	**103.5**	100.0
Diluted	**105.2**	100.0	**103.5**	100.0
Basic and Diluted Net earnings per share	**$ 558.92**	$ 465.38	**$ 244.46**	$ 890.48

14. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. As of September 30, 2022 and December 31, 2021, the Company was not subject to any material litigation and the Company was not aware of any material litigation.

Rent expense, primarily for the corporate office facilities, was $0.3 million and $0.8 million for the three and nine months ended September 30, 2022. Rent expense, primarily for the corporate office facilities, was $0.2 million and $0.8 million for the three and nine months ended September 30, 2021.

As of September 30, 2022, the Company is obligated under non-cancelable operating leases relating principally to the office facilities in Miami and New York City for future minimum lease payments as follows:

	September 30, 2022
2022	**$ 203**
2023	**831**
2024	**858**
2025	**864**
2026	**321**
Thereafter	**—**
Total	**$ 3,077**

15. SUBSEQUENT EVENTS

Merger Transaction

On November 10, 2022, pursuant to the Agreement and Plan of Merger dated August 12, 2022, by and among the Company, the Parent, and FTAI Aviation Merger Sub LLC, the Parent became a wholly-owned subsidiary of the Company.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help you understand FTAI Aviation Ltd. (the “Company,” “we,” “our” or “us”). Our MD&A should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes, and with Part II, Item 1A, “Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q.

Overview

We own and acquire high quality aviation equipment that is essential for the transportation of goods and people globally. We target assets that, on a combined basis, generate strong cash flows with potential for earnings growth. We believe that there is a large number of acquisition opportunities in our market, and that the Manager’s expertise and business and financing relationships, together with our Parent’s access to capital, will allow us to take advantage of these opportunities. Our Parent is externally managed by the Manager, an affiliate of Fortress, which has a dedicated team of experienced professionals focused on the acquisition of aviation assets since 2002. As of September 30, 2022 we had total consolidated assets of $2.0 billion and total equity of $1.8 billion.

Our strategy permits us to acquire a broad array of aviation related assets where we believe there are meaningful opportunities to deploy capital to achieve attractive risk adjusted returns. Commercial air travel and air freight activity have historically been long-term growth sectors and are tied to the underlying demand for passenger and freight movement. We continue to see long-term demand for aviation related assets.

Impact of Russia invasion of Ukraine

Due to Russia’s invasion of Ukraine during the first quarter of 2022, the United States, European Union, United Kingdom, and others have imposed economic sanctions and export controls against Russia and Russia’s aviation industry. The sanctions include but are not limited to the ban on the export and sale or lease of all aircraft, engines, and equipment and on all related repair and maintenance services to Russia and Russian airlines. We have complied, and will continue to comply, with all applicable sanctions and we have terminated the leases of all our aircraft and engines with Russian airlines. As a result of the sanctions imposed on Russian airlines and related lease terminations, we recognized approximately $47.1 million in provision for credit losses during the nine months ended September 30, 2022.

We continue to pursue efforts to remove and repossess all of our aircraft and engines from Russia and Ukraine. As of September 30, 2022, four aircraft and two engines were still located in Ukraine and eight aircraft and seventeen engines were still located in Russia. We determined that it is unlikely that we will regain possession of the aircraft that had not been recovered from Ukraine and Russia during the first quarter of 2022. As a result, we recognized an impairment charge totaling $120.0 million, net of maintenance deposits, to write-off the carrying value of leasing equipment assets that we have not recovered from Ukraine and Russia for the nine months ended September 30, 2022.

Our lessees are required to provide insurance coverage with respect to leased aircraft and engines, and we are named as insureds under those policies in the event of a total loss of an aircraft or engine. We also purchase insurance which provides us with coverage when our aircraft or engines are not subject to a lease or where a lessee’s policy fails to indemnify us. The insured value of the aircraft and engines that remain in Ukraine and Russia is approximately $294.0 million. We are pursuing all our claims under these policies. However, the timing and amount of any recoveries under these policies are uncertain.

The extent of the impact of Russia’s invasion of Ukraine and the related sanctions on our operational and financial performance, including the ability for us to recover our leasing equipment in the region, will depend on future developments, including the duration of the conflict, sanctions and restrictions imposed by Russian and international governments, all of which remain uncertain.

Impact of COVID-19

Due to the outbreak of COVID-19, we have taken measures to protect the health and safety of our employees, including having employees work remotely, where possible. Market conditions due to the outbreak of COVID-19 resulted in asset impairment charges and a decline in our revenues during the years ended December 31, 2021 and 2020. However, our revenues have continued to recover during the nine months ended September 30, 2022. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including the duration, severity and spread of the pandemic, as well as additional waves of COVID-19 infections and the ultimate impact of related restrictions imposed by the U.S. and international governments, all of which remain uncertain. For additional detail, see Liquidity and Capital Resources and Part II, Item 1A. Risk Factors —“The COVID-19 pandemic has severely disrupted the global economy and may have, and the emergence of similar crises could have, material adverse effects on our business, results of operations or financial condition.”

Operating Segments

During the third quarter of 2022, as a result of the Parent's spin-off of the infrastructure business on August 1, 2022, and its reevaluation of segments, the Company reevaluated its operating segments. The key factors used to identify the reportable segments are the organization and alignment of our internal operations and the nature of our products and services. Our two reportable segments are (i) Aviation Leasing and (ii) Aerospace Products. The Aviation Leasing segment owns and manages aviation assets, including aircraft and aircraft engines, which it leases and sells to customers. The Aerospace Products segment develops, manufactures, repairs, and sells aircraft engines and aftermarket components for aircraft engines. The interim periods disclose the reportable segments under this basis with prior periods restated to reflect the change in accordance with the requirements of ASC 280.

Corporate and Other primarily consists of debt, allocated corporate general and administrative expenses, shared services costs, and management fees.

Results of Operations

Adjusted EBITDA (non-GAAP)

The chief operating decision maker ("CODM") utilizes Adjusted EBITDA as the key performance measure. Adjusted EBITDA is not a financial measure in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). This performance measure provides the CODM with the information necessary to assess operational performance, as well as make resource and allocation decisions. We believe Adjusted EBITDA is a useful metric for investors and analysts for similar purposes of assessing our operational performance.

Adjusted EBITDA is defined as net income (loss) attributable to shareholders, adjusted (a) to exclude the impact of provision for (benefit from) income taxes, equity-based compensation expense, acquisition and transaction expenses, losses on the modification or extinguishment of debt and capital lease obligations, changes in fair value of non-hedge derivative instruments, asset impairment charges, incentive allocations, depreciation and amortization expense, and interest expense, (b) to include the impact of our pro-rata share of Adjusted EBITDA from unconsolidated entities, and (c) to exclude the impact of equity in earnings (losses) of unconsolidated entities and the non-controlling share of Adjusted EBITDA.

Comparison of the three and nine months ended September 30, 2022 and 2021

The following table presents our consolidated results of operations:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in thousands)	2022	2021	Change	2022	2021	Change
Revenues						
Lease income	$ **40,273**	$ 40,392	$ (119)	$ **111,316**	$ 120,389	$ (9,073)
Maintenance revenue	**35,507**	40,252	(4,745)	**112,171**	87,763	24,408
Finance lease income	**119**	439	(320)	**332**	1,285	(953)
Aerospace products revenue	**53,401**	7,730	45,671	**94,211**	13,284	80,927
Asset sales revenue	**85,488**	—	85,488	**85,488**	—	85,488
Other revenue	**3,461**	5,125	(1,664)	**8,687**	5,761	2,926
Total revenues	**218,249**	93,938	124,311	**412,205**	228,482	183,723
Expenses						
Operating expenses	**14,612**	10,130	4,482	**83,651**	20,641	63,010
Cost of sales	**95,948**	5,367	90,581	**120,139**	8,577	111,562
General and administrative	**3,354**	2,862	492	**9,125**	7,166	1,959
Acquisition and transaction expenses	**2,848**	1,132	1,716	**5,449**	3,710	1,739
Management fees and incentive allocation to affiliate	**539**	2,116	(1,577)	**4,692**	7,027	(2,335)
Depreciation and amortization	**32,877**	34,825	(1,948)	**106,567**	102,194	4,373
Asset impairment	**4,495**	859	3,636	**128,171**	3,048	125,123
Interest expense	**644**	584	60	**1,910**	1,734	176
Total expenses	**155,317**	57,875	97,442	**459,704**	154,097	305,607
Other (expense) income						
Equity in losses of unconsolidated entities	**(358)**	(369)	11	**(125)**	(1,050)	925
Gain on sale of assets, net	—	12,685	(12,685)	**79,933**	17,467	62,466
Other income (expense)	**42**	(1,341)	1,383	**245**	(717)	962
Total other (expense) income	**(316)**	10,975	(11,291)	**80,053**	15,700	64,353
Income before income taxes	**62,616**	47,038	15,578	**32,554**	90,085	(57,531)
Provision for income taxes	**3,818**	500	3,318	**7,252**	1,037	6,215
Net income attributable to shareholders	**58,798**	46,538	12,260	**25,302**	89,048	(63,746)

The following table sets forth a reconciliation of net income attributable to shareholders to Adjusted EBITDA:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in thousands)	2022	2021	Change	2022	2021	Change
Net income attributable to shareholders	$ **58,798**	$ 46,538	$ 12,260	$ **25,302**	$ 89,048	$ (63,746)
Add: Provision for income taxes	**3,818**	500	3,318	**7,252**	1,037	6,215
Add: Acquisition and transaction expenses	**2,848**	1,132	1,716	**5,449**	3,710	1,739
Add: Asset impairment charges	**4,495**	859	3,636	**128,171**	3,048	125,123
Add: Depreciation and amortization expense [(1)]	**39,353**	41,269	(1,916)	**136,860**	123,543	13,317
Add: Interest expense	**644**	584	60	**1,910**	1,734	176
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities [(2)]	**(241)**	(312)	71	**165**	(906)	1,071
Less: Equity in losses of unconsolidated entities	**358**	369	(11)	**125**	1,050	(925)
Adjusted EBITDA (non-GAAP)	$ **110,073**	$ 90,939	$ 19,134	$ **305,234**	$ 222,264	$ 82,970

[(1)]Includes the following items for the three months ended September 30, 2022 and 2021: (i) depreciation and amortization expense of $32,877 and $34,825, (ii) lease intangible amortization of $3,291 and $1,266 and (iii) amortization for lease incentives of $3,185 and $5,178, respectively. Includes the following items for the nine months ended September 30, 2022 and 2021: (i) depreciation and amortization expense of $106,567 and $102,194, (ii) lease intangible amortization of $10,259 and $3,216 and (iii) amortization for lease incentives of $20,034 and $18,133, respectively.

[(2)]Includes the following items for the three months ended September 30, 2022 and 2021: (i) net loss of $358 and $369 and (ii) depreciation and amortization expense of $117 and $57, respectively. Includes the following items for the nine months ended September 30, 2022 and 2021: (i) net loss of $125 and $1,050 and (ii) depreciation and amortization expense of $290 and $144, respectively.

Revenues

Presentation of assets sales

During the three months ended September 30, 2022, we updated our corporate strategy based on the opportunities available in the market such that the sale of aircraft and engines is now an output of our recurring, ordinary activities. As a result of this update, the transaction price allocated to the sale of assets is included in Revenues in the Consolidated Statement of Operations for the three months ended September 30, 2022 and are accounted for in accordance with ASC 606. The corresponding net book values of the assets sold are recorded in Cost of sales in the Consolidated Statement of Operations for the three months ended September 30, 2022. Sales transactions of aircraft and engines prior to the three months ended September 30, 2022 were accounted for in accordance with ASC 610-20, *Gains and losses from the derecognition of nonfinancial assets* and were included in Gain on sale of assets, net on the Consolidated Statement of Operations, as we were previously only occasionally selling these assets. Generally, assets sold were under leasing arrangements with customers prior to sales and are included in Leasing equipment, net, on the Consolidated Balance Sheets.

Comparison of the three months ended September 30, 2022 and 2021

Total revenues increased $124.3 million driven by an increase in (i) asset sales revenue and (ii) Aerospace Products revenue partially offset by decreases in (iii) lease income, (iv) maintenance revenue and (v) other revenue.

Asset sales revenue increased $85.5 million primarily due to an increase in the sale of commercial aircraft and engines in our Aviation Leasing segment during 2022. See above discussion regarding presentation of asset sales.

Aerospace Products revenue increased $45.7 million driven by an increase in sales relating to the CFM56-7B and CFM56-5B engines, engine modules, spare parts and used material inventory as operations continue to ramp-up in 2022. See above discussion regarding presentation of asset sales.

Maintenance revenue decreased $4.7 million in the Aviation Leasing segment, primarily due to the early redelivery of aircraft and lower maintenance billings related to the early termination of aircraft leases with Russian airlines as a result of the sanctions imposed on Russian airlines, partially offset by an increase in the number of aircraft and engines placed on lease and higher aircraft and engine utilization.

Other revenue decreased $1.7 million in the Aviation Leasing segment due to lower end-of lease redelivery compensation.

Comparison of the nine months ended September 30, 2022 and 2021

Total revenues increased $183.7 million driven by an increase in (i) asset sales revenue, (ii) Aerospace Products revenue, (iii) maintenance revenue and (iv) other revenue, partially offset by a decreases in (v) lease income.

