Castlelake Aviation Limited

Unaudited Condensed Consolidated Financial Statements

As of June 30, 2022 and December 31, 2021 and for the three and six months ended June 30, 2022

Castlelake Aviation Limited and Subsidiaries

Unaudited Condensed Consolidated Financial Statements - As of June 30, 2022 and December 31, 2021 and for the three and six months ended June 30, 2022

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Unaudited Condensed Consolidated Balance Sheets
As of June 30, 2022, and December 31, 2021
(U.S. dollars in thousands)

	Notes	June 30, 2022	December 31, 2021
Assets			
Cash and cash equivalents	3	$ 133,074	$ 156,319
Restricted cash	3	849	-
Trade receivables	8	16,951	18,035
Flight equipment held for operating leases, net	4	2,166,552	2,038,052
Maintenance right and lease premium, net	5	314,240	326,895
Net investment in finance lease	6	268,613	70,163
Other assets	7	265,732	136,211
Derivative assets	12	59,138	-
Deferred tax assets	13	53,432	56,804
Total Assets		**$ 3,278,581**	**$ 2,802,479**
Liabilities and Equity			
Accounts payable and accrued liabilities		$ 4,857	$ 8,532
Deferred rental income		4,096	9,747
Security deposits		24,966	23,649
Accrued maintenance liability	9	44,060	38,827
Derivative liabilities	12	-	18,404
Deferred tax liabilities	13	35,249	23,686
Debt	10	2,172,311	1,839,612
Total Liabilities		**2,285,539**	**1,962,457**
Ordinary share capital, $0.01 par value: 5,000,000 shares authorized, 812,814 shares and 880,889 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively		9	8
Additional paid-in capital		884,805	812,806
Accumulated retained earnings		41,989	28,538
Accumulated other comprehensive income/(loss)		66,239	(1,330)
Total Equity		**993,042**	**840,022**
Total Liabilities and Equity		**$ 3,278,581**	**$ 2,802,479**

Castlelake Aviation Limited and Subsidiaries
Unaudited Condensed Consolidated Income Statements
(U.S. dollars in thousands)

	Notes	Three months Ended June 30, 2022	Six months Ended June 30, 2022
Revenues and Other Income			
Rental income from operating and finance leases	11	$ 62,408	$ 121,594
Interest and other income		5,146	9,480
Gain on transfer to investment in finance lease	4	2,541	4,792
Total Revenues and Other Income		**70,095**	**135,866**
Expenses			
Interest expense	10	25,997	49,532
Depreciation	4	26,251	52,614
Maintenance and other costs		1,994	4,338
Selling, general and administrative expenses		5,842	10,453
Total Expenses		**60,084**	**116,937**
Net income before income tax expense		10,011	18,929
Income tax expense	13	(3,364)	(5,478)
Net Income		**$ 6,647**	**$ 13,451**

Castlelake Aviation Limited and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income
(U.S. dollars in thousands)

	Three months Ended June 30, 2022	Six months Ended June 30, 2022
Net income	$ 6,647	$ 13,451
Other comprehensive income:		
Net unrealized gain on derivatives, net of tax	19,219	67,569
Total Comprehensive Income	**$ 25,866**	**$ 81,020**

Castlelake Aviation Limited and Subsidiaries
Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity
(U.S. dollars in thousands)

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Accumulated retained earnings	Accumulated other comprehensive (loss)/income	Total
Balance at December 31, 2021	812,814	$ 8	$ 812,806	$ 28,538	$ (1,330)	$ 840,022
Net change	68,075	1	71,999	13,451	67,569	153,020
Balance at June 30, 2022	**880,889**	**$ 9**	**$ 884,805**	**$ 41,989**	**$ 66,239**	**$ 993,042**

Castlelake Aviation Limited and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

