

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 30, 2024

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

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

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

The number of shares of Registrant's common stock outstanding as of August 5, 2024 was 53,207,348.

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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, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report may constitute forward-looking statements, and include, but are not limited to, changes in the market for our services; changes in applicable laws or regulations; the ability to launch new services and products or to profitably expand into new markets; and expectations of 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 following: disruptions in supply chain; factors that adversely impact the commercial aviation industry; the fluctuating market value of our products; our ability to repossess mid-life commercial aircraft and engines (“Flight Equipment”) when a lessee defaults; success at our maintenance, repair and overhaul (“MRO”) facilities is dependent upon continued outsourcing by airlines; shortage of skilled personnel or work stoppages; the inability to obtain certain components and raw materials from suppliers; the highly competitive nature of the markets in which we operate; risks associated with our international operations; the risks from business acquisitions and integration of new businesses acquired; the unique risks we encounter by supplying equipment and services to the U.S. government; further consolidation of customers and suppliers in our markets; cyber or other security threats or disruptions; the significant capital expenditures that may be required to keep pace with technological developments in our industry lack of ownership of certain intellectual property and tooling that is important to our business; intellectual property litigation to protect our intellectual property; our dependence on our facilities, which are subject to physical and other risks that could disrupt production; risks from any improper conduct by our employees, agents, subcontractors, suppliers, business ventures or joint ventures in which we participate; loss of services from key employees; the failure of our subcontractors to perform their contractual obligations; impacts from future outbreaks and infectious diseases on flight activity, demand for MRO and leasing services, our business partners or customers, and the related macro environment; our dependence on continued availability of financing to manage our business and to execute our business strategy, and unavailability of additional financing on terms acceptable to us; our failure to comply with the covenants in the documents governing our existing and future indebtedness; limitations of our current and future operations from restrictive covenants contained in documents governing our indebtedness; unanticipated changes in our tax provision; possible goodwill and other asset impairments; changes in interest rates, foreign currency exchange rates and swap counterparty risks; we are subject to significant government regulation and may need to incur significant expenses to comply with new or more stringent government regulation; compliance with U.S. and other anti-corruption laws, export control laws, import control laws, trade and economic sanction laws and other laws governing our operations; current or future regulatory proceedings or litigation including product liability, intellectual property disputes and other claims not adequately covered by insurance; the liens of Flight Equipment could exceed the value of such Flight Equipment; the risk that our leased aircraft engines are deemed accessions to the aircraft and our ability to repossess an engine is impaired; product and other liability claims not covered by insurance; the extensive environmental requirements with which we must comply; global climate change, or by legal, regulatory or market responses to such change; depressed stock price as a result of substantial future sales of our common stock, or the perception in the public markets that these sales may occur; lack of analyst coverage for our common stock; actual or anticipated sales of significant amounts of our common stock; the fact that we do not intend to pay dividends on our common stock for the foreseeable future; reduced disclosure due to our filing status as an “emerging growth company”; ineffective internal control over financial reporting; insolvency of our customers; the adverse effect of negative economic conditions and other factors described under the section titled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (“SEC”) on March 8, 2024.

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 (f/k/a Monocle Holdings, Inc.) and its consolidated subsidiaries.

PART I – FINANCIAL INFORMATION

ITEM 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AERSALE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets **(in thousands, except share data and par value)** **(Unaudited)**

	June 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 4,285	\$ 5,873
Accounts receivable, net of allowance for credit losses of \$978 as of June 30, 2024 and December 31, 2023	37,266	31,239
Income tax receivable	1,700	1,628
Inventory:		
Aircraft, airframes, engines, and parts, net	221,371	177,770
Advance vendor payments	13,589	35,757
Deposits, prepaid expenses, and other current assets	17,617	12,507
Total current assets	295,828	264,774
Fixed assets:		
Aircraft and engines held for lease, net	31,491	26,475
Property and equipment, net	32,683	27,692
Inventory:		
Aircraft, airframes, engines, and parts, net	157,442	151,398
Operating lease right-of-use assets	26,022	27,519
Deferred income taxes	12,032	12,203
Deferred financing costs, net	1,342	1,506
Deferred customer incentives and other assets, net	525	525
Goodwill	19,860	19,860
Other intangible assets, net	21,469	21,986
Total assets	\$ 598,694	\$ 553,938
Current liabilities:		
Accounts payable	\$ 29,388	\$ 29,899
Accrued expenses	6,360	5,478
Lessee and customer purchase deposits	644	1,467
Current operating lease liabilities	4,237	4,593
Current portion of long-term debt	93	1,278
Deferred revenue	2,286	2,998
Total current liabilities	43,008	45,713
Revolving credit facility	80,955	29,000
Long-term debt	522	7,281
Long-term lease deposits	767	102
Long-term operating lease liabilities	23,315	24,377
Maintenance deposit payments and other liabilities	59	64
Warrant liability	269	2,386
Total liabilities	148,895	108,923
Stockholders' equity:		
Common stock, \$0.0001 par value. Authorized 200,000,000 shares; issued and outstanding 53,084,214 and 52,954,430 shares as of June 30, 2024 and December 31, 2023	5	5
Additional paid-in capital	313,883	311,739
Retained earnings	135,911	133,271
Total stockholders' equity	449,799	445,015
Total liabilities and stockholders' equity	\$ 598,694	\$ 553,938

See accompanying notes to condensed consolidated financial statements.

AERSALE CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Products	\$ 43,298	\$ 37,623	\$ 104,908	\$ 83,118
Leasing	4,286	3,286	7,368	8,908
Services	29,517	28,417	55,365	55,571
Total revenue	77,101	69,326	167,641	147,597
Cost of sales and operating expenses:				
Cost of products	28,531	26,931	68,150	58,479
Cost of leasing	1,894	1,079	3,087	2,202
Cost of services	24,956	21,176	45,888	42,385
Total cost of sales	55,381	49,186	117,125	103,066
Gross profit	21,720	20,140	50,516	44,531
Selling, general, and administrative expenses	23,572	27,097	47,705	52,321
(Loss) income from operations	(1,852)	(6,957)	2,811	(7,790)
Other (expenses) income:				
Interest (expense) income, net	(1,528)	381	(2,463)	1,428
Other income, net	102	138	271	371
Change in fair value of warrant liability	138	1,393	2,117	1,059
Total other (expenses) income	(1,288)	1,912	(75)	2,858
(Loss) income before income tax provision	(3,140)	(5,045)	2,736	(4,932)
Income tax (expense) benefit	(497)	2,357	(96)	2,249
Net (loss) income	\$ (3,637)	\$ (2,688)	\$ 2,640	\$ (2,683)
(Loss) earnings per share:				
Basic	\$ (0.07)	\$ (0.05)	\$ 0.05	\$ (0.05)
Diluted	\$ (0.07)	\$ (0.08)	\$ 0.05	\$ (0.07)
Weighted average shares outstanding:				
Basic	53,029,359	51,227,484	53,010,425	51,217,990
Diluted	53,029,359	51,404,653	53,111,439	51,417,889

See accompanying notes to condensed consolidated financial statements.

AERSALE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity For the three and six months ended June 30, 2024 and 2023 (in thousands, except share data) (Unaudited)

	Common stock		Additional	Retained	Total
	Amount	Shares	paid-in capital	earnings	stockholders' equity
Balance at December 31, 2023	\$ 5	52,954,430	\$ 311,739	\$ 133,271	\$ 445,015
Share-based compensation	-	-	799	-	799
Shares issued under the 2020 Equity Incentive Plan	-	54,596	-	-	-
Shares surrendered for tax withholdings on equity awards	-	-	(108)	-	(108)
Net income	-	-	-	6,277	6,277
Balance at March 31, 2024	\$ 5	53,009,026	\$ 312,430	\$ 139,548	\$ 451,983
Share-based compensation	-	-	1,144	-	1,144
Shares issued under the 2020 Employee Stock Purchase Plan	-	48,202	325	-	325
Shares issued under the 2020 Equity Incentive Plan	-	26,986	-	-	-
Shares surrendered for tax withholdings on equity awards	-	-	(16)	-	(16)
Net loss	-	-	-	(3,637)	(3,637)
Balance at June 30, 2024	\$ 5	53,084,214	\$ 313,883	\$ 135,911	\$ 449,799

	Common stock		Additional	Retained	Total
	Amount	Shares	paid-in capital	earnings	stockholders' equity
Balance at December 31, 2022	\$ 5	51,189,461	\$ 306,141	\$ 138,834	\$ 444,980
Share-based compensation	-	-	2,731	-	2,731
Shares issued under the 2020 Equity Incentive Plan	-	31,925	-	-	-
Shares surrendered for tax withholdings on equity awards	-	-	(70)	-	(70)
Net income	-	-	-	5	5
Balance at March 31, 2023	\$ 5	51,221,386	\$ 308,802	\$ 138,839	\$ 447,646
Share-based compensation	-	-	3,028	-	3,028
Shares issued under the 2020 Employee Stock Purchase Plan	-	21,551	278	-	278
Shares issued under the 2020 Equity Incentive Plan	-	7,470	-	-	-
Net loss	-	-	-	(2,688)	(2,688)
Balance at June 30, 2023	\$ 5	51,250,407	\$ 312,108	\$ 136,151	\$ 448,264

See accompanying notes to condensed consolidated financial statements.

