

REFINITIV

DELTA REPORT

10-Q

AERSALE CORP

10-Q - SEPTEMBER 30, 2022 COMPARED TO 10-Q - JUNE 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 1145

CHANGES	329
DELETIONS	622
ADDITIONS	194

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June** **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 001-38801

AerSale Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-3976002

(I.R.S. Employer Identification No.)

255 Alhambra Circle, Suite 435

Coral Gables, FL

(Address of Principal Executive Offices)

33134

(Zip Code)

(305) 764-3200

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	ASLE	The Nasdaq Capital 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 ☐

The number of shares of Registrant's common stock outstanding as of **August 3, 2022** **November 8, 2022** was **51,726,798**, **51,774,665**.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report, including statements relating to the Merger (as defined herein), the impact of the COVID-19 pandemic and the geopolitical events related to the Russian invasion of Ukraine on our business, changes in the market for our services, changes in applicable laws or regulations, our ability to launch new services and products or to profitably expand into new markets, and the possibility that we may be adversely affected by other economic, business and/or competitive factors. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential”, or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including the impact of the COVID-19 pandemic or a new pandemic, and geopolitical events related to the Russian invasion of Ukraine on our business; factors that adversely impact the commercial aviation industry; fluctuation of market values for our aviation products; our inability to repossess Flight Equipment (as defined herein) when a lessee defaults and the cost of remarketing and releasing such repossessed Flight Equipment; compliance with significant government regulations; the success at our MRO (as defined herein) facilities is dependent on continued outsourcing by airlines; a shortage of skilled personnel or work stoppages; inability to obtain certain components and raw materials from suppliers; competitive pressures; risks associated with operating internationally; the value of liens on our Flight Equipment; ownership rights over an engine affixed to an aircraft; risks associated with business acquisitions; continued availability of financing; restrictive and financial covenants in our existing debt; product and other liability claims; risks associated with supplying equipment and services to the U.S. government; cyber or other security threats or other disruptions; compliance with environmental requirements; payment of capital expenditures; our lack of ownership of certain intellectual property that is important to our business; dependence on our facilities; damage to our reputation by improper conduct of employees, agents, and others; limitations on employee compensation as a result of the CARES Act; the loss of certain key employees; insolvency of any of our customers; exposure to intellectual property litigation; and the factors described under the section titled “Risk Factors” in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on March 15, 2022.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Unless otherwise stated or the context otherwise requires, references in this Quarterly Report to the “Company,” “AerSale,” “we,” “us,” “our” and similar terms refer to AerSale Corporation and its consolidated subsidiaries.

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PART I – FINANCIAL INFORMATION

ITEM 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

AERSALE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except **per share data**) **data and par value)**

	June 30, 2022 (Unaudited)	December 31, 2021	September 30, 2022 (Unaudited)	December 31, 2021
Current assets:				
Cash and cash equivalents	\$ 197,240	\$ 130,188	\$ 151,378	\$ 130,188
Accounts receivable, net of allowance for doubtful accounts of \$1,272 and \$1,692 as of June 30, 2022 and December 31, 2021	43,896	42,571		
Accounts receivable, net of allowance for doubtful accounts of \$1,272 and \$1,692 as of September 30, 2022 and December 31, 2021			39,219	42,571
Inventory:				
Aircraft, airframes, engines, and parts, net	74,327	81,759	107,150	81,759
Advance vendor payments	20,994	14,287	24,384	14,287
Deposits, prepaid expenses, and other current assets	3,206	2,724	3,471	2,724
Total current assets	339,663	271,529	325,602	271,529
Fixed assets:				
Aircraft and engines held for lease, net	42,313	73,364	33,118	73,364
Property and equipment, net	10,052	7,350	11,963	7,350
Inventory:				
Aircraft, airframes, engines, and parts, net	67,083	77,534	80,435	77,534
Deferred income taxes	12,326	10,013	12,852	10,013
Deferred financing costs, net	774	999	659	999
Deferred customer incentives and other assets, net	478	598	628	598
Goodwill	19,860	19,860	19,860	19,860
Other intangible assets, net	25,183	26,238	24,647	26,238
Total assets	\$ 517,732	\$ 487,485	\$ 509,764	\$ 487,485
Current liabilities:				
Accounts payable	\$ 22,180	\$ 19,967	\$ 22,050	\$ 19,967
Accrued expenses	6,817	8,424	7,829	8,424
Income tax payable	7,537	3,443	1,239	3,443
Lessee and customer purchase deposits	6,437	33,212	10,116	33,212
Deferred revenue	7,207	2,860	3,524	2,860
Total current liabilities	50,178	67,906	44,758	67,906
Long-term lease deposits	-	2,053	152	2,053
Maintenance deposit payments and other liabilities	1,881	3,403	1,624	3,403
Deferred income taxes, net	1,113	1,113	1,297	1,113
Warrant liability	3,983	4,131	6,012	4,131
Total liabilities	57,155	78,606	53,843	78,606
Commitments and contingencies				
Stockholders' equity:				
Common stock, \$0.0001 par value. Authorized 200,000,000 shares; issued and outstanding 51,706,168 and 51,673,099 shares as of June 30, 2022 and December 31, 2021, respectively	5	5		
Common stock, \$0.0001 par value. Authorized 200,000,000 shares; issued and outstanding 51,774,665 and 51,673,099 shares as of September 30, 2022 and December 31, 2021, respectively			5	5
Additional paid-in capital	321,918	313,901	326,275	313,901
Retained earnings	138,654	94,973	129,641	94,973

Total stockholders' equity	460,577	408,879	455,921	408,879
Total liabilities and stockholders' equity	\$ 517,732	\$ 487,485	\$ 509,764	\$ 487,485

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AERSALE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (in thousands, except per share data) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Products	\$ 108,622	\$ 56,175	\$ 200,990	\$ 81,301
Leasing	7,355	6,366	15,556	12,622
Services	23,631	29,380	45,868	56,433
Total revenue	139,608	91,921	262,414	150,356
Cost of sales and operating expenses:				
Cost of products	63,019	40,387	120,947	54,193
Cost of leasing	2,531	2,464	4,720	5,231
Cost of services	19,078	18,332	35,064	40,359
Total cost of sales	84,628	61,183	160,731	99,783
Gross profit	54,980	30,738	101,683	50,573
Selling, general, and administrative expenses	23,503	16,966	47,269	30,276
Payroll support program proceeds	-	(8,405)	-	(14,768)
Income from operations	31,477	22,177	54,414	35,065
Other income (expenses):				
Interest expense, net	(183)	(251)	(378)	(509)
Other income, net	116	155	481	249
Change in fair value of warrant liability	1,382	(407)	148	(631)
Total other income (expenses)	1,315	(503)	251	(891)
Income before income tax provision	32,792	21,674	54,665	34,174
Income tax expense	(6,337)	(5,126)	(10,984)	(7,608)
Net income	\$ 26,455	\$ 16,548	\$ 43,681	\$ 26,566
Earnings per share - basic	\$ 0.51	\$ 0.39	\$ 0.85	\$ 0.62
Earnings per share - diluted	\$ 0.47	\$ 0.38	\$ 0.81	\$ 0.61
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Products	\$ 16,823	\$ 43,613	\$ 217,813	\$ 124,914
Leasing	7,786	8,002	23,342	20,624
Services	26,390	21,683	72,258	78,116

Total revenue	50,999	73,298	313,413	223,654
Cost of sales and operating expenses:				
Cost of products	12,755	30,954	133,702	85,147
Cost of leasing	1,818	2,436	6,538	7,667
Cost of services	20,937	15,276	56,001	55,635
Total cost of sales	35,510	48,666	196,241	148,449
Gross profit	15,489	24,632	117,172	75,205
Selling, general, and administrative expenses	23,983	22,803	71,252	53,079
Payroll support program proceeds	-	-	-	(14,768)
(Loss) income from operations	(8,494)	1,829	45,920	36,894
Other income (expenses):				
Interest income (expense), net	393	(241)	15	(750)
Other income, net	45	9	526	258
Change in fair value of warrant liability	(2,029)	(2,104)	(1,881)	(2,735)
Total other expenses	(1,591)	(2,336)	(1,340)	(3,227)
(Loss) income before income tax provision	(10,085)	(507)	44,580	33,667
Income tax benefit (expense)	1,072	(1,129)	(9,912)	(8,737)
Net (loss) income	<u>\$ (9,013)</u>	<u>\$ (1,636)</u>	<u>\$ 34,668</u>	<u>\$ 24,930</u>
(Loss) earnings per share - basic	\$ (0.17)	\$ (0.04)	\$ 0.67	\$ 0.59
(Loss) earnings per share - diluted	\$ (0.17)	\$ (0.04)	\$ 0.64	\$ 0.59

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AERSALE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

For the three and six nine months ended June 30, 2022 September 30, 2022 and 2021

(in thousands, except share data)

(Unaudited)

	Common stock		Additional	Retained	Total
	Amount	Shares	paid-in capital	earnings	stockholders' equity
Balance at December 31, 2021	\$ 5	51,673,099	\$ 313,901	\$ 94,973	\$ 408,879
Share-based compensation	-	-	3,755	-	3,755
Shares issued under the 2020 Employee Stock Purchase Plan	-	11,988	125	-	125
Shares issued under the 2020 Equity Incentive Plan	-	2,970	-	-	-
Net income	-	-	-	17,226	17,226
Balance at March 31, 2022	\$ 5	51,688,057	\$ 317,781	\$ 112,199	\$ 429,985
Share-based compensation	-	-	3,917	-	3,917
Shares issued under the 2020 Employee Stock Purchase Plan	-	18,111	220	-	220
Net income	-	-	-	26,455	26,455
Balance at June 30, 2022	\$ 5	51,706,168	\$ 321,918	\$ 138,654	\$ 460,577

	Common stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Amount	Shares			
Balance at December 31, 2021	\$ 5	51,673,099	\$ 313,901	\$ 94,973	\$ 408,879
Share-based compensation	-	-	3,755	-	3,755
Shares issued under the 2020 Employee Stock Purchase Plan	-	11,988	125	-	125
Shares issued under the 2020 Equity Incentive Plan	-	2,970	-	-	-
Net income	-	-	-	17,226	17,226
Balance at March 31, 2022	\$ 5	51,688,057	\$ 317,781	\$ 112,199	\$ 429,985
Share-based compensation	-	-	3,917	-	3,917
Shares issued under the 2020 Employee Stock Purchase Plan	-	18,111	220	-	220
Net income	-	-	-	26,455	26,455
Balance at June 30, 2022	\$ 5	51,706,168	\$ 321,918	\$ 138,654	\$ 460,577
Stock-based compensation	-	-	4,357	-	4,357
Restricted Stock Units ("RSUs") vested and settled	-	20,630	-	-	-
Shares issued upon exercise of warrants	-	47,867	-	-	-
Net loss	-	-	-	(9,013)	(9,013)
Balance at September 30, 2022	\$ 5	51,774,665	\$ 326,275	\$ 129,641	\$ 455,921

	Common stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Amount	Shares			
Balance at December 31, 2020	\$ 4	41,046,216	\$ 292,593	\$ 58,858	\$ 351,455
Issuance of Earn-Out shares	-	1,855,634	(269)	-	(269)
Shares issued upon exercise of warrants	-	47,411	545	-	545
Net income	-	-	-	10,018	10,018
Balance at March 31, 2021	\$ 4	42,949,261	\$ 292,869	\$ 68,876	\$ 361,749
Share-based compensation	-	-	150	-	150
Net Income	-	-	-	16,548	16,548
Balance at June 30, 2021	\$ 4	42,949,261	\$ 293,019	\$ 85,424	\$ 378,447

	Common stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Amount	Shares			
Balance at December 31, 2020	\$ 4	41,046,216	\$ 292,593	\$ 58,858	\$ 351,455
Issuance of Earn-Out shares	-	1,855,634	(269)	-	(269)
Shares issued upon exercise of warrants	-	47,411	545	-	545
Net income	-	-	-	10,018	10,018
Balance at March 31, 2021	\$ 4	42,949,261	\$ 292,869	\$ 68,876	\$ 361,749
Share-based compensation	-	-	150	-	150
Net Income	-	-	-	16,548	16,548
Balance at June 30, 2021	\$ 4	42,949,261	\$ 293,019	\$ 85,424	\$ 378,447
Share-based compensation	-	-	8,749	-	8,749
Net Income	-	-	-	(1,636)	(1,636)
Balance at September 30, 2021	\$ 4	42,949,261	\$ 301,768	\$ 83,788	\$ 385,560

AERSALE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (in thousands) (Unaudited)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash flows from operating activities:				
Net income	\$ 43,681	\$ 26,566	\$ 34,668	\$ 24,930
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Depreciation and amortization	5,757	6,699	8,589	9,868
Amortization of debt issuance costs	225	257	340	366
Inventory reserve	1,810	5,016	2,010	5,033
Impairment of aircraft held for lease	857	-	857	-
Provision for doubtful accounts	(419)	(151)	(379)	(122)
Deferred income taxes	(2,313)	(284)	(2,655)	(988)
Change in fair value of warrant liability	(148)	631	1,881	2,735
Share-based compensation	7,672	150	12,029	8,899
Changes in operating assets and liabilities:				
Accounts receivable	(907)	(1,586)	3,730	5,279
Inventory	13,369	(33,417)	(26,441)	(44,104)
Deposits, prepaid expenses, and other current assets	(482)	5,750	(747)	3,628
Deferred customer incentives and other assets	111	(19)	661	-
Advance vendor payments	(6,707)	(4,536)	(10,097)	(3,201)
Accounts payable	2,213	28	2,082	(57)
Income tax payable	4,094	1,013	(2,205)	(987)
Accrued expenses	(1,609)	(3,425)	(594)	(2,234)
Deferred revenue	4,347	(306)	664	363
Lessee and customer purchase deposits	(28,825)	5,934	(24,996)	16,649
Other liabilities	(1,522)	316	(1,779)	327
Net cash provided by operating activities	41,204	8,636		
Net cash (used in) provided by operating activities			(2,382)	26,384
Cash flows from investing activities:				
Proceeds from sale of assets	35,707	4,420	37,107	6,995
Acquisition of aircraft and engines held for lease, including capitalized cost	(6,463)	-	(6,945)	(60)
Purchase of property and equipment	(3,741)	(841)	(6,935)	(1,060)
Net cash provided by investing activities	25,503	3,579	23,227	5,875
Cash flows from financing activities:				
Cash paid for employee taxes on withholding shares	-	(269)	-	(269)
Proceeds from exercise of warrants	-	545	-	545
Proceeds from the issuance of Employee Stock Purchase Plan shares	345	-	345	-
Net cash provided by financing activities	345	276	345	276
Increase in cash and cash equivalents	67,052	12,491	21,190	32,535
Cash and cash equivalents, beginning of period	130,188	29,317	130,188	29,317
Cash and cash equivalents, end of period	\$ 197,240	\$ 41,808	\$ 151,378	\$ 61,852

Supplemental disclosure of cash activities				
Income taxes paid	9,572	1,815	14,637	8,095
Interest paid	426	308	856	452
Supplemental disclosure of noncash investing activities				
Reclassification of aircraft and aircraft engines inventory (from) equipment held for lease, net	(17,060)	(7,307)		
Reclassification of aircraft and aircraft engines inventory (from) to equipment held for lease, net			(25,025)	14,650
Reclassification of customer purchase deposits to sale of assets	12,500	-	12,500	-

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AERSALE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE SEPTEMBER 30, 2022

NOTE A — DESCRIPTION OF THE BUSINESS

Organization

Monocle Acquisition Corporation ("Monocle") was initially formed on August 20, 2018 for the purpose of effecting a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or similar business combination with one or more businesses.