		Six months Ended June 30, 2022
Cash Flows from Operating Activities:		
Net income	$	13,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		52,614
Amortization of debt issuance cost		4,225
Lease premium amortization		8,719
Collection of finance leases		8,797
Gain on transfer to investment in finance lease		(4,792)
Changes in assets and liabilities		
Receivables and other asset		2,321
Deferred tax		5,472
Accounts payable and accrued liabilities		(2,656)
Deferred rental income		(5,651)
Net cash provided by operating activities		82,500
Cash Flows from Investing Activities:		
Cash paid for aircraft		(379,633)
Cash paid for loan investment		(130,598)
Net cash used in investing activities		(510,231)
Cash Flows from Financing Activities:		
Net cash received from borrowings		337,888
Repayment of borrowings		(9,802)
Cash paid for security deposits		1,317
Net increase in maintenance reserves		5,233
Proceeds from issuance of shares		72,000
Debt issuance costs		(1,301)
Net cash provided by financing activities		405,335
Net decrease in Cash, Cash Equivalents and Restricted Cash		(22,396)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period		156,319
Cash, Cash Equivalents and Restricted Cash at End of Period	$	133,923
Supplemental Cash Flow Information:		
Cash paid for interest expense	$	44,289

Castlelake Aviation Limited and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
June 30, 2022

Note 1 – Organization

Castlelake Aviation Limited (the "Company") is incorporated in the Cayman Islands and is tax resident in the Republic of Ireland. The Company was incorporated on August 6, 2021 (the "Inception") for the purpose of acquiring, marketing, leasing and selling newer generation and mid-life commercial aircraft and providing other aircraft financing solutions to its airline customers. Castlelake Aviation LLC, a company wholly owned by an affiliate of Castlelake, L.P. ("Castlelake"), is the sole shareholder of the Company.

On October 22, 2021 (the "Closing Date"), the Company, Castlelake Aviation Finance Designated Activity Company ("CAF DAC"), a direct wholly owned subsidiary of the Company, and CAF DAC's subsidiaries (collectively, the "CA Group") acquired an initial portfolio of 66 commercial aircraft and other investment assets from funds affiliated with Castlelake (the "Initial Portfolio") by way of the acquisition of a variety of entities and beneficial interests in trusts that held the Initial Portfolio. In connection with the acquisition of the Initial Portfolio, the CA Group acceded to certain liabilities associated with the assets acquired. The acquisition of these assets and liabilities was financed through the issuance of senior notes and the incurrence of loans under two term loan facilities and a revolving credit facility. The acquisition of the Initial Portfolio has been accounted for as an asset acquisition in accordance with U.S. GAAP. During the six months ended June 30, 2022, the CA Group entered into another term loan facility as detailed in Note 10 - Debt.

As of June 30, 2022, there were 82 assets in the CA Group's portfolio, consisting of 67 aircraft on operating lease, 7 aircraft on finance lease (collectively, the "Aircraft") and 8 secured loan receivable assets.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements and the related information in the footnotes have been prepared on a going concern basis and in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The condensed consolidated financial statements are stated in U.S. dollars, which is the CA Group's functional currency.

Going Concern

The CA Group relies on lessees continuing performance of their lease obligations. The ability of each lessee to perform its obligations under its lease will depend primarily on such lessee's financial condition and cash flow, which may be affected by factors beyond the CA Group's control, including outbreaks of infectious diseases such as COVID-19 and global or regional conflicts.

While the continued outbreak of the COVID-19 pandemic and the measures adopted by the governments and countries worldwide to mitigate the pandemic's spread have significantly impacted CA Group's airline customers' operations and by extension the activities, financial results and position of the CA Group, the CA Group continues to have a reasonable expectation that the CA Group has adequate resources to continue in operation for at least the next twelve months based on the future cash flow analysis using contracted revenues, forecasted maintenance receipts and payments, debt obligations, capital commitments and current cash positions and that the going concern basis of preparation remains appropriate for the preparation of the financial statements as of June 30, 2022.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires the CA Group to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. While the CA Group believes that the estimates and related assumptions used in the preparation of the condensed consolidated financial statements are appropriate, actual results could differ from those estimates. The most significant estimates are those in relation to the residual value and useful economic lives of flight equipment held for operating leases, the impairment of flight equipment held for operating leases, the proportion of supplemental maintenance rent that will not be reimbursed, the valuation allowance recognized against deferred tax assets, the recoverability of trade receivables and deferred operating lease revenue and key assumptions about the likelihood and magnitude of an outflow of resources for commitments and contingent liabilities.

Summary of significant accounting policies

The CA Group's significant accounting policies are described in its Annual Audited Financial Statements for the year ended December 31, 2021.

Note 3 – Cash, Cash Equivalents and Restricted Cash

The CA Group maintains various cash accounts as required by the lenders and the facility providers, including collateral accounts, security deposit accounts and maintenance reserve accounts.

