AVIATION CAPITAL GROUP LLC
AND SUBSIDIARIES

Consolidated Financial Statements
as of December 31, 2022 and 2021 and
for the years ended December 31, 2022, 2021, and 2020
and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Aviation Capital Group LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of Aviation Capital Group LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of (loss) income, equity, and cash flows for each of the three years ended December 31, 2022, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

February 14, 2023

CONSOLIDATED BALANCE SHEETS

(In Thousands)	December 31, 2022	2021
ASSETS		
Cash and cash equivalents	$183,774	$458,218
Restricted cash	16,705	101,845
Flight equipment held for lease, net	10,569,242	10,328,184
Assets held for sale	28,245	27,139
Prepayments on flight equipment	589,051	459,499
Notes receivable, net	520,484	229,311
Investment in finance leases, net	157,996	178,911
Other assets, net	301,750	351,573
TOTAL ASSETS	$12,367,247	$12,134,680
LIABILITIES AND EQUITY		
Liabilities:		
Debt financings, net	$8,175,651	$7,466,938
Maintenance reserves	535,670	505,933
Accounts payable, accrued expenses and other liabilities	246,267	190,076
Security deposits	140,568	114,032
TOTAL LIABILITIES	9,098,156	8,276,979
Commitments and contingencies (Note 11)		
Equity:		
Member's equity	3,269,091	3,857,701
TOTAL EQUITY	3,269,091	3,857,701
TOTAL LIABILITIES AND EQUITY	$12,367,247	$12,134,680

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(In Thousands)	Years Ended December 31, 2022	2021	2020
REVENUES			
Operating lease revenue	$887,315	$878,535	$900,856
Amortization of lease incentives and premiums, net	(27,919)	(26,062)	(24,162)
Maintenance revenue	52,087	71,329	56,793
Gain on sale of flight equipment, net	5,948	18,369	11,871
Other income	87,721	98,623	65,430
TOTAL REVENUES	1,005,152	1,040,794	1,010,788
EXPENSES			
Depreciation	451,023	428,217	406,355
Interest, net	285,852	268,747	281,134
Asset impairment	153,384	83,695	83,829
Losses incurred from Russia exposure	574,666	—	—
Selling, general and administrative, net	128,786	125,166	134,381
TOTAL EXPENSES	1,593,711	905,825	905,699
(Loss) income before provision for (benefit from) income taxes	(588,559)	134,969	105,089
Provision for (benefit from) income taxes	51	(4,992)	1,081
NET (LOSS) INCOME	$(588,610)	$139,961	$104,008

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EQUITY

(In Thousands)	Total Equity
BALANCES, DECEMBER 31, 2019	**$3,613,732**
Net income	104,008
BALANCES, DECEMBER 31, 2020	**3,717,740**
Net income	139,961
BALANCES, DECEMBER 31, 2021	**3,857,701**
Net loss	(588,610)
BALANCES, DECEMBER 31, 2022	**$3,269,091**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Years Ended December 31, 2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$(588,610)	$139,961	$104,008
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	451,023	428,217	406,355
Asset impairment	153,384	83,695	83,829
Losses incurred from Russia exposure	574,666	—	—
Maintenance reserves, security deposits and lease incentives included in earnings	(35,729)	(64,134)	(35,544)
Amortization of debt acquisition costs and original issuance discounts	26,727	30,163	22,189
Amortization of lease incentives and premiums, net	27,919	26,062	24,162
Gain on sale of flight equipment, net	(5,948)	(18,369)	(11,871)
Other operating activities, net	(14,483)	(5,382)	6,981
Change in operating assets and liabilities	30,727	(185,290)	(268,957)
NET CASH PROVIDED BY OPERATING ACTIVITIES	619,676	434,923	331,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of flight equipment and related assets	(1,255,852)	(1,103,433)	(768,560)
Issuance of notes receivable	(344,470)	(131,126)	(195,800)
Prepayments on flight equipment	(301,475)	(243,137)	(298,614)
Proceeds from sale of flight equipment and related assets	139,779	311,560	258,777
Capitalized interest on prepayments on flight equipment	(11,996)	(9,997)	(22,612)
Receipts of notes receivable	30,376	196,559	13,605
Refunded prepayments on flight equipment	7,817	508,034	263,298
Other investing activities, net	35,242	45,310	41,455
NET CASH USED IN INVESTING ACTIVITIES	(1,700,579)	(426,230)	(708,451)

(Continued)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Years Ended December 31, 2022	2021	2020
(Continued)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from debt financings	$1,062,033	$1,602,499	$2,131,385
Proceeds from (repayment of) revolving credit facilities and commercial paper, net	(304,609)	1,012,050	(804,000)
Repayment of debt financings	(176,236)	(2,858,334)	(769,048)
Receipts of maintenance reserves, net of payments	114,045	61,445	15,724
Receipts of security deposits, net of payments	32,796	15,880	5,813
Other financing activities, net	(6,710)	(13,381)	(9,352)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	721,319	(179,841)	570,522
Net change in cash and cash equivalents and restricted cash	(359,584)	(171,148)	193,223
Cash and cash equivalents and restricted cash, beginning of year	560,063	731,211	537,988
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$200,479	$560,063	$731,211
RECONCILIATION TO CONSOLIDATED BALANCE SHEETS			
Cash and cash equivalents	$183,774	$458,218	$595,500
Restricted cash	16,705	101,845	135,711
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$200,479	$560,063	$731,211
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid, net of capitalized interest	$249,341	$247,402	$258,912
Non cash transfer from prepayments on flight equipment to flight equipment held for lease, net	$178,217	$291,383	$303,484
Non cash transfer from assets held for sale to notes receivable, net	—	$105,230	—

See Notes to Consolidated Financial Statements

1. ORGANIZATION

Aviation Capital Group LLC, a Delaware limited liability company (ACG LLC), together with its subsidiaries (collectively ACG, we, us, or our) is a full service aircraft asset manager. Our business consists primarily of the acquisition, disposition and leasing of commercial jet aircraft and our principal activity is to invest in and lease commercial jet aircraft pursuant to operating leases. We also provide certain aircraft asset management services and aircraft financing solutions (AFS) for third parties. Our lessee customers are primarily commercial airlines operating across the globe.

ACG LLC is a wholly owned subsidiary of TC Skyward Aviation U.S., Inc. (TCSA), a Delaware corporation and direct subsidiary of Tokyo Century Corporation (Tokyo Century), a Japanese corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Our consolidated financial statements include the accounts of all entities in which we have a controlling financial interest, including the accounts of any variable interest entity (VIE) where we are the primary beneficiary.

All intercompany transactions and balances have been eliminated in consolidation.

We manage, operate and present our business as a single segment.

Certain line items have been expanded or combined in the presentation of the 2021 and 2020 consolidated balance sheets, consolidated statements of (loss) income, consolidated statements of cash flows, and footnotes to conform to the 2022 presentation.