On December 22, 2020, (the "Closing Date"), Monocle consummated a business combination pursuant to that certain Amended and Restated Agreement and Plan of Merger, dated September 8, 2020 (the "Merger Agreement") by and among Monocle, AerSale Corporation (f/k/a Monocle Holdings Inc.), a Delaware corporation (the "Company"), AerSale Aviation, Inc. (f/k/a AerSale Corp.), a Delaware corporation ("AerSale Aviation"), Monocle Merger Sub 1 Inc., a Delaware corporation ("Merger Sub 1"), Monocle Merger Sub 2 LLC, a Delaware limited liability company ("Merger Sub 2"), and Leonard Green & Partners, L.P., a Delaware limited partnership, solely in its capacity as the initial Holder Representative (as defined in the Merger Agreement). The transactions contemplated by the Merger Agreement are referred to herein as the "Merger" and in connection therewith, Monocle merged with and into us, whereby the Company survived the merger and became the successor issuer to Monocle by operation of Rule 12g-3 under the Exchange Act.

Upon the consummation of the Merger: (a) Merger Sub 1 was merged with and into Monocle, with Monocle surviving the merger as a wholly-owned direct subsidiary of the Company (the "First Merger"), and (b) Merger Sub 2 was merged with and into AerSale Aviation, with AerSale Aviation surviving the merger as a wholly-owned indirect subsidiary of the Company (the "Second Merger"). In connection with the closing of the Merger (the "Closing"), AerSale Aviation changed its name from "AerSale Corp." to "AerSale Aviation, Inc." and the Company changed its name from "Monocle Holdings Inc." to "AerSale Corporation." Immediately following the Merger, the Company contributed all of its ownership in Monocle to AerSale Aviation which will continue as a wholly owned subsidiary of the Company.

The Company's corporate headquarters are based in Miami, Florida, with additional offices, hangars, and warehouses globally.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared from the books and records of the Company in accordance with Generally Accepted Accounting Policies in the United States ("U.S. GAAP") for interim financial information and

Rule 10-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission ("SEC"), which permits reduced disclosures for interim periods. Although these interim consolidated financial statements do not include all of the information and footnotes required for complete annual consolidated financial statements, management believes all adjustments, consisting only of normal recurring adjustments, and disclosures necessary for a fair presentation of the accompanying condensed consolidated balance sheets, statements of operations, stockholders' equity, and cash flows have been made. Unaudited interim results of operations and cash flows are not necessarily indicative of the results that may be expected for the full year. Unaudited interim condensed consolidated financial statements and footnotes should be read in conjunction with the audited consolidated financial statements and footnotes included in *Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report")*, wherein a more complete discussion of significant accounting policies and certain other information can be found.

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Revenue Recognition

Products — Used Serviceable Material ("USM") Sales

Revenues from sales of USM are measured based on consideration specified within customer contracts, and excludes any sales commissions and taxes collected and remitted to government agencies. The Company recognizes revenue when performance obligations are satisfied by transferring control of a product or service to a customer. The parts are sold at a fixed price with no right of return. In determining the performance obligation, management has identified the promise in the contract to be the shipment of the spare parts to the customer. Title passes to the buyer when the goods are shipped, the buyer is responsible for any loss in transit and the Company has a legal right to payment for the spare parts once shipped. The Company generally sells its USM products under standard 30-day payment terms, subject to certain exceptions. Customers neither have the right to return products nor do they have the right to extended financing. The Company has determined that physical acceptance of the spare parts to be a formality in accordance with Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606").

Spare parts revenue is based on a set price for a set number of parts as defined in the purchase order. The performance obligation is completed once the parts have shipped and as a result, all of the transaction price is allocated to that performance obligation. The Company has determined that it is appropriate to recognize spare parts sales at a point in time (i.e., the date the parts are shipped) in accordance with ASC 606.

Products — Whole Asset Sales

Revenues from whole asset sales are measured based on consideration specified in the contract with the customer. The Company and customer enter into an agreement which outlines the place and date of sale, purchase price, condition of the whole asset, bill of sale and the assignment of rights and warranties from the Company to the customer. The Company believes the whole asset holds standalone value to the customer as it is not dependent on any other services for functionality purposes and therefore is distinct within the context of the contract and as described in ASC 606-10. Accordingly, the Company has identified the transfer of the whole asset as the performance obligation. The transaction price is set at a fixed dollar amount per fixed quantity (number of whole assets) and is explicitly stated in each contract. Whole asset sales revenue is based on a set price for a set number of assets, which is allocated to the performance obligation discussed above, in its entirety. The Company has determined the date of transfer to the customer is the date the customer obtains control over the asset and would cause the revenue recognition. Payment is required in full upon a customer's acceptance of the whole asset on the date of the transfer.

Leasing Revenues

The Company leases flight equipment under operating leases that contain monthly base rent and reports rental income straight line over the life of the lease as it is earned. Additionally, the Company's leases provide for supplemental rent, which is calculated based on actual hours or cycles of utilization and, for certain components, based on the amount of time until maintenance of that component is required. In certain leases, the Company records supplemental rent paid by the lessees as maintenance deposit payment liabilities in recognition of the Company's contractual commitment to reimburse qualifying maintenance. Reimbursements to the lessees upon receipt of evidence of

qualifying maintenance work are charged against the existing maintenance deposit payment liabilities. In leases where the Company is responsible for performing certain repairs or replacement of aircraft components or engines, supplemental rent is recorded as revenue in the period earned. In the event of premature lease termination or lessee default on the lease terms, revenue recognition will be discontinued when outstanding balances beyond the customers' deposits are held. Payment terms for leased flight equipment are due upon receipt.

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Service Revenues

Service revenues are recognized as performance obligations when they are fulfilled and the benefits are transferred to the customer. At contract inception, the Company evaluates if the contract should be accounted for as a single performance obligation or if the contract contains multiple performance obligations. In some cases, the Company's service contract with the customer is considered one performance obligation as it includes factors such as the good or service being provided is significantly integrated with other promises in the contract, the service provided significantly modifies or customizes the other good or service or the goods or services are highly interdependent or interrelated with each other. If the contract has more than one performance obligation, the Company determines the standalone price of each distinct good or service underlying each performance obligation and allocates the transaction price based on their relative standalone selling prices. The transaction price of a contract, which can include both fixed and variable amounts, is allocated to each performance obligation identified. Some contracts contain variable consideration, which could include incremental fees or penalty provisions related to performance. Variable consideration that can be reasonably estimated based on current assumptions and historical information is included in the transaction price at the inception of the contract but limited to the amount that is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Variable consideration that cannot be reasonably estimated is recorded when known.

For most service contracts, performance obligations are satisfied over time as work progresses based on transfer of control of products and services to our customers. The Company receives payments from our customers based on billing schedules or contractual terms.

For performance obligations that are satisfied over time, the Company measures progress in a manner that depicts the performance of transferring control to the customer. As such, the Company utilizes the input method of cost-to-cost to recognize revenue over time as this depicts when control of the promised goods or services are transferred to the customer. Revenue is recognized based on the relationship of actual costs incurred to date to the estimated total cost at completion of the performance obligation. The Company is required to make certain judgments and estimates, including estimated revenues and costs, as well as inflation and the overall profitability of the arrangement. Key assumptions involved include future labor costs and efficiencies, overhead costs and ultimate timing of product delivery. Differences may occur between the judgments and estimates made by management and actual program results. Under most of the Company's Maintenance, Repair and Overhaul ("MRO") contracts, if the contract is terminated for convenience, the Company is entitled to payment for items delivered, fair compensation for work performed, the costs of settling and paying other claims and a reasonable profit on the costs incurred or committed.

Changes in estimates and assumptions related to our arrangements accounted for using the input method based on labor hours are recorded using the cumulative catchup method of accounting. These changes are primarily adjustments to the estimated profitability for our long term programs where the Company provides MRO services.

The Company has elected to use certain practical expedients permitted under ASC 606. Shipping and handling fees and costs incurred associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost, are included in cost of sales in our Condensed Consolidated Statements of Operations and are not considered a performance obligation to our customers. The Company's reported sales on our Condensed Consolidated Statements of Operations are net of any sales or related non income taxes. The Company also utilizes the "as invoiced" practical expedient in certain cases where performance obligations are satisfied over time and the invoiced amount corresponds directly with the value the Company is providing to the customer.

New Accounting Pronouncements Not Yet Adopted

On February 2016, the Financial Accounting Standards Board ("FASB") issued "Leases (Topic 842)", which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. In July 2018, the FASB issued ASU No. 2018-10, "Codification Improvements to Topic 842, Leases," and ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements." Topic 842 ~~will be~~ ~~became~~ effective for the Company for the annual period beginning on January 1, 2022, the impact of which will be reflected in the fourth quarter of 2022 recorded retroactively at the beginning of the period of adoption through a cumulative-effect adjustment. We plan to elect the practical expedients, which permits us to not reassess (i) whether any expired or existing contracts are or contain leases,

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(ii) the lease classification for any expired leases and (iii) indirect costs for any existing leases. In addition, the practical expedient allows us not to separate lease and non-lease components for both lessee and lessor relationships and to not apply the recognition requirements to leases with terms of less than 12 months. Based on preliminary estimates, our adoption is expected to result in the recognition of operating lease right of use assets of approximately \$13.8 million and lease liabilities of approximately \$14.9 million on January 1, 2022. We are continuing our assessment, which may identify additional impacts that Topic 842 could have on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13"), "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." In November 2018, the FASB issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments — Credit Losses," which amends the scope and transition requirements of ASU 2016-13. Topic 326 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. Topic 326 will become effective for the Company beginning January 1, 2023, with early adoption permitted, on a modified retrospective basis. The Company is currently evaluating the impact this guidance will have on our consolidated financial statements and related disclosures.

New Accounting Pronouncements Recently Adopted

On May 3, 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This new standard provides clarification and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. This standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Under this standard, issuers should apply the new standard prospectively to modifications or exchanges occurring after the effective date of the new standard. Early adoption is permitted, including adoption in an interim period. If an issuer elects to early adopt the new standard in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The Company adopted the new standards as of January 1, 2022 and the adoption did not have a material impact to the Condensed Consolidated Financial Statements.

Payroll Support Programs

The Company has also taken steps to improve our liquidity, including seeking financial assistance under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Certain of the Company's subsidiaries have received \$16.4 million from the U.S. Treasury Department ("Treasury") through the Payroll Support Program under the CARES Act, of which \$3.7 million was received and recognized as payroll support program proceeds during the ~~six~~ ~~nine~~ months ended ~~June 30, 2021~~ ~~September 30, 2021~~. No amount was received or recognized under the CARES Act during the quarter ended ~~June 30, 2022~~ ~~September 30, 2022~~.

As part of the Payroll Support Extension Law, the Company entered into an agreement with the Treasury on March 4, 2021 for the receipt of relief funds of \$5.5 million. During the ~~six~~ ~~nine~~ months ended ~~June 30, 2021~~ ~~September 30, 2021~~, we received \$5.5 million in grant proceeds under the Payroll Support Extension Law. During the three- and ~~six~~ ~~nine~~- month periods ended ~~June 30, 2021~~ ~~September 30, 2021~~,

\$2.9 million, \$0.0 million and \$5.5 million was recognized as payroll support program proceeds in the condensed consolidated statements of operations. Condensed Consolidated Statements of operations. Operations.

Pursuant to the American Rescue Plan Act of 2021 ("ARP"), we entered into an agreement with the Treasury on April 16, 2021 for the receipt of relief funds of an additional \$5.5 million. This amount was recognized during the three- and six- month periods ended June 30, 2021. September 30, 2021, \$0.0 million and \$5.5 million was recognized as payroll support program proceeds in the Condensed Consolidated Statements of Operations.