The CA Group held cash and cash equivalents of $133.1 million and $156.3 million at June 30, 2022 and December 31, 2021, respectively.

The CA Group's restricted cash was $0.8 million as of June 30, 2022 related to a reserve for the TL 2 defined in Note 10 – Debt. The CA Group did not have any restricted cash at December 31, 2021.

Note 4 –Flight Equipment held for Operating Leases, net

As of June 30, 2022 and December 31, 2021, flight equipment held for operating leases, net were as follows (U.S. dollars in thousands):

	June 30, 2022	December 31, 2021
Flight Equipment held for Operating Leases, net	$ 2,166,552	$ 2,038,052

Movements in flight equipment held for operating leases during the three and six months ended June 30, 2022 were as follows (U.S. dollars in thousands):

	Three Months Ended June 30, 2022	Six months Ended June 30, 2022
Net book value at beginning of period	$ 2,216,636	$ 2,038,052
Additions	-	229,069
Transfers to investment in finance lease	(23,833)	(47,955)
Depreciation	(26,251)	(52,614)
Net book value at end of period	$ 2,166,552	$ 2,166,552
Accumulated depreciation	$ (71,206)	$ (71,206)

During the six months ended June 30, 2022, the CA Group acquired five aircraft subject to operating leases. During the three months ended June 30, 2022, one aircraft was transferred from a flight equipment held for operating lease to an aircraft under finance lease and a gain of $2.5 million was recorded. During the six months ended June 30, 2022, two aircraft were transferred from flight equipment held for operating leases to aircraft under finance leases and a gain of $4.8 million was recorded.

As of June 30, 2022, the CA Group's aircraft portfolio consisted of 67 aircraft on lease to 14 different lessees in 10 different countries.

As of December 31, 2021, the CA Group's aircraft portfolio consisted of 64 aircraft held for operating lease which was made up of 63 aircraft on lease to 13 different lessees in 10 different countries and one aircraft was off lease.

Note 5 – Maintenance Right Assets and Lease Premiums, net

Maintenance rights assets and lease premium, net consisted of the following as of June 30, 2022 and December 31, 2021 (U.S. dollars in thousands):

	June 30, 2022		December 31, 2021	
Lease Premium	$	94,011	$	103,484
Maintenance Right Asset		220,229		223,411
	$	314,240	$	326,895

As of June 30, 2022, lease premium and maintenance right asset/(liability) were as follows (U.S. dollars in thousands):

	Lease Premium		Maintenance Right Asset	
Cost:				
Balance at beginning of period	$	103,484	$	223,411
Reclassification		(754)		(3,182)
Amortization charge for the period		(8,719)		-
	$	94,011	$	220,229

Note 6 – Net Investment in Finance lease

As of June 30, 2022 and December 31, 2021, seven and two leases were accounted for as finance leases, respectively. During the six months ended June 30, 2022, the CA Group acquired three aircraft subject to finance leases and two aircraft were transferred from operating lease to finance lease. The following tables list the components of the net investment in finance lease as of June 30, 2022 and December 31, 2021 (U.S. dollars in thousands):

	June 30, 2022		December 31, 2021	
Total lease payments to be received	$	349,002	$	88,439
Less: Unearned income		(80,389)		(18,276)
Allowance for credit losses		-		-
Net investment in finance lease	$	268,613	$	70,163

Included within total lease payments to be received as at June 30, 2022 is $211.7 million in relation to the recognition of three finances leases (2021: two) as well as $54.7 million in relation to two operating leases transferred to finance lease during the period.

During the three and six months ended June 30, 2022, the CA Group recognized interest income from net investment in finance leases of $4.5 million and $7.7 million, respectively, included in Rental income from operating and finance leases.

Note 7 – Other Assets

At June 30, 2022 and December 31, 2021, the principal components of the CA Group's other assets were as follows (U.S. dollars in thousands):

	June 30, 2022		December 31, 2021	
Interest receivables	$	2,343	$	2,023
Loan receivables, net		254,558		126,171
Other assets		8,831		8,017
Total	$	265,732	$	136,211

Loan receivables of $254.6 million is presented net of unamortized upfront fees and re-measurement adjustments (the "Loan Adjustments"). The net loan receivable amounts consist of $66.7 million to an Asia Pacific based airline, $59.8 million to two EMEIA based lessors and $128.1 million to an EMEIA based airline.