RISK AND UNCERTAINTIES

In the normal course of business, we encounter several significant types of economic risk including, but not limited to, credit, market, aviation industry and capital market risks. Credit risk is the risk of a lessee's inability or unwillingness to make contractually required payments and to fulfill its other contractual obligations. Market risk reflects the change in the value of financings, guarantees and derivatives due to changes in interest rate spreads, including the value of collateral underlying financings or other market factors. Aviation industry risk is the risk of a downturn in the commercial aviation industry that could adversely affect a lessee's ability to make payments, increase the risk of unscheduled lease terminations, depress lease rates and depress the value of our aircraft. Capital market risk is the risk that we are unable to obtain capital at reasonable rates to fund the growth of our business or to refinance existing debt.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires that we make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. While we believe that the estimates and related assumptions used in the preparation of the consolidated financial statements are reasonable, actual results could differ from those estimates. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, acquired contractual rights, accruals, asset valuation and guarantee reserves. In developing these estimates, we are required to make subjective and complex decisions that are inherently uncertain and subject to material changes as facts and circumstances change.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

RESTRICTED CASH

Restricted cash includes cash held by banks that is subject to withdrawal restrictions. Such amounts are typically restricted under secured debt agreements.

FLIGHT EQUIPMENT HELD FOR LEASE, NET AND DEPRECIATION

We record our flight equipment held for lease at cost less accumulated depreciation. Cost consists of the acquisition price, including interest capitalized during the construction period of a new aircraft, and major improvements. Depreciation to our estimated residual value is computed using the straight-line method over the estimated useful life of the aircraft, which is generally 25 years from the date of manufacture. We capitalize major improvements to aircraft as incurred and depreciate the improvements over the shorter of the remaining useful life of the aircraft or the improvement.

We test for potential impairment whenever events or changes in circumstances indicate that the carrying value of our flight equipment may not be recoverable. We test for potential impairment utilizing a two-step process. Step one is a review of the recoverability which includes an assessment of the estimated future undiscounted cash flows associated with the use of the flight equipment and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which includes the individual aircraft and the lease-related assets of that aircraft (the Asset Group). Under step two, if the future undiscounted cash flows of the flight equipment are less than the Asset Group's carrying value, the Asset Group is deemed impaired and re-measured to fair value. We measure the impairment, if any, as the excess of the carrying value of the Asset Group over its fair value on the measurement date. An impairment loss for an Asset Group reduces the carrying value of the long-lived assets related to that Asset Group.

ASSETS HELD FOR SALE

We evaluate all proposed flight equipment sale transactions to determine whether the required criteria have been met under U.S. GAAP to classify the flight equipment or Asset Group as assets held for sale. We use judgment in evaluating these criteria. Assets held for sale are valued at the lower of depreciated cost or fair value less costs to sell. We cease recognition of depreciation expense upon transfer to assets held for sale. We continue to recognize operating lease revenue until the disposition date. Rent collected from the contracted sale date through the disposition date generally reduces the sale proceeds. An asset impairment is recorded for assets held for sale when the carrying value of the Asset Group exceeds its fair value, less estimated cost to sell.

PREPAYMENTS ON FLIGHT EQUIPMENT AND CAPITALIZED INTEREST

Prepayments on flight equipment represent progress payments, and capitalized interest thereon, associated with aircraft order positions we hold with various aircraft manufacturers and deposits paid for aircraft purchases with other third parties. We earn interest on certain prepayments on flight equipment, which is included in other income.

We use debt financings to fund these payments during the period the aircraft is under production. We capitalize the interest expense on such financings thereby reducing the interest expense we report for the period. The amount capitalized is calculated using a composite borrowing rate for unsecured financings and is recorded as an increase to prepayments on flight equipment and ultimately the cost of the aircraft.

Prepayments on flight equipment, deposits paid on third party aircraft purchases and capitalized interest are capitalized to the aircraft's cost upon delivery.

NOTES RECEIVABLE, NET

Notes receivable, net primarily consist of loans made by us to third-party airlines through our AFS program. The AFS notes receivable are secured by aircraft purchased with the proceeds of such loans. The loans are carried at cost, net of principal paydowns and deferred fees. Fees generated on the loans are deferred and amortized over the life of the notes and included as offsets to notes receivable, net. Interest income on performing notes is accrued and recognized at the contractual rate and included in other income.

As of December 31, 2022 and 2021, the carrying value of the notes receivable, net of deferred fees, was $520.5 million and $229.3 million, respectively, which approximated its fair value at such dates. The notes receivable mature between 2025 and 2039.

ACQUIRED AIRCRAFT CONTRACTUAL RIGHTS

When we acquire used aircraft subject to operating leases, we allocate and record the cost of all assets acquired based on their relative fair value. Assets acquired generally include aircraft and certain contractual rights we acquire under a lease agreement. Contractual rights include the right to receive lease cash flows above or below market rates (Lease Premium or Discount) and aircraft maintenance right assets and liabilities, which are assessed at the time of acquisition.

Lease Premium or Discount represents the present value of the difference in cash flows specified in an acquired lease agreement and the estimated cash flows the subject aircraft would command in market transactions at the acquisition date. We record Lease Premiums or Discounts in other assets, net.

Amortization of Lease Premiums are recognized as a reduction to revenues on a straight-line basis over the life of the lease. Amortization of Lease Discounts are recognized as an increase to revenues on a straight-line basis over the life of the lease.

We identify, measure, and account for maintenance right assets associated with our acquisitions of aircraft subject to a lease agreement. A maintenance right asset represents the fair value of the contractual right under a lease to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. A maintenance right liability represents the fair value of the contractual obligation under a lease to receive an aircraft in an inferior maintenance condition as compared to the maintenance condition on the acquisition date.

Our aircraft leases are principally structured as triple net leases whereby the lessee is responsible for maintaining the aircraft and paying operational, maintenance and insurance expenses. This is accomplished through one of two types of provisions in our leases: (i) end of lease return compensation based on the lessee's usage (EOL Leases) or (ii) periodic maintenance payments (MR Leases).

Under EOL Leases, we recognize receipt of cash compensation at the end of the lease as maintenance revenue to the extent such receipts exceed the maintenance rights asset, and we record an aircraft improvement when the maintenance rights asset exceeds the cash received to the extent the improvement is substantiated and meets our capitalization policy. Under MR Leases, we recognize maintenance revenue to the extent that the associated maintenance reserves exceed the maintenance right asset at the end of the lease if no qualified major maintenance is performed during the lease. If qualified major maintenance work is performed during the lease, we reimburse the lessee for the performance of some or all of the qualified major maintenance, reclassify the maintenance right asset to an aircraft improvement and any excess maintenance payments, net of reimbursements, are recognized as maintenance revenue.

When flight equipment is sold while on lease, contractual rights are recognized as part of the gain or loss on sale of flight equipment.

We evaluate all acquired aircraft contractual rights for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

DEBT FINANCINGS, NET

Debt financings are carried at the principal amount borrowed, net of principal paydowns, unamortized original issuance discounts, and debt acquisition costs. We amortize original issuance discounts and debt acquisition costs on a straight-line basis, which does not materially differ from the effective interest method, over the life of the related debt instrument/facility, and include the amortization in interest, net.

MAINTENANCE RESERVES AND MAINTENANCE REVENUE

Factors we consider when deciding if a lessee will make periodic maintenance payments, rather than making maintenance payments at the end of the lease term, include the creditworthiness of the lessee, the level of security deposit provided by the lessee and market conditions at the time we enter into the lease.

Under MR Leases, maintenance payments made to us in excess of the required reimbursements to the lessee are recognized as maintenance revenue when we no longer have the obligation to reimburse maintenance reserves.