In connection with the financial assistance the Company has received under the Payroll Support Program, it is was required to comply with certain provisions of the CARES Act, including the requirement that funds provided pursuant to

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the Payroll Support Program be used exclusively for the continuation of payment of employee wages, salaries and benefits; the requirement against involuntary terminations and furloughs and reductions in employee pay rates and benefits from the signing date of the Payroll Support Program agreement through September 30, 2021. The agreement requires also required the

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Company to issue a recall to any employee who was terminated or furloughed between October 1, 2020 and March 4, 2021 and enable such employee to return to employment. In addition, the Company is was subject to provisions prohibiting the repurchase of common stock and the payment of common stock dividends through September 30, 2022, as well as limitations and remains limited on the payment of certain employee compensation through April 1, 2023. These restrictions may affect the Company's operations and if the Company does not comply with these provisions, it may be required to reimburse up to 100% of any previously received relief funds. In particular, limitations on compensation may adversely impact our ability to attract and retain senior management or attract other key employees during this critical time. As of June 30, 2022 September 30, 2022, we were in compliance with all applicable provisions of the CARES Act, Payroll Support Program and ARP.

NOTE C — SIGNIFICANT RISKS AND UNCERTAINTIES

Impact of Ukraine Conflict and Russia Sanctions

In February of 2022, Russia invaded Ukraine and is still engaged in an active conflict against the country. As a result, governments in the European Union, the United States, the United Kingdom, Switzerland, and other countries have enacted sanctions against Russia and Russian interests. These sanctions include controls on the export and re-export of certain goods, supplies, and technologies, supply of aircraft and aircraft components to Russian persons or for use in Russia, subject to certain wind-down periods, and the imposition of restrictions on doing business with certain state-owned Russian customers and other investments and business activities in Russia. In order to comply with these sanctions, we ceased pursuing future business in Russia and terminated our three leases with operators doing business in Russia, successfully recovering two aircraft with one engine still unrecovered. Due to continued uncertainty in the ability to recover this engine from Russia or to collect insurance coverage, we have fully impaired this asset. Although the current sanctions prohibit the continuation of certain business activities, the three leases referenced were contractually scheduled to expire in 2022 and therefore will not have a material impact on

our business or 2022 financial condition. While it is difficult to predict the short or long term implications of this conflict and sanctions on the global economy and the aviation industry, we intend to fully comply with all applicable sanctions and embargoes, and do not expect the current situation will have a material adverse effect on our results of operations.

NOTE D — REVENUE

The timing of revenue recognition, customer billings and cash collections results in a contract asset or contract liability at the end of each reporting period. Contract assets consist of unbilled receivables or costs incurred where revenue recognized over time exceeds the amounts billed to customers. Contract liabilities include advance payments and billings in excess of revenue recognized. Certain customers make advance payments prior to the satisfaction of performance obligations on the contract. These amounts are recorded as contract liabilities until such performance obligations are satisfied. Contract assets and contract liabilities are determined on a contract by contract basis.

Contract assets are as follows (in thousands):

	June 30, 2022	December 31, 2021	Change	September 30, 2022	December 31, 2021	Change
Contract assets	\$ 12,258	\$ 13,221	\$ (963)	\$ 7,580	\$ 13,221	\$(5,641)

Contract assets are reported within accounts receivable on our Condensed Consolidated Balance Sheets. Changes in contract assets primarily results from the timing difference between the performance of services. Contract liabilities are reported as deferred revenue on our Condensed Consolidated Balance Sheets and amounted to \$2.9 million as of December 31, 2021, of which \$2.6 million was related to contract liabilities for services to be performed. For the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized as revenue \$0.9 million \$0.1 million and \$2.2 million \$2.3 million of contract liabilities included in the beginning balance for services performed as the timing between customer payments and our performance of the services is generally no longer than six months.

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Disaggregation of Revenue

The Company reports revenue by segment. The following tables present revenue by segment, as well as a reconciliation to total revenue for the three and six nine months ended June 30, 2022 September 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,			Three Months Ended September 30,			N	
	2022			2022			2022				Asset M
	Asset Management			Asset Management			Asset Management				
	Solutions	Tech Ops	Total Revenues	Solutions	TechOps	Total Revenues	Solutions	Tech Ops	Total Revenues		
USM	\$ 14,332	\$ 935	\$ 15,267	\$ 28,741	\$ 1,754	\$ 30,495	\$ 10,128	\$ 3,455	\$ 13,583	\$	
Whole											
asset sales	92,854	(350)	92,504	144,774	23,605	168,379	2,677	-	2,677		
Engineered											
solutions	-	851	851	-	2,116	2,116	-	563	563		
Total											
products	107,186	1,436	108,622	173,515	27,475	200,990	12,805	4,018	16,823		
Leasing	7,355	-	7,355	15,556	-	15,556	7,786	-	7,786		
Services	-	23,631	23,631	-	45,868	45,868	-	26,390	26,390		
Total											
revenues	\$ 114,541	\$25,067	\$ 139,608	\$ 189,071	\$73,343	\$ 262,414	\$ 20,591	\$30,408	\$ 50,999	\$	
	Three Months Ended June 30,			Six Months Ended June 30,			Three Months Ended September 30,			N	

	2021			2021			2021			
	Asset Management			Asset Management			Asset Management			Asset M
	Solutions	Tech Ops	Total Revenues	Solutions	TechOps	Total Revenues	Solutions	Tech Ops	Total Revenues	So
USM	\$ 11,244	\$ 1,116	\$ 12,360	\$ 20,469	\$ 2,259	\$ 22,728	\$ 13,466	\$ 1,315	\$ 14,781	\$
Whole asset sales	42,689	-	42,689	56,460	-	56,460	27,408	-	27,408	
Engineered solutions	-	1,126	1,126	-	2,113	2,113	-	1,424	1,424	
Total products	53,933	2,242	56,175	76,929	4,372	81,301	40,874	2,739	43,613	
Leasing	6,366	-	6,366	12,622	-	12,622	8,002	-	8,002	
Services	-	29,380	29,380	-	56,433	56,433	-	21,683	21,683	
Total revenues	\$ 60,299	\$31,622	\$ 91,921	\$ 89,551	\$60,805	\$ 150,356	\$ 48,876	\$24,422	\$ 73,298	\$

NOTE E — INVENTORY

Following are the major classes of inventory as of the below dates (in thousands):

	June 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Used serviceable materials	\$ 58,162	\$ 65,496	\$ 73,551	\$ 65,496
Work-in-process	22,696	12,462	21,145	12,462
Whole assets	60,552	81,335	92,889	81,335
	\$ 141,410	159,293	\$ 187,585	159,293
Less short term	(74,327)	(81,759)	(107,150)	(81,759)
Long term	\$ 67,083	\$ 77,534	\$ 80,435	\$ 77,534

The Company did not record inventory reserve for the three months ended September 30, 2022 and 2021, respectively, and recorded an inventory reserve of \$1.8 million for the three and six months ended June 30, 2022, and an inventory reserve of \$4.8 million for the three and six nine months ended June 30, 2021, September 30, 2022 and 2021, respectively, due to the Company's evaluation of the inventory's net realizable value. These amounts are included in cost of products in the accompanying Condensed Consolidated Statements of Operations.

NOTE F — INTANGIBLE ASSETS

In accordance with ASC 350, Intangibles — Goodwill and Other, goodwill and other intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests. The Company reviews and evaluates our goodwill and indefinite life intangible assets for potential impairment at a minimum annually or more frequently if circumstances indicate that impairment is possible.

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The Company determined the fair value of assets acquired and liabilities assumed using a variety of methods. An income approach based on discounted cash flows was used to determine the values of our trademarks, certifications, customer relationships and FAA certificates. The assumptions the Company used to estimate the fair value of our reporting units are based on historical performance, as well as forecasts used in our current business plan and require considerable management judgment.

The Company's goodwill and intangible assets as defined by ASC 350 is related to our subsidiaries, AerSale Component Solutions (d/b/a AerSale Landing Gear Solutions) ("ALGS"), Avborne Component Solutions (d/b/a AerSale Component Solutions) ("ACS"), and Aircraft

Composite Technologies ("ACT"), which are included in the TechOps segment, as well as Qwest, which is included under the Asset Management Solutions segment.

Goodwill and other intangibles as of the below dates are (in thousands):

	June 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Qwest:				
FAA Certifications	\$ 724	\$ 724	\$ 724	\$ 724
Goodwill	13,416	13,416	13,416	13,416
ALGS:				
FAA Certifications	710	710	710	710
Goodwill	379	379	379	379
ACS:				
Trademarks	600	600	600	600
FAA Certifications	7,300	7,300	7,300	7,300
Goodwill	63	63	63	63
ACT:				
Trademarks	200	200	200	200
FAA Certificates	796	796	796	796
Goodwill	6,002	6,002	6,002	6,002
Total intangible assets with indefinite lives	\$ 30,190	\$ 30,190	\$ 30,190	\$ 30,190

The Company performed its annual quantitative impairment analysis on the indefinite lived intangible assets as of July 1, 2022 and concluded there was no impairment. Intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with definite lives as of the below dates are as follows (in thousands):

	Useful Life	June 30, 2022	December 31, 2021	Useful Life	September 30, 2022	December 31, 2021
	In Years			In Years		
Qwest:						
Customer relationships	10	\$ 6,627	\$ 7,109	10	\$ 6,381	\$ 7,109
ALGS:						
Customer relationships	10	60	70	10	55	70
ACS:						
Customer relationships	10	1,348	1,453	10	1,295	1,453
ACT:						
Customer relationships	10	6,818	7,276	10	6,586	7,276
Total intangible assets with definite lives		\$ 14,853	\$ 15,908		\$ 14,317	\$ 15,908

Total amortization expense amounted to \$0.6 million, \$0.5 million and \$0.5 million for the three months ended June 30, 2022, September 30, 2022 and 2021, respectively. Total amortization expense amounted to \$1.1 million, \$1.6 million and \$1.1 million for the six months ended June 30, 2022, September 30, 2022 and 2021, respectively. Accumulated amortization amounted to \$6.2 million, \$6.7 million and \$5.1 million as of June 30, 2022, September 30, 2022 and December 31, 2021, respectively.

Other intangible assets are reviewed at least annually or more frequently if any event or change in circumstance indicates that an impairment may have occurred.

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NOTE G — PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of the below dates consisted of the following (in thousands):

	Useful Life			Useful Life		
	In Years	June 30, 2022	December 31, 2021	In Years	September 30, 2022	December 31, 2021
Tooling and equipment	7 - 15	\$ 14,001	\$ 13,530	7 - 15	\$ 14,445	\$ 13,530
Furniture and other equipment	5	9,269	7,928	5	9,740	7,928
Computer software	5	2,152	1,998	5	2,152	1,998
Leasehold improvements	3 - 6	5,414	3,632	3 - 6	6,680	3,632
Equipment under capital lease	5	192	192	5	192	192
		31,028	27,280		33,209	27,280
Less accumulated depreciation		(20,976)	(19,930)		(21,246)	(19,930)
		<u>\$ 10,052</u>	<u>\$ 7,350</u>		<u>\$ 11,963</u>	<u>\$ 7,350</u>

Depreciation expense, which includes amortization of equipment under capital lease, amounted to **\$0.5 million** **\$0.6 million** and **\$0.5 million** for the three months ended **June 30, 2022** **September 30, 2022** and 2021, respectively. Depreciation expense, which includes amortization of equipment under capital lease, amounted to **\$1.0 million** **\$1.6 million** and **\$1.0 million** **\$1.5 million** for the **six nine** months ended **June 30, 2022** **September 30, 2022** and 2021, respectively.

NOTE H — LEASE RENTAL REVENUES AND AIRCRAFT AND ENGINES HELD FOR LEASE

Aircraft and engines held for operating leases, net, as of the below dates consisted of the following (in thousands):

	June 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Aircraft and engines held for operating leases	\$ 109,016	\$ 197,397	\$ 100,650	\$ 197,397
Less accumulated depreciation	(66,703)	(124,033)	(67,532)	(124,033)
	<u>\$ 42,313</u>	<u>\$ 73,364</u>	<u>\$ 33,118</u>	<u>\$ 73,364</u>

Total depreciation expense amounted to **\$1.8 million** **\$1.7 million** and **\$2.2 million** **\$2.1 million** for the three months ended **June 30, 2022** **September 30, 2022** and 2021, respectively. Total depreciation expense amounted to **\$3.7 million** **\$5.4 million** and **\$4.6 million** **\$6.8 million** for the **six nine** months ended **June 30, 2022** **September 30, 2022** and 2021, respectively, and is included in cost of leasing in the Condensed Consolidated Statements of Operations.

The Company recorded an impairment of Flight Equipment in the amount of \$0.9 million for **three and six the nine** months ended **June 30, 2022** **September 30, 2022**, which is included in cost of leasing in the Condensed Consolidated Statements of Operations.

Supplemental rents recognized as revenue totaled **\$3.0 million** **\$3.6 million** and **\$1.8 million** **\$2.3 million** for the three months ended **June 30, 2022** **September 30, 2022** and 2021, respectively. Supplemental rents recognized as revenue totaled **\$6.5 million** **\$10.1 million** and **\$2.9 million** **\$5.2 million** for the **six nine** months ended **June 30, 2022** **September 30, 2022** and 2021, respectively.