The loan provided to the Asia Pacific based airline accrues interest at a fixed rate of 11.75% per annum and is secured by charges over intellectual property of the airlines and aircraft inventory. As of June 30, 2022, $66.7 million is drawn down with an undrawn portion of $33.4 million. Loans of $72.0 million provided to two EMEIA based lessors accrues interest at a fixed rate of 8% per annum and are secured against aircraft owned by the lessors. As of June 30, 2022, there are no undrawn amounts or available commitments under these loans. The loan provided to the EMEIA based airline accrues interest at fixed rate of 8.16% per annum and is secured by an assignment of the certain rights of the airline under the relevant aircraft purchase agreement. As of June 30, 2022, $130.6 million is drawn down with an undrawn portion of $59.2 million.

Other assets of $8.8 million primarily consists of VAT receivable and debt costs associated with the secured revolving credit facility.

Note 8 – Allowance for credit losses

The CA Group is exposed to credit losses on its net investment in finance leases, loan receivables from customers and lease deferrals provided to its airline customers. The CA Group's investment in finance leases, loan receivable and lease deferrals credit exposure reflect the risk that its customers fail to meet their payment obligations and the risk that the aircraft value in a finance lease is less than the unguaranteed residual value.

The CA Group estimates the expected risk of loss over the remaining life of a lease using a probability of default and net exposure analysis. The probability of default is estimated based on historical cumulative default data, adjusted for current conditions of similarly risk rated counterparties over the contractual term. The net exposure is estimated based on the exposure, net of collateral, including security deposits and maintenance-related deposits and aircraft where applicable, over the contractual term.

As of June 30, 2022 and December 31, 2021, no expected credit loss was recognized for loan receivables and net investment in finance leases. An evaluation in accordance with ASC 326 Financial Instruments – Credit Losses was completed, and it was deemed that no expected credit loss was required.

As of June 30, 2022, trade receivables of $17.0 million was presented net of an expected credit loss on lease deferrals and an allowance for bad debts on lease receivables as follows (U.S. dollars in thousands):

	Lease deferrals	Trade Receivables	Total
Balance (Gross)	$ 57,930	$ 4,137	$ 62,067
Allowance for bad debts	-	(4,137)	(4,137)
Expected credit loss	(40,979)	-	(40,979)
Total	$ 16,951	$ -	$ 16,951

As December 31, 2021, trade receivables $18.0 million was presented net of an expected credit loss on lease deferrals and an allowance for bad debts on lease receivables as follows (U.S. dollars in thousands):.

	Lease deferrals	Trade Receivables	Total
Balance (Gross)	$ 59,520	$ 2,960	$ 62,480
Allowance for bad debts	-	(1,208)	(1,208)
Expected credit loss	(43,237)	-	(43,237)
Total	$ 16,283	$ 1,752	$ 18,035

Note 9 – Accrued Maintenance liability

As of June 30, 2022 and December 31, 2021, accrued maintenance liability were as follows (U.S. dollars in thousands):

	June 30, 2022	December 31, 2021
Accrued maintenance liability	$ 44,060	$ 38,827

Movements in accrued maintenance liability during the six months ended June 30, 2022 were as follows (U.S. dollars in thousands):

	June 30, 2022
Balance at beginning of period	$ 38,827
Maintenance payments received	5,233
Accrued maintenance liability at end of period	$ 44,060

Note 10 – Debt

The CA Group's outstanding indebtedness consists of senior unsecured notes ("HYB"), senior secured term loan B ("TLB"), two term loan facilities ("TL 1" and "TL 2") and a secured revolving credit facility ("RCF") (together the "Debt").

The outstanding principal balances, unamortized discount, legal maturity dates and interest rates of the Debt at June 30, 2022 were as follows (U.S. dollars in thousands):

			Balances as of	
Type	Maturity	Interest Rate	June 30, 2022	December 31, 2021
Unsecured				
HYB	4/2027	5.00%	$ 420,000	$ 420,000
Secured				
TLB	10/2026	3 month LIBOR (0.5% floor)+2.75%	1,171,150	1,177,050
TL 1	5/2024	1 month LIBOR+2.15%	240,898	244,800
TL 2	6/2024	Compounded SOFR+3.95%	84,888	-
RCF	12/2024	Term SOFR+2.00%	284,000	31,000
Total secured			1,780,936	1,452,850
Accrued interest			8,342	6,813
Debt issuance costs and debt discounts			(36,967)	(40,051)
Total debt			$ 2,172,311	$ 1,839,612