Under EOL Leases, maintenance payments made to us at the end of the lease term are recognized as maintenance revenue when received. Maintenance payments we make to the lessee are capitalized and depreciated on a straight-line basis until the next estimated scheduled maintenance or overhaul event.

If the lessee fails to perform under the terms of the lease, we may use maintenance reserves to offset outstanding contractual obligations and/or record them as lease termination settlements which are included in other income.

SECURITY DEPOSITS

Most of our operating leases require the lessee to pay a cash deposit or provide a letter of credit for security for certain contractual obligations. Security deposits are generally returned to the lessee at the end of the lease. If the lessee fails to perform under the terms of the lease, we may use security deposits to offset outstanding contractual obligations and/or record them as lease termination settlements which are included in other income.

LEASE INCENTIVES AND LEASE ACQUISITION COSTS

Some of our leases contain provisions which require us to pay a portion of a lessee's major maintenance based on use of the aircraft and major life-limited components that were incurred prior to the current lease. At lease inception, we estimate the amounts we expect to pay the lessee during the lease term based on the estimated utilization of the aircraft by the lessee, the estimated maintenance cost, and the estimated amount the lessee is responsible to pay.

We do not recognize lease incentive liabilities at the inception of the lease. Estimated lease incentive liabilities are recognized as a reduction to operating lease revenues on a straight-line basis over the life of the lease with the offsetting lease incentive liability recorded to accounts payable, accrued expenses and other liabilities. When a payment is made to the lessee associated with the lease incentive, the lease incentive liability is reduced. Any amount paid in excess of the lease incentive liability is recorded as a prepaid lease incentive asset, which is included in other assets, net and continues to amortize as a reduction to operating lease revenue over the remaining life of the lease.

Major improvements funded by us pursuant to a lease agreement or lessee specific modifications (Lease Acquisition Costs) are capitalized and amortized as a reduction to operating lease revenues over the term of the related lease.

VARIABLE INTEREST ENTITIES

We evaluate our interests in all legal entities to determine if our interest is a variable interest and, if so, the legal entity is a VIE. For those legal entities that qualify as VIEs, we confirm their status on an ongoing basis and consolidate those VIEs in which we have a controlling financial interest and are thus deemed to be the primary beneficiary. A primary beneficiary has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

CONTINGENCIES

We evaluate each contingent matter separately. We record a loss when it is probable and reasonably estimable. Additionally, should we identify a contingency that does not meet our criteria for accrual, but we estimate a reasonably possible chance of occurrence, we will disclose the nature of the contingency and, when possible, provide an estimate of the potential loss.

GUARANTEES

Through our AFS program, we provide repayment guarantees for loans for the benefit of airlines to finance new aircraft deliveries or to finance aircraft already owned by the airlines. These guarantees are limited to the borrower's failure to timely repay principal and interest on the amortizing senior secured loans to the third-party lenders. The guaranteed loans are secured by aircraft purchased with the proceeds of such loans.

FAIR VALUE

Fair value is defined as the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

INCOME TAXES

We are a single member limited liability company that is a disregarded entity for U.S. federal and state income tax purposes and not subject to federal income tax. Our sole member, TCSA, is responsible for income taxes on our U.S. federal and state taxable income. As such, no recognition of U.S. federal or state income taxes has been provided for in the accompanying consolidated financial statements.

OPERATING LEASE REVENUE

Our aircraft leases are principally accounted for as operating leases. All of our current leases require payments in U.S. dollars (USD). We recognize operating lease revenue on a straight-line basis over the term of the lease agreements.

Lease payments received under the terms of the lease agreements, but unearned, are recorded as deferred income until earned. We evaluate the collectability of operating lease receivables at an individual customer level. We monitor all lessees with past due lease payments and consider relevant operational and financial issues facing those lessees, as well as collateral held in the form of security deposits, maintenance reserves and letters of credit in order to determine an appropriate allowance for doubtful accounts. We cease revenue recognition if collection of the scheduled lease payment is not reasonably assured. During the period when revenue recognition is ceased, we record revenue in the period that payment is received. We resume revenue recognition of the scheduled lease payments when we believe collectability is reasonably assured.

FINANCE LEASE REVENUE

If a new or modified lease does not qualify as an operating lease, we recognize the lease as a direct finance lease or a sales-type lease (collectively finance leases). At the inception of the lease agreement, a sales-type lease includes a profit or loss equal to the difference between the fair value of the aircraft and our carrying value. In a direct finance lease, the fair value of the aircraft and the carrying value are identical at lease inception.

Our investment in finance leases, net consists of future minimum lease payments, less the unearned income, plus the estimated unguaranteed residual value of the leased aircraft. We recognize the unearned income over the lease term in a manner that produces a constant rate of return on our net investment in finance leases; finance lease revenue is included in other income. We evaluate the collectability of finance leases at an individual customer level. We monitor all lessees with past due lease payments and consider relevant operational and financial issues facing those lessees in order to determine an appropriate allowance for doubtful accounts.

BAD DEBT EXPENSE

We evaluate the collectability of receivables (operating and finance lease receivables, deferral and restructuring receivables, and notes receivable) at an individual customer level. We monitor customers with past due payments and consider relevant operational and financial issues facing those customers, as well as our existing security packages in place with such customers, in order to determine an appropriate amount of bad debt expense or whether to shift such customers to revenue recognition on a cash basis. Bad debt expense is included in selling, general and administrative, net.

RELATED PARTY TRANSACTIONS

We disclose all material related party transactions. Because the requisite conditions of a competitive free-market may not exist, these transactions may differ from those available to us in the open market.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 - Leases, which, together with all subsequent amendments, set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The Company adopted the Accounting Standards Codification (“ASC”) 842 during the fourth quarter of 2022 using the optional transition method. Under this method, we continue to disclose comparative reporting periods in accordance with the previous accounting guidance, ASC 840, Leases. Based on our evaluation of the guidance, we noted that lessor accounting is similar to the previous standard, but the guidance impacted us in scenarios where we are the lessee.

For scenarios where we are the lessee in our office leases, we determine if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) lease assets under other assets, net, and lease obligations under accounts payable, accrued expenses and other liabilities. ROU lease assets represent our right to use an underlying asset for the lease term and lease obligations represent our obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As permitted by the amendments, we use the risk-free rate at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

As of December 31, 2022, we recognized operating ROU lease assets and obligations in the amounts of $14.7 million. The adoption of this standard did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 - Reference Rate Reform, which provides optional expedients and exceptions for applying current GAAP to contracts, hedging relationships, and other transactions affected by the transition from the use of LIBOR to an alternative reference rate. The guidance is applicable to contracts entered into before January 1, 2023. The Company adopted the new guidance in the fourth quarter of 2022. The adoption did not have a material impact on our 2022 financial statements.

FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In 2016, the FASB issued ASU 2016-13-Current Expected Credit Losses, which, together with all subsequent amendments, provides guidance on the measurement of credit losses for certain financial assets. The new guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. The amendments in this guidance are effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years with a cumulative-effect adjustment to member's equity under a modified-retrospective approach. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

3. FLIGHT EQUIPMENT HELD FOR LEASE, NET

The following table presents the components of flight equipment held for lease, net *(In Thousands)*:

	December 31,	
	2022	2021
Cost of flight equipment held for lease	$13,479,535	$12,989,489
Less: accumulated depreciation	(2,910,293)	(2,661,305)
Flight equipment held for lease, net	$10,569,242	$10,328,184

As of December 31, 2022 and 2021, maintenance right assets of $60.2 million and $74.6 million, respectively, were included in flight equipment held for lease, net.