AERSALE CORPORATION AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 2,640	\$ (2,683)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	6,434	5,069
Amortization of debt issuance costs	164	225
Amortization of operating lease assets	79	198
Inventory reserve	627	709
Deferred income taxes	171	(1,729)
Change in fair value of warrant liability	(2,117)	(1,059)
Share-based compensation	1,943	5,759
Changes in operating assets and liabilities:		
Accounts receivable	(6,027)	(3,615)
Income tax receivable	(72)	-
Inventory	(56,566)	(134,278)
Deposits, prepaid expenses, and other current assets	(5,110)	4,144
Deferred customer incentives and other assets	(543)	78
Advance vendor payments	22,167	(11,326)
Accounts payable	(509)	4,957
Accrued expenses	795	(3,296)
Deferred revenue	(712)	1,719
Lessee and customer purchase deposits	(158)	6,530
Other liabilities	(6)	(599)
Net cash used in operating activities	(36,800)	(129,197)
Cash flows from investing activities:		
Proceeds from sale of assets	3,800	12,700
Acquisition of aircraft and engines held for lease, including capitalized cost	(5,610)	-
Purchase of property and equipment	(7,190)	(4,814)
Net cash (used in) provided by investing activities	(9,000)	7,886
Cash flows from financing activities:		
Proceeds from long-term debt	615	8,559
Repayments of long-term debt	(8,559)	-
Proceeds from revolving credit facility	106,936	-
Repayments of revolving credit facility	(54,981)	-
Taxes paid related to net share settlement of equity awards	(124)	(70)
Proceeds from the issuance of Employee Stock Purchase Plan shares	325	278
Net cash provided by financing activities	44,212	8,767
Decrease in cash and cash equivalents	(1,588)	(112,544)
Cash and cash equivalents, beginning of period	5,873	147,188
Cash and cash equivalents, end of period	\$ 4,285	\$ 34,644
Supplemental disclosure of cash activities		
Income tax payments, net	73	1,276
Interest paid	2,435	286
Supplemental disclosure of noncash investing activities		
Reclassification of aircraft and aircraft engines inventory to (from) aircraft and engine held for lease, net	2,494	3,711

See accompanying notes to condensed consolidated financial statements.

AERSALE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) JUNE 30, 2024

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, Monocle consummated the previously announced 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” or the “Business Combination” and in connection therewith, Monocle merged with and into us, whereby we 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 Business Combination (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 continued as a wholly owned subsidiary of the Company.

The Company’s corporate headquarters is based in Miami, Florida, with additional offices, hangars, and warehouses located 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 Principles 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, 2023 (the “2023 Form 10-K”), wherein a more complete discussion of significant accounting policies and certain other information can be found.

Revenue Recognition

Products Revenue — Used Serviceable Material (“USM”) Sales

Revenues from sales of USM are measured based on consideration specified in a contract with a customer, and excludes any sales commissions and taxes collected and remitted to government agencies. We recognize revenue when we satisfy a performance obligation by transferring control over 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, and the buyer is responsible for any loss in transit and the Company has a legal right to payment for the spare parts once shipped. We generally sell our 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”) 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 Revenue — 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 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 customers’ acceptance of the whole asset on the date of the transfer, unless the Company extends credit terms to customers it deems creditworthy.

Leasing Revenue

The Company leases aircraft and engines (“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 payments and other 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 are beyond the customers’ deposits held. Flight Equipment leases are billed in accordance with the lease agreement and invoices are due upon receipt.

Services Revenue

Revenues for services are recognized as performance obligations are fulfilled and the benefits are transferred to the customer. At contract inception, we evaluate if the contract should be accounted for as a single performance obligation or if the contract contains multiple performance obligations. In some cases, our 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.

For most service contracts, our performance obligations are satisfied over time as work progresses or at a point in time based on transfer of control of products and services to our customers. We receive payments from our customers based on billing schedules or other terms as written in our contracts.

For our performance obligations that are satisfied over time, we measure progress in a manner that depicts the performance of transferring control to the customer. As such, we utilize 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. We are required to make certain judgments and estimates, including estimated revenue 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 our maintenance, repair and overhaul (“MRO”) contracts, if the contract is terminated for convenience, we are 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 we provide MRO services.

We have 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 and are included in cost of sales in our condensed consolidated statements of operations, and are not considered a performance obligation to our customers. Our reported revenue on our condensed consolidated statements of operations is net of any sales or related non-income taxes.

Revision of Prior Period Financial Statements

Certain balances in the condensed consolidated balance sheet as of December 31, 2023, and the condensed consolidated statements of cash flows for the six months ended June 30, 2023, have been reclassified to conform to the presentation in the condensed consolidated financial statements as of and for the three and six months ended June 30, 2024, primarily the reclassification of amounts related to deposits for Flight Equipment purchases from deposits, prepaid expenses, and other current assets to advance vendor payments. Such reclassification did not impact net income (loss), stockholder's equity or total cash flows from operating activities, and did not have a material impact on the condensed consolidated financial statements.

New Accounting Pronouncements Adopted

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09, Income Taxes (“Topic 740”): Improvements to Income Tax Disclosures, which would require additional transparency for income tax disclosures, including the income tax rate reconciliation table and cash taxes paid both in the United States and foreign jurisdictions. This standard is effective for annual periods beginning after December 15, 2024. We are currently assessing the impact this standard will have on our disclosures.

There have been no other accounting pronouncements issued but not yet adopted by us which are expected to have a material impact on our consolidated financial statements.

NOTE C — 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. We record a receivable when revenue is recognized prior to invoicing and we have an unconditional right to consideration (only the passage of time is required before payment of that consideration is due) and a contract asset when the right to payment is conditional upon our future performance. Contract liabilities include advance payments and billings in excess of revenue recognized. Certain customers make advance payments prior to our satisfaction of our 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, 2024	December 31, 2023	Change
Contract assets	\$ 4,597	\$ 6,474	\$ (1,877)

Contract assets are reported within deposits, prepaid expenses, and other current assets on our condensed consolidated balance sheets. Changes in contract assets primarily result 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 \$3.0 million as of December 31, 2023, of which \$2.7 million was related to contract liabilities for services to be performed. For the three and six months ended June 30, 2024, the Company recognized as revenue \$0.1 million and \$2.4 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.

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 months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024			2024		
	Asset Management Solutions	Tech Ops	Total Revenues	Asset Management Solutions	TechOps	Total Revenues
USM	\$ 19,600	\$ 4,118	\$ 23,718	\$ 37,132	\$ 9,493	\$ 46,625
Whole asset sales	17,913	-	17,913	56,561	-	56,561
Engineered solutions	-	1,667	1,667	-	1,722	1,722
Total products	37,513	5,785	43,298	93,693	11,215	104,908
Leasing	4,286	-	4,286	7,368	-	7,368
Services	-	29,517	29,517	-	55,365	55,365
Total revenues	\$ 41,799	\$35,302	\$ 77,101	\$ 101,061	\$66,580	\$ 167,641

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023			2023		
	Asset Management Solutions	Tech Ops	Total Revenues	Asset Management Solutions	TechOps	Total Revenues
USM	\$ 16,442	\$ 3,409	\$ 19,851	\$ 31,594	\$ 5,825	\$ 37,419
Whole asset sales	17,343	218	17,561	44,999	218	45,217
Engineered solutions	-	211	211	-	482	482
Total products	33,785	3,838	37,623	76,593	6,525	83,118
Leasing	3,286	-	3,286	8,908	-	8,908
Services	-	28,417	28,417	-	55,571	55,571
Total revenues	\$ 37,071	\$32,255	\$ 69,326	\$ 85,501	\$62,096	\$ 147,597

NOTE D — INVENTORY

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

	June 30, 2024	December 31, 2023
USM	\$ 126,807	\$ 120,053
Work-in-process	25,028	22,270
Whole assets	226,978	186,845
	\$ 378,813	329,168
Less short term	(221,371)	(177,770)
Long term	\$ 157,442	\$ 151,398

The Company recorded inventory scrap loss reserves of \$0.4 million and \$0.9 million for the three and six months ended June 30, 2024, respectively. The Company recorded inventory scrap loss reserves of \$0.2 million and \$0.7 million for the three and six months ended June 30, 2023, respectively. Additions to inventory reserves are included in cost of products in the accompanying condensed consolidated statements of operations.

Our allocation of inventory between short term and long term reflects the inventory's operating cycle, which is longer than one year due to teardown and repair lead times. Inventory expected to be monetized within 18 months as well as work-in-process are reported under current assets.

In April 2024, one of the Company's leased secondary parts warehouses in Roswell, New Mexico, was destroyed by a fire. Inside the warehouse were various aircraft parts typically sold by AerSale as USM. The replacement value of that inventory, which was also destroyed or rendered not sellable by the fire, is estimated at \$52.8 million. AerSale carries insurance covering these parts, with a limit of \$50 million and a \$10,000 deductible, for which it has submitted a claim. The cost of the destroyed inventory is \$6.0 million; accordingly, since the insurance claim has yet to be paid, the Company recorded an impairment of \$6.0 million and a \$6.0 million non-trade receivable within Deposits, prepaid expenses, and other current assets, in the condensed consolidated balance sheets as of June 30, 2024. The recovery of the \$6.0 million claim is deemed to be probable. Pursuant to ASC 450-30, Gain Contingencies, any higher amount than our book value that is to be collected from the insurance claim, will not be recorded until the insurance claim is paid.

NOTE E — INTANGIBLE ASSETS

In accordance with ASC 350, *Intangibles — Goodwill and Other* ("ASC 350"), 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.

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 Federal Aviation Administration ("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 Air Parts ("Qwest"), which is included under the Asset Management Solutions segment. See Note L for information about our business segments.