Interest and principal payments on the Debt during the six months ended June 30, 2022 were as follows (U.S. dollars in thousands):

	Interest	Principal
HYB	$ 10,092	$ -
TLB	20,293	5,900
TL 1	3,092	3,902
TL 2	-	-
RCF	4,541	-
Total interest payments and principal repayment	$ 38,018	$ 9,802

The total interest expense during the three and six months ended June 30, 2022 was comprised of the following (U.S. dollars in thousands):

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
HYB	$ 5,250	$ 10,442
TLB	11,130	20,976
TL 1	1,778	3,207
TL 2	300	300
RCF	2,735	4,622
Amortization of debt issuance cost	2,227	4,225
Derivatives	2,577	5,760
Total	$ 25,997	$ 49,532

In June 2022, The CA Group entered into a TL 2 which are secured by, among other things, a pledge of the shares of the borrower entity.

As of June 30, 2022, $284.0 million was drawn down from the RCF leaving an undrawn amount of $466.0 million and $84.8 million was drawn down from the TL 2 leaving an undrawn amount of $38.5 million.

At June 30, 2022, the CA Group remained in compliance in all material respects with the covenants in the agreements governing its Debt.

Note 11 – Rental Income from Operating and Finance Leases

The following table details rental income, net of expected credit losses, provision for bad debts and bad debt recoveries, by geographical source during the three months and six months ended June 30, 2022 (U.S dollars in thousands):

	Three months ended June 30, 2022	Six months ended June 30, 2022
Europe, Middle East and Africa (EMEA)	$ 4,600	$ 9,197
Asia Pacific (APAC)	32,776	64,587
Americas	29,404	56,529
Lease premium amortization (Note 5)	(4,372)	(8,719)
Total	$ 62,408	$ 121,594

The CA Group's top five customers represented 75% of total rental revenues for the six months ended June 30, 2022. No customer accounted for more than 28% of total operating lease revenue in the six months ended June 30, 2022. At June 30, 2022, there were one lease contracts where a lessee had early termination rights.

At June 30, 2022, the CA Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases (U.S. dollars in thousands):

	June 30, 2022
2022	$ 127,984
2023	255,279
2024	260,279
2025	234,179
2026	221,643
2027 and thereafter	1,228,780
Total	$ 2,328,144

During the six months ended June 30, 2022, the CA Group recognized an allowance for expected credit losses of $0.7 million, classified in operating rental income, in respect of the CA Group's deferred operating lease revenue balance at June 30, 2022. See Note 8 - Allowance for credit losses.

Note 12 – Derivative Financial Instruments

The CA Group entered into interest rate swaps to hedge the current and future interest rate payments on TLB. As of June 30, 2022, the underlying variable benchmark interest rate under the interest swaps was three-month U.S. dollar LIBOR.

The counterparties to the interest rate swaps are major international financial institutions. The CA Group continually monitors its positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. The CA Group could be exposed to potential losses due to the credit risk of non-performance by these counterparties. The CA Group has not experienced any losses to date. The following table presents the notional amounts and estimated fair values of the CA Group's derivatives as of June 30, 2022 and December 31, 2021, (U.S. dollars in thousands):

	June 30, 2022		December 31, 2021	
	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Derivative liabilities designated as accounting cash flow hedges:				
Interest rate swaps	$ 1,168,511	$ 59,138	$ 860,000	$ (18,404)

Changes in the fair value of a derivative that is designated and qualifies as an effective cash flow hedge are recorded in accumulated other comprehensive income/(loss), net of tax, until earnings are affected by the variability of cash flows of the hedged item.

The CA Group recorded the following in other comprehensive gain related to derivative financial instruments for the three and six months ended June 30, 2022 (U.S. dollars in thousands):

Effective portion of change in fair market value of derivatives designated as cash flow hedges:	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Interest rate swaps	$ 21,965	$ 77,032
Income tax effect	(2,746)	(9,463)
Net gain on derivative, net of tax	$ 19,219	$ 67,569

Note 13 – Income Taxes

The CA Group's primary tax jurisdiction is Ireland.