As of December 31, 2022 and 2021, flight equipment held for lease, net, with carrying values of $304.1 million and $757.2 million, respectively, were pledged as collateral for our secured loans guaranteed by either the Export-Import Bank of the United States or the export credit agencies of the United Kingdom, France and/or Germany (collectively Export Credit Agencies) (Note 10).

The following table presents the future minimum lease rentals (inclusive of executed deferral and restructuring agreements) we are due under operating leases as of December 31, 2022 *(In Thousands)*:

Years Ended December 31:	
2023	$976,406
2024	870,392
2025	753,780
2026	675,534
2027	619,471
Thereafter	2,213,531
Total	$6,109,114

RUSSIA-UKRAINE CONFLICT

In February 2022, Russia launched a large-scale military invasion of Ukraine and is now engaged in a broad military conflict with Ukraine (Russia-Ukraine Conflict). In response, the United States, European Union, United Kingdom, and other countries have imposed broad, far-reaching sanctions and export controls against Russia, certain Russian persons and certain activities involving Russia or Russian persons. These sanctions include bans on the leasing or sale of aircraft to Russian controlled entities; prohibitions regarding the supply of aircraft and aircraft components to Russian controlled entities or for use in Russia, and corresponding prohibitions on providing technical assistance, brokering services, insurance and reinsurance and financing or financial assistance; and prohibitions restricting aircraft operated by Russian airlines from entering certain airspace. We have complied and will continue to comply with all applicable sanctions.

In March 2022, in compliance with the sanctions, we terminated all of our leasing activities in Russia, including eight aircraft in our owned fleet. In addition, we are a participant in two AFS transactions with a Russian airline, one through a repayment guarantee (Note 11) and one through a note receivable (Note 6). We have sought to repossess all 10 aircraft but have been unsuccessful other than as described below and most of the operators of these aircraft have continued to fly the aircraft notwithstanding the termination of our leasing activities and our repeated demands for the return of our assets. For aircraft that are not being used domestically in Russia, the airlines have sought approval from the Russian government to return the aircraft.

While we maintain title to all of the owned aircraft, the Russian government has generally prohibited Russian controlled entities from cooperating with non-Russian lessors including, among other things, returning aircraft to lessors that have terminated the leasing of such aircraft. Therefore, for the year ended December 31, 2022, we determined that it was unlikely we would regain possession of the aircraft that remained in Russia and we recorded a loss contingency, which represented our aggregate interest in these aircraft and is included in in losses incurred from Russia exposure.

We had letters of credit related to our owned aircraft leased to Russian airlines totaling $14.7 million. We presented requests for payment for all such letters of credit to the financial institutions and we received payments on all such letters of credit prior to March 31, 2022.

During the third quarter of 2022, one of the airlines secured approval from the Russian government to return one Boeing 737 MAX to us, and we repossessed the aircraft in October 2022. During the fourth quarter of 2022, we recorded the fair value of the returned aircraft and the corresponding offset to losses incurred from Russia exposure, which reduced our loss.

In November 2022, we issued a payment certificate in relation to our AFS repayment guarantee evidencing our election to pay the guaranteed lender its debt service in accordance with the original amortization schedule of the related loan. The remaining unpaid loan amount at such time was $120.0 million. The loan is collateralized by the financed aircraft, however, as we are unable to take possession of the financed aircraft, we recorded a loss of $120.0 million included in losses incurred from Russia exposure. Additionally, we determined it is unlikely we will receive additional payments on the note receivable owed directly to us by the borrower. The loan is collateralized by the financed aircraft; however, as we are unable to take possession of the aircraft, we recorded a reserve for the carrying value of the note receivable in the amount of $92.7 million in losses incurred from Russia exposure during the fourth quarter of 2022.

Our lessees are required to provide insurance coverage with respect to leased aircraft and we are named as insureds under those policies in the event of a total loss of an aircraft. We also purchase insurance that provides us with coverage when our aircraft are not subject to a lease or when a lessee's policy fails to indemnify us. We have submitted insurance claims for the full net book value of our aircraft that remain in Russia, and in January 2023, we commenced legal proceedings in California against our insurance providers for damages in excess of $700 million in connection with our losses relating to Russia. Insurance recoveries are generally recognized when they are realized or realizable, which typically occurs at the time cash proceeds are received or a claim agreement is executed, while taking into consideration the counterparty's ability to pay the claim amount. We intend to continue to pursue remedies for the losses incurred by us; however, the timing and amount of any potential recoveries are uncertain and we have not recognized any claim receivables as of December 31, 2022.

ASSET IMPAIRMENT

We test for impairment whenever events or changes in circumstances, such as the Russia-Ukraine conflict, indicate the carrying value of our flight equipment may not be recoverable. Factors we consider include significant world events, significant under-performance relative to historic results or projected future operating results, significant negative industry or economic trends, reductions to our future minimum lease rentals, a decline in the market values of our aircraft, the maintenance condition and intended use of our aircraft. We may be required to record a significant charge to earnings during the period in which any impairment is determined. Such charges could have a material adverse effect on our business, financial condition, results of operations and cash flows.

For the years ended December 31, 2022, 2021 and 2020, impairments related to flight equipment held for lease, net and lease related assets were $153.4 million, $83.7 million and $83.8 million, respectively. These impairments are separate and in addition to the losses incurred from Russia exposure above. Impairment amounts may be derived from maintenance adjusted estimated values, estimated sale prices, and/or present value of estimated future cash flows (Note 8).

4. INVESTMENT IN FINANCE LEASES, NET

As of December 31, 2022, our investment in finance leases, net, represents 17 aircraft on lease to two customers. As of December 31, 2022 and 2021, 100% of our investment in finance leases, net by carrying value were operated in the U.S. The following table presents the components of investment in finance leases, net *(In Thousands)*:

	December 31, 2022	December 31, 2021
Total future minimum lease payments	$124,143	$156,925
Less: unearned income	(33,708)	(45,575)
Estimated unguaranteed residual value	67,561	67,561
Investment in finance leases, net	$157,996	$178,911

The following table presents the future minimum lease payments that we are due under finance leases as of December 31, 2022 *(In Thousands)*:

2023	$32,722
2024	32,662
2025	30,315
2026	21,075
2027	2,160
Thereafter	5,209
Total	$124,143

5. GEOGRAPHIC CONCENTRATION

The following table presents the global concentration of our aircraft portfolio, including flight equipment held for lease, net and assets held for sale, based on lessee's location *(in thousands)*:

	December 31, 2022		December 31, 2021	
	Net Book Value	Percent of Total	Net Book Value	Percent of Total
Region:				
Central America, South America, and Mexico	$2,226,908	21.0%	$1,832,443	17.7%
Asia Pacific (excluding China and South Asia)	2,095,346	19.8%	2,018,408	19.5%
Europe	2,008,218	19.0%	1,915,950	18.5%
China	1,425,426	13.5%	1,447,572	14.0%
United States and Canada	1,115,253	10.5%	1,104,663	10.7%
Middle East and Africa	679,042	6.4%	708,585	6.8%
South Asia	415,417	3.9%	464,016	4.5%
Sub-total	9,965,610	94.1%	9,491,637	91.7%
Aircraft in transition subject to a signed lease or sales commitment	567,452	5.4%	398,622	3.8%
Aircraft on ground not subject to a signed lease or sales commitment	64,425	0.5%	465,064	4.5%
Total	$10,597,487	100.0%	$10,355,323	100.0%

As of December 31, 2022 and 2021, no individual lessee accounted for more than 10% of our aircraft portfolio. As of December 31, 2022 and 2021, China accounted for 13.5% and 14.0%, respectively, of our aircraft portfolio while no other country accounted for more than 10%.