Asset sales revenue increased $85.5 million primarily due to an increase in the sale of commercial aircraft and engines in our Aviation Leasing segment in 2022. See above discussion regarding presentation of asset sales.

Aerospace Products revenue increased $80.9 million driven by an increase in sales relating to the CFM56-7B and CFM56-5B engines, engine modules, spare parts and used material inventory as operations continue to ramp-up in 2022. See above discussion regarding presentation of asset sales.

Maintenance revenue increased $24.4 million in the Aviation Leasing segment, primarily due to an increase in the number of aircraft and engines placed on lease, higher aircraft and engine utilization and higher end-of-lease return compensation, partially offset by a decrease in the recognition of maintenance deposits due to the early redelivery of aircraft and lower maintenance billings related to the early termination of aircraft leases with Russian airlines as a result of the sanctions imposed on Russian airlines.

Other revenue increased $2.9 million in the Aviation Leasing segment due to an increase in end-of lease redelivery compensation.
Lease income decreased $9.1 million, which primarily reflects a decrease of $9.1 million in the Aviation Leasing segment primarily due to the early termination of aircraft and engine leases as a result of the sanctions imposed on Russian airlines. Basic lease revenues from our owned aircraft and engines leased to Russian airlines would have been approximately $30.2 million for the nine months ended September 30, 2022. This decrease is partially offset by an increase in the number of aircraft and engines placed on lease.

Expenses

Comparison of the three months ended September 30, 2022 and 2021

Total expenses increased $97.4 million, primarily due to higher (i) cost of sales, (ii) operating expenses (iii) asset impairment and (iv) acquisition and transaction expenses, partially offset by lower (v) depreciation and amortization and (vi) management fees and incentive allocation to affiliate.

Cost of Sales increased $90.6 million primarily as a result of increased asset sales and the gross presentation of asset sales revenue and Aerospace Product revenues as described above.

Operating expenses increased $4.5 million which primarily reflects:

- an increase of $3.3 million in the Aviation Leasing Segment primarily as a result of an increase in insurance expense, shipping and storage fees, professional fees and other operating expenses, partially offset by a decrease in provision for credit losses.

- an increase of $1.7 million in the Aerospace Products Segment primarily due to an increase in commission expenses due to the increase in sales from the used material program as well as an increase in professional fees and other operating expenses due to the ramp-up of Aerospace Products.

Asset impairment increased $3.6 million for the adjustment of the carrying value of leasing equipment to fair value in our Aviation Leasing segment. See Note 3 to the consolidated financial statements for additional information.

Acquisition and transaction expenses increased $1.7 million primarily driven by higher compensation and related costs associated with acquisitions and the merger with FTAI.

Depreciation and amortization decreased $1.9 million primarily due to an increase in the number of aircraft redelivered and parted out into our engine leasing pool.

Management fees and incentive allocation to affiliate decreased $1.6 million driven by lower management fees allocated to the Company.

Comparison of the nine months ended September 30, 2022 and 2021

Total expenses increased $305.6 million, primarily due to higher (i) asset impairment charges, (ii) cost of sales, (iii) operating expenses, (iv) depreciation and amortization, partially offset by lower (v) management fees and incentive allocation to affiliate.

Asset impairment increased $125.1 million primarily due to the write down of aircraft and engines located in Ukraine and Russia that may not be recoverable. See Note 3 to the consolidated financial statements for additional information.

Cost of sales increased $111.6 million primarily as a result of an increase in asset sales and the gross presentation of asset sales revenue and Aerospace Product revenues as described above.

Operating expenses increased $63.0 million which primarily reflects:

- an increase of $58.0 million in the Aviation Leasing segment primarily as a result of an increase in provision for credit losses as a result of the sanctions imposed on Russian airlines, an increase in insurance expense, shipping and storage fees, professional fees and repairs and maintenance expenses.

- an increase of $4.6 million in the Aerospace Products segment primarily due to an increase in commission expenses due to the increase in sales from the used material program as well as an increase in professional fees and other operating expenses due to the ramp-up of Aerospace Products.

Depreciation and amortization increased $4.4 million primarily driven by an increase in the number of assets owned and on lease in the Aviation Leasing segment, partially offset by an increase in the number of aircraft redelivered and parted out into our engine leasing pool.

Management fees and incentive allocation to affiliate decreased $2.3 million driven by lower management fees allocated to the Company.

Other income (expense)

Total other income decreased $11.3 million during three months ended September 30, 2022 which primarily reflects a decrease of $12.7 million in gain on sale of assets, net in the Aviation Leasing and Aerospace Products segments from less opportunistic asset sales. See above discussion regarding presentation of asset sales.

Total other income increased $64.4 million during nine months ended September 30, 2022 which primarily reflects an increase of $62.5 million in gain on sale of assets, net in the Aviation Leasing and Aerospace Products segments from opportunistic asset sales transactions. See above discussion regarding presentation of asset sales.

Net income attributable to shareholders

Net income increased $12.3 million for the three months ended September 30, 2022 and decreased $63.7 million for the nine months ended September 30, 2022 as compared to the same periods during the prior year primarily due to the changes noted above.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased $19.1 million and $83.0 million during the three and nine months ended September 30, 2022, respectively, primarily due to the changes noted above.

Aviation Leasing Segment

As of September 30, 2022, in our Aviation Leasing segment, we own and manage 325 aviation assets, consisting of 96 commercial aircraft and 229 engines, including four aircraft and two engines that were still located in Ukraine and eight aircraft and seventeen engines that were still located in Russia.

As of September 30, 2022, 73 of our commercial aircraft and 124 of our engines were leased to operators or other third parties. Aviation assets currently off lease are either undergoing repair and/or maintenance, being prepared to go on lease or held in short term storage awaiting a future lease. Our aviation equipment was approximately 72% utilized during the three months ended September 30, 2022, based on the percent of days on-lease in the quarter weighted by the monthly average equity value of our aviation leasing equipment, excluding airframes. Our aircraft currently have a weighted average remaining lease term of 39 months, and our engines currently on-lease have an average remaining lease term of 13 months. The table below provides additional information on the assets in our Aviation Leasing segment:

Aviation Leasing Assets	**Widebody**	**Narrowbody**	**Total**
Aircraft			
Assets at January 1, 2022	**13**	**95**	**108**
Purchases	1	22	23
Sales	(3)	(2)	(5)
Transfers	(2)	(28)	(30)
Assets at September 30, 2022	**9**	**87**	**96**
Engines			
Assets at January 1, 2022	**68**	**139**	**207**
Purchases	2	43	45
Sales	(26)	(24)	(50)
Transfers	5	22	27
Assets at September 30, 2022	**49**	**180**	**229**

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The following table presents our results of operations:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change
Revenues						
Lease income	**$ 40,273**	$ 40,392	$ (119)	**$ 111,316**	$ 120,389	$ (9,073)
Maintenance revenue	**35,507**	40,252	(4,745)	**112,171**	87,763	24,408
Finance lease income	**119**	439	(320)	**332**	1,285	(953)
Asset sales revenue	**85,488**	—	85,488	**85,488**	—	85,488
Other revenue	**3,461**	5,125	(1,664)	**8,687**	5,761	2,926
Total revenues	**164,848**	86,208	78,640	**317,994**	215,198	102,796
Expenses						
Operating expenses	**10,533**	7,282	3,251	**72,135**	14,177	57,958
Cost of sales	**64,855**	—	64,855	**64,855**	—	64,855
Acquisition and transaction expenses	**247**	234	13	**624**	804	(180)
Depreciation and amortization	**32,728**	34,718	(1,990)	**106,180**	101,992	4,188
Asset impairment	**4,495**	859	3,636	**128,171**	3,048	125,123
Total expenses	**112,858**	43,093	69,765	**371,965**	120,021	251,944
Other (expense) income						
Equity in (losses) earnings of unconsolidated entities	**(45)**	—	(45)	**753**	—	753
Gain on sale of assets, net	—	10,961	(10,961)	**61,371**	15,751	45,620
Other income (expense)	**42**	(1,341)	1,383	**245**	(717)	962
Total other (expense) income	**(3)**	9,620	(9,623)	**62,369**	15,034	47,335
Income before income taxes	**51,987**	52,735	(748)	**8,398**	110,211	(101,813)
Provision for income taxes	**1,232**	610	622	**2,197**	1,048	1,149
Net income attributable to shareholders	**50,755**	52,125	(1,370)	**6,201**	109,163	(102,962)

The following table sets forth a reconciliation of net income attributable to shareholders to Adjusted EBITDA:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change
Net income attributable to shareholders	**$ 50,755**	$ 52,125	$ (1,370)	**$ 6,201**	$ 109,163	$ (102,962)
Add: Provision for income taxes	**1,232**	610	622	**2,197**	1,048	1,149
Add: Acquisition and transaction expenses	**247**	234	13	**624**	804	(180)
Add: Asset impairment charges	**4,495**	859	3,636	**128,171**	3,048	125,123
Add: Depreciation and amortization expense (1)	**39,204**	41,162	(1,958)	**136,473**	123,341	13,132
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities (2)	**16**	—	16	**875**	—	875
Less: Equity in (earnings) losses of unconsolidated entities	**45**	—	45	**(753)**	—	(753)
Adjusted EBITDA (non-GAAP)	**$ 95,994**	$ 94,990	$ 1,004	**$ 273,788**	$ 237,404	$ 36,384

(1) Includes the following items for the three months ended September 30, 2022 and 2021: (i) depreciation expense of $32,728 and $34,718, (ii) lease intangible amortization of $3,291 and $1,266 and (iii) amortization for lease incentives of $3,185 and $5,178, respectively. Includes the following items for the nine months ended September 30, 2022 and 2021: (i) depreciation expense of $106,180 and $101,992, (ii) lease intangible amortization of $10,259 and $3,216 and (iii) amortization for lease incentives of $20,034 and $18,133, respectively.

(2) Includes the following items for the three and nine months ended September 30, 2022: (i) net loss of $45 and net income of $753 and (ii) depreciation and amortization of $61 and $122, respectively.

Revenues

Comparison of the three months ended September 30, 2022 and 2021

Total revenue increased $78.6 million driven by an increase in asset sales revenue, partially offset by lower maintenance revenue and other revenue.

- Asset sales revenue increased $85.5 million primarily due to an increase in the sale of commercial aircraft and engines during 2022. See above discussion regarding presentation of asset sales.
- Maintenance revenue decreased $4.7 million primarily due to the early redelivery of aircraft and lower maintenance billings related to the early termination of aircraft leases with Russian airlines as a result of the sanctions imposed on Russian airlines, partially offset by an increase in the number of aircraft and engines placed on lease and higher aircraft and engine utilization.

- Other revenue decreased $1.7 million primarily due to lower end-of lease redelivery compensation.

Comparison of the nine months ended September 30, 2022 and 2021

Total revenue increased $102.8 million driven by an increase in asset sales revenue, maintenance revenue and other revenue, partially offset by a decrease in lease income.

- Asset sales revenue increased $85.5 million primarily due to an increase in the sale of commercial aircraft and engines during 2022. See above discussion regarding presentation of asset sales.

- Maintenance revenue increased $24.4 million primarily due to an increase in the number of aircraft and engines placed on lease, higher aircraft and engine utilization and higher end-of-lease return compensation, partially offset by a decrease in the recognition of maintenance deposits due to the early redelivery of aircraft and lower maintenance billings related to the early termination of aircraft leases with Russian airlines as a result of the sanctions imposed on Russian airlines.

- Other revenue increased $2.9 million primarily due to an increase in end-of lease redelivery compensation.

- Lease income decreased $9.1 million primarily due to the early termination of aircraft and engine leases as a result of the sanctions imposed on Russian airlines. Basic lease revenues from our owned aircraft and engines leased to Russian airlines would have been approximately $30.2 million for the nine months ended September 30, 2022. This decrease is partially offset by an increase in the number of aircraft and engines placed on lease.

Expenses

Comparison of the three months ended September 30, 2022 and 2021

Total expenses increased $69.8 million primarily driven by an increase in the cost of sales, asset impairment and operating expenses, partially offset by a decrease in depreciation and amortization expense.

- Cost of sales increased $64.9 million primarily as a result of an increase in asset sales and the gross presentation of asset sales revenues and related cost of sales as described above.

- Asset impairment increased $3.6 million for the adjustment of the carrying value of leasing equipment to fair value. See Note 3 to the consolidated financial statements for additional information.

- Operating expenses increased $3.3 million primarily as a result of an increase in insurance expense, shipping and storage fees, professional fees and other operating expenses, partially offset by a decrease in provision for credit losses.

- Depreciation and amortization expense decreased $2.0 million driven by an increase in the number of aircraft redelivered and parted out into our engine leasing pool.

Comparison of the nine months ended September 30, 2022 and 2021

Total expenses increased $251.9 million primarily driven by an increase in asset impairment, cost of sales, operating expenses and depreciation and amortization expense.

- Asset impairment increased $125.1 million primarily due to the write down of aircraft and engines located in Ukraine and Russia that may not be recoverable. See Note 3 to the consolidated financial statements for additional information.

- Cost of sales increased $64.9 million primarily as a result of an increase in asset sales and the gross presentation of asset sales revenues and related costs of sales as described above.