Goodwill and other intangible assets, net as of the below dates are (in thousands):

	June 30, 2024	December 31, 2023
Qwest:		
FAA Certifications	\$ 724	\$ 724
Goodwill	13,416	13,416
ALGS:		
FAA Certifications	710	710
Goodwill	379	379
ACS:		
Trademarks	600	600
FAA Certifications	7,300	7,300
Goodwill	63	63
ACT:		
Trademarks	200	200
FAA Certificates	796	796
Goodwill	6,002	6,002
Total intangible assets with indefinite lives	\$ 30,190	\$ 30,190

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 In Years	June 30, 2024	December 31, 2023
Qwest:			
Customer relationships	10	\$ 4,677	\$ 5,163
ALGS:			
Customer relationships	10	20	30
ACS:			
Customer relationships	10	928	1,033
ACT:			
Customer relationships	10	4,971	5,430
AerSale:			
Flight manuals	10	543	-
Total intangible assets with definite lives		\$ 11,139	\$ 11,656

Total amortization expense amounted to \$0.5 million and \$0.6 million for the three months ended June 30, 2024 and 2023, respectively. Total amortization expense amounted to \$1.0 million and \$1.1 million for the six months ended June 30, 2024 and 2023, respectively. Accumulated amortization amounted to \$10.4 million and \$9.3 million as of June 30, 2024 and December 31, 2023, respectively.

In the first quarter of 2024, the Company identified a triggering event indicating the fair value of one or more of the Company's reporting units more likely than not did not exceed their carrying values. The triggering event was due to the significant decline in the market price of the Company's common stock during the quarter. As a result, the Company performed an interim quantitative goodwill impairment test for the Asset Management and ACT reporting units as of March 31, 2024 and determined that the fair values exceeded the carrying values for each reporting unit. Due to the lack of recovery in the stock price during the second quarter of 2024, the Company performed an interim quantitative goodwill impairment test for the Asset Management and ACT reporting units as of June 30, 2024, and determined that the fair values exceeded the carrying values for each reporting unit. As such, the interim quantitative tests did not result in a goodwill impairment for the Company's reporting units. In addition, the Company performed a qualitative assessment of long-lived assets and concluded it is not more likely than not that long-lived assets are impaired.

The fair value determination of the Company's reporting units and goodwill is judgmental in nature and requires the use of estimates and assumptions that are sensitive to changes. While the Company believes it has made reasonable

estimates and assumptions to calculate the fair values of the reporting units, it is possible a material change could occur. As a result, there can be no assurance that the estimates and assumptions made for purposes of the quantitative goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of future results.

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.

NOTE F — PROPERTY AND EQUIPMENT, NET

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

	Useful Life In Years	June 30, 2024	December 31, 2023
Tooling and equipment	7 - 15	\$ 16,720	\$ 16,024
Furniture and other equipment	5	12,475	12,076
Computer software	5	2,555	2,374
Leasehold improvements	3 - 10	21,081	16,269
Equipment under capital lease	5	-	192
Flight equipment held for R&D	2	8,368	7,784
		61,199	54,719
Less accumulated depreciation		(28,516)	(27,027)
		<u>\$ 32,683</u>	<u>\$ 27,692</u>

Depreciation expense, which includes amortization of equipment under capital lease, amounted to \$1.2 million and \$0.9 million for the three months ended June 30, 2024 and 2023, respectively. Depreciation expense, which includes amortization of equipment under capital lease, amounted to \$2.3 million and \$1.8 million for the six months ended June 30, 2024 and 2023, respectively.

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

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

	June 30, 2024	December 31, 2023
Aircraft and engines held for lease	\$ 62,178	\$ 58,136
Less accumulated depreciation	(30,687)	(31,661)
	<u>\$ 31,491</u>	<u>\$ 26,475</u>

Total depreciation expense amounted to \$1.9 million and \$1.1 million for the three months ended June 30, 2024 and 2023, respectively. Total depreciation expense amounted to \$3.1 million and \$2.2 million for the six months ended June 30, 2024 and 2023, respectively, and is included in cost of leasing in the condensed consolidated statements of operations.

Supplemental rents recognized as revenue totaled \$2.3 million and \$1.3 million for the three months ended June 30, 2024 and 2023, respectively. Supplemental rents recognized as revenue totaled \$3.8 million and \$4.5 million for the six months ended June 30, 2024 and 2023, respectively.

The Company's current operating lease agreements for leased Flight Equipment expire over the next three years. The amounts in the following table are based upon the assumption that Flight Equipment under operating leases will remain 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:	
Remaining six months of 2024	\$ 6,309
2025	4,713
2026	3,416
2027	2,411
Total minimum lease payments	<u>\$ 16,849</u>

NOTE H — ACCRUED EXPENSES

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

	June 30, 2024	December 31, 2023
Accrued compensation and related benefits	\$ 2,989	\$ 2,241
Accrued legal fees	588	854
Commission fee accrual	787	260
Accrued federal, state and local taxes and fees	176	105
Other	1,820	2,018
	<u>\$ 6,360</u>	<u>\$ 5,478</u>

NOTE I – WARRANT LIABILITY

Warrants to purchase a total of 623,834 shares of the Company's common stock were outstanding as of June 30, 2024 and December 31, 2023. 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, subject to adjustment. The outstanding Private Warrants will expire at 5:00 p.m., New York City time, on December 22, 2025, 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 Private 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 statements of operations. The fair value of the Private Warrants is determined using the Black-Scholes option pricing model. The following table represents the assumptions used in determining the fair value of the Private Warrants as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Risk-free interest rate	4.33%	3.84%
Expected volatility of common stock	40.95%	41.66%
Expected option term in years	1.5	2.0

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.

NOTE J— FINANCING ARRANGEMENTS

Outstanding debt obligations as of June 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
\$180.0 million Wells Fargo Senior Secured Revolving Credit Agreement	\$ 80,955	\$ 29,000
\$10.0 million Synovus Property and Equipment Revolving Term Loan	615	8,559
Total	81,570	37,559
Less current portion	(93)	(1,278)
Total long-term portion	\$ 81,477	\$ 36,281

At June 30, 2024 and December 31, 2023, total deferred financing costs were \$1.3 million and \$1.5 million, respectively. Amortized debt issuance costs are recorded in interest (expense) income, net through maturity of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense amounted to \$0.1 and \$0.2 million for the three months and six months ended June 30, 2024. Amortization expense amounted to \$0.1 million and \$0.2 million for the three and six months ended June 30, 2023.

\$180.0 million Wells Fargo Senior Secured Revolving Credit Agreement

On July 20, 2018, the Company and other subsidiary borrowers signatory thereto entered into a secured amended and restated revolving credit agreement (as amended, the “Revolving Credit Agreement”), which provides for a \$150.0 million aggregate amount of revolver commitments subject to borrowing base limitations. Effective July 25, 2023, the Company amended the Revolving Credit Agreement to increase the maximum commitments thereunder to \$180.0 million aggregate amount, expandable to \$200.0 million, subject to borrowing base limitations, and to extend the maturity date to July 24, 2028.

The interest rate applicable to loans outstanding on the Revolving Credit Agreement is a floating rate of interest per annum of Secured Overnight Financing Rate (“SOFR”) plus a margin of 2.75%. The applicable interest rate as of June 30, 2024 was 8.08%.

The Company’s ability to borrow on the Revolving Credit Agreement is subject to ongoing compliance by the Company and the borrowers with various customary affirmative and negative covenants. The Revolving Credit Agreement requires the Company and borrowers to meet certain financial and nonfinancial covenants. The Company was in compliance with these covenants as of June 30, 2024.

\$10.0 million Synovus Property and Equipment Revolving Term Loan

On June 30, 2023, the Company entered into a Property and Equipment Revolving Term Loan (the “Equipment Loan”) with a total advance commitment of \$10.0 million for the purpose of financing capital expenditures on property and equipment. Once the total advance commitment was reached or commencing on June 30, 2024, whichever came first, this facility would become a term loan with a maturity date of June 30, 2027. This loan is collateralized by the property and equipment it finances and requires interest only payment until converted to a term loan, at which point, principal and interest payments will be required.

The Equipment Loan bears interest at a rate per annum equal to one-month SOFR plus 3.50%, which will be adjusted monthly. The effective rate on this facility as of June 30, 2024 was 7.96%.

The Equipment Loan is subject to ongoing compliance by the Company in the form of various customary affirmative and negative covenants, as well as certain financial covenants. The Company was in compliance with these covenants as of June 30, 2024.

The schedule of payments on the Equipment Loan as of June 30, 2024 is as follows (in thousands):

Year ending December 31:	
2024	\$ 109
2025	198
2026	214
2027	94
Total payments	\$ 615

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 months ended June 30, 2024 and 2023, respectively (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net (loss) income	\$ (3,637)	\$ (2,688)	\$ 2,640	\$ (2,683)
Change in fair value of warrant liability	-	(1,393)	-	(1,059)
Net (loss) income for EPS - Diluted	\$ (3,637)	\$ (4,081)	\$ 2,640	\$ (3,742)
Weighted-average number of shares outstanding - basic	53,029,359	51,227,484	53,010,425	51,217,990
Weighted-average of assumed common Shares - options	-	-	11,576	-
Additional shares from assumed stock-settled restricted stock units	-	-	89,438	-
Additional shares from assumed exercise of warrants	-	177,169	-	199,899
Weighted-average number of shares outstanding - diluted	53,029,359	51,404,653	53,111,439	51,417,889
(Loss) earnings per share – basic:	\$ (0.07)	\$ (0.05)	\$ 0.05	\$ (0.05)
(Loss) earnings per share – diluted:	\$ (0.07)	\$ (0.08)	\$ 0.05	\$ (0.07)
Anti-dilutive shares/units excluded from earnings per share - diluted:				
Additional shares from assumed stock-settled restricted stock units	71,847	1,788,589	-	1,782,032
Additional shares from assumed exercise of stock options	3,205	-	-	-

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 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.