The following table presents the global concentration of our operating lease revenue, calculated consistent with the policy in Note 2 and inclusive of executed deferral, restructuring and settlement agreements, based on the lessee's location *(in thousands)*:

	Years Ended December 31,					
	2022		2021		2020	
	Operating Lease Revenue	Percent of Total	Operating Lease Revenue	Percent of Total	Operating Lease Revenue	Percent of Total
Region:						
Europe	$190,371	21.5%	$142,409	16.2%	$191,903	21.3%
Asia Pacific (excluding China and South Asia)	174,376	19.7%	202,357	23.0%	249,269	27.7%
Central America, South America, and Mexico	163,892	18.5%	148,315	16.9%	83,063	9.2%
United States and Canada	134,997	15.2%	138,236	15.7%	145,486	16.1%
China	113,856	12.8%	117,144	13.3%	100,707	11.2%
Middle East and Africa	64,889	7.3%	69,200	8.0%	70,820	7.9%
South Asia	44,934	5.0%	60,874	6.9%	59,608	6.6%
Operating lease revenue	$887,315	100.0%	$878,535	100.0%	$900,856	100.0%

For the years ended December 31, 2022, 2021, and 2020, no individual lessee accounted for more than 10% of our operating lease revenue. For the year ended December 31, 2022, China and the U.S. accounted for 12.8% and 12.2% of our operating lease revenue, respectively. For the year ended December 31, 2021, China and the U.S. accounted for 13.3% and 12.8% of our operating lease revenue, respectively. For the year ended December 31, 2020, China and the U.S. accounted for 11.2% and 13.0% of our operating lease revenue, respectively. No other individual country accounted for more than 10% of our operating lease revenue for the years ended December 31, 2022, 2021, or 2020.

6. VARIABLE INTEREST ENTITIES

In connection with certain of our financing structures, we have participated in the design and formation of certain special purpose vehicles (SPVs). The purpose of these SPVs is to enable the lenders and guarantors under these financing structures to perfect their security interest in certain aircraft that secure the related debt financings.

The SPVs have entered into secured loans with us, various third parties, and/or financial institutions that are primarily guaranteed by ACG and in some cases supported by secondary guarantees from an Export Credit Agency. The SPVs use the proceeds from these loans to purchase aircraft. The aircraft secure the loans and are leased, pursuant to capital leases, to an airline or to us. For loans in which ACG does not act as the lender, the loans are recourse to our general credit through ACG guarantees that are in place. These SPVs are considered VIEs because they do not have sufficient equity at risk.

In cases where we are the counter-party to the capital lease, we bear significant risk of loss and participate in gains through the leases, and we have the power to direct the activities that most significantly impact the economic performance of these SPVs. Therefore, we have determined we are the primary beneficiary of these VIEs and consolidate them into our consolidated financial statements.

The net book value of the aircraft owned by the SPVs that are related to these financing structures as of December 31, 2022 and 2021 was $211.4 million and $587.2 million, respectively, and is included in flight equipment held for lease, net (Note 3). In addition, as of December 31, 2022 and 2021, there was $42.0 million and $111.7 million, respectively, outstanding under the debt financings associated with these legal entities, which is included in debt financings, net (Note 10).

In cases where we are not the counter-party to the capital lease, we do not have the power to direct the activities that most significantly impact the economic performance of the SPVs. Therefore, we have determined that we are not the primary beneficiary of these SPVs and do not consolidate them into our consolidated financial statements.

The carrying value of the AFS notes receivable owed to us by these non-consolidated SPVs as of December 31, 2022 and 2021 was $505.4 million and $208.2 million, respectively, which approximated its fair value at such dates, and is included in notes receivable, net (Note 2). In addition, as of December 31, 2022 and 2021, there was $423.6 million and $113.8 million, respectively, outstanding under the debt financings associated with these non-consolidated SPVs, which is included in debt financings, net (Note 10). Our maximum exposure to loss approximates the carrying value of the AFS notes receivable.

During 2022, we determined we were the primary beneficiary of two SPVs that had previously entered into capital leases with a Russian carrier (Note 3) because we determined that we now have the power to direct the activities that most significantly impact the economic performance of these SPVs. Therefore, we now consolidate these SPVs into our consolidated financial statements.

7. OTHER ASSETS, NET

The following table presents the components of other assets, net *(In Thousands)*:

	December 31,	
	2022	2021
Operating lease receivables, net	$73,882	$147,750
Deferral and restructuring receivables	97,275	121,984
Lease premium, net	21,276	21,006
Securities (equity and debt)	25,387	19,384
Other, net	83,930	41,449
Other assets, net	$301,750	$351,573

8. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We determine fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In some cases, the inputs used to measure fair value can fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement.

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

Market — Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income — Uses valuation techniques to convert future amounts to a single current amount based on current market expectation about those future amounts.

Cost — Based on the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

As of December 31, 2022 and 2021, we did not have any material assets or liabilities that we measured at fair value on a recurring basis.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

We measure the fair value of our aircraft and related assets when events or changes to circumstances indicate that the carrying amounts of these assets may not be recoverable.

The following table presents assets measured at fair value (at the relevant measurement date) on a non-recurring basis during the years ended December 31, 2022 and 2021 and still held at period end *(In Thousands):*

	December 31,			
	2022		2021	
	Level 2	Level 3	Level 2	Level 3
Flight equipment held for lease, net	—	$189,684	—	$38,683
Assets held for sale	$14,350	—	$16,339	—
Total	$14,350	$189,684	$16,339	$38,683

The fair value measurements of our aircraft and related assets may be based on the estimated sales price less selling costs (i.e., a market approach) based on Level 2 inputs, maintenance adjusted estimated values (i.e., a market approach) based on Level 3 inputs, or the present value of estimated future cash flows (i.e., an income approach) based on Level 3 inputs. We used the market or income approach for all assets measured at fair value on a non-recurring basis during the years ended December 31, 2022 and 2021.

For the years ended December 31, 2022, 2021, and 2020, impairments related to lease related assets were zero, $9.3 million, and $13.2 million, respectively.

LEVEL 3 INPUTS FOR FLIGHT EQUIPMENT HELD FOR LEASE, NET MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

The key inputs for the income approach include the current contractual lease payments, estimated future lease payments extended to the end of the aircraft's estimated holding period in its highest and best use configuration, maintenance related reimbursement rights from a third party other than lessees, estimated disposition value less selling costs, and the discount rate. The key inputs to the market approach include maintenance adjusted estimated values.