The Company's current operating lease agreements for leased flight equipment expire over the next two years. The amounts in the following table are based upon the assumption that flight equipment under operating leases will remain

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leased for the length of time specified by the respective lease agreements. Minimum future annual lease rentals contracted to be received under existing operating leases of flight equipment were as follows (in thousands):

Year ending December 31:	
Remainder of 2022	\$ 6,837
2023	1,491
Total minimum lease payments	<u>\$ 8,328</u>

Year ending December 31:	
Remainder of 2022	\$ 3,976
2023	4,867
2024	132
Total minimum lease payments	<u>\$ 8,975</u>

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NOTE I — ACCRUED EXPENSES

The following is a summary of the components of accrued expenses as of the below dates (in thousands):

	June 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Accrued compensation and related benefits	\$ 4,234	\$ 6,294	\$ 5,050	\$ 6,294
Accrued legal fees	534	377	680	377
Commission fee accrual	163	115	211	115
Accrued federal, state and local taxes and fees	162	243	183	243
Other	1,724	1,395	1,705	1,395
	<u>\$ 6,817</u>	<u>\$ 8,424</u>	<u>\$ 7,829</u>	<u>\$ 8,424</u>

NOTE J – WARRANT LIABILITY

Warrants to purchase a total of 750,000 623,834 and 835,014 shares of the Company's common stock were outstanding as of June 30, 2022 September 30, 2022 and December 31, 2021. 750,000 warrants were issued to founders in a private placement (the "Private Warrants"). Each of the Private Warrants entitles the registered holder to purchase one share of the Company's common stock at a price of \$11.50 per share. In the three months ended September 30, 2022, a warrant holder initiated a cashless exercise of 126,166 warrants for the purchase of shares of common stock at an exercise price of \$11.50 per share (remaining term on exercised warrants at September 30, 2022 was 3.2 years) and we issued 47,867 shares of common stock based on the fair value at the date of exercise of \$18.5306 per share. The remaining Private Warrants will expire at 5:00 p.m., New York City time, on the fifth anniversary of the completion of the Merger, or earlier upon redemption or liquidation.

The Private Warrants include provisions that affect the settlement amount. Such variables are outside of those used to determine the fair value of a fixed-for-fixed instrument, and as such, the warrants do not meet the criteria for equity treatment under guidance contained in

ASC Topic 815, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock." The Company classifies the Private Warrants as a liability at their fair value subject to re-measurement at each balance sheet date and adjusted at each reporting period until exercised or expired, and any change in fair value is recognized in the Company's Condensed Consolidated Statement of Operations. The fair value of the Private Warrants as of **June 30, 2021** **September 30, 2021** was determined using the market price of the Company's public warrants adjusted for their lack of liquidity. Effective December 29, 2021 all public warrants were redeemed on a cashless basis and ceased trading on Nasdaq. As a result, the Black-Scholes option pricing model was adopted. The following table represents the assumptions for the Black-Scholes option-pricing model used in determining the fair value of the Private Warrants as of **June 30, 2022** **September 30, 2022**:

	June	September 30, 2022
Risk-free interest rate	3.01%	3.98%
Expected volatility of common stock	30.38%	42.37%
Dividend yield		-
Expected option term in years	3.5	3.2

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The significant assumptions utilized in the Black-Scholes calculation consist of interest rate for U.S. Treasury Bonds, as published by the U.S. Federal Reserve, and expected volatility estimated using historical daily volatility of guideline public companies.

Change in fair value of warrant liability income recognized in the Company's Condensed Consolidated Statement of Operations was \$1.4 million and \$0.2 million during the three and six months ended June 30, 2022, respectively. Change in fair value of warrant liability The expense recognized in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of warrant liability was \$0.4 million \$2.0 million and \$0.6 million \$1.9 million during the three and six nine months ended June 30, 2021 September 30, 2022, respectively. The expense recognized in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of warrant liability was \$2.1 million and \$2.7 million during the three and nine months ended September 30, 2021, respectively.

NOTE K — EARNINGS PER SHARE

The computation of basic and diluted earnings per share ("EPS") is based on the weighted average number of common shares outstanding during each period.

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NOTE K — EARNINGS PER SHARE

The computation of basic and diluted earnings per share ("EPS") is based on the weighted average number of common shares outstanding during each period.

The following table provides a reconciliation of the computation for basic and diluted earnings per share for the three and **six** nine months ended **June 30, 2022** **September 30, 2022** and 2021, respectively (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended \$
	2022	2021	2022	2021	2022
Net income	\$ 26,455	\$ 16,548	\$ 43,681	\$ 26,566	
Change in fair value of warrant liability	(1,382)	407	(148)	631	
Net income for EPS - diluted	\$ 25,073	\$ 16,955	\$ 43,533	\$ 27,197	
Net (loss) income					\$ (9,013) \$
Net (loss) income for EPS - diluted					\$ (9,013) \$
Weighted-average number of shares outstanding - basic	51,691,076	42,949,261	51,688,837	42,584,793	51,745,354
Additional shares from assumed stock-settled restricted stock units	2,035,155	237,243	2,049,295	186,420	-
Additional shares from assumed exercise of warrants	156,011	1,063,357	173,148	1,469,201	
Additional shares from assumed exercise of public warrants					-
Additional shares purchasable for employee stock purchase plan	-	-	-	-	-
Weighted-average number of shares outstanding - diluted	53,882,242	44,249,861	53,911,280	44,240,414	51,745,354
Earnings per share - basic:	\$ 0.51	\$ 0.39	\$ 0.85	\$ 0.62	
Earnings per share - diluted:	\$ 0.47	\$ 0.38	\$ 0.81	\$ 0.61	
(Loss) earnings per share - basic:					\$ (0.17) \$
(Loss) earnings per share - diluted:					\$ (0.17) \$
Anti-dilutive shares/units excluded from (loss) earnings per share - diluted:					
Additional shares from assumed exercise of warrants					188,150
Additional shares from assumed stock-settled restricted stock units					2,415,638
Additional shares purchasable for employee stock purchase plan					4,626

NOTE L — BUSINESS SEGMENTS

Consistent with how our chief operating decision maker (Chairman and Chief Executive Officer) evaluates performance and utilizes gross profit as a profitability measure, the Company reports its activities in two business segments:

- Asset Management Solutions — comprised of activities to extract value from strategic asset acquisitions through leasing, trading, or disassembling for product sales.
- TechOps — comprised of MRO activities; and product sales of internally developed engineered solutions and other serviceable products.

The Asset Management Solutions segment **provides short-term and long-term leasing solutions** activities include monetization of aircraft and jet engines to passenger and cargo operators worldwide. Assets considered to be at **assets through the lease or near the end sale** of their useful lives, supplied by our leasing portfolio or acquisitions, are analyzed for return maximization to assess whether they will be **traded as** whole assets, or **disassembled and sold as individual spare parts and components** through disassembly activities in support of our USM-related activities. Our monetizing services have been developed to maximize returns on mid-life Flight Equipment throughout their operating life, in conjunction with realizing the highest residual value of Flight Equipment at its retirement.

The TechOps segment consists of aftermarket support and services businesses that provide maintenance support for aircraft and aircraft components, and sale of engineered solutions. Our MRO business also engages in longer term projects such as aircraft modifications, cargo conversions of wide-body aircraft, and aircraft storage. The segment also includes MRO of landing gear, thrust reversers, and other components. Cost of sales consists principally of the cost of product, direct labor, and overhead. Our engineered solutions revenues consist of sales of products internally developed as permitted by Supplemental Type Certificates issued by the FAA. These products are proprietary in nature and function as non-original equipment manufacturer solutions to airworthiness directives and other technical challenges for operators. In order to develop these products, the Company engages in research and development activities. Periodically, the Company's activities, which are expensed as incurred. The TechOps segment also engages in the repair and sale of used serviceable materials through its ability material inventory for which it has the overhaul capabilities and relationships to overhaul existing inventory, or sale of whole assets dedicated to its business. sell.

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Gross profit is calculated by subtracting cost of sales from sales. The assets and certain expenses related to corporate activities are not allocated to the segments. Our reportable segments are aligned principally around the differences in products and services. The segment reporting excludes the allocation of selling, general and administrative expenses, interest expense and income tax expense.

Selected financial information for each segment for the three and six nine months ended June 30, 2022 September 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues								
Asset Management Solutions								
Aircraft	\$ 56,857	\$ 24,269	\$ 71,840	\$ 34,721	\$ 6,503	\$ 15,204	\$ 78,343	\$ 49,925
Engine	57,684	36,030	117,231	54,830	14,088	33,672	131,319	88,502
	114,541	60,299	189,071	89,551	20,591	48,876	209,662	138,427
TechOps								
MRO services	23,631	29,380	45,868	56,433	26,390	21,683	72,258	78,116
Product sales	1,786	2,242	3,870	4,372	4,018	2,739	7,888	7,111
Whole asset sales	(350)	—	23,605	—	-	-	23,605	-
	25,067	31,622	73,343	60,805	30,408	24,422	103,751	85,227
Total	\$ 139,608	\$ 91,921	\$ 262,414	\$ 150,356	\$ 50,999	\$ 73,298	\$ 313,413	\$ 223,654
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
Gross profit								
Asset Management Solutions								
Aircraft	\$ 21,934	\$ 5,178	\$ 27,299	\$ 9,641	\$ 2,480	\$ 6,729	\$ 29,779	\$ 16,370
Engine	28,219	13,921	54,229	23,045	6,210	10,084	60,439	33,129
	50,153	19,099	81,528	32,686	8,690	16,813	90,218	49,499

TechOps									
MRO									
services	4,554	11,048	10,805	16,074	5,453	6,407	16,257	22,481	
Product									
sales	623	591	1,827	1,813	1,346	1,412	3,174	3,225	
Whole asset									
sales	(350)	-	7,523	—	-	-	7,523	-	
	4,827	11,639	20,155	17,887	6,799	7,819	26,954	25,706	
Total	\$ 54,980	\$ 30,738	\$ 101,683	\$ 50,573	\$ 15,489	\$ 24,632	\$ 117,172	\$ 75,205	
	June 30, 2022	December 31, 2021			September 30, 2022	December 31, 2021			
Total Assets									
Asset									
Management									
Solutions	\$ 372,730	\$ 370,378			\$ 369,040	\$ 370,378			
Tech Ops	137,233	112,742			131,352	112,742			
Corporate	7,769	4,365			9,372	4,365			
	\$ 517,732	\$ 487,485			\$ 509,764	\$ 487,485			

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The following table reconciles segment gross profit to income before income tax provision for the three and six nine months ended June 30, 2022 September 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended Septe	
	2022	2021	2022	2021	2022	2021	2022	21
Segment gross profit	\$ 54,980	\$ 30,738	\$ 101,683	\$ 50,573	\$ 15,489	\$ 24,632	\$ 117,172	\$
Selling, general and administrative expenses	(23,503)	(16,966)	(47,269)	(30,276)	(23,983)	(22,803)	(71,252)	
Payroll support program proceeds	-	8,405	-	14,768	-	-	-	
Interest expense, net	(183)	(251)	(378)	(509)	393	(241)	15	
Other income, net	116	155	481	249	45	9	526	
Change in fair value of warrant liability	1,382	(407)	148	(631)	(2,029)	(2,104)	(1,881)	
Income before income tax provision	\$ 32,792	\$ 21,674	\$ 54,665	\$ 34,174				
(Loss) income before income tax provision					\$ (10,085)	\$ (507)	\$ 44,580	\$

Intersegment sales include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed or products sold and agreed-upon pricing which is intended to be reflective of the arm's length value of the contribution made by the supplying business segment. All intersegment transactions have been eliminated upon consolidation. Intersegment revenue for the three and six nine months ended June 30, 2022 September 30, 2022 and 2021, is as follows (in thousands):

Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
2022	2021	2022	2021	2022	2021	2022	2021

Asset Management Solutions								
TechOps	\$ 3,117	\$ 536	\$ 3,181	\$ 1,983	\$ 1,705	\$ 959	\$ 4,886	\$ 2,942
Total intersegment revenues	5,598	1,328	12,603	3,486	3,168	6,015	15,771	14,747
	\$ 8,715	\$ 1,864	\$ 15,784	\$ 5,469	\$ 4,873	\$ 6,974	\$ 20,657	\$ 17,689

NOTE M— COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be involved in litigation incidental to the operation of the business. The Company intends to vigorously defend all matters in which the Company is named as defendant and, for insurable losses, maintain significant levels of insurance to protect against adverse judgments, claims or assessments that may affect the Company. Although the adequacy of existing insurance coverage of the outcome of any legal proceedings cannot be predicted with certainty, based on the current information available, the Company does not believe the ultimate liability associated with known claims or litigation, if any, in which the Company is involved will materially affect the Company's condensed consolidated financial condition or results of operations.

Lease Commitments

The Company leases office space, warehouses, hangars and equipment in connection with its operations under various operating leases, many of which contain escalation clauses.

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Future minimum lease payments under non-cancelable operating leases (with initial lease terms in excess of one year) are (in thousands):

		Operating Leases
Year ending December 31:		
Remainder of 2022	\$	1,990
2023		3,618
2024		3,150
2025		2,149
2026		1,851
Thereafter		2,601
Total minimum lease payments	\$	15,359

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Expenses incurred under the operating lease agreements was \$1.4 million \$2.9 million and \$1.6 million \$1.4 million for the three months ended June 30, 2022 September 30, 2022 and 2021, respectively. Expenses incurred under the operating lease agreements were \$2.8 million \$4.3 million and \$3.2 million \$4.6 million for the six nine months ended June 30, 2022 September 30, 2022 and 2021, respectively. Operating lease expense is recognized on a straight-line basis over the term of the lease, including any option periods, as appropriate. The same lease term is used for lease classification, the amortization period of related leasehold improvements, and the estimation of future lease commitments.

NOTE N — STOCKHOLDERS' EQUITY

Common Stock

The Company's common stock, \$0.0001 par value, consists of 200,000,000 authorized shares, of which 51,706,168 51,774,665 and 51,673,099 shares were issued and outstanding as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively.