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 revenue consists 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, which are expensed as incurred. The TechOps segment also engages in the repair and sale of USM inventory for which it has the overhaul capabilities and relationships to sell.

Gross profit is calculated by subtracting cost of sales from revenue. 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 income (expense) and income tax expense.

Selected financial information for each segment for the three and six months ended June 30, 2024 and 2023 is as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue				
Asset Management Solutions				
Aircraft	\$ 9,110	\$ 12,053	\$ 25,448	\$ 36,948
Engine	32,689	25,018	75,613	48,553
	<u>41,799</u>	<u>37,071</u>	<u>101,061</u>	<u>85,501</u>
TechOps				
MRO services	29,517	28,417	55,365	55,571
Product sales	5,785	3,620	11,215	6,307
Whole asset sales	-	218	-	218
	<u>35,302</u>	<u>32,255</u>	<u>66,580</u>	<u>62,096</u>
Total	<u>\$ 77,101</u>	<u>\$ 69,326</u>	<u>\$ 167,641</u>	<u>\$ 147,597</u>
Gross profit				
Asset Management Solutions				
Aircraft	\$ 3,422	\$ 1,760	\$ 8,259	\$ 10,215
Engine	11,939	9,595	29,754	19,199
	<u>15,361</u>	<u>11,355</u>	<u>38,013</u>	<u>29,414</u>
TechOps				
MRO services	4,561	7,241	9,477	13,186
Product sales	1,798	1,168	3,026	1,555
Whole asset sales	-	376	-	376
	<u>6,359</u>	<u>8,785</u>	<u>12,503</u>	<u>15,117</u>
Total	<u>\$ 21,720</u>	<u>\$ 20,140</u>	<u>\$ 50,516</u>	<u>\$ 44,531</u>
Total assets				
			<u>June 30, 2024</u>	<u>December 31, 2023</u>
Asset Management Solutions			\$ 412,753	\$ 372,326
Tech Ops			171,286	163,883
Corporate			14,655	17,729
			<u>\$ 598,694</u>	<u>\$ 553,938</u>

The following table reconciles segment gross profit to (loss) income before income tax provision for the three and six months ended June 30, 2024 and 2023 (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Segment gross profit	\$ 21,720	\$ 20,140	\$ 50,516	\$ 44,531
Selling, general and administrative expenses	(23,572)	(27,097)	(47,705)	(52,321)
Interest (expense) income, net	(1,528)	381	(2,463)	1,428
Other income, net	102	138	271	371
Change in fair value of warrant liability	138	1,393	2,117	1,059
(Loss) income before income tax provision	<u>\$ (3,140)</u>	<u>\$ (5,045)</u>	<u>\$ 2,736</u>	<u>\$ (4,932)</u>

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 months ended June 30, 2024 and 2023, is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Asset Management Solutions	\$ 170	\$ 164	\$ 606	\$ 1,074
TechOps	2,019	6,432	7,597	10,190
Total intersegment revenues	<u>\$ 2,189</u>	<u>\$ 6,596</u>	<u>\$ 8,203</u>	<u>\$ 11,264</u>

NOTE M — STOCKHOLDERS' EQUITY

Common Stock

The Company's common stock, \$0.0001 par value, consists of 200,000,000 authorized shares, of which 53,084,214 and 52,954,430 shares were issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.

2020 Equity Incentive Plan

The Company maintains a 2020 Equity Incentive Plan (the "2020 Plan") and has registered 6,200,000 shares of common stock issuable under the 2020 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 (the "Board") 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, those shares will become or again be available for awards under the 2020 Plan. The 2020 Plan is administered by the Compensation Committee of the Board. 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 months ended June 30, 2024 and 2023 was as follows:

	Amount	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2023	532,399	\$ 14.82	1.84
Granted	1,145,530	-	-
Forfeited	(56,119)	-	-
Vested	(217,843)	-	-
Outstanding June 30, 2024	<u>1,403,967</u>	<u>\$ 8.51</u>	<u>2.42</u>

	Amount	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2022	1,374,383	\$ 10.72	\$ 2.88
Granted	359,993	15.00	2.55
Forfeited	(15,699)	15.24	2.20
Vested	(134,641)	14.43	-
Outstanding June 30, 2023	<u>1,584,036</u>	<u>\$ 11.34</u>	<u>\$ 3.06</u>

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 restricted stock units 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.

As of June 30, 2024, the Company's restricted stock units included 724,248 performance-based awards that have vesting provisions subject to both time vesting and the achievement of certain performance milestones at 100% and 200% vesting targets.

For the three and six months ended June 30, 2024, the Company did not recognize share-based compensation expense for the performance-based awards given that the achievement of the performance milestones have been deemed not probable for accounting purposes.

As of June 30, 2023, the Company's restricted stock units included 1,073,736 performance-based awards that had vesting provisions subject to both time vesting and the achievement of certain performance milestones at 100% and 200% vesting targets. Effective March 31, 2022, the performance-based awards granted in 2021 (the "2021 PSUs") met the performance metric at the maximum level of 200% with one-third vested on December 22, 2022 and two-thirds vesting on December 22, 2023.

For the three and six months ended June 30, 2023, the Company recognized share-based compensation expense for the 2021 PSUs of \$2.0 million and \$4.0 million, respectively.

Stock Options

Stock options granted under the 2020 Plan have exercise terms of 10 years and vest in equal instalments of one-third of the total number of options granted on each of the first three anniversaries from the grant date beginning one year after the date of grant, and are assigned an exercise price equal to the closing stock price on the day prior to the date of grant. Options are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Except for qualifying retirement after the nine-month anniversary of the grant date, any portion of the grant that has not vested will be forfeited upon termination of employment.

Under the 2020 Plan, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. When determining expected volatility, the Company considers the historical volatility of the Company's stock price, or benchmark companies when the option exercise period exceeds period for which stock data is available for the Company. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant, based on the options' expected term. The assumptions used in the Black-Scholes option-pricing model for options granted in 2024 are as follows:

	Grant Date
	June 7, 2024
Risk-free interest rate	4.42%
Expected volatility of common stock	50.04%
Dividend yield	-
Expected option term in years	6.0
Grant-date fair value (per share)	\$ 3.73

Stock options activity under the 2020 Plan for the six months ended June 30, 2024 was as follows:

	Shares	Weighted average Exercise price per share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2023	-	\$ -	-	-
Granted	644,550	7.02	10	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding June 30, 2024	644,550	7.02	10	-
Nonvested at June 30, 2024	644,550	7.02	10	-
Exercisable	-	-	-	-

(1) Total shares valued at the market price of the underlying stock as of June 30, 2024 less the exercise price.

As of June 30, 2024, the unrecognized compensation costs related to these awards was \$2.3 million. The Company expects to recognize those costs over a weighted average period of 1.9 years. The total grant date fair value of stock options awarded during the three and six months ended June 30, 2024 was \$2.4 million.

2020 Employee Stock Purchase Plan

The Company also maintains the AerSale Corporation 2020 Employee Stock Purchase Plan (the “ESPP”) and has registered 500,000 shares of common stock issuable under the ESPP. During the six-months ended June 30, 2024 and 2023, the Company issued 48,202 and 21,551 shares, respectively, pursuant to the ESPP.

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, 2023 (the "2023 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 2023 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 Flight Equipment 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.

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. Revenue from this segment is segregated between Aircraft and Engine depending on the asset type that generated the revenue. Lease revenue and the related depreciation from aircraft and engines installed on those aircraft are recognized under the Aircraft category. Revenue 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 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.

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 for which we obtained Federal Aviation Administration (“FAA”) approval to sell as a solution for compliance with the FAA’s fuel tank flammability regulations. Another example of these solutions is our AerAware™ product, an industry-leading, next generation Enhanced Flight Vision System (“EFVS”) that has recently received approval by the FAA for the Boeing B737NG product line. 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.

Recent Accounting Pronouncements

The most recently adopted and to be adopted accounting pronouncements are described in Note B of our condensed consolidated financial statements included in this Quarterly Report, as well as in Item 8, Note B within our consolidated financial statements in the 2023 Form 10-K.

Results of Operations

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Sales and gross profit for AerSale’s two business segments for the three months ended June 30, 2024 and 2023 were as follows:

(in thousands, except percentages)		Three Months Ended June 30,		Percent Change
		2024	2023	
Revenue				
Asset Management Solutions				
Aircraft	\$	9,110	\$ 12,053	(24.4)%
Engine		32,689	25,018	30.7 %
		41,799	37,071	12.8 %
TechOps				
MRO		29,517	28,417	3.9 %
Product Sales		5,785	3,620	59.8 %
Whole Asset Sale		-	218	(100.0)%
		35,302	32,255	9.4 %
Total	\$	77,101	\$ 69,326	11.2 %
(in thousands, except percentages)		Three Months Ended June 30,		Percent Change
		2024	2023	
Gross Profit				
Asset Management Solutions				
Aircraft	\$	3,422	\$ 1,760	94.4 %
Engine		11,939	9,595	24.4 %
		15,361	11,355	35.3 %
TechOps				
MRO		4,561	7,241	(37.0)%
Product Sales		1,798	1,168	53.9 %
Whole Asset Sale		-	376	(100.0)%
		6,359	8,785	(27.6)%
Total	\$	21,720	\$ 20,140	7.8 %

Total revenue for the three months ended June 30, 2024 increased \$7.8 million or 11.2% compared to the three months ended June 30, 2023, driven by an increase of \$4.7 million, or 12.8%, in revenues within Asset Management Solutions, and an increase of \$3.0 million, or 9.4%, in revenues within TechOps.