The current contractual lease payments are based on in-force lease rates. Estimated future lease payments are based on the aircraft's type, age, configuration, current contracted lease rates for similar aircraft, industry trends, and the estimated holding period. Contractual lease payments are based on future payments that third parties are contractually obligated to pay us. We generally assume a 25-year estimated economic useful life for aircraft. Shorter or longer holding periods may be used based on our assessment of the continued marketability of certain aircraft types or when a potential sale of an individual aircraft has been identified, or is likely. The estimated cash flows are then discounted to present value. In the case of a potential sale, the holding period is based on the estimated sale date. The disposition value reflects an estimated residual value or estimated sales price less selling costs and is generally estimated based on aircraft type, condition, and contractual terms.

For flight equipment held for lease, net measured at fair value on a non-recurring basis using Level 3 inputs during the year ended December 31, 2022, the following table presents the fair value as of the measurement date, the valuation technique and the related unobservable inputs *(In Thousands):*

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Discount Rate	Remaining Holding Period
Flight equipment held for lease, net	$94,063 [(1)]	Market Approach	Maintenance Adjusted Estimated Values	N/A	N/A
Flight equipment held for lease, net	$62,621 [(1)]	Income Approach	Discounted Future Cash Flow	6%	13 years
Flight equipment held for lease, net	$33,000 [(1)]	Market and Income Approach	Maintenance Adjusted Estimated Values & Discounted Future Cash Flow	9%	21 years

[(1)] Flight equipment held for lease, net consists of $70,880 measured at fair value as of March 31, 2022, and $23,183 as of December 31, 2022 under the market approach; $62,621 measured at fair value as of March 31, 2022 under the income approach and $33,000 measured at fair value as of December 31, 2022 under the market and income approach.

9. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The following table presents the components of accounts payable, accrued expenses and other liabilities *(In Thousands)*:

	December 31,	
	2022	2021
Deferred income	$49,900	$42,179
Accrued interest	46,034	40,911
Lease incentives	41,920	29,614
Employee compensation and benefits	41,600	42,101
Accounts payable and accrued expenses	29,706	21,291
Lease liabilities	14,688	—
Other liabilities	22,419	13,980
Accounts payable, accrued expenses and other liabilities	$246,267	$190,076

10. DEBT FINANCINGS, NET

The following tables present the components of debt financings, net *(in thousands)*:

	December 31, 2022					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$5,000,000	May 2023 - November 2027	2.0%-5.5%	Fixed	Semi-Annual	USD
Term Loans	1,834,500	July 2023- December 2027	4.7%-6.1%	Floating	Quarterly	USD
Commercial paper	607,441	January 2023	5.0%-5.4%	Fixed	Various	USD
2019 Revolving Credit Facility	100,000	June 2026	5.7%	Floating	Monthly	USD
Term Loans denominated in JPY	81,387	July 2023	0.3%	Floating	Quarterly	JPY
Secured debt obligations:						
Secured loans	607,488 (1)	November 2023 - February 2034	1.5%-5.9%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(35,721)					
Original issuance discounts	(19,444)					
Debt financings, net	$8,175,651					

(1) In November 2022, we became the obligor under a term loan that had originally been made to a Russian airline in connection with our AFS program and for which we had provided a repayment guarantee (Note 3). When we became the obligor, the unpaid principal amount outstanding was $120.0 million. This loan is secured by the financed aircraft, which is located in Russia, so we are not currently able to take possession of it. Principal amounts due under this loan are payable in installments, with final maturity in February 2034. As of December 31, 2022, $118.0 million was outstanding.

	December 31, 2021					
	Carrying Amount	Maturity Date	Interest Rate	Type	Interest Period	Currency
Unsecured debt obligations:						
Senior Notes	$5,000,000	May 2023 - November 2027	2.0% - 5.5%	Fixed	Semi-Annual	USD
Term Loans	1,147,000	July 2023- September 2025	1.1%-1.6%	Floating	Quarterly	USD
Commercial paper	712,050	January 2022 - February 2022	0.4% - 0.6%	Fixed	Various	USD
2019 Revolving Credit Facility	300,000	June 2024-June 2025	1.4%	Floating	Monthly	USD
Term Loans Denominated in JPY	93,897	July 2023	0.3%	Floating	Quarterly	JPY
Secured debt obligations:						
Secured loans	289,176	June 2022 - April 2033	0.4% - 3.4%	Fixed and Floating	Quarterly	USD
Debt acquisition costs	(48,255)					
Original issuance discounts	(26,930)					
Debt financings, net	$7,466,938					

SENIOR UNSECURED NOTES

As of both December 31, 2022 and 2021, we had $5.0 billion in senior unsecured notes outstanding (Senior Notes). These notes are issued in reliance on Rule 144A and Regulation S under the U.S. Securities Act of 1933, as amended.

UNSECURED REVOLVING CREDIT FACILITIES

In June 2019, we entered into a senior unsecured revolving credit agreement with a syndicate of lenders (the 2019 Revolving Credit Facility). In June 2022, we extended the final maturity date of the 2019 Revolving Credit Facility from June 2025 to June 2026 and amended the 2019 Revolving Credit Facility through an amendment that, among other things, replaced LIBOR with term SOFR as the benchmark interest rate and made certain conforming changes related thereto. As a result of the amendment, borrowings under the 2019 Revolving Credit Facility bear interest at either (i) adjusted term SOFR or adjusted daily simple SOFR plus a margin determined by reference to the credit ratings for our debt or (ii) an alternative base rate. During the year ended December 31, 2022, we added five new lenders to the 2019 Revolving Credit Facility, which increased the borrowing capacity to approximately $2.7 billion. As of December 31, 2022, the aggregate borrowing capacity under the 2019 Revolving Credit Facility was approximately $2.7 billion, with revolving commitments totaling approximately $2.2 billion that mature in June 2026, approximately $0.2 billion that mature in June 2025 and $0.3 billion that mature in June 2024. As of December 31, 2022 and 2021, $100.0 million and $300.0 million, respectively, was outstanding under the 2019 Revolving Credit Facility. The 2019 Revolving Credit Facility serves as a backstop for our commercial paper program.

In June 2020, we established a revolving line of credit with Tokyo Century (the 2020 Revolving Credit Facility), which has a borrowing capacity of $600.0 million (or its equivalent in JPY) and an initial maturity of June 2023 (Note 17). Thereafter, the 2020 Revolving Credit Facility will automatically renew for additional one-year periods unless terminated by either party at least 60 days prior to the maturity date or then-current renewal date. As of December 31, 2022 and 2021, we had not drawn any amounts available under the 2020 Revolving Credit Facility.

COMMERCIAL PAPER PROGRAM

We have a $1.5 billion commercial paper program under which we may issue notes in minimum denominations of $250 thousand for periods ranging from one to 397 days. As of December 31, 2022 and 2021, we had commercial paper outstanding in the amount of $607.4 million and $712.1 million, respectively.

UNSECURED TERM LOANS

In June 2018, we entered into a dual tranche senior unsecured term loan (2018 Term Loan) that includes a $197.0 million USD tranche and a 10.8 billion JPY tranche. The USD tranche bears interest at a floating rate based on three-month USD LIBOR (with a floor of 0%) plus 1.0% per annum, and the JPY tranche bears interest at a floating rate based on three-month TONA with a spread of 0.31% per annum. The 2018 Term Loan matures in July 2023. As of December 31, 2022 and 2021, $278.3 million and $290.9 million, respectively, was outstanding under the 2018 Term Loan.