The following table presents the CA Group's income tax expense for the three and six months ended June 30, 2022 (U.S. dollars in thousands):

	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
Current tax expense	$	5	$	6
Deferred tax expense		3,359		5,472
Provision for income taxes	$	3,364	$	5,478

As of June 30, 2022 and December 31, 2021, deferred tax assets and deferred tax liabilities were as follows (U.S. dollars in thousands):

	June 30, 2022		December 31, 2021	
Deferred tax assets	$	53,432	$	56,804
Deferred tax liabilities		35,249		23,686

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions, the amount of permanent tax differences relative to pre-tax income and an increase in valuation allowance for an amount of unrecognized tax losses.

Note 14 – Commitments and Contingencies

As of June 30, 2022, the CA Group was under an agreement for purchase and leaseback transactions for 40 aircraft (and associated financing of seven of these 40 aircraft). One aircraft delivered in July 2022 and a portion of the financing associated with the seven aircraft was funded in August 2022. Commitments for the acquisition of these aircraft (purchase and leaseback transactions), calculated at an estimated aggregate purchase price (including adjustments for anticipated inflation) of approximately $2.46 billion as of June 30, 2022 are as follows (U.S. dollars in thousands):

Remaining 2022	$	285,000
2023		755,500
2024		108,000
2025		-
2026		-
Thereafter		1,310,854
Total	$	2,459,354

The final purchase prices can vary due to a number of factors, including inflation and the final acquisition dates can vary as the timing of the some transactions have not been determined yet.

As of June 30, 2022, all debt was guaranteed by the Company, the respective CA Group borrower or issuer and their subsidiaries.

The CA Group may be involved in legal and administrative proceedings that arise from time to time in the normal conduct of business. No provision for any liability has been recorded in the accompanying financial statements, and the CA Group believes that the ultimate disposition of any such matters will not have a material adverse effect on the financial position or results of operations of the CA Group.

Note 15 – Related Parties

Pursuant to various servicing agreements as well as pursuant to a management agreement, affiliates of Castlelake perform aircraft, lease and administrative services for the CA Group. The CA Group incurred servicer fees in the amount of $3.0 million and $5.5 million, respectively, during the three and six months ended June 30, 2022. As of June 30, 2022, accrued but unpaid servicer fee balance was $1.2 million which was subsequently paid in July 2022.

Note 16 – Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The CA Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized into one of the following levels:

Level 1 –Quoted prices in active markets for identical assets or liabilities.

Level 2 –Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 –Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2022 and December 31, 2021, the CA Group's derivative portfolio consisted of interest rate swaps. The fair value of derivatives is based on dealer quotes for identical instruments. The CA Group has also considered the credit rating and risk of the counterparty of the derivative contract based on quantitative and qualitative factors. As such, the valuation of these instruments was classified as Level 2.

The following tables present the CA Group's financial assets and liabilities that the group measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2022 and December 31, 2021:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Derivative assets	$ 59,138	$ -	$ 59,138	$ -

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Liabilities				
Derivative liabilities	$ 18,404	$ -	$ 18,404	$ -

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

The CA Group also measures the fair value of flight equipment on a non-recurring basis, when U.S. GAAP requires the application of fair value, including when events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. The CA Group develops the assumptions used in the fair value measurements. Therefore, the fair value measurements of flight equipment are classified as Level 3 valuations.

Financial Instruments Not Measured at Fair Values

The CA Group's financial instruments are measured at amortized cost, other than those noted above. The following financial instruments are not measured at fair value on the CA Group's Unaudited Condensed Consolidated Balance Sheets at June 30, 2022 and December 31, 2021, but require disclosure of their fair values: cash and cash equivalents. The estimated fair value of such instruments at June 30, 2022 and December 31, 2021 approximates the carrying value as reported on the Unaudited Condensed Consolidated Balance Sheets. The fair value of all these instruments would be categorized as Level 1 in the fair value hierarchy.

Note 17 – Subsequent Event

In July and August 2022, the CA Group drew down $31.5 million from the RCF and $8.9 million from the TL 2 for the aircraft purchase and financing referred in Note 14 - Commitments and Contingencies.

The CA Group has evaluated the effects of events that have occurred subsequent to June 30, 2022 and through August 9, 2022, the date the financial statements were available to be issued. This evaluation includes a review of leasing activity, payment performance of lessees and disbursements made subsequent to year end. During this period, the CA Group is not aware of any additional material events that would require recognition or disclosure in the June 30, 2022 financial statements, other than the matters presented elsewhere in the financial statements.