Asset Management Solutions

Sales in the Asset Management Solutions segment increased \$4.7 million or 12.8%, to \$41.8 million for the three months ended June 30, 2024, due to a \$7.7 million, or 30.7%, increase in revenue from Engines; offset in part by a \$2.9 million, or 24.4%, decrease in revenue from Aircraft. The increase in Engines revenue is primarily attributable to higher activity across most product lines due to higher Flight Equipment sales in the amount of \$3.2 million, higher leasing revenue of \$1.0 million, and higher USM sales of \$3.4 million. The decrease in Aircraft revenue is primarily attributable to decreased activity in the B737, as a result of lower Flight Equipment sales in the amount of \$3.2 million due to the timing and availability of assets, as well as lower USM sales due to delays associated with the teardown process.

Cost of sales in Asset Management Solutions increased \$0.7 million or 2.8%, to \$26.4 million for the three months ended June 30, 2024, compared to the prior year period. The increase in cost of sales was primarily driven by the sales increase discussed above. Gross profit in the Asset Management Solutions segment increased \$4.0 million to \$15.4 million, or 35.3%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The gross profit increase is mainly attributable to higher revenue generated for the three months ended June 30, 2024, as noted above.

Aircraft gross profit margins increased to 37.6% for the three months ended June 30, 2024, from 14.6% for the three months ended June 30, 2023 due to higher margin contribution from USM sales. Engines gross profit margin was 36.5% for the three months ended June 30, 2024, a decrease from 38.4% for the three months ended June 30, 2023, which was primarily the result of lower margins on USM sales and leasing revenues.

TechOps

Our revenue from TechOps increased by \$3.0 million or 9.4%, to \$35.3 million for the three months ended June 30, 2024, compared to the prior year period. The increase was driven in part by higher MRO product sales, as well as higher contributions by component and landing gear repair activities, offset by lower demand for heavy MRO services in our Goodyear, Arizona facility.

Cost of sales in TechOps increased \$5.5 million or 23.3%, to \$28.9 million for the three months ended June 30, 2024 compared to the prior year period. This was driven by higher revenue discussed above. Gross profit in TechOps decreased \$2.4 million, or 27.6% for the three months ended June 30, 2024 compared to the three months ended June 30, 2023, driven by lower gross profit of \$2.7 million on MRO services. Gross profit margin decreased to 18.0% for the three months ended June 30, 2024 compared to 27.2% for the prior year period, and was largely attributable to lower margin on MRO services of 15.5% for the three months ended June 30, 2024 compared to 25.5% for the prior year period, driven by lower margin generated on our heavy and component MROs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$3.5 million, or 13.0% to \$23.6 million for the three months ended June 30, 2024, compared to the prior year period. The decrease was primarily related to lower payroll costs.

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, 2024, we recorded a \$0.1 million change in fair value of warrant liability income, compared to a \$1.4 million income in the prior year period.

Interest (Expense) Income, Net

Interest expense, net was \$1.5 million for the three months ended June 30, 2024, compared to \$0.4 million interest income, net for the three months ended June 30, 2023. This was primarily related to interest expense incurred on borrowings under our debt facilities during the current year period, compared to interest earned on our excess cash in the prior year period.

Income Taxes

The effective tax rate for the three months ended June 30, 2024 was (15.8%) compared to 46.7% for the three months ended June 30, 2023. The difference between the effective tax rate and the statutory tax rate of 21% for the three months ended June 30, 2024 is primarily due to the exclusion of the foreign derived intangible income deduction previously assumed. The difference between the effective tax rate and the statutory tax rate of 21% for the three months ended June 30, 2023 is primarily due to the impact of state income taxes and non-deductible executive compensation, offset by the foreign derived intangible income deduction and R&D credits.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Sales and gross profit for AerSale's two business segments for the six months ended June 30, 2024 and 2023 were as follows:

(in thousands, except percentages)	Six Months Ended June 30,		Percent Change
	2024	2023	
Revenue			
Asset Management Solutions			
Aircraft	\$ 25,448	\$ 36,948	(31.1)%
Engine	75,613	48,553	55.7 %
	101,061	85,501	18.2 %
TechOps			
MRO	55,365	55,571	(0.4)%
Product Sales	11,215	6,307	77.8 %
Whole Asset Sale	-	218	(100.0)%
	66,580	62,096	7.2 %
Total	\$ 167,641	\$ 147,597	13.6 %
(in thousands, except percentages)	Six Months Ended June 30,		Percent Change
	2024	2023	
Gross Profit			
Asset Management Solutions			
Aircraft	\$ 8,259	\$ 10,215	(19.1)%
Engine	29,754	19,199	55.0 %
	38,013	29,414	29.2 %
TechOps			
MRO	9,477	13,186	(28.1)%
Product Sales	3,026	1,555	94.6 %
Whole Asset Sale	-	376	(100.0)%
	12,503	15,117	(17.3)%
Total	\$ 50,516	\$ 44,531	13.4 %

Total revenue for the six-months ended June 30, 2024 increased \$20.0 million or 13.6% compared to the six months ended June 30, 2023, driven by an increase of \$15.6 million, or 18.2%, in revenues within Asset Management Solutions and an increase of \$4.5 million, or 7.2%, in revenues within TechOps.

Asset Management Solutions

Sales in the Asset Management Solutions segment increased \$15.6 million or 18.2%, to \$101.1 million for the six months ended June 30, 2024, due to a \$27.1 million, or 55.7%, increase in revenue from Engines; offset by a \$11.5 million, or 31.1%, decrease in revenue from Aircraft. The increase in Engines revenue is primarily attributable to increased activity in the CFM56 and V2500 product lines as a result of higher Flight Equipment sales in the amount of \$19.9 million, and higher USM sales. The decrease in Aircraft revenue is primarily attributable to decreased activity in the B757 product line due to lower Flight Equipment sales in the amount of \$8.9 million due to softer demand in the freighter market, and lower leasing revenue of \$1.9 million, partially offset by higher USM sales activity.

Cost of sales in Asset Management Solutions increased \$7.0 million, or 12.4%, to \$63.0 million for the six months ended June 30, 2024, compared to the prior year period. The increase in cost of sales was primarily driven by the sales increase discussed above. Gross profit in the Asset Management Solutions segment increased \$8.6 million to \$38.0 million, or 29.2%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The gross profit increase is mainly attributable to the higher revenue generated for the six months ended June 30, 2024, as noted above.

Aircraft gross profit margin increased to 32.5% for the six months ended June 30, 2024, from 27.6% for the six months ended June 30, 2023, due to higher margin on Flight Equipment sales. Engine gross profit margin was 39.4% for the six months ended June 30, 2024, a slight decrease from 39.5% for the six months ended June 30, 2023, which was primarily due to changes in the USM product mix.

TechOps

Our revenue from TechOps increased by \$4.5 million, or 7.2%, to \$66.6 million for the six months ended June 30, 2024, compared to the prior year period. The increase was primarily driven by higher MRO product sales.

Cost of sales in TechOps increased \$7.1 million, or 15.1%, to \$54.1 million for the six months ended June 30, 2024, compared to the prior year period, driven by higher revenues discussed above. Gross profit in TechOps decreased \$2.6 million, or 17.3% for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, driven by lower profit generated on MRO services. Gross profit margin decreased to 18.8% for the six months ended June 30, 2024 compared to 24.3% for the six months ended June 30, 2023, and was largely attributable to lower margins on MRO services of 17.1% for the six months ended June 30, 2024, compared to 23.7% during the six months ended June 30, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$4.6 million, or 8.8% to \$47.7 million for the six months ended June 30, 2024, compared to the prior year period. The decrease was primarily related to lower share-based compensation and payroll costs.

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 months ended June 30, 2024, we recorded a change in fair value of the warrant liability income of \$2.1 million, compared to a \$1.1 million income in the prior year period.

Interest (Expense) Income, Net

Interest expense, net was \$2.5 million for the six months ended June 30, 2024, compared to \$1.4 million interest income, net for the six months ended June 30, 2023. This was primarily related to interest expense incurred on borrowings under our debt facilities during the current year period, compared to interest earned on our excess cash in the prior year period.

Income Taxes

The effective tax rate for the six months ended June 30, 2024 was 3.5% compared to 45.6% for the six months ended June 30, 2023. The difference between the effective tax rate and the statutory tax rate of 21% for the six months ended June 30, 2024 is primarily due to the benefit of the R&D credits, change in fair market value of the warrants and amended state tax returns. The difference between the effective tax rate and the statutory tax rate of 21% for the six months ended June 30, 2023 is primarily due to the impact of state income taxes and non-deductible executive compensation, offset by the foreign derived intangible income deduction and R&D credits.

Financial Position, Liquidity and Capital Resources

As of June 30, 2024, we had \$4.3 million of cash and cash equivalents. We finance our growth through cash flows generated from operations and borrowings secured by our assets. We had \$81.0 million outstanding under the Revolving Credit Agreement as of June 30, 2024, and we had \$97.5 million of availability thereunder. We used cash in operations of \$36.8 million for the six months ended June 30, 2024, primarily for feedstock acquisitions, and used cash in investing activities of \$9.0 million for the six months ended June 30, 2024.