In September 2020, we entered into a $450.0 million unsecured term loan with Tokyo Century (TC Term Loan). Tokyo Century, with the support of the Japan Bank for International Cooperation (JBIC) and other Japanese financial institutions, borrowed this capital on behalf of ACG and lent the proceeds to ACG via an intercompany loan. Principal amounts due under the TC Term Loan are paid in installments that began in December 2022, and the final maturity is in September 2025. As of December 31, 2022 and 2021, $412.5 million and $450.0 million, respectively, was outstanding under this loan.

In December 2020, we entered into a $500.0 million senior unsecured term loan with Mizuho Bank, Ltd. that is guaranteed by Tokyo Century and insured by Nippon Export and Investment Insurance (the NEXI Term Loan). The NEXI Term Loan matures in December 2023. As of both December 31, 2022 and 2021, $500.0 million was outstanding under the NEXI Term Loan.

In July 2022, we entered into a three-year senior unsecured term loan with a syndicate of lenders (2022-1 Term Loan), with initial commitments of $375.0 million and the ability to increase the commitments by up to an additional $300.0 million in the aggregate. In September 2022, we increased the commitments to $425.0 million. As of December 31, 2022, $425.0 million was outstanding under this loan.

In December 2022, we entered into a five-year senior unsecured term loan with certain lenders (2022-2 Term Loan), with initial commitments of $300.0 million. If certain requirements are satisfied, we will have the ability to increase the aggregate commitments by up to an additional $50.0 million. This loan is guaranteed by Tokyo Century, and principal amounts due will be payable in installments beginning in March 2025, with final maturity in December 2027. As of December 31, 2022, $300.0 million was outstanding under this loan.

In December 2022, we entered into a seven-year senior unsecured term loan with JBIC that is guaranteed by Tokyo Century (JBIC Term Loan). We drew the full $300.0 million of commitments available under this loan in January 2023. Principal amounts due under the JBIC Term Loan will be payable in installments beginning in December 2024, with final maturity in December 2029. As of December 31, 2022, no amounts were outstanding under the this loan.

SECURED DEBT OBLIGATIONS

We enter into various secured loans guaranteed by Export Credit Agencies, some of which are financed through VIEs (Note 6). These loans are secured by the financed aircraft and are also guaranteed by ACG. As of December 31, 2022 and 2021, we had $65.9 million and $175.4 million, respectively, of secured loans guaranteed by Export Credit Agencies.

In March 2020, we entered into a $650.0 million secured credit facility (AFS Facility) to provide loans for the benefit of airlines in connection with our AFS business. During the drawdown period, which ended in September 2022, we were able to draw on the facility to fund certain AFS notes receivable (Note 2). These AFS notes receivable are secured by aircraft purchased from the proceeds of such loans by the AFS borrowers, and the rights to these aircraft are also pledged to the ACG borrower under the AFS Facility. As of December 31, 2022 and 2021, $423.6 million and $113.8 million, respectively, was outstanding under the AFS Facility. No additional amounts may be borrowed under the AFS Facility.

Except as noted above, our outstanding debt as of December 31, 2022 is recourse only to ACG, and is not guaranteed by Tokyo Century.

As of December 31, 2022 and 2021, we were in compliance with all applicable debt covenants.

The following table presents the aggregate estimated scheduled principal repayments of our debt financing obligations as of December 31, 2022 *(In Thousands)*:

Years Ended December 31:	
2023	$2,269,228
2024	1,519,405
2025	1,482,714
2026	1,746,438
2027	897,708
Thereafter	315,323
Total	$8,230,816

11. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We lease office facilities in Newport Beach, California; Bellevue, Washington; Dublin, Ireland; and Singapore under non-cancelable operating leases. For the years ended December 31, 2022, 2021, and 2020, rent expense, included in selling, general and administrative, was $2.3 million, $2.1 million and $2.4 million, respectively. The following table presents our future minimum office lease payments as of December 31, 2022 *(In Thousands)*:

Years Ended December 31:	
2023	$2,704
2024	2,801
2025	2,615
2026	2,694
2027	2,797
Thereafter	2,811
Total	$16,422

CAPITAL COMMITMENTS

As of December 31, 2022, we have unconditional purchase commitments for 121 aircraft scheduled for delivery through 2028. All of these commitments arise from fixed price purchase agreements with Boeing, Airbus and other third parties, and may include escalation provisions. Under certain circumstances, we have the right to alter the mix of aircraft types ultimately acquired. The manufacturers have informed us of expected delivery delays relating to certain aircraft, as a result of disruption in their production systems. We remain in active discussions with Boeing and Airbus to determine the estimated impact and duration of continued delivery delays given the recent adjustments to their production systems. The commitment schedule below reflects our estimate of when the Boeing and Airbus deliveries will occur. Our leases contain lessee cancellation clauses related to aircraft delivery delays, typically for delays greater than one year. Our purchase agreements with Boeing and Airbus contain similar clauses.

The following table presents the estimated remaining payments for the purchase of aircraft as of December 31, 2022 *(In Thousands)*:

Years Ended December 31	
2023	$1,227,877
2024	1,440,810
2025	615,035
2026	1,324,875
2027	879,820
Thereafter	861,155
Total	$6,349,572

As of December 31, 2022, deposits made related to our purchase agreements totaled $366.4 million and are included in prepayments on flight equipment.

In addition, as of December 31, 2022, we had the right to purchase additional aircraft by confirming our order positions with the OEM prior to delivery. The potential commitment associated with these order positions is approximately $750 million with scheduled deliveries through 2025.

GUARANTEES

In connection with our AFS program, we provide repayment guarantees for loans for the benefit of airlines to finance new aircraft deliveries or to finance aircraft already owned by the airlines. These guarantees are limited to the borrower's failure to timely repay principal and interest on the amortizing senior secured loans to the third-party lenders. The guaranteed loans are collateralized by the financed aircraft and typically have a term of 12 years or less with a maximum term of up to 15 years. The guaranteed loans are denominated in USD or Euros. As of December 31, 2022 and 2021, the guarantee liability on our consolidated balance sheet was $6.3 million and $8.2 million, respectively, and is included in accounts payable, accrued expenses and other liabilities. As of December 31, 2022, if all of the airlines under our AFS program defaulted on their ACG guaranteed loans, our obligation and the estimated potential amount of future principal payments we could be required to make to third party lenders under the guarantees was $486.0 million. However, the guaranteed loans are collateralized by the financed aircraft and, to the extent possible, the guaranteed loans are cross-defaulted and cross-collateralized with other guaranteed aircraft loans and/or operating leases in our portfolio with that airline.

In order to manage risk, we developed an internal credit rating model for airlines in our portfolio. Internal credit ratings are based on both quantitative and qualitative factors of the airlines and the environment in which they operate. These ratings may change, as new events occur and additional information is obtained.

During 2020, ACG, an airline, and the lender under one of the loans guaranteed within our AFS program entered into a deferral agreement whereby the principal payments on the loan were scheduled to be deferred through 2021 and repaid in the subsequent four years. The airline is current under the terms of this agreement.

In relation to our repayment guarantee we previously provided for a Russian airline, we recorded a contingent loss of $120.0 million during the fourth quarter of 2022. We had previously recorded a $1.6 million guarantee liability associated with this loan; however, upon our becoming the debtor of the loan after the airline defaulted, we released the liability to other income for the year ended December 31, 2022 (Note 3).