Earn-Out Shares

Upon consummation of the Merger and in each case on or prior to the fifth anniversary of the Closing, the pre-closing holders of AerSale Aviation's common stock and the holders of in-the-money SARs (as defined in the Merger Agreement) received a contingent right to receive up to 3,000,000 additional shares of the Company's common stock. Additionally, certain pre-closing holders of AerSale Aviation's common stock received a contingent right to receive 746,876 shares of the Company's common stock. Effective February 8, 2021, the contingent event related to the Minimum Target Earn-Out Shares (as defined by the Merger Agreement) was met and 1,855,634 shares were issued. Effective October 22, 2021, the contingent event related to the Maximum Target Earn-Out Shares was met and 1,854,169 shares were issued. The remaining shares pursuant to the contingent rights were withheld to cover employee taxes.

The Company determined the Earn-Out Shares (as defined by the Merger Agreement) to be classified as equity under ASC Topic 815, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock" as the contingent right is indexed to the Company's stock and accordingly, the accrual of the Earn-Out Shares had no impact on the Company's condensed consolidated financial statements for the three and six nine month periods ended June 30, 2021 September 30, 2021. There are no Earn-Out Shares contingent as of June 30, 2022 September 30, 2022 and December 31, 2021.

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Unvested Founder Shares

Upon the consummation of the Merger, certain pre-closing holders of AerSale Corporation's common stock agreed to defer the vesting of an aggregate of 700,000 shares (the "Unvested Founder Shares"), half of which will was to vest at such time as the Minimum Target (as defined in the Merger Agreement) and the other half of which will was to vest at the Maximum Target (as defined in the Merger Agreement). The Unvested Founder Shares will would also vest upon the occurrence of a Liquidity Event (as defined by the Merger Agreement) on or prior to the fifth anniversary of the date of the Amended and Restated Founder Shares Agreement, solely to the extent the Liquidity Event Consideration (as defined in the Merger Agreement) is would be greater than \$13.50, in which case half of the Unvested Founder Shares which will would vest, or \$15.00, in which case the other half of the Unvested Founder Shares will would also vest. Pursuant to the Amended and Restated Founder Shares Agreement, the holders of the Unvested Founder Shares have retained the right to vote such Unvested Founder Shares prior to vesting. Unvested Founder Shares that have did not vested vest on or prior to the fifth anniversary of the Closing Date will would be forfeited.

Effective February 8, 2021, the contingency event related to the Minimum Target was met and half of the Unvested Founder Shares vested. Effective October 22, 2021, the contingent event related to the Maximum Target was met and the other half of the Unvested Founder Shares vested. There are no Unvested Founder Shares as of June 30, 2022 September 30, 2022 and December 31, 2021.

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2020 Equity Incentive Plan

The Company maintains a 2020 Equity Incentive Plan (the "2020 Plan") and has registered 4,200,000 shares of common stock issuable under the Plan. The 2020 Plan authorizes discretionary grants of incentive stock options to employees of the Company and its qualifying subsidiaries. The 2020 Plan also authorizes discretionary grants of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents or other equity or cash-based awards to employees and consultants of the Company and its subsidiaries and to members of the Board of Directors of the Company. To the extent that an award under the 2020 Plan expires, is cancelled, forfeited, terminated, settled in cash or is otherwise settled without issuance of the full number of shares to which it relates, will become or again be available for awards under the 2020 Plan. The 2020 Plan is administered by the Company's Compensation Committee. The Compensation Committee has complete, full and final authority to: designate participants; determine the types of awards to be granted; determine the terms of awards; interpret and administer the 2020 Plan and any agreements and awards thereunder.

Restricted stock unit activity under the 2020 Plan for the **six** **nine** months ended **June 30, 2022** **September 30, 2022** and 2021 was as follows:

	Weighted Average			Weighted Average		
	Amount	Grant Date Fair Value	Remaining Contractual Life (Years)	Amount	Grant Date Fair Value	Remaining Contractual Life (Years)
Outstanding at December 31, 2021	1,669,300	\$ 10.10	\$ 2.02	1,669,300	\$ 10.10	\$ 2.02
Granted	252,051	14.73	2.76	278,473	14.80	2.49
Forfeited	(3,370)	12.46	2.00	(11,048)	13.39	2.20
Vested	(3,000)	10.00	-	(23,643)	12.24	-
Outstanding June 30, 2022	1,914,981	\$ 10.70	\$ 2.12			
Outstanding September 30, 2022				1,913,082	\$ 10.74	\$ 2.11

	Weighted Average			Weighted Average		
	Amount	Grant Date Fair Value	Remaining Contractual Life (Years)	Amount	Grant Date Fair Value	Remaining Contractual Life (Years)
Outstanding at December 31, 2020	-	\$ -	\$ -	-	\$ -	\$ -
Granted	1,702,280	10.10	2.49	1,702,280	10.10	2.24
Outstanding June 30, 2021	1,702,280	\$ 10.10	\$ 2.49			
Forfeited				(2,210)	12.46	2.40
Outstanding September 30, 2021				1,700,070	\$ 10.10	\$ 2.24

The Company's restricted stock units include 1,595,000 performance restricted stock units ("2021 PSUs") that performance vested at the 200% milestone as of March 31, 2022. This is the highest level of performance condition to be achieved and results in total shares to be issued of 3,190,000, subject to a time vesting schedule of one-third on December 22, 2022 and two-thirds on December 22, 2023. For the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized share-based compensation expense for the 2021 PSUs of \$3.5 million \$3.6 million and \$7.0 million \$10.6 million, respectively, given the achievement of the 200% performance milestone. For the three and six nine months ended June 30, 2021 September 30, 2021, no the Company recognized share-based compensation expense was recognized for the 2021 PSUs given that the milestone achievements were not deemed probable for accounting purposes. of \$8.5 million.

For the restricted stock unit awards granted under the 2020 Plan containing both service and performance conditions, the Company recognizes compensation expense when the awards are considered probable of vesting. Restricted stock units are considered granted, and the service inception date begins, when a mutual understanding of the key terms and conditions between the Company and the employee have been established. The fair value of these awards is determined based on the closing price of the shares on the grant date. The probability of restricted share awards granted with future performance conditions is evaluated at each reporting period and compensation expense is adjusted based on the probability assessment.

2020 Employee Stock Purchase Plan

The Company also maintains a 2020 Employee Stock Purchase Plan (the "ESPP") and has registered 500,000 shares of common stock issuable under the ESPP. During the six-months nine-months ended June 30, 2022 September 30, 2022, the Company issued 30,099 shares pursuant to the ESPP. No shares were issued during the six month nine-month period ended June 30, 2021 September 30, 2021.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. You should read the following management's discussion and analysis together with the financial statements and related notes including Part II, Item 7 of AerSale's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"). This discussion contains forward-looking statements about AerSale's business, operations and industry that involve risks and uncertainties, such as statements regarding AerSale's plans, objectives, expectations and intentions. AerSale's future results and financial condition may differ materially from those currently anticipated because of the factors described in the section titled "Risk Factors" in the 2021 Form 10-K.

The Company

We operate as a platform for serving the commercial aviation aftermarket sector. Our top executives have on average over 30 years of experience in aircraft and engine ("Flight Equipment") management, sales and maintenance services, and are supported by an experienced management team. We have established a global purpose built and fully integrated aviation company focused on providing products and services that maximize the value of Flight Equipment in the middle to end of its operating life cycle.

We are a worldwide provider of aftermarket commercial aircraft, engines, and their parts to passenger and cargo airlines, leasing companies, original equipment manufacturers ("OEM"), government and defense contractors, and maintenance, repair and overhaul ("MRO") service providers. We report our activities in two business segments: Asset Management Solutions, comprised of activities that extract value from strategic asset acquisitions either as whole assets or by disassembling for used serviceable material ("USM"); and TechOps, comprised of MRO activities for aircraft and their components, sales of internally developed engineered solutions and other serviceable products.

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We focus on mid-life Flight Equipment and monetize them through our Asset Management Solutions segment. Asset Management Solutions' activities include monetization of assets through the lease or sale of whole assets, or through disassembly activities in support of our USM-related activities. Our monetizing services have been developed to maximize returns on mid-life Flight Equipment throughout their operating life, in conjunction with realizing the highest residual value of Flight Equipment at its retirement. We accomplish this by utilizing deep market and technical knowledge related to the management of Flight Equipment sales, leasing and MRO services. To extract value from the remaining flight time on whole assets, we provide flexible short-term (generally less than five years) leasing solutions of Flight Equipment to passenger and cargo operators across the globe. Once the value from the Flight Equipment's flight time has been extracted, Flight Equipment is considered to be at or near the end of its useful life and is analyzed for return maximization as either whole asset sales or disassembled for sale as USM parts. Revenues from this segment are segregated between Aircraft and Engine depending on the asset type that generated the revenue. Lease revenues and the related depreciation from aircraft and engines installed on those aircrafts is recognized under the Aircraft category. Revenues from sales of whole aircraft and related cost of sales are allocated between the Aircraft and Engine categories based on the allocated cost basis of the asset sold.

Our TechOps segment provides internal and third-party aviation services, including internally developed engineered solutions, full heavy aircraft maintenance and modification, component MRO, as well as end-of-life disassembly services. Our MRO business also engages in longer-term projects such as aircraft modifications, cargo and tanker conversions of aircraft, and aircraft storage. The TechOps segment also includes MRO services for landing gear, thrust reversers, hydraulic systems, and other aircraft components.

We utilize these capabilities to support our customers' Flight Equipment, as well as to maintain and improve our **owned own** Flight Equipment, which is subsequently sold or leased to our customers. These processes require a high degree of expertise on each individual aircraft or component that is being serviced. Our knowledge of these processes allows us to assist customers to comply with applicable regulatory and OEM requirements. A significant amount of skilled labor is required to support this process, which the Company has accumulated through its diversified offerings.

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In addition to our aircraft and USM parts offerings, we develop Engineered Solutions consisting of Supplemental Type Certificates ("STCs") that can be installed on existing Flight Equipment to improve performance, comply with regulatory requirements, or improve safety. An example of these solutions is the AerSafe® product line, which we designed and obtained Federal Aviation Administration ("FAA") approval to sell as a solution for compliance with the FAA's fuel tank flammability regulations. These products are proprietary in nature and function as non-OEM solutions to regulatory requirements and other technical challenges, often at reduced delivery time and cost for operators. In order to develop these products, we engage in research and development activities that are expensed as incurred.

Impact of Ukraine Conflict and Russia Sanctions

In February of 2022, Russia invaded Ukraine and is still engaged in an active conflict against the country. As a result, governments in the European Union, the United States, the United Kingdom, Switzerland, and other countries have enacted sanctions against Russia and Russian interests. These sanctions include controls on the export and re-export of certain goods, supplies, and technologies, supply of aircraft and aircraft components to Russian persons or for use in Russia, subject to certain wind-down periods, and the imposition of restrictions on doing business with certain state-owned Russian customers and other investments and business activities in Russia. In order to comply with these sanctions, we ceased pursuing future business in Russia and terminated our three leases with operators doing business in Russia,

successfully recovering two aircraft with one engine still unrecovered. Due to continued uncertainty in the ability to recover this engine from Russia or to collect insurance coverage, we have fully impaired this asset. Although the current sanctions prohibit the continuation of certain business activities, the three leases referenced were contractually scheduled to expire in 2022 and therefore will have no material impact on our business or 2022 financial condition. While it is difficult to predict the short or long term implications of this conflict and sanctions on the global economy and the aviation industry, we intend to fully comply with all applicable sanctions and embargoes, and do not expect the current situation will have a material adverse effect on our results of operations.

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Recent Accounting Pronouncements

The most recent adopted and to be adopted accounting pronouncements are described in Note A to our condensed consolidated financial statements as well as in Item 8, Note B of the 2021 Form 10-K.

Results of Operations

Three months ended **June 30, 2022** **September 30, 2022** compared to the three months ended **June 30, 2021** **September 30, 2021**

Sales and gross profit for AerSale's two business segments for the three months ended **June 30, 2022** **September 30, 2022** and 2021 were as follows:

(in thousands, except percentages)	Three Months Ended June 30,			Three Months Ended September 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
Revenue						
Asset Management Solutions						
Aircraft	\$ 56,857	\$ 24,269	134.3 %	\$ 6,503	\$ 15,204	(57.2)%
Engines	57,684	36,030	60.1 %	14,088	33,672	(58.2)%
	114,541	60,299	90.0 %	20,591	48,876	(57.9)%
TechOps						
MRO	23,631	29,380	(19.6)%	26,390	21,683	21.7 %
Product Sales	1,786	2,242	(20.3)%	4,018	2,739	46.7 %
Whole Asset Sale	(350)	-	100.0 %			
	25,067	31,622	(20.7)%	30,408	24,422	24.5 %
Total	\$ 139,608	\$ 91,921	51.9 %	\$ 50,999	\$ 73,298	(30.4)%

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Three Months Ended June 30,

Three Months Ended September 30,

(in thousands, except percentages)	2022	2021	Percent Change	2022	2021	Percent Change
Gross Profit						
Asset Management Solutions						
Aircraft	\$ 21,934	\$ 5,178	323.6 %	\$ 2,480	\$ 6,729	(63.1)%
Engines	28,219	13,921	102.7 %	6,210	10,084	(38.4)%
	50,153	19,099	162.6 %	8,690	16,813	(48.3)%
TechOps						
MRO	4,554	11,048	(58.8)%	5,453	6,407	(14.9)%
Product Sales	623	591	5.4 %	1,346	1,412	(4.7)%
Whole Asset Sale	(350)	-	100.0 %			
	4,827	11,639	(58.5)%	6,799	7,819	(13.0)%
Total	\$ 54,980	\$ 30,738	78.9 %	\$ 15,489	\$ 24,632	(37.1)%

Total revenues for the three months ended June 30, 2022 increased \$47.7 million September 30, 2022 decreased \$22.3 million or 51.9% 30.4% compared to 2021, driven by an increase a decrease of \$54.2 million \$28.3 million, or 90.0% 57.9%, within Asset Management Solutions, and a decrease partially offset by an increase of \$6.6 million \$6.0 million, or 20.7% 24.5%, within TechOps.