- Operating expenses increased $58.0 million primarily as a result of an increase in provision for credit losses as a result of the sanctions imposed on Russian airlines, an increase in insurance expense, shipping and storage fees, professional fees, and repairs and maintenance expenses.

- Depreciation and amortization expense increased $4.2 million driven by an increase in the number of assets owned and on lease, partially offset by an increase in the number of aircraft redelivered and parted out into our engine leasing pool.

Other income (expense)

Total other income decreased $9.6 million during the three months ended September 30, 2022 primarily due to a decrease of $11.0 million in gain on sale of assets, net. See above discussion regarding presentation of asset sales.

Total other income increased $47.3 million during the nine months ended September 30, 2022 primarily due to (i) an increase of $45.6 million in gain on the sale of assets, net due to more opportunistic sales transactions and (ii) an increase of $0.8 million in our proportionate share of unconsolidated entities' net income.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased $1.0 million and $36.4 million during the three and nine months ended September 30, 2022, respectively, primarily due to the changes noted above.

Aerospace Products Segment

The Aerospace Products segment develops, manufactures, repairs, and sells aircraft engines and aftermarket components primarily for the CFM56-7B and CFM56-5B commercial aircraft engines. Our engine and module sales are facilitated through The Module Factory, a dedicated commercial maintenance center designed to focus on modular repair and refurbishment of CFM56-7B and CFM56-5B engines. Used serviceable material is sold through our exclusive partnership with AAR Corp, who is responsible for the teardown, repair, marketing and sales of spare parts from our CFM56 engine pool. We also hold a 25% interest in the Advanced Engine Repair JV which focuses on developing new cost savings programs for engine repairs.

The following table presents our results of operations:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in thousands)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Aerospace products revenue	**$ 53,401**	$ 7,730	$ 45,671	**$ 94,211**	$ 13,284	$ 80,927
Expenses						
Operating expenses	**3,491**	1,774	1,717	**8,094**	3,519	4,575
Cost of sales	**31,093**	5,367	25,726	**55,284**	8,577	46,707
Acquisition and transaction expenses	**15**	—	15	**15**	—	15
Depreciation and amortization	**77**	40	37	**178**	40	138
Total expenses	**34,676**	7,181	27,495	**63,571**	12,136	51,435
Other (expense) income						
Equity in losses of unconsolidated entities	**(313)**	(369)	56	**(878)**	(1,050)	172
Gain on sale of assets, net	—	1,724	(1,724)	**18,562**	1,716	16,846
Total other (expense) income	**(313)**	1,355	(1,668)	**17,684**	666	17,018
Income before income taxes	**18,412**	1,904	16,508	**48,324**	1,814	46,510
Provision for (benefit from) income taxes	**2,586**	(110)	2,696	**5,055**	(11)	5,066
Net income attributable to shareholders	**15,826**	2,014	13,812	**43,269**	1,825	41,444

The following table sets forth a reconciliation of net income attributable to shareholders to Adjusted EBITDA:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in thousands)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Net income attributable to shareholders	**$ 15,826**	$ 2,014	$ 13,812	**$ 43,269**	$ 1,825	$ 41,444
Add: Provision for (benefit from) income taxes	**2,586**	(110)	2,696	**5,055**	(11)	5,066
Add: Acquisition and transaction expenses	**15**	—	15	**15**	—	15
Add: Depreciation and amortization expense	**77**	40	37	**178**	40	138
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities (1)	**(257)**	(312)	55	**(710)**	(906)	196
Less: Equity in losses of unconsolidated entities	**313**	369	(56)	**878**	1,050	(172)
Adjusted EBITDA (non-GAAP)	**$ 18,560**	$ 2,001	$ 16,559	**$ 48,685**	$ 1,998	$ 46,687

(1) Includes the following items for the three months ended September 30, 2022 and 2021: (i) net loss of $313 and $369 and (ii) depreciation and amortization of $56 and $57, respectively. Includes the following items for the nine months ended September 30, 2022 and 2021: (i) net loss of $878 and $1,050 and (ii) depreciation and amortization of $168 and $144, respectively.

Revenues

Comparison of the three and nine months ended September 30, 2022 and 2021

Total Aerospace Products revenue increased $45.7 million during the three months ended September 30, 2022 driven by an increase in sales relating to the CFM56-7B and CFM56-5B engines, engine modules, spare parts and used material inventory as operations continue to ramp-up in 2022. See above discussion regarding presentation of asset sales.

Total Aerospace Products revenue increased $80.9 million during the nine months ended September 30, 2022 driven by an increase in sales relating to the CFM56-7B and CFM56-5B engines, engine modules, spare parts and used material inventory as operations continue to ramp-up in 2022. See above discussion regarding presentation of asset sales.

Expenses

Comparison of the three months ended September 30, 2022 and 2021

Total expenses increased $27.5 million primarily due to an increase in costs of sales and operating expenses.

- Cost of sales increased $25.7 million primarily as a result of an increase in Aerospace product revenues and the gross presentation described above.

- Operating expenses increased $1.7 million primarily due to an increase in commission expenses due to the increase in sales from the used material program as well as an increase in professional fees and other operating expenses due to the ramp-up of Aerospace Products.

Comparison of the nine months ended September 30, 2022 and 2021

Total expenses increased $51.4 million primarily due to an increase in costs of sales and operating expenses.

- Cost of sales increased $46.7 million primarily as a result of an increase in Aerospace product revenues and the gross presentation described above.

- Operating expenses increased $4.6 million primarily due to an increase in commission expenses due to the increase in sales from the used material program as well as an increase in professional fees and other operating expenses due to the ramp-up of Aerospace Products.

Other income (expense)

Total other income decreased $1.7 million during three months ended September 30, 2022 which primarily reflects a decrease of $1.7 million in gain on sale of assets, net. See above discussion regarding presentation of asset sales.

Total other income increased $17.0 million during nine months ended September 30, 2022 which primarily reflects an increase of $16.8 million in gain on sale of assets, net due to an increase in sales relating to the CFM56-7B and CFM56-5B engines as operations continue to ramp-up in 2022.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased $16.6 million and $46.7 million during the three and nine months ended September 30, 2022, respectively, primarily due to the changes noted above.

Corporate and Other

The following table presents our results of operations:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change
Revenues	**$ —**	$ —	$ —	**$ —**	$ —	$ —
Expenses						
Operating expenses	**588**	1,074	(486)	**3,422**	2,945	477
General and administrative	**3,354**	2,862	492	**9,125**	7,166	1,959
Acquisition and transaction expenses	**2,586**	898	1,688	**4,810**	2,906	1,904
Management fees and incentive allocation to affiliate	**539**	2,116	(1,577)	**4,692**	7,027	(2,335)
Depreciation and amortization	**72**	67	5	**209**	162	47
Interest expense	**644**	584	60	**1,910**	1,734	176
Total expenses	**7,783**	7,601	182	**24,168**	21,940	2,228
Loss before income taxes	**(7,783)**	(7,601)	(182)	**(24,168)**	(21,940)	(2,228)
Provision for (benefit from) income taxes	**—**	—	—	**—**	—	—
Net loss attributable to shareholders	**(7,783)**	(7,601)	(182)	**(24,168)**	(21,940)	(2,228)

The following table sets forth a reconciliation of net loss attributable to shareholders to Adjusted EBITDA:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change
Net loss attributable to shareholders	**$ (7,783)**	$ (7,601)	$ (182)	**$ (24,168)**	$ (21,940)	$ (2,228)
Add: Acquisition and transaction expenses	**2,586**	898	1,688	**4,810**	2,906	1,904
Add: Depreciation and amortization expense	**72**	67	5	**209**	162	47
Add: Interest expense	**644**	584	60	**1,910**	1,734	176
Adjusted EBITDA (non-GAAP)	**$ (4,481)**	$ (6,052)	$ 1,571	**$ (17,239)**	$ (17,138)	$ (101)

Expenses

Comparison of the three months ended September 30, 2022 and 2021

Total expenses increased $0.2 million primarily due to an increase in acquisition and transaction expenses driven by higher compensation and related costs associated with acquisitions and the merger with FTAI, partially offset by a decrease in management fees and incentive allocation to affiliate driven by lower management fees allocated to the Company.

Comparison of the nine months ended September 30, 2022 and 2021

Total expenses increased $2.2 million primarily driven by an increase in general and administrative expenses and acquisition and transaction expenses driven by higher compensation and related costs associated with acquisitions and the merger with FTAI, partially offset by a decrease in management fees and incentive allocation to affiliate driven by lower management fees allocated to the Company.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased $1.6 million and decreased $0.1 million during the three and nine months ended September 30, 2022, respectively, primarily due to the changes noted above.

Liquidity and Capital Resources

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows, capital contributions from Parent and loan financing.

We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. This includes limiting discretionary spending across the organization and re-prioritizing our investments amid the COVID-19 pandemic and market volatility.

Our principal uses of liquidity have been and continue to be (i) acquisitions of aircraft and engines, (ii) capital distributions to Parent, (iii) release of maintenance and security deposits to our lessees, and (iv) expenses associated with our operating activities.

- Cash used for the purpose of making investments was $396.2 million and $321.2 million during the nine months ended September 30, 2022 and 2021, respectively.

- Capital distributions to Parent were $294.2 million and $145.0 million during the nine months ended September 30, 2022 and 2021, respectively.

- Release of maintenance and security deposits were $0.9 million and $19.6 million during the nine months ended September 30, 2022 and 2021, respectively.

- Uses of liquidity associated with our operating expenses are captured on a net basis in our cash flows from operating activities.

Our principal sources of liquidity to fund these uses have been and continue to be (i) revenues from our aviation assets (including finance lease collections and maintenance reserve collections) net of operating expenses, (ii) capital contributions from Parent and (iii) proceeds from asset sales.

- Cash flows provided by operating activities, plus the principal collections on finance leases and maintenance reserve collections were $191.1 million and $156.6 million during the nine months ended September 30, 2022 and 2021, respectively.

- Capital contributions from Parent were $242.1 million and $249.5 million during the nine months ended September 30, 2022 and 2021, respectively.

- Proceeds from the sale of aviation equipment were $262.1 million and $78.5 million during the nine months ended September 30, 2022 and 2021, respectively.

We are currently evaluating several potential aviation transactions, which could occur within the next 12 months. None of these potential transactions, negotiations, or financings are definitive or included within our planned liquidity needs. We cannot assure if or when any such transaction will be consummated or the terms of any such transaction.

Historical Cash Flow

Comparison of the nine months ended September 30, 2022 and 2021

The following table compares the historical cash flow for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
(in thousands)	**2022**	**2021**
Cash Flow Data:		
Net cash provided by operating activities	**$ 151,304**	$ 131,828
Net cash used in investing activities	**(124,180)**	(239,446)
Net cash (used in) provided by financing activities	**(13,685)**	108,318

Net cash provided by operating activities increased $19.5 million, which primarily reflects (i) a decrease in net income of $63.7 million, and certain adjustments to reconcile net income to cash provided by operating activities including (ii) an increase in gain on sale of assets of $88.7 million, and (iii) changes in working capital of $18.0 million, and (iv) increases in asset impairment of $125.1 million.

Net cash used in investing activities decreased $115.3 million, primarily due to (i) higher proceeds from the sale of leasing equipment of $183.6 million and (ii) an increase in proceeds from the sale of aircraft and engine of $7.2 million, partially offset by (iii) an increase in acquisition of leasing equipment of $61.7 million and (iv) an increase in purchase deposit for aircraft and engines of $14.8 million.

Net cash provided by financing activities decreased $122.0 million, primarily due to (i) an increase in capital contributions to Parent of $156.6 million, partially offset by (ii) an increase in receipt of maintenance deposits of $14.5 million and a decrease in the release of maintenance deposits of $18.7 million.

Contractual Obligations

Our material cash requirements include the following contractual and other obligations:

Loan Obligations—As of September 30, 2022 and December 31, 2021, we had outstanding principal and interest payment obligations of $27.1 million and $25.2 million, respectively, of which, $0.0 million and $0.0 million, respectively, are due in the next twelve months. See Note 7 to the consolidated financial statements for additional information about our loan obligations.

Lease Obligations—As of September 30, 2022 and December 31, 2021, we had outstanding operating and finance lease obligations of $3.1 million and $2.4 million, of which, $0.8 million and $0.5 million is due in the next twelve months.

We expect to meet our future short-term liquidity requirements through cash on hand and net cash provided by our current operations. We expect that our operating subsidiaries will generate sufficient cash flow to cover operating expenses and the payment of principal and interest on our indebtedness as they become due. We may elect to meet certain long-term liquidity requirements or to continue to pursue strategic opportunities through utilizing cash on hand, cash generated from our current operations and the issuance of securities in the future. Management believes adequate capital and borrowings are available from various sources to fund our commitments to the extent required.

Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Note 2 to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Operating Leases—We lease equipment pursuant to net operating leases. Operating leases with fixed rentals and step rentals are recognized on a straight-line basis over the term of the lease, assuming no renewals. Revenue is not recognized when collection is not reasonably assured. When collectability is not reasonably assured, the customer is placed on non-accrual status and revenue is recognized when cash payments are received.