GENERAL

In the ordinary course of business, as part of contractual agreements, we provide certain indemnifications related to debt financings, aircraft acquisitions, aircraft dispositions, and other transactions. Historically, we have not made payments for these types of indemnifications. There are currently no indemnifications from which a probable and reasonably estimable loss could arise. Therefore, as of December 31, 2022 and 2021, we had no related liabilities to disclose.

In the ordinary course of our business, we are a party to various legal proceedings, claims and litigation we believe are incidental to the operation of our business. Typically, these claims relate to incidents involving our aircraft and claims that involve the existence or breach of a lease, sale, or purchase contract. We regularly review the possible outcome of such legal actions and accrue for such legal actions at the time a loss is probable and the amount of the loss can be estimated. We also review all applicable indemnities and insurance coverage. Based on information currently available, we believe the potential outcome of these claims, and any reasonably possible losses exceeding amounts already recognized on an aggregated basis, are immaterial to our consolidated financial statements.

12. INCOME TAXES

ACG LLC is a single member limited liability company that is a disregarded entity for U.S. federal and state income tax purposes. Our sole member, TCSA, is responsible for income taxes on our U.S. federal and state taxable income. Our foreign subsidiaries continue to be subject to income tax in their local jurisdiction.

The following table presents (loss) income before provision for (benefit from) income taxes by locations in which such pre-tax (loss) income was earned or incurred. These amounts also include earnings from equity method investments *(In Thousands)*:

	Years Ended December 31,		
	2022	2021	2020
Domestic	$(264,275)	$198,005	$90,408
Foreign	(324,284)	(63,036)	14,681
Total	$(588,559)	$134,969	$105,089

The following table presents the provision for (benefit from) income taxes *(In Thousands)*:

	Years Ended December 31,		
	2022	2021	2020
Total current	$51	$73	$207
Total deferred	—	(5,065)	874
Provision for (benefit from) income taxes	$51	$(4,992)	$1,081

As of December 31, 2022 and 2021 we had deferred tax liabilities of $164.4 million and $125.3 million, respectively, which consisted primarily of difference in the book and tax basis of aircraft. As of December 31, 2022 and 2021 we had deferred tax assets of $206.9 million and $129.4 million, respectively, which consisted primarily of net operating loss carryovers. We have recorded valuation allowances to reduce deferred tax assets in Ireland and Singapore to the extent we believe it is more likely than not that a portion of such assets will not be realized. In making such determinations, we considered all available positive and negative evidence and determined that a valuation allowance should be recorded against our deferred tax assets, net of deferred tax liabilities, based on our three-year cumulative loss in each applicable entity. As of December 31, 2022 and 2021 we recorded valuation allowances of $42.6 million and $4.1 million, respectively. Our valuation allowance increased by $38.5 million and $4.1 million for 2022 and 2021, respectively.

We have net operating losses as of December 31, 2022 of $1.8 million and $1.6 billion in Singapore and Ireland, respectively, which have no expiration date.

Our effective tax rate differs from the statutory tax rate primarily due to our status as a disregarded entity for U.S. federal and state income tax purposes and foreign income taxed at a different rate than the U.S. statutory rate offset by the increase in our valuation allowance on foreign deferred tax assets.

ACG has no liability for uncertain tax positions.

Our policy is to recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes in the consolidated statements of income and any accrued interest and penalties related to unrecognized tax benefits within accounts payable, accrued expenses and other liabilities in the consolidated statements of financial condition. During the years ended December 31, 2022, 2021, and 2020, we did not record any interest and penalties related to unrecognized tax benefits.

Our U.S. tax returns for periods after March 31, 2017 remain open to examination. For periods prior to April 1, 2017, we were included in a U.S. federal consolidated tax return with Pacific Mutual Holding Company (PMHC). The IRS has completed audits of PMHC's consolidated tax returns through 2014, and its U.S. consolidated tax returns for years 2015 onwards are open for examination. The PMHC combined tax return for the tax year ended December 31, 2009 is under examination by the State of California. We do not expect the federal or state audits to result in any relevant, material assessments. Our Irish and Singapore tax returns for years beginning in 2018 remain open to examination.

13. OTHER INCOME

The following table presents the components of other income *(In Thousands)*:

	Years Ended December 31,		
	2022	2021	2020
Interest Income	$28,820	$45,935	$25,907
Finance lease revenue	11,868	13,360	15,924
AFS fee income and guarantee liability amortization	5,050	10,224	8,767
Management, transaction, and advisory fees	4,242	4,646	5,792
Lease termination settlements	3,019	7,897	888
Other	34,722	16,561	8,152
Other income	$87,721	$98,623	$65,430

14. SELLING, GENERAL AND ADMINISTRATIVE

The following table presents the components of selling, general and administrative *(In Thousands)*:

	Years Ended December 31,		
	2022	2021	2020
Maintenance and transition expense	$56,052	$34,156	$35,519
Employee compensation and benefits	46,707	42,182	57,766
Professional services	8,441	9,931	8,171
Bad debt expense	(16,477)	16,477	4,279
Other	34,063	22,420	28,646
Selling, general and administrative	$128,786	$125,166	$134,381

15. INTEREST, NET

The following table presents the components of interest, net *(In Thousands)*:

	Years Ended December 31,		
	2022	2021	2020
Interest on debt financings, premiums paid and net settlements on interest rate derivatives	$266,929	$243,378	$275,641
Amortization of debt acquisition costs and original issuance discounts	26,727	30,163	22,189
Change in value on non-hedging derivatives	11,832	10,763	(4,981)
Fees paid to service providers	5,251	4,871	5,154
Foreign currency adjustments	(12,510)	(10,431)	5,743
Gross interest expense	298,229	278,744	303,746
Capitalized interest	(12,377)	(9,997)	(22,612)
Interest, net	$285,852	$268,747	$281,134

16. EMPLOYEE BENEFITS

We have defined contribution plans for our employees, including a retirement incentive savings plan, a deferred compensation plan and a supplemental executive retirement plan. As of December 31, 2022 and 2021, we had a liability associated with these plans of $16.3 million and $16.0 million, respectively, which is included in accounts payable, accrued expenses and other liabilities.

17. RELATED PARTY TRANSACTIONS

We have a servicing agreement with Tokyo Century to provide certain aircraft related management services for specified aircraft in Tokyo Century's fleet which expires in 2024.

In June 2020 and September 2020, we entered into the 2020 Revolving Credit Facility and the TC Term Loan, respectively, with Tokyo Century (Note 10). Tokyo Century also serves as guarantor for our NEXI Term Loan, 2022-2 Term Loan and JBIC Term Loan (Note 10). In the ordinary course of business, we have entered into certain transactions with an affiliate of Tokyo Century, including engaging with the affiliate to provide certain aircraft maintenance and related services to us. All transactions with the affiliate are entered into at arm's length.

18. SUBSEQUENT EVENTS

We have evaluated events subsequent to December 31, 2022 and through February 14, 2023, the date these consolidated financial statements were available to be issued, and have concluded that, except for the events noted in Note 3 and 10, no events or transactions have occurred subsequent to December 31, 2022 that require consideration as adjustments to, or disclosures in, the consolidated financial statements.