During the year ended December 31, 2023, we entered into a revolving term loan collateralized by our property and equipment (the “Equipment Loan”), and borrowed \$8.6 million, which was paid off during the six months ended June 30, 2024. During the three months ended June 30, 2024, the Company financed additional equipment purchases of \$0.6 million, which remain outstanding as of June 30, 2024.

We believe our equity base, internally generated funds, and existing availability under our debt facilities are sufficient to maintain our level of operations through the next 12 months. Any projections of future cash needs and cash flows beyond the next twelve months are subject to substantial uncertainty, but we believe our sources of liquidity, as discussed above, will be sufficient to meet our long-term cash requirements. 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.

We may, from time to time, purchase our outstanding shares of common stock through cash purchases and/or exchanges for equity or debt, 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 months ended June 30, 2024 compared to six months ended June 30, 2023

Cash Flows from Operating Activities

Net cash used in operating activities was \$36.8 million for the six months ended June 30, 2024, compared to cash used of \$129.2 million for the same period in 2023. The decrease in cash deployed of \$92.4 million was primarily due to lower feedstock acquisitions and the timing of advances to vendors during the six months ended June 30, 2024 compared to the prior year period.

Cash Flows from Investing Activities

Net cash used in investing activities was \$9.0 million for the six months ended June 30, 2024, compared to cash provided of \$7.9 million in the same period for 2023. Cash used in investing activities during the six months ended June 30, 2024 was driven by purchases of property and equipment in support of TechOps expansion. Cash generated by investing activities during the six months ended June 30, 2023 was driven by Flight Equipment sales.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$44.2 million for the six months ended June 30, 2024, compared to cash provided of \$8.8 million in the same period for 2023. Cash provided by financing activities during the six months ended June 30, 2024 was primarily related to the proceeds from net borrowings under our Revolving Credit Agreement. Cash provided by financing activities during the six months ended June 30, 2023 is the result of proceeds from borrowings under the Equipment Loan.

Debt Obligations and Covenant Compliance

Wells Fargo Senior Secured Revolving Credit Facility

Effective July 25, 2023, we amended our revolving credit agreement (as amended, the “Revolving Credit Agreement”) to increase our maximum commitments under the Revolving Credit Agreement to \$180.0 million aggregate amount, expandable to \$200.0 million, subject to conditions and the availability of lender commitments and borrowing base limitations, and to extend the maturity date to July 24, 2028, subject to certain conditions.

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.

As of June 30, 2024, there was \$81.0 million outstanding under the Revolving Credit Agreement and we had \$97.5 million of availability thereunder. We were in compliance with our debt covenants for the Revolving Credit Agreement as of June 30, 2024.

Synovus Equipment Loan

On June 30, 2023, the Company entered into a property and equipment revolving term loan (the “Equipment Loan”) with a total advance commitment of \$10.0 million for the purpose of financing capital expenditures on property and equipment. Once the total advance commitment is reached or commencing on June 30, 2024, whichever came first, this facility would become a term loan with a maturity date of June 30, 2027. This loan is collateralized by the property and equipment it finances and requires interest only payment until converted to a term loan, at which point, principal and interest payments will be required.

During the six months ended June 30, 2024, the Company repaid \$8.6 million outstanding under this facility as of December 31, 2023, and borrowed \$0.6 million, which remained outstanding as of June 30, 2024.

We were in compliance with our debt covenants for the Equipment Loan as of June 30, 2024.

Off-Balance Sheet Arrangements and Contractual Obligations

We did not have any off-balance sheet arrangements as of June 30, 2024. Refer to Note Q – Leases, within our consolidated financial statements in our 2023 Form 10-K for a listing of our non-cancelable contractual obligations under operating leases.

The Company has entered into a purchase commitment with Universal Avionics valued at \$27.5 million for the acquisition of technical equipment for manufacturing our AerAwareTM product. The commitment is expected to be satisfied by the second quarter of 2025.

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 2023 Form 10-K. 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 six months ended June 30, 2024, there were no material changes in our critical accounting policies and estimates.

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 Revolving Credit Agreement and the Equipment Loan, which have variable interest rates tied to the Secured Overnight Financing Rate. As of June 30, 2024, we had \$81.0 million outstanding variable rate borrowings under the Revolving Credit Agreement. A ten percent increase in the average interest rate affecting our variable rate debt outstanding as of June 30, 2024 would increase our annual interest expense by \$0.7 million

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 and six months ended June 30, 2024.

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.

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 Securities Exchange Act, as amended (the “Exchange Act”), as of June 30, 2024.

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, 2024.

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, 2024 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

The Company could 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 defendants, and, for insurable losses, maintain adequate 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 litigations, if any, in which the Company is involved will materially affect the Company's consolidated financial condition or results of operations.

ITEM 1A RISK FACTORS

There are no material changes in the information reported under Part I – Item 1A “Risk Factors” contained in the 2023 Form 10-K.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

Rule 10b5-1 Plan Adoptions and Modifications

During the fiscal quarter ended June 30, 2024, no director or officer adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as such terms are defined under Item 408(a) of Regulation S-K).

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 Herewith
		Form	File No.	Exhibit	Filing Date	
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	
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	
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	
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 By laws 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-K12B.	001-38801	3.4	12/23/2020	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date	Filed/ Furnished Herewith
		Form	File No.	Exhibit		
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	
4.4	Assignment and Assumption Agreement, dated December 22, 2020, by and among Monocle Holdings Inc., Monocle Acquisition Corporation and Continental Transfer & Trust Company.	8-K	001-38801	10.9	12/23/2020	
10.1	Form of Restricted Stock Award Agreement under the Incentive Compensation Plan.					*
10.2	Form of Nonqualified Stock Option Award Agreement					*
10.3	Form of Restricted Performance Unit Award Agreement					*
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 contained in Exhibit 101)					*
*	Filed herewith					
**	Furnished herewith					

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 7, 2024

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

Date: August 7, 2024

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

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

AerSale Corporation (the “**Company**”), pursuant to its 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “**Plan**”), 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), any Exhibit attached thereto, 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:

Subject to the Participant’s continuous employment or service, the Restricted Stock Units will vest in equal installments of 1/3 of the total number of Restricted Stock Units granted pursuant to this Grant Notice on each of the first three anniversaries of the Vesting Start Date (with each such date on which Restricted Stock Units vest deemed a “**Vesting Date**”), *provided, that*, if the Participant Terminates after the nine (9) month anniversary of the Grant Date and such Termination constitutes a Retirement, then any unvested Restricted Stock Units shall remain outstanding and shall continue to vest on each Vesting Date irrespective of the Participant’s Termination due to Retirement.

For purposes of this Grant Notice and the Restricted Stock Unit Agreement, “**Retirement**” means a Participant’s voluntary Termination after satisfying each of the following requirements: (a) the Participant has attained age 65 with at least five (5) years of continuous service with the Company and/or one or more of its Subsidiaries or Affiliates; (b) unless otherwise agreed to in writing by the Company, the Participant has provided the Company with at least 12 months advance written notice of his or her intent to Retire; and (c) the Participant has signed (and not revoked) a standard release of claims in favor of the Company (such release including a 12 month non-competition covenant, non-solicitation covenant, and other standard restrictive covenants) and any other documentation reasonably requested by the Company at the time of the Grantee’s Retirement.

AERSALE CORPORATION

By:
Title:

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT, ANY EXHIBIT ATTACHED THERETO, 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, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN.

PARTICIPANT

[Signature Page to RSU Agreement]

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

(Employees)

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**”) and the AerSale Corporation 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “**Plan**”), 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.** Subject to the conditions contained herein and in the Plan, the Restricted Stock Units shall vest as provided in the Grant Notice.
 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 30 days following the applicable Vesting Date), 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.** To the extent they do not contradict the vesting provisions provided in the Grant Notice, the provisions of Section 9(c)(ii) of the Plan are incorporated herein by reference and made a part hereof. Notwithstanding the foregoing, in the event the Participant undergoes a Termination for reasons other than Retirement and the Participant is a party to the Company’s Severance Plan or any other applicable written agreement with the Company providing for the payment of equity awards upon the Participant’s Termination (a “**Severance Arrangement**”), such Severance Arrangement will control with respect to the treatment of the Restricted Stock Units upon the Participant’s Termination for reasons other than Retirement.
 5. **Company; Participant.**
 - (a) The term “Company” as used in this Restricted Stock Unit Agreement (including any Exhibit attached hereto) with reference to employment 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,
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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, or comply with, Section 409A of the Code and all provisions of the Grant Notice and Restricted Stock Unit Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. The provisions of Section 13(t) of the Plan are incorporated herein by reference and made a part hereof. If the Company concludes that this Restricted Stock Unit Agreement is subject to the requirements of Section 409A of the Code, neither the time nor the schedule of the payment of the Restricted Stock Units may be accelerated or subject to a further deferral except as permitted pursuant to Section 409A of the Code and the applicable regulations. In addition, if the Company concludes that this Restricted Stock Unit Agreement is subject to the requirements of Section 409A of the Code, payment of the Restricted Stock Units may be delayed only in accordance with Section 409A of the Code and the applicable regulations. Installment payments shall be treated as separate payments for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii).
 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 Sr. Vice President of Human Resources, 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 an employee 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
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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 are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Restricted Stock Unit Agreement (including the Grant Notice), the Plan shall govern and control.
 17. **Restrictive Covenants.** The Participant acknowledges and agrees that the Participant is, or, unless otherwise determined by the Company, will become, party to an agreement with the Company which contains restrictive covenant obligations with respect to the Participant (any such agreement(s), a “***Restrictive Covenant Agreement***”). The Participant hereby acknowledges and reaffirms the Participant’s obligations under any such Restrictive Covenant Agreement and hereby acknowledges and agrees that any breach of a Restrictive Covenant Agreement will constitute Detrimental Activity under the Plan.
 18. **Exhibit for Non-US Participants.** If the Participant is residing and/or working outside of the United States, the Restricted Stock Units shall be subject to any special provisions set forth in Exhibit A to this Restricted Stock Unit Agreement. If the Participant becomes based outside the United States during the life of the Restricted Stock Units, the special provisions set forth in Exhibit A shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. Moreover, if the Participant relocates between any of the countries included on Exhibit A, the special provisions set forth in Exhibit A for such country shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. Exhibit A constitutes part of this Restricted Stock Unit Agreement.
 19. **Acquired Rights.** The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; *provided* that such termination or amendment of the Plan shall not materially and adversely affect the Participant’s rights under this Agreement without the Participant’s written consent; (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; (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; and (d) any benefits granted under this Restricted Stock Unit Agreement are not part of the Participant’s ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy, or resignation.
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20. **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 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.
21. **Entire Agreement.** This Restricted Stock Unit Agreement (including, without limitation, any Exhibit attached hereto), the Grant Notice, and the Plan 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.
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Exhibit A