Generally, under our aircraft lease and engine agreements, the lessee is required to make periodic maintenance payments calculated based on the lessee's utilization of the leased asset or at the end of the lease. Typically, under our aircraft lease agreements, the lessee is responsible for maintenance, repairs and other operating expenses throughout the term of the lease. These periodic maintenance payments accumulate over the term of the lease to fund major maintenance events, and we are contractually obligated to return maintenance payments to the lessee up to the amount paid by the lessee. In the event the total cost of maintenance events over the term of a lease is less than the cumulative maintenance payments, we are not required to return any unused or excess maintenance payments to the lessee.

Maintenance payments received for which we expect to repay to the lessee are presented as Maintenance Deposits in our Consolidated Balance Sheets. All excess maintenance payments received that we do not expect to repay to the lessee are recorded as Maintenance revenues. Estimates in recognizing revenue include mean time between removal, projected costs for engine maintenance and forecasted utilization of aircraft which are affected by historical usage patterns and overall industry, market and economic conditions. Significant changes to these estimates could have a material effect on the amount of revenue recognized in the period.
For purchase and lease back transactions, we account for the transaction as a single arrangement. We allocate the consideration paid based on the fair value of the aircraft and lease. The fair value of the lease may include a lease premium or discount.

Finance Leases—From time to time we enter into finance lease arrangements that include a lessee obligation to purchase the leased equipment at the end of the lease term, a bargain purchase option, or provides for minimum lease payments with a present value that equals or exceeds substantially all of the fair value of the leased equipment at the date of lease inception. Net investment in finance lease represents the minimum lease payments due from lessee, net of unearned income. The lease payments are segregated into principal and interest components similar to a loan. Unearned income is recognized on an effective interest method over the lease term and is recorded as finance lease income. The principal component of the lease payment is reflected as a reduction to the net investment in finance leases. Revenue is not recognized when collection is not reasonably assured. When collectability is not reasonably assured, the customer is placed on non-accrual status and revenue is recognized when cash payments are received.

Maintenance Payments—Typically, under an operating lease of aircraft, the lessee is responsible for performing all maintenance and is generally required to make maintenance payments to us for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft or engine. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending on the component, and are generally required to be made monthly in arrears. If a lessee is making monthly maintenance payments, we would typically be obligated to reimburse the lessee for costs they incur for heavy maintenance, overhaul or replacement of certain high-value components to the extent of maintenance payments received in respect of the specific maintenance event, usually shortly following the completion of the relevant work.

We record the portion of maintenance payments paid by the lessee that are expected to be reimbursed as maintenance deposit liabilities in the Consolidated Balance Sheets. Reimbursements made to the lessee upon the receipt of evidence of qualifying maintenance work are recorded against the maintenance deposit liability.

In certain acquired leases, we or the lessee may be obligated to make a payment to the other party at lease termination based on redelivery conditions stipulated at the inception of the lease. When the lessee is required to return the aircraft in an improved maintenance condition, we record a maintenance right asset, as a component of other assets, for the estimated value of the end-of-life maintenance payment at acquisition. We recognize payments received as end-of-lease compensation adjustments, within lease revenue or as a reduction to the maintenance right asset, when payment is received or collectability is assured. In the event we are required to make payments at the end of the lease for redelivery conditions, amounts are accrued as additional maintenance liability and expensed when we are obligated and can reasonably estimate such payment.

Property, Plant and Equipment, Leasing Equipment and Depreciation—Property, plant and equipment and leasing equipment are stated at cost (inclusive of capitalized acquisition costs, where applicable) and depreciated using the straight-line method, over estimated useful lives, to estimated residual values which are summarized as follows:

Asset	Range of Estimated Useful Lives	Residual Value Estimates
Aircraft	25 years from date of manufacture	Generally not to exceed 15% of manufacturer’s list price when new
Aircraft engines	2 - 6 years, based on maintenance adjusted service life	Sum of engine core salvage value plus the estimated fair value of life limited parts
Aviation tooling and equipment	3 - 6 years from date of purchase	Scrap value at end of useful life
Furniture and fixtures	3 - 6 years from date of purchase	None

Impairment of Long-Lived Assets—We perform a recoverability assessment of each of our long-lived assets whenever events or changes in circumstances, or indicators, indicate that the carrying amount or net book value of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination; a significant change in market conditions; or the introduction of newer technology aircraft or engines. When performing a recoverability assessment, we measure whether the estimated future undiscounted net cash flows expected to be generated by the asset exceeds its net book value. The undiscounted cash flows consist of cash flows from currently contracted leases, future projected leases, transition costs, estimated down time and estimated residual or scrap values. In the event that an asset does not meet the recoverability test, the carrying value of the asset will be adjusted to fair value resulting in an impairment charge.

Management develops the assumptions used in the recoverability analysis based on its knowledge of active contracts, current and future expectations of the global demand for a particular asset and historical experience in the leasing markets, as well as information received from third party industry sources. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in contracted lease rates, residual values, economic conditions, technology, demand for a particular asset type and other factors.

Income Taxes—The Company is an exempted entity domiciled in the Cayman Islands where income taxes are not imposed. The Company is considered a Passive Foreign Investment Company for U.S. income tax purposes and certain income taxes are imposed on our owners. Taxable income or loss generated by our corporate subsidiaries is subject to U.S. federal, state and foreign corporate income tax in locations where they conduct business.

We account for these taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized.

Recent Accounting Pronouncements

Please see Note 2 to our consolidated financial statements included elsewhere in this filing for recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of changes in value of a financial instrument, caused by fluctuations in interest rates and foreign exchange rates. We believe that changes in these factors would not cause significant fluctuations in our results of operations and cash flows.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of and for the period covered by this report.

Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are and may become involved in legal proceedings, including but not limited to regulatory investigations and inquiries, in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, we do not expect our current and any threatened legal proceedings to have a material adverse effect on our business, financial position or results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material adverse effect on our financial results.

Item 1A. Risk Factors

You should carefully consider the following risks and other information in this Form 10-Q in evaluating us and our shares. Any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition. The risk factors generally have been separated into the following categories: risks related to our business, risks related to our Manager, risks related to taxation and risks related to the Company’s shares. However, these categories do overlap and should not be considered exclusive.

Risks Related to Our Business

A pandemic, including COVID-19, could have an adverse impact on our business, financial condition, and results of operations.

In recent years, the outbreaks of certain highly contagious diseases have increased the risk of a pandemic resulting in economic disruptions. In particular, the ongoing COVID-19 pandemic has led to severe disruptions in the market and the global, U.S. and regional economies that may continue for a prolonged duration and trigger a recession or a period of economic slowdown. In response, various governmental bodies and private enterprises have implemented, and may in the future implement, numerous measures intended to mitigate the outbreak, such as travel bans and restrictions, quarantines, shutdowns and testing or vaccination mandates. The COVID-19 pandemic continues to be dynamic and evolving, including a resurgence of COVID-19 cases in certain geographies, and its ultimate scope, duration and impact, including the efficacy and availability of vaccines, remain uncertain.

We expect that this pandemic, and any future epidemic or pandemic crises, could result in direct and indirect adverse effects on our industries and customers, which in turn may impact our business, results of operations and financial condition. Effects of the current pandemic have included, or may in the future include, among others:

- deterioration of worldwide, regional or national economic conditions and activity, which could adversely affect global demand for our services, and time charter and spot rates;
- disruptions to our operations as a result of the potential health impact, such as the availability and efficacy of vaccines, on our employees and crew, and on the work forces of our customers and business partners;
- disruptions to our business from, or additional costs related to, new regulations, directives or practices implemented in response to the pandemic, such as travel restrictions, increased inspection regimes, hygiene measures (such as quarantining and physical distancing) or increased implementation of remote working arrangements;
- asset impairment charges and a decline in revenues;
- a lack of air travel demand or an inability of airlines to operate to or from certain regions could impact demand for air travel and the financial health of certain airlines, including increasing the financial stress of our lessees;
- any related off hire due to global supply chain disruptions resulting from quarantines, worker health, regulations or other impacts of the COVID-19 pandemic, which in turn could disrupt our operations and result in a reduction of revenue;
- potential reduced cash flows and financial condition, including potential liquidity constraints;
- reduced access to or increased cost of capital, including the ability to refinance any existing obligations, as a result of any credit tightening generally or due to continued declines in global financial markets, including potential interest rate increases and declines in the prices of publicly-traded securities of us, our peers and of listed companies generally; and
- potential deterioration in the financial condition and prospects of our customers, joint venture partners or business partners, or attempts by customers or third parties to invoke force majeure contractual clauses as a result of delays or other disruptions.

As the COVID-19 pandemic continues to evolve, the extent to which COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to try and contain COVID-19 or treat its impact. We continue to monitor the pandemic and, the extent to which the continued spread of the virus adversely affects our customer base and therefore revenue. As the COVID-19 pandemic is complex and rapidly evolving, our plans as described above may change. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

Uncertainty relating to macroeconomic conditions may reduce the demand for our assets, result in non-performance of contracts by our lessees, limit our ability to obtain additional capital to finance new investments, or have other unforeseen negative effects.

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and commodity price volatility, historically have created difficult operating environments for owners and operators in the aviation industries. Many factors, including factors that are beyond our control, may impact our operating results or financial condition and/or affect the lessees that form our customer base. In addition, limitations on the availability of capital, higher costs of capital for financing expenditures or the desire to preserve liquidity, may cause our current or prospective customers to make reductions in future capital budgets and spending.

Further, demand for our assets is related to passenger and cargo traffic growth, which in turn is dependent on general business and economic conditions. Global economic downturns could have an adverse impact on passenger and cargo traffic levels and consequently our lessees' and charterers' business, which may in turn result in a significant reduction in revenues, earnings and cash flows, difficulties accessing capital and a deterioration in the value of our assets. We have in the past been exposed to increased credit risk from our customers and third parties who have obligations to us, which resulted in non-performance of contracts by our lessees and adversely impacted our business, financial condition, results of operations and cash flows. We cannot assure you that similar loss events may not occur in the future.

Instability in geographies where we have assets or where we derive revenue could have a material adverse effect on our business, customers, operations and financial results.

Economic, civil, military and political uncertainty exists and may increase in regions where we operate and derive our revenue. Various countries in which we operate are experiencing and may continue to experience military action and civil and political unrest. We have assets in the emerging market economies of Eastern Europe, including some assets in Russia and Ukraine. In late February 2022, Russian military forces launched significant military action against Ukraine. Sustained conflict and disruption in the region is likely. The impact to Russia and Ukraine, as well as actions taken by other countries, including new and stricter export controls and sanctions by Canada, the United Kingdom, the European Union, the U.S. and other countries and organizations against officials, individuals, regions, and industries in Russia and Ukraine, and each country's potential response to such sanctions, tensions and military actions, could have a material adverse effect on our business and delay or prevent us from accessing certain of our assets. We are actively monitoring the security of our remaining assets in the region.

The aviation industry has experienced periods of oversupply during which lease rates and asset values have declined, particularly during the most recent economic downturn, and any future oversupply could materially adversely affect our results of operations and cash flows.

The oversupply of a specific asset is likely to depress the lease rates for and the value of that type of asset and result in decreased utilization of our assets, and the industries in which we operate have experienced periods of oversupply during which rates and asset values have declined, particularly during the most recent economic downturn. Factors that could lead to such oversupply include, without limitation:

- general demand for the type of assets that we purchase;
- general macroeconomic conditions, including market prices for commodities that our assets may serve;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- outbreaks of communicable diseases and natural disasters;
- governmental regulation;
- interest rates;
- the availability of credit;
- potential reduced cash flows and financial condition, including potential liquidity restraints;
- restructurings and bankruptcies of companies in the industries in which we operate, including our customers;
- manufacturer production levels and technological innovation;
- manufacturers merging or exiting the industry or ceasing to produce certain asset types;
- retirement and obsolescence of the assets that we own;
- increases in supply levels of assets in the market due to the sale or merging of operating lessors; and
- reintroduction of previously unused or dormant assets into the industries in which we operate.

These and other related factors are generally outside of our control and could lead to persistence of, or increase in, the oversupply of the types of assets that we acquire or decreased utilization of our assets, either of which could materially adversely affect our results of operations and cash flow. In addition, aviation lessees may redeliver our assets to locations where there is oversupply, which may lead to additional repositioning costs for us if we move them to areas with higher demand. Positioning expenses vary depending on geographic location, distance, rates and other factors, and may not be fully covered by drop-off charges collected from the last lessees of the equipment or pick-up charges paid by the new lessees. Positioning expenses can be significant if a large portion of our assets are returned to locations with weak demand, which could materially adversely affect our business, prospects, financial condition, results of operations and cash flows.

The airline industry is heavily regulated, and if we fail to comply with applicable requirements, our results of operations could suffer.

The Federal Aviation Administration (“FAA”) and equivalent regulatory agencies have increasingly focused on the need to assure that airline industry products are designed with sufficient cybersecurity controls to protect against unauthorized access or other unwanted compromise. A failure to meet these evolving expectations could negatively impact sales into the industry and expose us to legal or contractual liability.

Governmental agencies throughout the world, including the FAA, prescribe standards and qualification requirements for aircraft components, including virtually all commercial airline and general aviation products. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. If any material authorization or approval qualifying us to supply our products is revoked or suspended, then sale of the product would be prohibited by law, which would have an adverse effect on our business, financial condition and results of operations.

From time to time, the FAA or equivalent regulatory agencies in other countries propose new regulations or changes to existing regulations, which often are more stringent than existing regulations. If such proposals are adopted and enacted, we may incur significant additional costs to achieve compliance, which could have a material adverse effect on our business, financial condition and results of operations.