Asset Management Solutions

Sales in the Asset Management Solutions segment increased \$54.2 million decreased \$28.3 million or 90.0% 57.9%, to \$114.5 million \$20.6 million for the three months ended June 30, 2022 September 30, 2022, due to a \$32.5 million an \$8.7 million, or 134.3% 57.2%, increase decrease in revenues from Aircraft; and a \$21.7 \$19.6 million, or 60.1% 58.2%, increase decrease in revenues from Engines. The increase decrease in Aircraft revenues is primarily attributable to increased decreased activity in the B747 and B757 product line as a result of higher lower Flight Equipment sales in the amount of \$30.5 million, and higher USM part sales \$4.9 million; as well as lower leasing activity in the A320 B737 and B747 B767 product lines totaling \$1.7 million, \$2.8 million, as a result of early lease terminations due to the Russia-Ukraine conflict. The increase decrease in Engines revenue is primarily attributable to increased lower activity

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in the CF6-80 RB211 product line due to higher lower Flight Equipment sales in the amount of \$22.3 million \$21.0 million, offset by lower PW-4000 USM sales of higher CF6-80 leasing activity in the amount of \$1.4 million \$2.7 million.

Cost of sales in Asset Management Solutions increased \$23.2 million decreased \$20.2 million or 56.3% 62.9%, to \$64.4 million \$11.9 million for the three months ended June 30, 2022 September 30, 2022, compared to the prior year period. The increase decrease in cost of sales was primarily driven by the sales increase decrease discussed above and the impairment of Flight Equipment in Russia of \$0.9 million, offset by lower inventory obsolescence reserves of \$3.0 million, above. Gross profit in the Asset Management Solutions segment increased \$31.1 million decreased \$8.1 million to \$50.2 million \$8.7 million, or 162.6% 48.3%, for the three months ended June 30, 2022 September 30, 2022, compared to the three months ended June 30, 2021 September 30, 2021. The gross profit increase decrease is mainly attributable to higher lower revenues generated for the three months ended June 30, 2022 September 30, 2022, as noted above.

Aircraft gross profit margins increased decreased to 38.6% 38.1% for the three months ended June 30, 2022 September 30, 2022, from 21.3% 44.3% for the three months ended June 30, 2021 September 30, 2021 due to higher lower margin generated on Flight Equipment sales, and lower inventory obsolescence reserve of \$3.8 million, USM sales. Engine gross profit margin was 48.9% 44.1% for the three months ended June 30, 2022 September 30, 2022, an increase from 38.6% 29.9% for the three months ended June 30, 2021 September 30, 2021, which was primarily the result of higher margin on Flight Equipment sales, partly offset by higher inventory obsolescence reserve of \$0.8 million and impairment of Flight Equipment of \$0.9 million, sales.

TechOps

Our revenue from TechOps decreased increased by \$6.6 million \$6.0 million or 20.7% 24.5%, to \$25.1 million \$30.4 million for the three months ended June 30, 2022 September 30, 2022, compared to the prior year period. The decrease increase was primarily largely driven by lower revenues from improved landing gear and component repair activities, along with increased demand for heavy MRO services as a result of a shift in resources to support internal efforts on our cargo conversion projects on the B757 product line and AerAware test aircraft, as well as Goodyear facility, partially offset by lower storage and related maintenance activities in our Roswell facility as operators continue to return aircraft into active status.

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Cost of sales in TechOps increased \$0.3 \$7.0 million or 1.3% 42.2%, to \$20.2 million \$23.6 million for the three months ended June 30, 2022 September 30, 2022 compared to the prior year period, driven by higher cost of sales from our landing gear and component repair facilities activities due to additional volume. Gross profit in TechOps decreased \$6.8 million \$1.0 million, or 58.5% 13.0% for the three months ended June 30, 2022 September 30, 2022 compared to the three months ended June 30, 2021 September 30, 2021, driven by lower gross profit of \$6.5 million \$1.0 million on MRO Services services. Gross profit margin decreased to 19.3% 22.4% for the three months ended June 30, 2022 September 30, 2022 compared to 36.8% 32.0% for the three months ended June 30, 2021 September 30, 2021, and was largely attributable to lower margin on MRO Services services of 19.3% 20.7% for the three months ended June 30, 2022 September 30, 2022 compared to 37.6% 29.5% during the three month ended June 30, 2021 September 30, 2021, driven by lower margin maintenance work at our Roswell facility.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$6.5 million \$1.2 million, or 38.5% 5.2% to \$23.5 million \$24.0 million for the three months ended June 30, 2022 September 30, 2022, compared to the prior year period. The increase was mostly related to share-based compensation expense of \$3.5 million for performance restricted stock units not deemed probable of achieving performance targets as of the second quarter of 2021. The remaining increase relates to higher payroll expenses associated with market adjustments and additional headcount, as well as higher cost incurred on information technology and cybersecurity.

Payroll Support Program Proceeds

We recognized CARES Act proceeds of \$8.4 million during the three months ended June 30, 2021. No such proceeds have been received or recognized during the three months ended June 30, 2022.

As of June 30, 2022, we are in compliance with the applicable provisions of the CARES Act, Payroll Support Extension Law, cybersecurity, and American Rescue Plan Act of 2021, professional consulting fees.

Change in Fair Value of Warrant Liability

We account for our private warrants as a liability at their fair value, with changes in fair value recognized in our results from operations for the period. The fair value of our private warrants is determined using a Black Scholes option pricing model. For the three months ended June 30, 2022 September 30, 2022, we recorded a \$1.4 million benefit \$2.0 million expense in fair value of warrant liability income, compared to a \$0.4 million \$2.1 million expense in the prior year period.

Interest Expense Income (Expense)

Interest expense decreased to \$0.2 million income was \$0.4 million for the three months ended June 30, 2022 September 30, 2022, compared to \$0.3 million \$0.2 million expense for the three months ended June 30, 2021 September 30, 2021 and was primarily related to higher interest income, offset by unused balance fees on our amended and restated revolving credit agreement (the "Revolving Credit Agreement") offset by higher interest income.

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Income Taxes

The effective tax rate for the three months ended **June 30, 2022** **September 30, 2022** was **19.3%** **10.6%** compared to **23.7%** **(222.7%)** for the three months ended **June 30, 2021** **September 30, 2021**. The difference between the effective tax rate and the statutory tax rate of 21% for the three months ended **June 30, 2022** **September 30, 2022** is primarily due to the impact of state income taxes and non-deductible executive compensation, offset by the foreign derived intangible income deduction. The difference between the effective tax rate and the statutory tax rate of 21% for the three months ended **June 30, 2021** **September 30, 2021** is primarily due to the impact of state income taxes **offset by and non-deductible changes in the foreign derived intangible income deduction.**

[Table fair value of Contents](#)the warrant liability.

Six **Nine** months ended **June 30, 2022** **September 30, 2022** compared to the **six** **nine** months ended **June 30, 2021** **September 30, 2021**

Sales and gross profit for AerSale's two business segments for the **six** **nine** months ended **June 30, 2022** **September 30, 2022** and 2021 were as follows:

(in thousands, except percentages)	Six Months Ended June 30,			Nine Months Ended September 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
Revenue						
Asset Management Solutions						
Aircraft	\$ 71,840	\$ 34,721	106.9 %	\$ 78,343	\$ 49,925	56.9 %
Engines	117,231	54,830	113.8 %	131,319	88,502	48.4 %
	189,071	89,551	111.1 %	209,662	138,427	51.5 %
TechOps						
MRO	45,868	56,433	(18.7)%	72,258	78,116	(7.5)%
Product Sales	3,870	4,372	(11.5)%	7,888	7,111	10.9 %
Whole Asset Sale	23,605	-	100.0 %	23,605	-	100.0 %
	73,343	60,805	20.6 %	103,751	85,227	21.7 %
Total	\$ 262,414	\$ 150,356	74.5 %	\$ 313,413	\$ 223,654	40.1 %

(in thousands, except percentages)	Six Months Ended June 30,			Nine Months Ended September 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
Gross Profit						
Asset Management Solutions						
Aircraft	\$ 27,299	\$ 9,641	183.2 %	\$ 29,779	\$ 16,370	81.9 %
Engines	54,229	23,045	135.3 %	60,439	33,129	82.4 %
	81,528	32,686	149.4 %	90,218	49,499	82.3 %
TechOps						

MRO	10,805	16,074	(32.8)%	16,257	22,481	(27.7)%
Product Sales	1,827	1,813	0.8 %	3,174	3,225	(1.6)%
Whole Asset Sale	7,523	-	100.0 %	7,523	-	100.0 %
	20,155	17,887	12.7 %	26,954	25,706	4.9 %
Total	\$ 101,683	\$ 50,573	101.1 %	\$ 117,172	\$ 75,205	55.8 %

Total revenues for the six-months nine-months ended June 30, 2022 September 30, 2022 increased \$112.1 million \$89.8 million or 74.5% 40.1% compared to 2021, driven by an increase of \$99.5 million \$71.2 million, or 111.1% 51.5%, within Asset Management Solutions, and an increase of \$12.5 million \$18.5 million, or 20.6% 21.7%, within TechOps.

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Asset Management Solutions

Sales in the Asset Management Solutions segment increased \$99.5 million \$71.2 million or 111.1% 51.5%, to \$189.1 million \$209.7 million for the six nine months ended June 30, 2022 September 30, 2022, due to a \$62.4 million \$42.8 million, or 113.8% 48.4%, increase in revenues from Engines; and a \$37.1 \$28.4 million, or 106.9% 56.9%, increase in revenues from Aircraft. The increase in Engines revenues is primarily attributable to increased activity in the RB211 and CF6-80 product line as a result of higher Flight Equipment sales in the amount of \$55.0 million \$31.5 million, and higher leasing revenue in the CF6-80 product line totaling \$4.8 million \$7.4 million. The increase in Aircraft revenue is primarily attributable to increased activity in the B747 and B757 product line due to higher Flight Equipment sales in the amount of \$35.9 million \$31.1 million, offset by lower B737 Flight Equipment sales in the amount of \$3.9 million.

Cost of sales in Asset Management Solutions increased \$50.7 million \$30.5 million or 89.1% 34.3%, to \$107.5 million \$119.4 million for the six nine months ended June 30, 2022 September 30, 2022, compared to the prior year period. The increase in cost of sales was primarily driven by the sales increase discussed above and the impairment of Flight Equipment in Russia of \$0.9 million, offset by lower inventory

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obsolescence reserves of \$3.0 million. Gross profit in the Asset Management Solutions segment increased \$48.8 million \$40.7 million to \$81.5 million \$90.2 million, or 149.4% 82.3%, for the six nine months ended June 30, 2022 September 30, 2022, compared to the six nine months ended June 30, 2021 September 30, 2021. The gross profit increase is mainly attributable to higher revenues generated for the six nine months ended June 30, 2022 September 30, 2022, as noted above.

Aircraft gross profit margins increased to 38.0% for the six nine months ended June 30, 2022 September 30, 2022, from 27.8% 32.8% for the six nine months ended June 30, 2021 September 30, 2021 due to higher margin on Flight Equipment sales, and lower inventory obsolescence reserves of \$3.8 million. Engine gross profit margin was 46.3% 46.0% for the six nine months ended June 30, 2022 September 30, 2022, an increase from 42.0% 37.4% for the six nine months ended June 30, 2021 September 30, 2021, which was primarily the result of higher margins on Flight Equipment sales and engine leasing activity, offset by higher inventory obsolescence reserves of \$0.8 million and the impairment of Flight Equipment in Russia of \$0.9 million.

TechOps

Our revenue from TechOps increased by \$12.5 million \$18.5 million or 20.6% 21.7%, to \$73.3 million \$103.8 million for the six nine months ended June 30, 2022 September 30, 2022, compared to the prior year period. The increase was primarily driven by the sale of Flight Equipment, which was purchased and controlled by the TechOps segment prior to its ultimate sale; sale, along with improved landing gear and component repair activities; offset by lower revenues from services as a result of a shift in resources to support our cargo conversion projects on the B757 product line, as well as lower storage and related maintenance activities in our Roswell facility as operators continue to return aircraft into active status, status, as well as a shift in resources at our Goodyear facility to support our cargo conversion projects on the B757 product line.

Cost of sales in TechOps increased \$10.3 \$17.3 million or 23.9% 29.0%, to \$53.2 million \$76.8 million for the six nine months ended June 30, 2022 September 30, 2022 compared to the prior year period, driven by costs generated from the sale of Flight Equipment of \$16.1 million; offset by lower and cost of sales on MRO Services due to lower revenues as associated with revenue fluctuations noted above. Gross profit in TechOps increased \$2.3 million \$1.2 million, or 12.7% 4.9% for the six nine months ended June 30, 2022 September 30, 2022 compared to the six nine months ended June 30, 2021 September 30, 2021, driven by the profit generated from the sale of Flight Equipment of \$7.5 million, offset by lower gross profit of \$5.3 million \$6.2 million on MRO Services, services. Gross profit margin decreased to 27.5% 26.0% for the six nine months ended June 30, 2022 September 30, 2022 compared to 29.4% 30.2% for the six nine months ended June 30, 2021 September 30, 2021, and was largely attributable to lower margin generated on MRO Services services of 23.6% 22.5% for the six nine months ended June 30, 2022 September 30, 2022 compared to 28.5% 28.8% during the six nine month ended June 30, 2021 September 30, 2021, driven by lower margin maintenance work at our Roswell facility.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$17.0 million \$18.2 million, or 56.1% 34.2% to \$47.3 million \$71.3 million for the six nine months ended June 30, 2022 September 30, 2022, compared to the prior year period. The increase was mostly related to share-based compensation expense of \$7.0 million for performance restricted stock units not deemed probable of achieving performance targets as of the second quarter of 2021. The remaining increase relates to higher payroll expenses associated with market adjustments, and additional headcount, and higher share-based compensation expense of \$3.1 million, as well as higher cost incurred on information technology and cybersecurity, cybersecurity, professional consulting fees, and facility costs.