Additional Terms and Conditions

**OPTION GRANT NOTICE
UNDER THE
AERSALE CORPORATION
2020 EQUITY INCENTIVE PLAN**

(Executive Employees)

AerSale Corporation (the “*Company*”), pursuant to its 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “*Plan*”), hereby grants to the Participant set forth below the number of Options (each Option representing the right to purchase one share of Common Stock) set forth below, at an Exercise Price per share as set forth below. The Options are subject to all of the terms and conditions as set forth herein, in the Option Agreement (attached hereto), any Exhibit attached thereto, 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 Options:

Exercise Price:

Option Period Expiration Date:

Type of Option:

Nonqualified Stock Option

Vesting Schedule:

Subject to the Participant’s continuous employment or service, the Options will vest in equal installments of 1/3 of the total number of Options granted pursuant to this Grant Notice on each of the first three anniversaries of the Vesting Start Date (with each such date on which Options vest deemed a “*Vesting Date*”), *provided, that*, if the Participant Terminates after the nine (9) month anniversary of the Grant Date and such Termination constitutes a Retirement, then any unvested Options shall remain outstanding and shall continue to vest on each Vesting Date irrespective of the Participant’s Termination due to Retirement.

For purposes of this Grant Notice and the Option Agreement, “*Retirement*” means a Participant’s voluntary Termination after satisfying each of the following requirements: (a) the Participant has attained age 65 with at least five (5) years of continuous service with the Company and/or one or more of its Subsidiaries or Affiliates; (b) unless otherwise agreed to in writing by the Company, the Participant has provided the Company with at least 12 months advance written notice of his or her intent to Retire; and (c) the Participant has signed (and not revoked) a standard release of claims in favor of the

Company (such release including a 12 month non-competition covenant, non-solicitation covenant, and other standard restrictive covenants) and any other documentation reasonably requested by the Company at the time of the Grantee's Retirement.

AERSALE CORPORATION

By: _____

Title: _____

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS OPTION GRANT NOTICE, THE OPTION AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF OPTIONS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS OPTION GRANT NOTICE, THE OPTION AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN.

PARTICIPANT

By: _____

**OPTION AGREEMENT UNDER THE
AERSALE CORPORATION
2020 EQUITY INCENTIVE PLAN**

Pursuant to the Option Grant Notice (the “**Grant Notice**”) delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Option Agreement (this “**Option Agreement**”) and the AerSale Corporation 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “**Plan**”), 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 Option.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Options provided in the Grant Notice (with each Option representing the right to purchase one share of Common Stock), at an Exercise Price per share as provided in the Grant Notice. The Company may make one or more additional grants of Options to the Participant under this Option Agreement by providing the Participant with a new Grant Notice, which may also include any terms and conditions differing from this Option Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Options hereunder and makes no implied promise to grant additional Options.
 2. **Vesting.** Subject to the conditions contained herein and in the Plan, the Options shall vest on each Vesting Date as provided in the Grant Notice.
 3. **Exercise of Options Following Termination.** The provisions of Section 7(c)(ii) of the Plan are incorporated herein by reference and made a part hereof, *provided, that*, in the event of the Participant’s Termination due to Retirement, each outstanding vested Option shall remain exercisable for one year thereafter (but in no event beyond the expiration of the Option Period). Notwithstanding the foregoing, in the event the Participant undergoes a Termination for reasons other than Retirement and the Participant is a party to the Company’s Severance Plan or any other applicable written agreement with the Company providing for the payment of equity awards upon the Participant’s Termination (a “**Severance Arrangement**”), such Severance Arrangement will control with respect to the treatment of the Options upon the Participant’s Termination for reasons other than Retirement.
 4. **Method of Exercising Options.** The Options may be exercised by the delivery of notice of the number of Options that are being exercised accompanied by payment in full of the Exercise Price applicable to the Options so exercised. Such notice shall be delivered either (a) in writing to the Company at its principal office or at such other address as may be established by the Committee, to the attention of the Company’s General Counsel or (b) to a third-party plan administrator as may be arranged for by the Company or the Committee from time to time for purposes of the administration of outstanding Options under the Plan, in the case of either (a) or (b), as communicated to the Participant by the Company from time to time. Payment of the aggregate Exercise Price may be made using any of the methods described in Section 7(d)(i) or (ii) of the Plan including without limitation the broker-assisted “cashless exercise” procedure described in Section 7(d)(ii)(B) and the “net exercise” procedure described in Section 7(d)(ii)(C) of the Plan; *provided*, that the Participant may not use the method described in Section 7(d)(ii)(A) of the Plan unless specifically authorized by the Committee.
 5. **Issuance of Shares of Common Stock.** Following the exercise of an Option hereunder, as promptly as practical after receipt of such notification and full payment of such Exercise Price and any required income or other tax withholding amount (as provided in Section 9 hereof), the Company shall issue or transfer, or cause such issue or transfer, to the Participant the number of shares of Common Stock with respect to which the Options have been so exercised, and shall either (a) deliver, or cause to be
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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.

6. **Company; Participant.**

(a) The term "Company" as used in this Option Agreement (including any Exhibit attached hereto) with reference to employment shall include the Company and its Subsidiaries.

(b) Whenever the word "Participant" is used in any provision of this Option 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 Options 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.

7. **Non-Transferability.** The Options are not transferable by the Participant except to Permitted Transferees in accordance with Section 13(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the Options, 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 Options shall terminate and become of no further effect.

8. **Rights as Shareholder.** The Participant or a Permitted Transferee of the Options shall have no rights as a shareholder with respect to any share of Common Stock covered by an Option until the Participant (or such Permitted Transferee, as applicable) shall have become the holder of record or the beneficial owner of such share of Common Stock, and no adjustment shall be made for dividends or distributions or other rights in respect of such Share of Common Stock for which the record date is prior to the date upon which the Participant (or a Permitted Transferee, as applicable) shall become the holder of record or the beneficial owner thereof.

9. **Tax Withholding.** The provisions of Section 13(d) of the Plan are incorporated herein by reference and made a part hereof.

10. **Notice.** Every notice or other communication relating to this Option 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 Sr. Vice President of Human Resources, 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 Option Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Company.

12. **Binding Effect.** This Option 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 Option 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 Options; or (ii) requiring that the Participant forfeit any gain realized on the exercise of the Options or the disposition of any shares of Common Stock received upon exercise of the Options, 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 Option 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 Options shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with applicable law. For the avoidance of doubt, all Awards granted under the Plan are subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time; and (ii) applicable law.
 15. **Governing Law and Venue.** This Option 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 Option 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 Option 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 are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Option Agreement (including the Grant Notice), the Plan shall govern and control.
 17. **Restrictive Covenants.** The Participant acknowledges and agrees that the Participant is, or, unless otherwise determined by the Company, will become, party to an agreement with the Company which contains restrictive covenant obligations with respect to the Participant (any such agreement(s), a "***Restrictive Covenant Agreement***"). The Participant hereby acknowledges and reaffirms the Participant's obligations under any such Restrictive Covenant Agreement and hereby acknowledges and agrees that any breach of a Restrictive Covenant Agreement will constitute Detrimental Activity under the Plan.
 18. **Exhibit for Non-US Participants.** If the Participant is residing and/or working outside of the United States, the Option shall be subject to any special provisions set forth in Exhibit A to this Option Agreement. If the Participant becomes based outside the United States during the life of the Option, the special provisions set forth in Exhibit A shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. Moreover, if the Participant relocates between any of the countries included
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on Exhibit A, the special provisions set forth in Exhibit A for such country shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. Exhibit A constitutes part of this Option Agreement.

19. **Acquired Rights**. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; *provided* that such termination or amendment of the Plan shall not materially and adversely affect the Participant's rights under this Agreement without the Participant's written consent; (b) the award of the Option made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the Option awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy, or resignation.
 20. **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 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.
 21. **Entire Agreement**. This Option Agreement (including, without limitation, any Exhibit attached hereto), the Grant Notice, and the Plan 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.
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**PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE
UNDER THE
AERSALE CORPORATION
2020 EQUITY INCENTIVE PLAN**

AerSale Corporation (the “**Company**”), pursuant to its 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “**Plan**”), hereby grants to the Participant set forth below the number of Performance Restricted Stock Units (“**PSUs**”) set forth below. The PSUs are subject to all of the terms and conditions as set forth herein, in the Performance Restricted Stock Unit Agreement (attached hereto), any Exhibit attached thereto, 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:

Performance Period:

The Performance Period begins_____ and ends_____.