Recent trends by China’s aviation authority to relax restrictions on airspace may be reversed, and anticipated new regulations loosening airspace restrictions may not materialize, which could impact sales prospects in China for our commercial aerospace businesses.

The retirement or prolonged grounding of commercial aircraft could reduce our revenues and the value of any related inventory.

We sell aircraft components and replacement parts. If aircraft or engines for which we offer aircraft components and replacement parts are retired or grounded for prolonged periods of time and there are fewer aircraft that require these components or parts, our revenues may decline as well as the value of any related inventory.

Contractual defaults may adversely affect our business, prospects, financial condition, results of operations and cash flows by decreasing revenues and increasing storage, positioning, collection, recovery and lost equipment expenses.

The success of our business depends in large part on the success of the operators in the sectors in which we participate. Cash flows from our assets are substantially impacted by our ability to collect compensation and other amounts to be paid in respect of such assets from the customers with whom we enter into leases or other contractual arrangements. Inherent in the nature of the leases and other arrangements for the use of such assets is the risk that we may not receive, or may experience delay in realizing, such amounts to be paid. While we target the entry into contracts with credit-worthy counterparties, no assurance can be given that such counterparties will perform their obligations during the term of the leases or other contractual arrangements. In addition, when counterparties default, we may fail to recover all of our assets, and the assets we do recover may be returned in damaged condition or to locations where we will not be able to efficiently lease or sell them. In most cases, we maintain, or require our lessees to maintain, certain insurances to cover the risk of damages or loss of our assets. However, these insurance policies may not be sufficient to protect us against a loss.

Depending on the specific sector, the risk of contractual defaults may be elevated due to excess capacity as a result of oversupply during the most recent economic downturn. We lease assets to our customers pursuant to fixed-price contracts, and our customers then seek to utilize those assets to transport goods and provide services. If the price at which our customers receive for their transportation services decreases as a result of an oversupply in the marketplace, then our customers may be forced to reduce their prices in order to attract business (which may have an adverse effect on their ability to meet their contractual lease obligations to us), or may seek to renegotiate or terminate their contractual lease arrangements with us to pursue a lower-priced opportunity with another lessor, which may have a direct, adverse effect on us. See “-The industries in which we operate have experienced periods of oversupply during which lease rates and asset values have declined, particularly during the most recent economic downturn, and any future oversupply could materially adversely affect our results of operations and cash flows.” Any default by a material customer would have a significant impact on our profitability at the time the customer defaulted, which could materially adversely affect our operating results and growth prospects. In addition, some of our counterparties may reside in jurisdictions with legal and regulatory regimes that make it difficult and costly to enforce such counterparties’ obligations.

If we acquire a high concentration of a particular type of asset, or concentrate our investments in a particular sector, our business, prospects, financial condition, results of operations and cash flows could be adversely affected by changes in market demand or problems specific to that asset or sector.

If we acquire a high concentration of a particular asset, or concentrate our investments in a particular sector, our business and financial results could be adversely affected by sector-specific or asset-specific factors. If we acquire a high concentration of a particular asset and the market demand for a particular asset declines, it is redesigned or replaced by its manufacturer or it experiences design or technical problems, the value and rates relating to such asset may decline, and we may be unable to lease such asset on favorable terms, if at all. Any decrease in the value and rates of our assets may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We operate in highly competitive markets.

The business of acquiring aviation assets is highly competitive. Market competition for opportunities includes traditional transportation companies, commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds and other private investors, including Fortress-related entities. Some of these competitors may have access to greater amounts of capital and/or to capital that may be committed for longer periods of time or may have different return thresholds than us, and thus these competitors may have certain advantages not shared by us. In addition, competitors may have incurred, or may in the future incur, leverage to finance their debt investments at levels or on terms more favorable than those available to us. Strong competition for investment opportunities could result in fewer such opportunities for us, as certain of these competitors have established and are establishing investment vehicles that target the same types of assets that we intend to purchase.

In addition, some of our competitors may have longer operating histories, greater financial resources and lower costs of capital than us, and consequently, may be able to compete more effectively in one or more of our target markets. We likely will not always be able to compete successfully with our competitors and competitive pressures or other factors may also result in significant price competition, particularly during industry downturns, which could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Certain liens may arise on our assets.

Certain of our assets are currently subject to liens under separate financing arrangements entered into by certain subsidiaries in connection with acquisitions of assets. In the event of a default under such arrangements by the applicable subsidiary, the lenders thereunder would be permitted to take possession of or sell such assets. In addition, our currently owned assets and assets that we purchase in the future may be subject to other liens based on the industry practices relating to such assets. Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our assets, and to the extent our lessees do not comply with their obligations to discharge any liens on the applicable assets, we may find it necessary to pay the claims secured by such liens in order to repossess such assets. Such payments could materially adversely affect our operating results and growth prospects.

The values of our assets may fluctuate due to various factors.

The fair market values of our assets may decrease or increase depending on a number of factors, including the prevailing level of lease rates from time to time, general economic and market conditions affecting our target markets, type and age of assets, supply and demand for assets, competition, new governmental or other regulations and technological advances, all of which could impact our profitability and our ability to lease, develop, operate, or sell such assets. In addition, our assets depreciate as they age and may generate lower revenues and cash flows. We must be able to replace such older, depreciated assets with newer assets, or our ability to maintain or increase our revenues and cash flows will decline. In addition, if we dispose of an asset for a price that is less than the depreciated book value of the asset on our balance sheet or if we determine that an asset's value has been impaired, we will recognize a related charge in our consolidated statement of operations and such charge could be material.

We may not generate a sufficient amount of cash or generate sufficient free cash flow to fund our operations or repay our indebtedness.

Our ability to make payments on our indebtedness as required depends on our ability to generate cash flow in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we do not generate sufficient free cash flow to satisfy our debt obligations, including interest payments and the payment of principal at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timeliness and amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our various debt instruments then in effect. Furthermore, our ability to refinance would depend upon the condition of the finance and credit markets. Our inability to generate sufficient free cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms or on a timely basis, would materially affect our business, financial condition and results of operations.

Our use of joint ventures or partnerships, and our Manager's outsourcing of certain functions, may present unforeseen obstacles or costs.

We have acquired and may in the future acquire interests in certain assets in cooperation with third-party partners or co-investors through jointly-owned acquisition vehicles, joint ventures or other structures. In these co-investment situations, our ability to control the management of such assets depends upon the nature and terms of the joint arrangements with such partners and our relative ownership stake in the asset, each of which will be determined by negotiation at the time of the investment and the determination of which is subject to the discretion of our Manager. Depending on our Manager's perception of the relative risks and rewards of a particular asset, our Manager may elect to acquire interests in structures that afford relatively little or no operational and/or management control to us. Such arrangements present risks not present with wholly-owned assets, such as the possibility that a co-investor becomes bankrupt, develops business interests or goals that conflict with our interests and goals in respect of the assets, all of which could materially adversely affect our business, prospects, financial condition, results of operations and cash flows.

In addition, our Manager expects to utilize third-party contractors to perform services and functions related to the operation and leasing of our assets. These functions may include billing, collections, recovery and asset monitoring. Because we and our Manager do not directly control these third parties, there can be no assurance that the services they provide will be delivered at a level commensurate with our expectations, or at all. The failure of any such third-party contractors to perform in accordance with our expectations could materially adversely affect our business, prospects, financial condition, results of operations and cash flows.

We are subject to the risks and costs of obsolescence of our assets.

Technological and other improvements expose us to the risk that certain of our assets may become technologically or commercially obsolete. For example, as manufacturers introduce technological innovations and new types of aircraft, some of our assets could become less desirable to potential lessees. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by us. In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft less desirable and less valuable in the marketplace. Any of these risks may adversely affect our ability to lease or sell our assets on favorable terms, if at all, which could materially adversely affect our operating results and growth prospects.

The inability to obtain certain components from suppliers could harm our business.

Our business is affected by the availability and price of the component parts that we use to manufacture our products. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. The supply chains for our business could also be disrupted by external events such as natural disasters, extreme weather events, pandemics, labor disputes, governmental actions and legislative or regulatory changes. As a result, our suppliers may fail to perform according to specifications when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance.

Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. Our inability to fill our supply needs could jeopardize our ability to fulfill obligations under customer contracts, which could result in reduced revenues and profits, contract penalties or terminations, and damage to customer relationships. Further, increased costs of such components could reduce our profits if we were unable to pass along such price in-creases to our customers.

We could be negatively impacted by environmental, social, and governance (ESG) and sustainability-related matters.

Governments, investors, customers, employees and other stakeholders are increasingly focusing on corporate ESG practices and disclosures, and expectations in this area are rapidly evolving. We have announced, and may in the future announce, sustainability-focused investments, partnerships and other initiatives and goals. These initiatives, aspirations, targets or objectives reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these initiatives and goals present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which could have a material negative impact, including on our reputation and stock price.

In addition, the standards for tracking and reporting on ESG matters are relatively new, have not been harmonized and continue to evolve. Our selection of disclosure frameworks that seek to align with various voluntary reporting standards may change from time to time and may result in a lack of comparative data from period to period. Moreover, our processes and controls may not always align with evolving voluntary standards for identifying, measuring, and reporting ESG metrics, our interpretation of reporting standards may differ from those of others, and such standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. In this regard, the criteria by which our ESG practices and disclosures are assessed may change due to the quickly evolving landscape, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. The increasing attention to corporate ESG initiatives could also result in increased investigations and litigation or threats thereof. If we are unable to satisfy such new criteria, investors may conclude that our ESG and sustainability practices are inadequate. If we fail or are perceived to have failed to achieve previously announced initiatives or goals or to accurately disclose our progress on such initiatives or goals, our reputation, business, financial condition and results of operations could be adversely impacted.

We may be affected by fluctuating prices for fuel and energy.

Volatility in energy prices could have a significant effect on a variety of items including, but not limited to: the economy and demand for transportation services.

International, political, and economic factors, events and conditions, including current sanctions against Russia related to its invasion of Ukraine, affect the volatility of fuel prices and supplies. Weather can also affect fuel supplies and limit domestic refining capacity. A severe shortage of, or disruption to, domestic fuel supplies could have a material adverse effect on our results of operations, financial condition, and liquidity.

Our assets generally require routine maintenance, and we may be exposed to unforeseen maintenance costs.

We may be exposed to unforeseen maintenance costs for our assets associated with a lessee's failure to properly maintain the asset. We enter into leases with respect to some of our assets pursuant to which the lessees are primarily responsible for many obligations, which generally include complying with all governmental requirements applicable to the lessee, including operational, maintenance, government agency oversight, registration requirements and other applicable directives. Failure of a lessee to perform required maintenance during the term of a lease could result in a decrease in value of an asset, an inability to re-lease an asset at favorable rates, if at all, or a potential inability to utilize an asset. Maintenance failures would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease; such costs to restore the asset to an acceptable condition prior to re-leasing or sale could be substantial. Any failure by our lessees to meet their obligations to perform required scheduled maintenance or our inability to maintain our assets could materially adversely affect our business, prospects, financial condition, results of operations and cash flows.

Some of our customers operate in highly regulated industries and changes in laws or regulations, including laws with respect to international trade, may adversely affect our ability to lease or sell our assets.

Some of our customers operate in highly regulated industries. A number of our contractual arrangements-for example, our leasing aircraft engines to third-party operators-require the operator (our customer) to obtain specific governmental or regulatory licenses, consents or approvals. These include consents for certain payments under such arrangements and for the export, import or re-export of the related assets. Failure by our customers or, in certain circumstances, by us, to obtain certain licenses and approvals could negatively affect our ability to conduct our business. In addition, the shipment of goods, services and technology across international borders subjects the operation of our assets to international trade laws and regulations. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. If any such regulations or sanctions affect the asset operators that are our customers, our business, prospects, financial condition, results of operations and cash flows may be materially adversely affected.

Certain of our assets are subject to purchase options held by the lessee of the asset which, if exercised, could reduce the size of our asset base and our future revenues.

We have granted purchase options to the lessees of certain of our assets. The market values of these assets may change from time to time depending on a number of factors, such as general economic and market conditions affecting the industries in which we operate, competition, cost of construction, governmental or other regulations, technological changes and prevailing levels of lease rates from time to time. The purchase price under a purchase option may be less than the asset's market value at the time the option may be exercised. In addition, we may not be able to obtain a replacement asset for the price at which the asset is sold. In such cases, our business, prospects, financial condition, results of operations and cash flows may be materially adversely affected.

We may not be able to renew or obtain new or favorable leases, which could adversely affect our business, prospects, financial condition, results of operations and cash flows.

Our operating leases are subject to greater residual risk than direct finance leases because we will own the assets at the expiration of an operating lease term and we may be unable to renew existing leases at favorable rates, or at all, or sell the leased assets, and the residual value of the asset may be lower than anticipated. In addition, our ability to renew existing leases or obtain new leases will also depend on prevailing market conditions, and upon expiration of the contracts governing the leasing of the applicable assets, we may be exposed to increased volatility in terms of rates and contract provisions. Our customers may reduce their activity levels or seek to terminate or renegotiate their leases with us. If we are not able to renew or obtain new leases in direct continuation, or if new leases are entered into at rates substantially below the existing rates or on terms otherwise less favorable compared to existing contractual terms, or if we are unable to sell assets for which we are unable to obtain new contracts or leases, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

Litigation to enforce our contracts and recover our assets has inherent uncertainties that are increased by the location of our assets in jurisdictions that have less developed legal systems.