Payroll Support Program Proceeds

We recognized CARES Act proceeds of \$14.8 million during the six nine months ended June 30, 2021 September 30, 2021. No such proceeds have been received or recognized during the six nine months ended June 30, 2022 September 30, 2022.

As of June 30, 2022 September 30, 2022, we were in compliance with the applicable provisions of the CARES Act, Payroll Support Extension Law, and American Rescue Plan Act of 2021.

Change in Fair Value of Warrant Liability

We account for our private warrants as a liability at their fair value, with changes in fair value recognized in our results from operations for the period. The fair value of our private warrants is determined using a Black Scholes option pricing model. For the six nine months ended June 30, 2022 September 30, 2022, we recorded a \$0.1 million benefit \$1.9 million expense in fair value of the warrant liability income, compared to a \$0.6 million \$2.7 million expense in the prior year period.

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Interest Expense/Income (Expense)

Interest There was no interest expense decreased to \$0.4 million for during the six nine months ended June 30, 2022 September 30, 2022, compared to \$0.5 million \$0.8 million expense for the six nine months ended June 30, 2021 September 30, 2021 and was primarily related to higher interest income on available cash balance, offset by unused balance fees on our amended and restated revolving credit agreement (the "Revolving Credit Agreement"), offset by higher interest income on available cash balances.

Income Taxes

The effective tax rate for the six nine months ended June 30, 2022 September 30, 2022 was 20.1% 22.2% compared to 22.3% 26.0% for the six nine months ended June 30, 2021 September 30, 2021. The difference between the effective tax rate and the statutory tax rate of 21% for the six nine months ended June 30, 2022 September 30, 2022 is primarily due to the impact of state income taxes and non-deductible executive compensation, offset by the foreign derived intangible income deduction. The difference between the effective tax rate and the statutory tax rate of 21% for the six nine months ended June 30, 2021 September 30, 2021 is primarily due to the impact of state income taxes offset by and non-deductible changes in the foreign derived intangible income deduction, fair value of the warrant liability.

Financial Position, Liquidity and Capital Resources

As of June 30, 2022 September 30, 2022, we had \$197.2 million \$151.4 million of cash and cash equivalents. We finance our growth through cash flows generated from operations and borrowings secured by our assets. There were no borrowings during the six nine months ended June 30, 2022 September 30, 2022. We had no outstanding balance on the Company's Revolving Credit Agreement as of June 30, 2022 September 30, 2022, and we had \$107.7 million \$108.0 million of availability thereunder. We generated used cash flows from in operations of \$41.2 million \$2.4 million for the six nine months ended June 30, 2022 September 30, 2022, and generated cash for from investing activities of \$25.5 million \$23.2 million for the six nine months ended June 30, 2022 September 30, 2022.

We believe our equity base, internally generated funds, and existing availability under our debt facility are sufficient to maintain our level of operations through June 30, 2023 September 30, 2023. If an event occurs that would affect our ability to meet our capital requirements, our ability to continue to grow our asset base consistent with historical trends could be impaired and our future growth limited to that which can be funded from internally generated capital.

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We may, from time to time, purchase our outstanding shares of common stock through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, legal and regulatory considerations, contractual restrictions and other factors. Purchases, if any, will be funded through our available cash from operations. The amounts involved may be material.

Cash Flows— Six Nine months ended June 30, 2022 September 30, 2022 compared to six nine months ended June 30, 2021 September 30, 2021

Cash Flows from Operating Activities

Net cash provided by used in operating activities was \$41.2 million \$2.4 million for the six nine months ended June 30, 2022 September 30, 2022, compared to cash provided of \$8.6 \$26.4 million for the same period in 2021. The increase decrease of \$32.6 million \$28.8 million was primarily due to higher net income and sales the application of Flight Equipment, offset by previously collected deposits to sale of whole assets during the period, along with timing of collections and applications of lease and purchase deposits and accounts receivable, cash advances to vendors.

Cash Flows from Investing Activities

Net cash provided by investing activities was \$25.5 million \$23.2 million for the six nine months ended June 30, 2022 September 30, 2022, compared to cash provided of \$3.6 million \$5.9 million in the same period for 2021. Cash provided by investing activities during the six nine months ended June 30, 2022 September 30, 2022 was driven by the sale of Flight Equipment. Cash provided by investing activities during the six nine months ended June 30, 2021 September 30, 2021 was also driven by the sale of Flight Equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$0.3 million for the six nine months ended June 30, 2022, compared to cash provided of \$0.3 million in the same period for September 30, 2022 and 2021. Cash provided by financing activities during the six nine months ended June 30, 2022 September 30, 2022 is primarily related to the proceeds from the issuance and the sale of shares under the Employee Stock Purchase Plan ("ESPP"). Cash provided by financing activities during the six nine months ended June 30, 2021 September 30, 2021 is the result of proceeds from the exercise of public warrants.

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Debt Obligations and Covenant Compliance

Our Revolving Credit Agreement provided commitments for a \$110.0 million revolving credit facility and includes a \$10.0 million sub facility for letters of credit and for borrowings on same-day notice referred to as "swingline loans." The maximum amount of such commitments available at any time for borrowings and letters of credit is determined according to a borrowing base calculation equal to the sum of eligible inventory and eligible accounts receivable reduced by the aggregate amount, if any, of trade payables of the loan parties, as defined in the Revolving Credit Agreement. Extensions of credit under the Revolving Credit Agreement are available for working capital and general corporate purposes.

Effective March 12, 2021, we amended our Revolving Credit Agreement to increase our maximum commitments under the Revolving Credit Agreement to a \$150.0 million aggregate amount, subject to borrowing base limitations, and to extend the maturity date to March 12, 2024, subject to certain conditions.

As of June 30, 2022 September 30, 2022, there was no outstanding balance under the Revolving Credit Agreement and we had \$107.7 million \$108.0 million of availability thereunder. We were in compliance with our debt covenants as of June 30, 2022 September 30, 2022.

Off-Balance Sheet Arrangements and Contractual Obligations

We did not have any off-balance sheet arrangements as of June 30, 2022 September 30, 2022. Refer to Note M – Commitments and Contingencies within our Condensed Consolidated Financial Statements for a listing of our non-cancelable contractual obligations under operating leases.

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Subsequent to June 30, 2022, the The Company has entered into a purchase commitment with Universal Avionics, a subsidiary of Elbit Systems, valued at \$33 million \$33.1 million for the acquisition of technical equipment for manufacturing our AerAware product. The commitment is expected to be satisfied by the fourth quarter of 2023. The Company has expanded its commitment for the purchase of cargo

conversion kits to support its B757 freighter conversion program in the amount of \$40.9 million. The commitment is expected to be satisfied during 2023.

Critical Accounting Policies and Estimates

The preparation of the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of our critical accounting estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2021 Annual Report. We continually review these estimates and their underlying assumptions to ensure they are appropriate for the circumstances. Changes in the estimates and assumptions we use could have a material impact on our financial results. During the three and six nine months ended June 30, 2022 September 30, 2022, there were no material changes in our estimates and critical accounting policies.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are subject to market risks. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and sales. Our exposure to market risk includes fluctuating interest rates and changes in foreign exchange rates.

Interest Rate Risk

We are exposed to the risk that our earnings and cash flows could be adversely impacted by fluctuations in interest rates associated with borrowings under our Amended and Restated Credit Agreement, or the Credit Facility, which has variable interest rates tied to LIBOR. As of June 30, 2022 September 30, 2022, we had no outstanding variable rate borrowings under our Credit Facility. Therefore, a ten percent increase in the average interest rate affecting our variable rate debt outstanding as of June 30, 2022 September 30, 2022 would not have had a material impact on our interest expense, financial position or continuing operations.

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Foreign Currency Exchange Risk

We primarily use the U.S. dollar as our functional currency in all markets in which we operate in order to reduce our foreign currency market risk. Only general office expense and payroll transactions for our international locations are denominated in local currency. A hypothetical ten percent devaluation of the U.S. dollar against foreign currencies would not have had a material impact on our financial position or continuing operations as of and for the three months ended June 30, 2022 September 30, 2022.

ITEM 4 CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act as of **June 30, 2022** **September 30, 2022**.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of **June 30, 2022** **September 30, 2022**.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended **June 30, 2022** **September 30, 2022** 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 not subject to any material legal proceedings.

ITEM 1A RISK FACTORS

There are no material changes in the information reported under Part I – Item 1A “Risk Factors” contained in the Annual Report except as set forth below.

We are exposed to risks associated with operating internationally.

We conduct business in a number of foreign countries, certain of which are politically unstable or subject to military, **civil conflicts** or **civil conflicts**, **other risks**. Consequently, we are subject to a variety of risks that are specific to international operations, including the following:

- military conflicts, civil strife, and political risks;
- export regulations that could erode profit margins or restrict exports;

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- compliance with the U.S. Foreign Corrupt Practices Act, the United Kingdom Bribery Act of 2010, and other anti-bribery and anticorruption laws;
- the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- import and export duties and value added taxes;
- foreign exchange risk;
- transportation delays and interruptions;
- **natural disasters, adverse weather and climate change;**

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- uncertainties arising from foreign local business practices and cultural considerations; and
- changes in United States policies on trade relations and trade policy, including implementation of or changes in trade sanctions, tariffs, and embargoes.

Measures that we have or will adopt to reduce the potential impact of losses resulting from the risks of doing business internationally may not be adequate, and the regions in which we operate might not continue to be stable enough to allow us to operate profitably or at all.

The war in the Ukraine is creating an adverse climate for our business. The U.S. government has imposed enhanced export restrictions and controls on certain products and technology, as well as sanctions on certain industry sectors and parties in Russia, Belarus and parts of the Ukraine. The governments of other jurisdictions in which we may conduct business, such as the European Union, have also implemented sanctions or other restrictive measures. These sanctions include controls on the export and re-export of certain goods, supplies, and technologies, supply of aircraft and aircraft components to Russian persons or for use in Russia, subject to certain wind-down periods, and the imposition of restrictions on doing business with certain state-owned Russian customers and other investments and business activities in Russia. In order to comply with these sanctions, the Company ceased pursuing future business in Russia and terminated our three leases with operators doing business in Russia, successfully repossessing two aircraft with one engine still unrecovered. Due to continued uncertainty in the ability to recover this engine from Russia or to collect insurance coverage, we have fully impaired this asset. These sanctions and enhanced export controls, as well as any responses from Russia may adversely affect the Company and/or our supply chain, business partners or customers, flight activity, demand for MRO and leasing services and the related macro environment. The economic and security conditions may limit the Company's ability to provide its services or products to certain customers, as well as limit its ability to receive payments. The totality of these events, sanctions and restrictions may have a material adverse effect on our business, financial condition, liquidity and results of operations. These sanctions and restrictions may also jeopardize and adversely impact the availability and cost of insurance which that covers any assets or operations that may be subject to these restrictions and enhanced sanctions.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Equity Securities

None.

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Use of Proceeds

None.

Issuer Purchases of Equity Securities

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

None.

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ITEM 6 EXHIBITS

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished	Exhibit Description	Incorporated by Reference				Filed/ Furnished
		Form	File No.	Exhibit	Filing Date	Herewith		Form	File No.	Exhibit	Filing Date	Herewith
2.1	Agreement and Plan of Merger, dated December 8, 2019, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	2.1	12/9/2019		Agreement and Plan of Merger, dated December 8, 2019, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	2.1	12/9/2019	

2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated August 13, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	10-Q	001-38801	2.1	8/14/2020	Amendment No. 1 to the Agreement and Plan of Merger, dated August 13, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	10-Q	001-38801	2.1	8/14/2020
2.3	Amended and Restated Agreement and Plan of Merger, dated September 8, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	2.1	09/08/2020	Amended and Restated Agreement and Plan of Merger, dated September 8, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	2.1	09/08/2020

2.4	Amendment No. 1 to the Amended and Restated Agreement and Plan of Merger, dated December 16, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	10.5	12/17/2020
3.1	Amended and Restated Certificate of Incorporation of Monocle Holdings Inc., dated October 13, 2020.	S-4/A	333-235766	3.1	10/14/2020
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Monocle Holdings Inc., dated December 22, 2020.	8-K	001-38801	3.2	12/23/2020
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of AerSale Corporation, dated June 17, 2021.	10-Q	001-38801	3.3	08/09/2021

3.4	Amended and Restated Bylaws of Monocle Holdings Inc., dated October 13, 2020.	S-4/A	333-235766	3.2	10/14/2020
3.5	Amendment No. 1 to the Amended and Restated Bylaws of Monocle Holdings Inc., dated December 22, 2020.	8-K	001-38801	3.4	12/23/2020

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.4	Amendment No. 1 to the Amended and Restated Agreement and Plan of Merger, dated December 16, 2020, by and among Monocle Acquisition Corporation, Monocle Holdings Inc., AerSale Corp., Monocle Merger Sub 1 Inc., Monocle Merger Sub 2 LLC, and Leonard Green & Partners, L.P., in its capacity as the Holder Representative.	8-K	001-38801	10.5	12/17/2020	
3.1	Amended and Restated Certificate of Incorporation of Monocle Holdings Inc., dated October 13, 2020.	S-4/A	333-235766	3.1	10/14/2020	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Monocle Holdings Inc., dated December 22, 2020.	8-K	001-38801	3.2	12/23/2020	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of AerSale Corporation, dated June 17, 2021.	10-Q	001-38801	3.3	08/09/2021	
3.4	Amended and Restated Bylaws of Monocle Holdings Inc., dated October 13, 2020.	S-4/A	333-235766	3.2	10/14/2020	
3.5	Amendment No. 1 to the Amended and Restated Bylaws of Monocle Holdings Inc., dated December 22, 2020.	8-K	001-38801	3.4	12/23/2020	
4.1	Specimen Common Stock Certificate of Monocle Holdings Inc.	S-4/A	333-235766	4.2	02/14/2020	
4.2	Specimen Warrant Certificate of Monocle Holdings Inc.	S-4/A	333-235766	4.3	02/14/2020	
4.3	Warrant Agreement, dated February 6, 2019, between Monocle Acquisition Corporation and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-38801	4.1	02/12/2019	
10.25	AerSale Corporation Amended and Restated Non-Employee Director Policy.					*