Within a reasonable period of time following the end of the Performance Period (and in any event prior to the 90-day anniversary of the last day of the Performance Period or, if earlier, March 15 of the year following the calendar year in which the Performance Period ends), the Committee will determine the extent to which the Performance Criteria set forth below have been satisfied (the date of such determination, the “**Determination Date**”). Subject to the achievement of the Performance Criteria set forth below and provided that the Participant has not undergone a Termination for reasons other than Retirement (as defined below) prior to the Determination Date, the PSUs will be earned on the Determination Date.

Target Number of PSUs:

Vesting Schedule:

The PSUs will be eligible to vest as follows:

100% of the PSUs that are earned on the Determination Date, if any, will vest on the Determination Date, provided that the Participant has not undergone a Termination for reasons other than Retirement prior to such Vesting Date.

To the extent any PSUs are vested, the Company will deliver to Participant a number of shares of Common Stock equal to the number of PSUs with respect to which the Performance Criteria has been satisfied on or as soon as reasonably practicable following the applicable Vesting Date (and in no event later than 30 days following the applicable Vesting Date), pursuant to Section 3 of the Performance Restricted Stock Unit Agreement.

Notwithstanding anything in this Grant Notice or the Performance Restricted Stock Unit Agreement to the contrary, if the Participant Terminates after the nine (9) month anniversary of the Grant Date and such Termination constitutes a Retirement, then any unearned and unvested PSUs shall remain outstanding and eligible for earning and, if earned on the Determination Date, shall continue to vest in the amounts set forth above on each Vesting Date irrespective of the Participant's Termination due to Retirement.

For purposes of this Grant Notice and the Performance Restricted Stock Unit Agreement, "**Retirement**" means a Participant's voluntary Termination after satisfying each of the following requirements: (a) the Participant has attained age 65 with at least five (5) years of continuous service with the Company and/or one or more of its Subsidiaries or Affiliates; (b) unless otherwise agreed to in writing by the Company, the Participant has provided the Company with at least 12 months advance written notice of his or her intent to Retire; and (c) the Participant has signed (and not revoked) a standard release of claims in favor of the Company (such release including a 12 month non-competition covenant, non-solicitation covenant, and other standard restrictive covenants) and any other documentation reasonably requested by the Company at the time of the Grantee's Retirement.

Performance Criteria:

Performance Period	Adjusted EBITDA Performance Criteria The PSUs earned for the Performance Period will be based on the Company's achievement of Adjusted EBITDA targets (as set forth below). <u>Adjusted EBITDA Achievement</u>			
		Minimum	Target	Maximum
	Adjusted EBITDA 3-Year Cumulative	\$	\$	\$
	PSU Vesting Percentage	%	%	%

Adjusted EBITDA performance achievement and PSU Vesting Percentages between Target and Maximum levels will be determined based on linear interpolation between the applicable targets.

The number of PSUs eligible to be earned and vest will be equal to the product of (i) the Target Number of PSUs and (ii) the PSU Vesting Percentage, as determined based on the Company's achievement of the Adjusted EBITDA Performance Criteria set forth above.

No PSUs will be become vested and earned if the Company does not achieve at

least the Target level in Adjusted EBITDA for the Performance Period. If the Company's Adjusted EBITDA performance achievement during the Performance Period exceeds the Maximum level, then the number of PSUs vested and earned will equal the number based on PSU Vesting Percentage for Maximum performance.

"Adjusted EBITDA" is defined as: Net income (loss) after giving effect to interest expense, depreciation and amortization, income tax expense (benefit), equity compensation, related items to discontinued operations, and one-time adjustments and non-recurring items.

[Signature Pages and Performance Restricted Stock Unit Agreement Follow]

AERSALE CORPORATION

By:
Title:

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

PARTICIPANT

[Signature Page to PSU Agreement]

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

(Employees)

Pursuant to the Performance 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 Performance Restricted Stock Unit Agreement (this “**Performance Restricted Stock Unit Agreement**”) and the AerSale Corporation 2020 Equity Incentive Plan, as it may be amended and restated from time to time (the “**Plan**”), 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 PSUs.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the PSUs as provided in the Grant Notice (with each PSU representing an unfunded, unsecured right to receive one share of Common Stock). The target number of PSUs set forth in the Grant Notice is the target number of PSUs that may be earned under this Performance Restricted Stock Unit Agreement. The number of PSUs that may actually be earned under this Performance Restricted Stock Unit Agreement ranges from between 0% and 200% of such target number of PSUs. The Company may make one or more additional grants of PSUs to the Participant under this Performance Restricted Stock Unit Agreement by providing the Participant with a new Grant Notice, which may also include any terms and conditions differing from this Performance Restricted Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional PSUs hereunder and makes no implied promise to grant additional PSUs.
 2. **Vesting.** Subject to the conditions contained herein and in the Plan, the PSUs shall vest as provided in the Grant Notice.
 3. **Settlement of PSUs.** 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 30 days following the applicable Vesting Date)), one share of Common Stock for each PSU (as adjusted under the Plan, as applicable) which becomes vested hereunder and such vested PSU 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 Performance 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 Performance 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 PSUs Upon Termination.** To the extent they do not contradict the vesting provisions provided in the Grant Notice, the provisions of Section 9(c)(ii) of the Plan are incorporated herein by reference and made a part hereof. Notwithstanding the foregoing, in the event the Participant undergoes a Termination for reasons other than Retirement and the Participant is a party to the Company’s Severance Plan or any other applicable written agreement with the Company providing for the payment of equity awards upon the Participant’s Termination (a “**Severance Arrangement**”), such Severance Arrangement will control with respect to the treatment of the PSUs upon the Participant’s Termination for reasons other than Retirement.
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5. **Company; Participant.**

- (a) The term “Company” as used in this Performance Restricted Stock Unit Agreement (including any Exhibit attached hereto) with reference to employment shall include the Company and its Subsidiaries.
 - (b) Whenever the word “Participant” is used in any provision of this Performance 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 PSUs 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 PSUs are not transferable by the Participant and no assignment or transfer of the PSUs, 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 PSUs 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 PSU 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 PSUs granted hereunder shall be exempt from, or comply with, Section 409A of the Code and all provisions of the Grant Notice and Performance Restricted Stock Unit Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. The provisions of Section 13(t) of the Plan are incorporated herein by reference and made a part hereof. If the Company concludes that this Performance Restricted Stock Unit Agreement is subject to the requirements of Section 409A of the Code, neither the time nor the schedule of the payment of the PSUs may be accelerated or subject to a further deferral except as permitted pursuant to Section 409A of the Code and the applicable regulations. In addition, if the Company concludes that this Performance Restricted Stock Unit Agreement is subject to the requirements of Section 409A of the Code, payment of the PSUs may be delayed only in accordance with Section 409A of the Code and the applicable regulations. Installment payments shall be treated as separate payments for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii).
10. **Notice.** Every notice or other communication relating to this Performance 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 Sr. Vice President of Human Resources, 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 Performance Restricted Stock Unit Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Company.
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12. **Binding Effect.** This Performance 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 Performance 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 PSUs; or (ii) requiring that the Participant forfeit any gain realized on the settlement of the PSUs or the disposition of any shares of Common Stock received upon settlement of the PSUs, 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 Performance 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 PSUs shall be subject to reduction, cancellation, forfeiture, or recoupment to the extent necessary to comply with applicable law.
 15. **Governing Law and Venue.** This Performance 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 Performance 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 Performance 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 are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Performance Restricted Stock Unit Agreement (including the Grant Notice), the Plan shall govern and control.
 17. **Restrictive Covenants.** The Participant acknowledges and agrees that the Participant is, or, unless otherwise determined by the Company, will become, party to an agreement with the Company which contains restrictive covenant obligations with respect to the Participant (any such agreement(s), a "**Restrictive Covenant Agreement**"). The Participant hereby acknowledges and reaffirms the Participant's obligations under any such Restrictive Covenant Agreement and hereby acknowledges and agrees that any breach of a Restrictive Covenant Agreement will constitute Detrimental Activity under the Plan.
 18. **Exhibit for Non-US Participants.** If the Participant is residing and/or working outside of the United States, the PSUs shall be subject to any special provisions set forth in **Exhibit A** to this Performance Restricted Stock Unit Agreement. If the Participant becomes based outside the United States during the life of the PSUs, the special provisions set forth in **Exhibit A** shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. Moreover, if the Participant relocates between any of the countries included on **Exhibit A**, the special provisions set forth in **Exhibit A** for such country shall apply to the Participant to the extent that the Company determines that the applications of such provisions is necessary or advisable for legal or administrative reasons. **Exhibit A** constitutes part of this Performance Restricted Stock Unit Agreement.
 19. **Acquired Rights.** The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time, *provided* that such termination or amendment of the Plan shall not materially and adversely affect the Participant's rights under this Agreement without the Participant's written consent; (b)
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the award of the PSUs made under this Performance Restricted Stock Unit Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the PSUs awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Performance Restricted Stock Unit Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy, or resignation.

20. **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 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.
 21. **Entire Agreement.** This Performance Restricted Stock Unit Agreement (including, without limitation, any Exhibit attached hereto), the Grant Notice, and the Plan 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.
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Exhibit A

Additional Terms and Conditions

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 7, 2024

By: _____/s/ Nicolas Finazzo

Nicolas Finazzo
Chief Executive Officer
(Principal Executive Officer)

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 7, 2024

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

**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, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nicolas Finazzo, Chief Executive Officer of the Company, hereby 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 7, 2024

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

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