While some of our contractual arrangements are governed by New York law and provide for the non-exclusive jurisdiction of the courts located in the state of New York, our ability to enforce our counterparties' obligations under such contractual arrangements is subject to applicable laws in the jurisdiction in which enforcement is sought. While some of our existing assets are used in specific jurisdictions, aviation assets by their nature generally move throughout multiple jurisdictions in the ordinary course of business. As a result, it is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. Litigation and enforcement proceedings have inherent uncertainties in any jurisdiction and are expensive. These uncertainties are enhanced in countries that have less developed legal systems where the interpretation of laws and regulations is not consistent, may be influenced by factors other than legal merits and may be cumbersome, time-consuming and even more expensive. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions whose laws do not confer the same security interests and rights to creditors and lessors as those in the United States and where the legal system is not as well developed. As a result, the remedies available and the relative success and expedience of collection and enforcement proceedings with respect to the owned assets in various jurisdictions cannot be predicted. To the extent more of our business shifts to areas outside of the United States and Europe, such as Asia and the Middle East, it may become more difficult and expensive to enforce our rights and recover our assets.

Our international operations involve additional risks, which could adversely affect our business, prospects, financial condition, results of operations and cash flows.

We and our customers operate in various regions throughout the world. As a result, we may, directly or indirectly, be exposed to political and other uncertainties, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy;
- potential cybersecurity attacks;
- significant governmental influence over many aspects of local economies;
- seizure, nationalization or expropriation of property or equipment;
- repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, imposition of trade barriers;
- U.S. and foreign sanctions or trade embargoes;
- restrictions on the transfer of funds into or out of countries in which we operate;
- compliance with U.S. Treasury sanctions regulations restricting doing business with certain nations or specially designated nationals;
- regulatory or financial requirements to comply with foreign bureaucratic actions;
- compliance with applicable anti-corruption laws and regulations;
- changing taxation policies, including confiscatory taxation;
- other forms of government regulation and economic conditions that are beyond our control; and
- governmental corruption.

Any of these or other risks could adversely impact our customers' international operations which could materially adversely impact our operating results and growth opportunities.

We may make acquisitions in emerging markets throughout the world, and investments in emerging markets are subject to greater risks than developed markets and could adversely affect our business, prospects, financial condition, results of operations and cash flows.

To the extent that we acquire assets in emerging markets-which we may do throughout the world-additional risks may be encountered that could adversely affect our business. Emerging market countries have less developed economies and infrastructure and are often more vulnerable to economic and geopolitical challenges 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. In addition, the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible or may be subject to the imposition of other monetary or fiscal controls and restrictions.

Emerging markets are still in relatively early stages of their development and accordingly may not be highly or efficiently regulated. Moreover, emerging markets tend to be shallower and less liquid than more established markets which may adversely affect our ability to realize profits from our assets in emerging markets when we desire to do so or receive what we perceive to be their fair value in the event of a realization. In some cases, a market for realizing profits from an investment may not exist locally. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in more developed countries, thereby potentially increasing the risk of fraud and other deceptive practices. Settlement of transactions may be subject to greater delay and administrative uncertainties than in developed markets and less complete and reliable financial and other information may be available to investors in emerging markets than in developed markets. In addition, economic instability in emerging markets could adversely affect the value of our assets subject to leases in such countries, or the ability of our lessees, which operate in these markets, to meet their contractual obligations. As a result, lessees that operate in emerging market countries may be more likely to default under their contractual obligations than those that operate in developed countries. Liquidity and volatility limitations in these markets may also adversely affect our ability to dispose of our assets at the best price available or in a timely manner.

As we have and may continue to acquire assets located in emerging markets throughout the world, we may be exposed to any one or a combination of these risks, which could adversely affect our operating results.

We are actively evaluating potential acquisitions of assets and operating companies in other aviation sectors which could result in additional risks and uncertainties for our business and unexpected regulatory compliance costs.

While our existing portfolio consists of assets in the aviation sector, we are actively evaluating potential acquisitions of assets and operating companies in other sectors of the aviation market and we plan to be flexible as other attractive opportunities arise over time. To the extent we make acquisitions in other sectors, we will face numerous risks and uncertainties, including risks associated with the required investment of capital and other resources and with combining or integrating operational and management systems and controls. Entry into certain lines of business may subject us to new laws and regulations and may lead to increased litigation and regulatory risk. Many types of transportation assets, including certain airport assets, are subject to registration requirements by U.S. governmental agencies, as well as foreign governments if such assets are to be used outside of the United States. Failing to register the assets, or losing such registration, could result in substantial penalties, forced liquidation of the assets and/or the inability to operate and, if applicable, lease the assets. We may need to incur significant costs to comply with the laws and regulations applicable to any such new acquisition. The failure to comply with these laws and regulations could cause us to incur significant costs, fines or penalties or require the assets to be removed from service for a period of time resulting in reduced income from these assets. In addition, if our acquisitions in other sectors produce insufficient revenues, or produce investment losses, or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected, and our reputation and business may be harmed.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness, including, but not limited to, the indenture governing our Senior Notes and the amended and restated revolving credit facility entered into on December 2, 2021 (as amended by Amendment No. 1 dated as of April 28, 2022 and Amendment No. 2 dated as of September 20, 2022, the "Revolving Credit Facility"), contain covenants that place restrictions on us and our subsidiaries. The indentures governing our Senior Notes and the Revolving Credit Facility restrict among other things, our and certain of our subsidiaries' ability to:

- merge, consolidate or transfer all, or substantially all, of our assets;

- incur additional debt or issue preferred shares;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries' assets;
- sell assets;
- make distributions on or repurchase our shares;
- enter into transactions with affiliates; and
- create dividend restrictions and other payment restrictions that affect our subsidiaries.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities, pay dividends on our ordinary shares or successfully compete. A breach of any of these covenants could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable.

Terrorist attacks or other hostilities could negatively impact our operations and our profitability and may expose us to liability and reputational damage.

Terrorist attacks may negatively affect our operations. Such attacks have contributed to economic instability in the United States and elsewhere, and further acts of terrorism, violence or war could similarly affect world trade and the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact airports or aircraft, or our physical facilities or those of our customers. In addition, it is also possible that our assets could be involved in a terrorist attack or other hostilities. The consequences of any terrorist attacks or hostilities are unpredictable, and we may not be able to foresee events that could have a material adverse effect on our operations. Although our lease agreements generally require the counterparties to indemnify us against all damages arising out of the use of our assets, and we carry insurance to potentially offset any costs in the event that our customer indemnifications prove to be insufficient, our insurance does not cover certain types of terrorist attacks, and we may not be fully protected from liability or the reputational damage that could arise from a terrorist attack which utilizes our assets.

Our leases require payments in U.S. dollars, but many of our customers operate in other currencies; if foreign currencies devalue against the U.S. dollar, our lessees may be unable to meet their payment obligations to us in a timely manner.

Our current leases typically require that payments be made in U.S. dollars. If the currency that our lessees typically use in operating their businesses devalues against the U.S. dollar, our lessees could encounter difficulties in making payments to us in U.S. dollars. Furthermore, many foreign countries have currency and exchange laws regulating international payments that may impede or prevent payments from being paid to us in U.S. dollars. Future leases may provide for payments to be made in euros or other foreign currencies. Any change in the currency exchange rate that reduces the amount of U.S. dollars obtained by us upon conversion of future lease payments denominated in euros or other foreign currencies, may, if not appropriately hedged by us, have a material adverse effect on us and increase the volatility of our earnings.

Our inability to obtain sufficient capital would constrain our ability to grow our portfolio and to increase our revenues.

Our business is capital intensive, and we have used and may continue to employ leverage to finance our operations. Accordingly, our ability to successfully execute our business strategy and maintain our operations depends on the availability and cost of debt and equity capital. Additionally, our ability to borrow against our assets is dependent, in part, on the appraised value of such assets. If the appraised value of such assets declines, we may be required to reduce the principal outstanding under our debt facilities or otherwise be unable to incur new borrowings.

We can give no assurance that the capital we need will be available to us on favorable terms, or at all. Our inability to obtain sufficient capital, or to renew or expand our credit facilities, could result in increased funding costs and would limit our ability to:

- meet the terms and maturities of our existing and future debt facilities;
- purchase new assets or refinance existing assets;
- fund our working capital needs and maintain adequate liquidity; and
- finance other growth initiatives.

In addition, we conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940 (the "Investment Company Act"). As such, certain forms of financing such as finance leases may not be available to us. Please see "*Risks Related to Our Business*." If we are deemed an investment company under the Investment Company Act, it could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows."

The effects of various environmental regulations may negatively affect the industries in which we operate which could have a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and noise and emission levels and greenhouse gas emissions. Legislative and regulatory measures currently under consideration or being implemented by government authorities to address climate change could require reductions in our greenhouse gas or other emissions, establish a carbon tax or increase fuel or energy taxes. These legal requirements are expected to result in increased capital expenditures and compliance costs, and could result in higher costs and may require us to acquire emission credits or carbon offsets. These costs and restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our operations. The inconsistent international, regional and/or national requirements associated with climate change regulations also create economic and regulatory uncertainty.

Under some environmental laws in the United States and certain other countries, strict liability may be imposed on the owners or operators of assets, which could render us liable for environmental and natural resource damages without regard to negligence or fault on our part. We could incur substantial costs, including cleanup costs, fines and third-party claims for property damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessee’s current or historical operations, any of which could have a material adverse effect on our results of operations and financial condition. In addition, a variety of new legislation is being enacted, or considered for enactment, at the federal, state and local levels relating to greenhouse gas emissions and climate change. While there has historically been a lack of consistent climate change legislation, as climate change concerns continue to grow, further legislation and regulations are expected to continue in areas such as greenhouse gas emissions control, emission disclosure requirements and building codes or other infrastructure requirements that impose energy efficiency standards. Government mandates, standards or regulations intended to mitigate or reduce greenhouse gas emissions or projected climate change impacts could result in increased energy and transportation costs, and increased compliance expenses and other financial obligations to meet permitting or development requirements that we may be unable to fully recover (due to market conditions or other factors), any of which could result in reduced profits and adversely affect our results of operations. While we typically maintain liability insurance coverage and typically require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient or available to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage. In addition, changes to environmental standards or regulations in the industries in which we operate could limit the economic life of the assets we acquire or reduce their value, and also require us to make significant additional investments in order to maintain compliance, which would negatively impact our cash flows and results of operations.

The discontinuation of the LIBOR benchmark interest rate may have an impact on our business.

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. On November 30, 2020, ICE Benchmark Administration, or the IBA, the administrator of LIBOR, with the support of the United States Federal Reserve and the FCA, announced plans to consult on ceasing publication of LIBOR on December 31, 2021, for only the one-week and two-month LIBOR tenors, and on June 30, 2023, for all other LIBOR tenors. The U.S. Federal Reserve concurrently issued a statement advising banks to stop new LIBOR issuances by the end of 2021. The IBA ceased publication of one-week and two-month USD LIBOR settings after December 31, 2021, and intends to cease publishing the remaining USD LIBOR settings after June 30, 2023.

In the United States, the Alternative Reference Rate Committee (“ARRC”), a group of diverse private-market participants assembled by the Federal Reserve Board and the Federal Reserve Bank of New York, was tasked with identifying alternative reference rates to replace LIBOR. The Secured Overnight Finance Rate (“SOFR”) has emerged as the ARRC's preferred alternative rate for LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities in the repurchase agreement market. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates.

A cyberattack that bypasses our information technology ("IT"), security systems or the IT security systems of our third-party providers, causing an IT security breach, may lead to a disruption of our IT systems and the loss of business information which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.

Parts of our business depend on the secure operation of our IT systems and the IT systems of our third-party providers to manage, process, store, and transmit information associated with aircraft leasing. We have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks. A cyberattack that bypasses our IT security systems or the IT security systems of our third-party providers, causing an IT security breach, could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues, additional costs and liabilities. While we devote substantial resources to maintaining adequate levels of cyber-security, our resources and technical sophistication may not be adequate to prevent all types of cyberattacks.

If we are deemed an "investment company" under the Investment Company Act, it could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company for certain privately-offered investment vehicles set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We are a holding company that is not an investment company because we are engaged in the business of holding securities of our wholly-owned and majority-owned subsidiaries, which are engaged in transportation and related businesses which lease assets pursuant to operating leases and finance leases. The Investment Company Act may limit our and our subsidiaries' ability to enter into financing leases and engage in other types of financial activity because less than 40% of the value of our and our subsidiaries' total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis can consist of "investment securities."

If we or any of our subsidiaries were required to register as an investment company under the Investment Company Act, the registered entity would become subject to substantial regulation that would significantly change our operations, and we would not be able to conduct our business as described in this report. We have not obtained a formal determination from the SEC as to our status under the Investment Company Act and, consequently, any violation of the Investment Company Act would subject us to material adverse consequences.

Because we are incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited.

We are an exempted company incorporated under the laws of the Cayman Islands. As a result, it may be difficult for investors to effect service of process within the United States upon our directors or officers, or enforce judgments obtained in the United States courts against our directors or officers.