10.26	Form of Restricted Stock Unit Grant Notice under the AerSale Corporation 2020 Equity Incentive Plan (Non-Employee Directors)	*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	**
101.INS	Inline XBRL Instance Document	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/
		Form	File No.	Exhibit	Furnished Herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				*
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information continued in Exhibits 101*)				*
*	Filed herewith				
**	Furnished herewith				

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/
		Form	File No.	Exhibit	Furnished Herewith
4.1	Specimen Common Stock Certificate of Monocle Holdings Inc.	S-4/A	333-235766	4.2	02/14/2020
4.2	Specimen Warrant Certificate of Monocle Holdings Inc.	S-4/A	333-235766	4.3	02/14/2020
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31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).				*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).				*

32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	**
101.INS	Inline XBRL Instance Document	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information continued in Exhibits 101*)	*
*	Filed herewith	
**	Furnished herewith	

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SIGNATURES

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

AerSale Corporation

Date: August November 9, 2022

By: /s/ Nicolas Finazzo
 Nicolas Finazzo
 Chairman, Chief Executive Officer, Division President, TechOps
 and Director
(Principal Executive Officer)

Date: August November 9, 2022

By: /s/ Martin Garmendia
 Martin Garmendia
 Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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AERSALE CORPORATION
FIRST AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Non-employee members of the board of directors (the “**Board**”) of AerSale Corporation (the “**Company**”) shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Policy (this “**Policy**”). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company or an affiliate of Leonard Green & Partners, L.P. (each, a “**Non-Employee Director**”) who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall become effective on **February 8, 2022** (the “**Effective Date**”) and shall remain in effect until it is revised or rescinded by further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Policy shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors and between any subsidiary of the Company and any of its non-employee directors.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of \$50,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Lead Independent Director. A Non-Employee Director serving as Lead Independent Director of the Board shall receive an additional annual retainer of \$25,000 for such service.

(ii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of \$25,000 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, such Non-Employee Director shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Sections 1(a) and 1(b), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number

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of days during which the Non-Employee Director serves as a Non-Employee Director or in the applicable positions described in Section 1(b) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.

2. Equity Compensation. Effective as of the Effective Date, Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2020 Equity Incentive Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "**Equity Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and all equity grants hereunder are subject in all respects to the terms of the Equity Plan and any applicable award agreements.

(a) Annual Awards. Each Non-Employee Director who (i) serves on the Board as of the first business day of January of each year (the "**Annual Service Date**"), beginning January 2022 and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Service Date shall be automatically granted, on the date of such Annual Service Date, an award of restricted stock units that have an aggregate fair value on the date of such Annual Service Date of \$60,000 (as determined in accordance with FASB Accounting Codification Topic 718 ("**ASC 718**") and with the number of shares of common stock underlying such award subject to adjustment as provided in the Equity Plan). The restricted stock units shall vest and convert to shares on the first anniversary of the grant date. The awards described in this Section 2(a) shall be referred to as the "**Annual Awards**."

(b) Initial Awards. Except as otherwise determined by the Board, each Non-Employee Director who is initially elected or appointed to the Board shall be automatically granted, on the date of such Non-Employee Director's initial election or appointment (such Non-Employee Director's "**Start Date**"), an award of restricted stock units that have an aggregate fair value on such Non-Employee Director's Start Date equal to \$60,000 (as determined in accordance with ASC 718), but prorated for that portion of the year in which such director will serve on the Board until such director is eligible and qualifies for the Annual Award as set forth at 2(a) herein. The restricted stock units shall vest and convert to shares on the first anniversary of the grant date. The awards described in this Section 2(b) shall be referred to as "**Initial Awards**."

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(c) Vesting of Awards Granted to Non-Employee Directors. Each Annual Award and Initial Award shall vest and become exercisable on the first anniversary following the grant date of each the Annual Award and Initial Award, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date(s). No portion of an Annual Award or Initial Award that is unvested at the time of a Non-Employee Director's termination of service on the Board shall become vested thereafter unless otherwise determined by the Board. All of a Non-Employee Director's Annual Awards and Initial Awards shall vest in full immediately prior to the occurrence of a Change in Control (as defined in the Equity Plan), to the extent outstanding at such time.

Notwithstanding the foregoing, Annual Grants and Initial Grants will immediately vest pro rata upon (i) the non-employee director not being re-elected at the annual stockholder's meeting of the Company or (ii) upon the director's death or Disability. "**Disability**" means that the director is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which impairment can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances. Any such vesting shall be on a 1/365th pro-rata basis depending on the number of days the

non-employee director served as a non-employee director for the Company from the date of such grant until the date on which such non-employee director no longer serves on the Board. For the avoidance of doubt and as an example, if a non-employee director receives an Annual Award grant on January 1, and that non-employee director is not re-elected at the annual stockholder's meeting of the Company on June 15, the Annual Award grant made to such non-employee director on January 1, shall vest at the pro-rated amount of 135 (days of service)/365 (total days per year) or .369 of the number of shares granted.

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Exhibit 10.26

RESTRICTED STOCK UNIT GRANT NOTICE
UNDER THE
AERSALE CORPORATION
2020 EQUITY INCENTIVE PLAN
(Non-Employee Directors)

AerSale Corporation (the "**Company**"), pursuant to its 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the "**Plan**"), and its First Amended and Restated Non-Employee Directors Compensation Policy effective February 8, 2022, as it may be amended and restated from time to time (the "**Policy**") hereby grants to the Participant set forth below the number of Restricted Stock Units set forth below. The Restricted Stock Units are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant:

Grant Date:

Vesting Start Date:

**Number of Restricted
Stock Units:**

Vesting Schedule: 100% of the Restricted Stock Units shall vest on the first anniversary of the Grant Date, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date and subject to any exceptions in the Policy.

[Signature Pages and Restricted Stock Unit Agreement Follow]

AERSALE CORPORATION

By:
Title:

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT, AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT, AND THE PLAN.

PARTICIPANT¹

¹ To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereto.

[Signature Page to RSU Agreement]

**RESTRICTED STOCK UNIT AGREEMENT
UNDER THE
AERSALE CORPORATION
2020 EQUITY INCENTIVE PLAN**

(Non-Employee Directors)

Pursuant to the Restricted Stock Unit Grant Notice (the "**Grant Notice**") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Restricted Stock Unit Agreement (this "**Restricted Stock Unit Agreement**"), the AerSale Corporation 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the "**Plan**"), and the First Amended and Restated Non-Employee Directors Compensation Policy effective February 8, 2022, as it may be amended and restated from time to time (the "**Policy**"), AerSale Corporation (the "**Company**") and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Restricted Stock Units.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units provided in the Grant Notice (with each Restricted Stock Unit representing an unfunded, unsecured right to receive one share of Common Stock). The Company may make one or more additional grants of Restricted Stock Units to the Participant under this Restricted Stock Unit Agreement by providing the Participant with a new Grant Notice, which may also include any terms and conditions differing from this Restricted Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Restricted Stock Units hereunder and makes no implied promise to grant additional Restricted Stock Units.
2. **Vesting.**
 - (a) Subject to the conditions contained herein, and in the Plan and in the Policy, the Restricted Stock Units shall vest as provided in the Grant Notice.
 - (b) In the event of a Change in Control, provided that the Participant has not undergone a Termination prior to occurrence thereof, any unvested Restricted Stock Units will become vested as of immediately prior to such Change in Control.
3. **Settlement of Restricted Stock Units.** The Company will deliver to the Participant, without charge, as soon as reasonably practicable following the applicable vesting date (and in no event later than March 15th of the calendar year following the calendar year in which such vesting date occurs), one share of Common Stock for each Restricted Stock Unit (as adjusted under the Plan, as applicable) which becomes vested hereunder and such vested Restricted Stock Unit shall be cancelled upon such delivery. The Company shall either (a) deliver, or cause to be delivered, to the Participant a certificate or certificates therefor, registered in the Participant's name or (b) cause such shares of Common Stock to be credited to the Participant's account at the third party stock plan administrator. Notwithstanding anything in this Restricted Stock Unit Agreement to the contrary, the Company shall have no obligation to issue or transfer any shares of Common Stock as contemplated by this Restricted Stock Unit Agreement unless and until such issuance or transfer complies with all relevant provisions of law and the requirements of any stock exchange on which the Company's shares of Common Stock are listed for trading.
4. **Treatment of Restricted Stock Units Upon Termination or Severance from the Board.** The provisions of Section 9(c)(ii) of the Plan and Paragraph 2(c) of the Policy are incorporated herein by reference and made a part hereof.

5. **Company; Participant.**

- (a) The term "Company" as used in this Restricted Stock Unit Agreement with reference to service shall include the Company and its Subsidiaries.

- (b) Whenever the word "Participant" is used in any provision of this Restricted Stock Unit Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the word "Participant" shall be deemed to include such person or persons.
6. **Non-Transferability.** The Restricted Stock Units are not transferable by the Participant and no assignment or transfer of the Restricted Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Restricted Stock Units shall terminate and become of no further effect.
7. **Rights as Shareholder; No Dividend Equivalents.** The Participant shall have no rights as a shareholder with respect to any share of Common Stock (whether in respect of voting or dividend or distribution rights or otherwise) underlying a Restricted Stock Unit unless and until the Participant shall have become the holder of record or the beneficial owner of such share of Common Stock.
8. **Tax Withholding.** The provisions of Section 13(d) of the Plan are incorporated herein by reference and made a part hereof.
9. **Section 409A.** It is intended that the Restricted Stock Units granted hereunder shall be exempt from Section 409A of the Code pursuant to the "short-term deferral" rule applicable to such section, as set forth in the regulations or other guidance published by the Internal Revenue Service thereunder.
10. **Notice.** Every notice or other communication relating to this Restricted Stock Unit Agreement between the Company and the Participant shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company's General Counsel, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted, or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.
11. **No Right to Continued Service.** Any questions as to whether and when there has been a Termination shall be determined in the sole discretion of the Company. This Restricted Stock Unit Agreement does not confer upon the Participant any right to continue as a director or service provider to the Company.
12. **Binding Effect.** This Restricted Stock Unit Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.
13. **Waiver and Amendments.** Except as otherwise set forth in Section 12 of the Plan, any waiver, alteration, amendment, or modification of any of the terms of this Restricted Stock Unit Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however*, that any such waiver, alteration, amendment, or modification is consented to on the Company's behalf by the Committee. No waiver by either

of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

14. **Clawback / Forfeiture.** Notwithstanding anything to the contrary contained herein or in the Plan, if the Participant has engaged in or engages in any Detrimental Activity, then the Committee may, in its sole discretion, take actions permitted under the Plan, including: (i) canceling the Restricted Stock Units; or (ii) requiring that the Participant forfeit any gain realized on the settlement of the Restricted Stock Unit or the disposition of any shares of Common Stock received upon settlement of the Restricted Stock Units, and repay such gain to the Company. In addition, if the Participant receives any amount in excess of what the Participant should have received under the terms of this Restricted Stock Unit Agreement for any reason (including without limitation by reason of a financial restatement, mistake in calculations, or other administrative error), then the Participant shall be required to repay any such excess amount to the Company. Without limiting the foregoing, all Restricted Stock Units shall be subject to reduction, cancellation, forfeiture, or recoupment to the extent necessary to comply with applicable law.
15. **Governing Law and Venue.** This Restricted Stock Unit Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Restricted Stock Unit Agreement, the Grant Notice, or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Restricted Stock Unit Agreement, the Grant Notice, or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.
16. **Plan.** The terms and provisions of the Plan and the Policy are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan, the Policy and the provisions of this Restricted Stock Unit Agreement (including the Grant Notice), the Plan and the Policy shall govern and control.
17. **Acquired Rights.** The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the award of the Restricted Stock Units made under this Restricted Stock Unit Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; and (c) no past grants or awards (including, without limitation, the Restricted Stock Units awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever.
18. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan and the Policy by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
19. **Entire Agreement.** This Restricted Stock Unit Agreement, the Grant Notice, the Plan and the Policy constitute the entire agreement of the parties hereto in respect of the subject matter contained herein and supersede all prior agreements and understandings of the parties, oral and written, with respect to such subject matter.

CERTIFICATION

I, Nicolas Finazzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AerSale Corporation;
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.

Date: August 9, 2022 November 9, 2022

By: /s/ Nicolas Finazzo

Nicolas Finazzo
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Martin Garmendia, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of AerSale Corporation;
- 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.

Date: August 9, 2022 November 9, 2022

By: _____
/s/ Martin Garmendia
Martin Garmendia
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION 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 AerSale Corporation (the "Company") for the period ended June 30, 2022 September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my 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.

Date: August 9, 2022 November 9, 2022

By: _____
/s/ Nicolas Finazzo
Nicolas Finazzo
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION 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 AerSale Corporation (the "Company") for the period ended June 30, 2022 September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of

the Sarbanes-Oxley Act of 2002, that, to the best of my 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.

Date: August 9, 2022 November 9, 2022

By: _____ /s/ Martin Garmendia

Martin Garmendia
Chief Financial Officer
(Principal Financial Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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