Our corporate affairs are governed by our amended and restated memorandum and articles of association (as amended from time to time, the ''Articles''), the Companies Act (As Revised) of the Cayman Islands (the ''Cayman Companies Act'') and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are different from what they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws as compared to the United States, and certain states, such as Delaware, may have more fully developed and judicially interpreted bodies of corporate law. In addition, Cayman Islands companies may not have standing to initiate a shareholders derivative action in a federal court of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (1) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (2) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a United States company.

The Financial Action Task Force has increased monitoring of the Cayman Islands.

In February 2021, the Cayman Islands was added to the Financial Action Task Force (‘‘FATF’’) list of jurisdictions whose anti-money laundering/counter-terrorist and proliferation financing practices are under increased monitoring, commonly referred to as the ‘‘FATF grey list.’’ The FATF was established in July 1989 by a Group of Seven (G-7) Summit and is a task force composed of member governments who agree to fund the FATF on temporary basis with specific goals and projects– it is an international policy-making body that sets international anti-money laundering standards and counter-terrorist financing measures. The FATF monitors countries to ensure they implement the FATF Standards fully and effectively, and holds countries to account that do not comply. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring during that timeframe. In its October 2021 plenary, the FATF positively recognized the ongoing efforts of the Cayman Islands to improve its anti-money laundering and counter-terrorist financing regime. Despite the progress the Cayman Islands is making on satisfying the final outstanding recommendations (being considered as compliant or largely compliant with all of the FATF’s 40 recommendations and having completed 60 out of 63 FATF recommendation actions), it is still unclear how long this designation will remain in place and what ramifications, if any, the designation will have for the Company.

EU AML High-Risk Third Countries List

On March 13, 2022, the European Commission (‘‘EC’’) updated its list of ’high-risk third countries’ (‘‘EU AML List’’) identified as having strategic deficiencies in their anti-money laundering/counter-terrorist financing regimes to add nine countries, including the Cayman Islands. The EC has noted it is committed to there being a greater alignment between the EU AML List and the FATF listing process. The addition of the Cayman Islands to the EU AML List is a direct result of the inclusion of the Cayman Islands on the FATF grey list in February 2021. It is unclear how long this designation will remain in place and what ramifications, if any, the designation will have for the Company.

Our assets are exposed to unplanned interruptions caused by events outside of our control which may disrupt our business and cause damage or losses that may not be adequately covered by insurance.

Aviation projects are exposed to unplanned interruptions caused by breakdown or failure of equipment, aging infrastructure, employee error or contractor or subcontractor failure, problems that delay or increase the cost of returning facilities to service after outages, limitations that may be imposed by equipment conditions or environmental, safety or other regulatory requirements, fuel supply or fuel transportation reductions or interruptions, labor disputes, difficulties with the implementation or operation of information systems, derailments, power outages, pipeline or electricity line ruptures, catastrophic events, such as hurricanes, cyclones, earthquakes, landslides, floods, explosions, fires, or other disasters. Any equipment or system outage or constraint can, among other things, reduce sales, increase costs and affect the ability to meet regulatory service metrics, customer expectations and regulatory reliability and security requirements. We have in the past experienced power outages at plants which disrupted their operations and negatively impacted our revenues. We cannot assure you that similar events may not occur in the future. Operational disruption, as well as supply disruption, and increased government oversight could adversely impact the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in temporary or permanent loss of customers, substantial litigation or penalties for regulatory or contractual non-compliance, and any loss from such events may not be recoverable under relevant insurance policies. Although we believe that we are adequately insured against these types of events, either indirectly through our lessees through our own insurance policies, no assurance can be given that the occurrence of any such event will not materially adversely affect us. In addition, if a lessee is not obligated to maintain sufficient insurance, we may incur the costs of additional insurance coverage during the related lease. We can give no assurance that such insurance will be available at commercially reasonable rates, if at all.

Risks Related to Our Manager

We are dependent on our Manager and other key personnel at Fortress and may not find suitable replacements if our Manager terminates the Management Agreement or if other key personnel depart.

Our officers and other individuals who perform services for us are employees of our Manager or other Fortress entities. We are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies to conduct our business as a holding and operating company in the transportation sector. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost, or at all. Furthermore, we are dependent on the services of certain key employees of our Manager and certain key employees of Fortress entities whose compensation is partially or entirely dependent upon the amount of management fees earned by our Manager or the incentive payments distributed to the Master GP and whose continued service is not guaranteed, and the loss of such personnel or services could materially adversely affect our operations. We do not have key man insurance for any of the personnel of the Manager or other Fortress entities that are key to us. An inability to find a suitable replacement for any departing employee of our Manager or Fortress entities on a timely basis could materially adversely affect our ability to operate and grow our business.

In addition, our Manager may assign our Management Agreement to an entity whose business and operations are managed or supervised by Mr. Wesley R. Edens, who is a principal, Co-Chief Executive Officer and a member of the board of directors of Fortress, an affiliate of our Manager, and a member of the management committee of Fortress since co-founding Fortress in May 1998. In the event of any such assignment to a non-affiliate of Fortress, the functions currently performed by our Manager's current personnel may be performed by others. We can give you no assurance that such personnel would manage our operations in the same manner as our Manager currently does, and the failure by the personnel of any such entity to acquire assets generating attractive risk-adjusted returns could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In connection with the SoftBank Merger, Fortress operates within SoftBank as an independent business headquartered in New York.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement, the Services and Profit Sharing Agreement and our Articles were negotiated among affiliated parties, and their terms, including fees and other amounts payable, may not be as favorable to us as if they had been negotiated with an unaffiliated third-party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates invest in aviation assets and whose investment objectives overlap with our asset acquisition objectives. Certain opportunities appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. For example, some of our directors and officers are also directors or officers of FTAI Infrastructure. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, entities affiliated with or managed by our Manager or Fortress may focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has multiple existing and planned funds focused on investing in one or more of our target sectors, each with significant current or expected capital commitments. We have previously purchased and may in the future purchase assets from these funds, and have previously co-invested and may in the future co-invest with these funds in aviation assets. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund.

Our Management Agreement generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other operating companies similar to us or pooled investment vehicles that invest in assets that meet our asset acquisition objectives. Our Manager has also engaged in additional transportation and infrastructure related management with FTAI Infrastructure in our recent spin-off of our infrastructure assets, and may be involved in other investment opportunities in the future, any of which may compete with us for investments or result in a change in our current investment strategy. In addition, our Articles provide that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our shareholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of the Company and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our strategy) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, which may include, but are not limited to, certain acquisitions, financing arrangements, purchases of debt, co-investments, consumer loans, servicing advances and other assets that present an actual, potential or perceived conflict of interest. Our board of directors adopted a policy regarding the approval of any "related person transactions" pursuant to which certain of the material transactions described above may require disclosure to, and approval by, the independent members of our board of directors. Actual, potential or perceived conflicts have given, and may in the future give, rise to investor dissatisfaction, litigation or regulatory inquiries or enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The structure of our Manager's and Master GP's compensation arrangements may have unintended consequences for us. We have agreed to pay our Manager a management fee and Master GP is entitled to receive incentive payments from the Company or its subsidiaries that are each based on different measures of performance. Consequently, there may be conflicts in the incentives of our Manager to generate attractive risk-adjusted returns for us. In addition, because Master GP and our Manager are both affiliates of Fortress, the Income Incentive Payment paid to Master GP may cause our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other objectives, such as preservation of capital, to achieve higher incentive payments. Investments with higher yield potential are generally riskier or more speculative than investments with lower yield potential. This could result in increased risk to the value of our portfolio of assets and our ordinary shares.

Our directors have approved a broad asset acquisition strategy for our Manager and will not approve each acquisition we make at the direction of our Manager. In addition, we may change our strategy without a shareholder vote, which may result in our acquiring assets that are different, riskier or less profitable than our current assets.

Our Manager is authorized to follow a broad asset acquisition strategy. We may pursue other types of acquisitions as market conditions evolve. Our Manager makes decisions about our investments in accordance with broad investment guidelines adopted by our board of directors. Accordingly, we may, without a shareholder vote, change our target sectors and acquire a variety of assets that differ from, and are possibly riskier than, our current asset portfolio. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in our existing portfolio. Our directors will periodically review our strategy and our portfolio of assets. However, our board will not review or pre-approve each proposed acquisition or our related financing arrangements. In addition, in conducting periodic reviews, the directors will rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to reverse by the time they are reviewed by the directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our asset acquisition strategy, including our target asset classes, without a shareholder vote.

Our asset acquisition strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets we target and our ability to finance such assets on a short or long-term basis. Opportunities that present unattractive risk-return profiles relative to other available opportunities under particular market conditions may become relatively attractive under changed market conditions and changes in market conditions may therefore result in changes in the assets we target. Decisions to make acquisitions in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce or eliminate our ability to pay dividends on our ordinary shares or have adverse effects on our liquidity or financial condition. A change in our asset acquisition strategy may also increase our exposure to interest rate, foreign currency or credit market fluctuations. In addition, a change in our asset acquisition strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations and our financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our assets.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers, employees, sub-advisers and any other person controlling or Manager, will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary's shareholders or partners for any acts or omissions by our Manager, its members, managers, officers, employees, sub-advisers and any other person controlling or Manager, except liability to us, our shareholders, directors, officers and employees and persons controlling us, by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We will, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees, sub-advisers and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of potential asset acquisitions or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each asset acquisition opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the asset and will rely on information provided by the seller of the asset. In addition, if asset acquisition opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

Risks Related to Taxation

We expect the Company to be a passive foreign investment company ("PFIC") and it could be a controlled foreign corporation ("CFC") for U.S. federal income tax purposes, which may result in adverse tax considerations for U.S. shareholders.

We expect the Company to be treated as a PFIC and it could be treated as a CFC for U.S. federal income tax purposes. If you are a U.S. person and do not make a valid qualified electing fund (''QEF'') election with respect to us and each of our PFIC subsidiaries, then, unless we are a CFC and you own 10% or more of our shares (by vote or value), you would generally be subject to special deferred tax with respect to certain distributions on our shares, any gain realized on a disposition of our shares, and certain other events. The effect of this deferred tax could be materially adverse to you. Alternatively, if you are such a shareholder and make a valid QEF election for us and each of our PFIC subsidiaries, or if we are a CFC and you own 10% or more of our shares (by vote or value), you will generally not be subject to those taxes, but could recognize taxable income in a taxable year with respect to our shares in excess of any distributions that we make to you in that year, thus giving rise to so-called ''phantom income'' and to a potential out-of-pocket tax liability. No assurances can be given that any given shareholder will be able to make a valid QEF election with respect to us or our PFIC subsidiaries. See ''*U.S. Federal Income Tax Considerations—Considerations for U.S. Holders—PFIC Status and Related Tax Considerations.*''

Assuming we are a PFIC, distributions made by us to a U.S. person will generally not be eligible for taxation at reduced tax rates generally applicable to ''qualified dividends'' paid by certain U.S. corporations and ''qualified foreign corporations'' to individuals. The more favorable rates applicable to other corporate dividends could cause individuals to perceive investment in our shares to be relatively less attractive than investment in the shares of other corporations, which could adversely affect the value of our shares.

Investors should consult their tax advisors regarding the potential impact of these rules on their investment in us.

To the extent we recognize income treated as effectively connected with a trade or business in the United States, we would be subject to U.S. federal income taxation on a net income basis, which could adversely affect our business and result in decreased cash available for distribution to our shareholders.

If we are treated as engaged in a trade or business in the United States, the portion of our net income, if any, that is ''effectively connected'' with such trade or business would be subject to U.S. federal income taxation at maximum corporate rates, currently 21%. In addition, we may be subject to an additional U.S. federal branch profits tax on our effectively connected earnings and profits at a rate of 30%. The imposition of such taxes could adversely affect our business and would result in decreased cash available for distribution to our shareholders. Although we (or one or more of our non-U.S. corporate subsidiaries) are expected to be treated as engaged in a U.S. trade or business, it is currently expected that only a small portion of our taxable income will be treated as effectively connected with such U.S. trade or business. However, no assurance can be given that the amount of effectively connected income will not be greater than currently expected, whether due to a change in our operations or otherwise.

If there is not sufficient trading in our shares, or if 50% of our shares are held by certain 5% shareholders, we could lose our eligibility for an exemption from U.S. federal income taxation on rental income from our aircraft or ships used in "international traffic" and could be subject to U.S. federal income taxation which would adversely affect our business and result in decreased cash available for distribution to our shareholders.

We expect that we will be eligible for an exemption under Section 883 of the Internal Revenue Code of 1986, as amended (the ''Code''), which provides an exemption from U.S. federal income taxation with respect to rental income derived from aircraft used in international traffic by certain foreign corporations. No assurances can be given that we will continue to be eligible for this exemption as changes in our ownership or the amount of our shares that are traded could cause us to cease to be eligible for such exemption. To qualify for this exemption in respect of rental income, the lessor of the aircraft must be organized in a country that grants a comparable exemption to U.S. lessors. The Cayman Islands and the Marshall Islands grant such exemptions. Additionally, certain other requirements must be satisfied. We can satisfy these requirements in any year if, for more than half the days of such year, our shares are primarily and regularly traded on a recognized exchange and certain shareholders, each of whom owns 5% or more of our shares (applying certain attribution rules), do not collectively own more than 50% of our shares. Our shares will be considered to be primarily and regularly traded on a recognized exchange in any year if: (i) the number of trades in our shares effected on such recognized stock exchanges exceed the number of our shares (or direct interests in our shares) that are traded during the year on all securities markets; (ii) trades in our shares are effected on such stock exchanges in more than de minimis quantities on at least 60 days during every calendar quarter in the year; and (iii) the aggregate number of our shares traded on such stock exchanges during the taxable year is at least 10% of the average number of our shares outstanding in that class during that year. If we were not eligible for the exemption under Section 883 of the Code, we expect that our U.S. source rental income would generally be subject to U.S. federal taxation, on a gross income basis, at a rate of not in excess of 4% as provided in Section 887 of the Code. If, contrary to expectations, we or certain of our non-U.S. subsidiaries did not comply with certain administrative guidelines of the U.S. Internal Revenue Service (the ''IRS''), such that 90% or more of the U.S. source rental income of the Company or any of such subsidiaries were attributable to the activities of personnel based in the United States, or from ''regularly scheduled transportation'' as defined in such administrative guidelines (in the case of time charter leases), our, or such subsidiary's, U.S. source rental income would be treated as income effectively connected with the conduct of a trade or business in the United States. In such case, such U.S. source rental income would be subject to U.S. federal income taxation at the maximum corporate rate as well as state and local taxation. In addition, the Company or such subsidiary would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes could adversely affect our business and would result in decreased cash available for distribution to our shareholders.

We or our subsidiaries may become subject to unanticipated tax liabilities that may have a material adverse effect on our results of operations.

Some of our subsidiaries are subject to income, withholding or other taxes in certain non-U.S. jurisdictions by reason of their jurisdiction of incorporation, activities and operations, where their assets are used or where the lessees of their assets (or others in possession of their assets) are located, and it is also possible that taxing authorities in any such jurisdictions could assert that we or our subsidiaries are subject to greater taxation than we currently anticipate. Further, the Organisation for Economic Co operation and Development (the ''OECD'') is conducting a project focused on base erosion and profit shifting in international structures, which seeks to establish certain international standards for taxing the worldwide income of multinational companies. In addition, the OECD is working on a ''BEPS 2.0'' initiative, which is aimed at (i) shifting taxing rights to the jurisdiction of the consumer and (ii) ensuring all companies pay a global minimum tax. On October 8, 2021, the OECD announced an agreement among over 140 countries delineating an implementation plan, and on December 20, 2021, the OECD released model rules for the domestic implementation of a 15% global minimum tax. As a result of these developments, the tax laws of certain countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, and therefore could harm our business, cash flows, results of operations and financial position. In addition, a portion of certain of our or our non-U.S. corporate subsidiaries' income is treated as effectively connected with a U.S. trade or business and is accordingly subject to U.S. federal income tax or may be subject to gross-basis U.S. withholding tax. It is possible that the IRS could assert that a greater portion of our or any such non-U.S. subsidiaries' income is effectively connected income that should be subject to U.S. federal income tax or subject to withholding tax.

Risks Related to Our Shares

The market price and trading volume of our ordinary shares may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our ordinary shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our ordinary shares may fluctuate and cause significant price variations to occur. If the market price of our ordinary shares declines significantly, you may be unable to resell your shares at or above your purchase price, if at all. The market price of our ordinary shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our shares include:

- a shift in our investor base;
- our quarterly or annual earnings, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our ordinary shares;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and share price performance of other comparable companies;
- issuances of preferred shares;
- overall market fluctuations;
- general economic conditions; and
- developments in the markets and market sectors in which we participate.

Stock markets in the United States have experienced extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions, such as acts of terrorism, prolonged economic uncertainty, a recession or interest rate or currency rate fluctuations, could adversely affect the market price of our ordinary shares.

An increase in market interest rates may have an adverse effect on the market price of our shares.

One of the factors that investors may consider in deciding whether to buy or sell our shares is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our shares is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to shareholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our shares. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our shares could decrease, as potential investors may require a higher distribution yield on our shares or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding and future (variable and fixed) rate debt, thereby adversely affecting cash flows and our ability to service our indebtedness and pay distributions.

We are required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal controls, and the outcome of that effort may adversely affect our results of operations, financial condition and liquidity.

As a public company, we are required to comply with Section 404 (“Section 404”) of the Sarbanes-Oxley Act. Section 404 requires that we evaluate the effectiveness of our internal control over financial reporting at the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our Annual Report on Form 10-K for that fiscal year. Section 404 also requires an independent registered public accounting firm to attest to, and report on, management’s assessment of our internal controls over financial reporting. The outcome of our review and the report of our independent registered public accounting firm may adversely affect our results of operations, financial condition and liquidity. During the course of our review, we may identify control deficiencies of varying degrees of severity, and we may incur significant costs to remediate those deficiencies or otherwise improve our internal controls. As a public company, we are required to report control deficiencies that constitute a “material weakness” in our internal control over financial reporting. If we discover a material weakness in our internal control over financial reporting, our share price could decline and our ability to raise capital could be impaired.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in us may be diluted in the future because of equity awards granted and may be granted to our Manager pursuant to the Management Agreement and the Nonqualified Shares Option and Incentive Award Plan ("Incentive Plan"). Since 2015, we granted our Manager an option to acquire 3,903,010 ordinary shares in connection with equity offerings. In the future, upon the successful completion of additional offerings of our ordinary shares or other equity securities (including securities issued as consideration in an acquisition), we will grant to our Manager options to purchase ordinary shares in an amount equal to 10% of the number of ordinary shares being sold in such offerings (or if the issuance relates to equity securities other than our ordinary shares, options to purchase a number of ordinary shares equal to 10% of the gross capital raised in the equity issuance divided by the fair market value of an ordinary share as of the date of the issuance), with an exercise price equal to the offering price per share paid by the public or other ultimate purchaser or attributed to such securities in connection with an acquisition (or the fair market value of an ordinary share as of the date of the equity issuance if it relates to equity securities other than our ordinary shares), and any such offering or the exercise of the option in connection with such offering would cause dilution.

Our board of directors has adopted the Incentive Plan, which provides for the grant of equity-based awards, including restricted shares, stock options, stock appreciation rights, performance awards, restricted share units, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisors of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We have initially reserved 30,000,000 ordinary shares for issuance under the Incentive Plan. As of September 30, 2022, rights relating to 3,737,742 of our ordinary shares were outstanding under the Incentive Plan. In the future on the date of any equity issuance by us during the remaining portion of the ten-year term of the Incentive Plan (including in respect of securities issued as consideration in an acquisition), the maximum number of shares available for issuance under the Incentive Plan will be increased to include an additional number of ordinary shares equal to ten percent (10%) of either (i) the total number of ordinary shares newly issued by us in such equity issuance or (ii) if such equity issuance relates to equity securities other than our ordinary shares, a number of our ordinary shares equal to 10% of (A) the gross capital raised in an equity issuance of equity securities other than ordinary shares during the remaining portion of the ten-year term of the Incentive Plan, divided by (B) the fair market value of an ordinary share as of the date of such equity issuance.

Sales or issuances of our ordinary shares could adversely affect the market price of our ordinary shares.

Sales of substantial amounts of our ordinary shares in the public market, or the perception that such sales might occur, could adversely affect the market price of our ordinary shares. The issuance of our ordinary shares in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our ordinary shares.

The incurrence or issuance of debt, which ranks senior to our ordinary shares upon our liquidation, and future issuances of equity or equity-related securities, which would dilute the holdings of our existing ordinary shareholders and may be senior to our ordinary shares for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our ordinary shares.

We have incurred and may in the future incur or issue debt or issue equity or equity-related securities to finance our operations, acquisitions or investments. Upon our liquidation, lenders and holders of our debt and holders of our preferred shares (if any) would receive a distribution of our available assets before ordinary shareholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing ordinary shareholders on a preemptive basis. Therefore, additional issuances of ordinary shares, directly or through convertible or exchangeable securities (including limited partnership interests in our operating partnership), warrants or options, will dilute the holdings of our existing ordinary shareholders and such issuances, or the perception of such issuances, may reduce the market price of our ordinary shares. Any preferred shares issued by us would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to ordinary shareholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, ordinary shareholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our ordinary shares.

Our determination of how much leverage to use to finance our acquisitions may adversely affect our return on our assets and may reduce funds available for distribution.

We utilize leverage to finance many of our asset acquisitions, which entitles certain lenders to cash flows prior to retaining a return on our assets. While our Manager targets using only what we believe to be reasonable leverage, our strategy does not limit the amount of leverage we may incur with respect to any specific asset. The return we are able to earn on our assets and funds available for distribution to our shareholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

While we currently intend to pay regular quarterly dividends to our shareholders, we may change our dividend policy at any time.

Although we currently intend to pay regular quarterly dividends to holders of our ordinary shares, we may change our dividend policy at any time. Our net cash provided by operating activities has been less than the amount of distributions to our shareholders. The declaration and payment of dividends to holders of our ordinary shares are at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including actual results of operations, liquidity and financial condition, net cash provided by operating activities, restrictions imposed by applicable law, our taxable income, our operating expenses and other factors our board of directors deem relevant. There can be no assurance that we will continue to pay dividends in amounts or on a basis consistent with prior distributions to our investors, if at all. Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we receive from our subsidiaries and our ability to receive distributions from our subsidiaries may be limited by the financing agreements to which they are subject. In addition, our existing indebtedness does, and our future indebtedness may, limit our ability to pay dividends on our ordinary. Moreover, pursuant to the Services and Profit Sharing Agreement, the Master GP is entitled to receive incentive payments before any amounts are distributed by us based both on our consolidated net income and capital gains income in each fiscal quarter and for each fiscal year, respectively.

Anti-takeover provisions in our Articles could delay or prevent a change in control.

Provisions in our Articles may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our Articles provides for a staggered board, requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. The market price of our shares could be adversely affected to the extent that provisions of our operating agreement discourage potential takeover attempts that our shareholders may favor.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our ordinary shares, our share price and trading volume could decline.

The trading market for our ordinary shares are influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our ordinary units or publishes inaccurate or unfavorable research about our business, our ordinary share price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our ordinary share price or trading volume to decline and our ordinary shares to be less liquid.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

	Exhibit No.	Description
	2.1	Agreement and Plan of Merger, dated as of August 12, 2022, by and among, FTAI, the Company and FTAI Aviation Merger Sub LLC (incorporated by reference to Annex A to FTAI's Registration Statement on Form S-4, filed on October 11, 2022).
	2.2	Separation and Distribution Agreement, dated as of August 1, 2022, between FTAI Infrastructure Inc. and Fortress Transportation and Infrastructure Investors LLC (incorporated by reference to Exhibit 2.1 of FTAI's Current Report on Form 8-K, filed on August 1, 2022).
	3.1	Amended and Restated Memorandum and Articles of Association of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed on November 14, 2022).
	10.1	Services and Profit Sharing Agreement, dated November 10, 2022, by and among FTAI Aviation Holdco Ltd., Fortress Transportation and Infrastructure Investors LLC and Fortress Worldwide Transportation and Infrastructure Master GP LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on November 14, 2022).
†	10.2	Management and Advisory Agreement, dated as of July 31, 2022, between FTAI, FTAI Aviation Ltd., the Subsidiaries of FTAI party thereto and FIG LLC (incorporated by reference to Exhibit 10.1 of FTAI's Current Report on Form 8-K, filed on August 1, 2022).
†	10.3	Amended and Restated Registration Rights Agreement, dated November 10, 2022, by and among FTAI Aviation Ltd., Fortress Transportation and Infrastructure Investors LLC, Fortress Worldwide Transportation and Infrastructure Master GP LLC and FIG LLC (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, filed on November 14, 2022).
†	10.4	FTAI Aviation Ltd. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4, filed on October 4, 2022).
	10.5	Form of FTAI Aviation Ltd. Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4, filed on October 4, 2022).
†	10.6	Form of Director Award Agreement pursuant to the FTAI Aviation Ltd. Nonqualified Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4, filed on October 4, 2022).
†	10.7	Form of Award Agreement under the FTAI Aviation Ltd. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-4, filed on October 4, 2022).
	31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
	101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Changes in Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
	104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† *Management contracts and compensatory plans or arrangements.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

FTAI Aviation Ltd.

By: /s/ Joseph P. Adams, Jr. Date: November 17, 2022
Joseph P. Adams, Jr.
Chairman and Chief Executive Officer

By: /s/ Eun (Angela) Nam Date: November 17, 2022
Eun (Angela) Nam
Chief Financial Officer

EXHIBIT 31.1

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joseph P. Adams. Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTAI Aviation Ltd. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 17, 2022	/s/ Joseph P. Adams, Jr.
(Date)	Joseph P. Adams, Jr. Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Eun (Angela) Nam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTAI Aviation Ltd. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 17, 2022	/s/ Eun (Angela) Nam
(Date)	Eun (Angela) Nam Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of FTAI Aviation Ltd. (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph P. Adams, Jr., as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph P. Adams, Jr.
Joseph P. Adams, Jr.
Chief Executive Officer
November 17, 2022

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of FTAI Aviation Ltd. (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Eun (Angela) Nam, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eun (Angela) Nam

Eun (Angela) Nam
Chief Financial Officer
November 17, 2022