

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2020**

OR

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

For the transition period from ____ to ____

Commission file number **001-37386**



FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

32-0434238

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

1345 Avenue of the Americas, 45th Floor

New York

NY

10105

(Address of principal executive offices)

(Zip Code)

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

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

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

Title of each class:	Trading Symbol:	Name of exchange on which registered:
Class A common shares, \$0.01 par value per share	FTAI	New York Stock Exchange
8.25% Fixed-to-Floating Rate Series A Cumulative Perpetual Redeemable Preferred Shares	FTAI PR A	New York Stock Exchange
8.00% Fixed-to-Floating Rate Series B Cumulative Perpetual Redeemable Preferred Shares	FTAI PR B	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

There were 85,617,146 common shares representing limited liability company interests outstanding at July 28, 2020.

FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but instead are based on our present beliefs and assumptions and on information currently available to us. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “target,” “projects,” “contemplates” or the negative version of those words or other comparable words. Any forward-looking statements contained in this report are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us, that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- changes in economic conditions generally and specifically in our industry sectors, and other risks relating to the global economy, including, but not limited to, public health crises, such as the COVID-19 pandemic, and any actions taken by businesses and governments;
- reductions in cash flows received from our assets, as well as contractual limitations on the use of our aviation assets to secure debt for borrowed money;
- our ability to take advantage of acquisition opportunities at favorable prices;
- a lack of liquidity surrounding our assets, which could impede our ability to vary our portfolio in an appropriate manner;
- the relative spreads between the yield on the assets we acquire and the cost of financing;
- adverse changes in the financing markets we access affecting our ability to finance our acquisitions;
- customer defaults on their obligations;
- our ability to renew existing contracts and enter into new contracts with existing or potential customers;
- the availability and cost of capital for future acquisitions;
- concentration of a particular type of asset or in a particular sector;
- competition within the aviation, energy and intermodal transport sectors;
- the competitive market for acquisition opportunities;
- risks related to operating through joint ventures or partnerships or through consortium arrangements;
- obsolescence of our assets or our ability to sell, re-lease or re-charter our assets;
- exposure to uninsurable losses and force majeure events;
- infrastructure operations may require substantial capital expenditures;
- the legislative/regulatory environment and exposure to increased economic regulation;
- exposure to the oil and gas industry’s volatile oil and gas prices;
- difficulties in obtaining effective legal redress in jurisdictions in which we operate with less developed legal systems;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940 and the fact that maintaining such exemption imposes limits on our operations;
- our ability to successfully utilize leverage in connection with our investments;
- foreign currency risk and risk management activities;
- effectiveness of our internal control over financial reporting;
- exposure to environmental risks, including increasing environmental legislation and the broader impacts of climate change;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- actions taken by national, state, or provincial governments, including nationalization, or the imposition of new taxes, could materially impact the financial performance or value of our assets;
- our dependence on our Manager and its professionals and actual, potential or perceived conflicts of interest in our relationship with our Manager;
- effects of the merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.;
- volatility in the market price of our shares;
- the inability to pay dividends to our shareholders in the future; and
- other risks described in the “Risk Factors” section of this report.

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

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

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	Notes	(Unaudited) June 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	2	\$ 50,870	\$ 226,512
Restricted cash	2	49,178	16,005
Accounts receivable, net		62,966	49,470
Leasing equipment, net	4	1,769,799	1,707,059
Operating lease right-of-use assets, net	13	62,816	37,466
Finance leases, net	5	7,657	8,315
Property, plant, and equipment, net	6	849,129	732,109
Investments	7	175,872	180,550
Intangible assets, net	8	23,720	27,692
Goodwill		122,735	122,639
Other assets	2	112,752	129,105
Total assets		\$ 3,287,494	\$ 3,236,922
Liabilities			
Accounts payable and accrued liabilities		\$ 108,360	\$ 144,855
Debt, net	9	1,602,304	1,420,928
Maintenance deposits		185,332	208,944
Security deposits		38,795	45,252
Operating lease liabilities	13	62,436	36,968
Other liabilities		38,776	41,118
Total liabilities		\$ 2,036,003	\$ 1,898,065
Commitments and contingencies	19		
Equity			
Common shares (\$0.01 par value per share; 2,000,000,000 shares authorized; 85,610,800 and 84,917,448 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively)		\$ 856	\$ 849
Preferred shares (\$0.01 par value per share; 200,000,000 shares authorized; 8,050,000 and 8,050,000 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively)		81	81
Additional paid in capital		1,109,631	1,110,122
Retained earnings		115,113	190,453
Accumulated other comprehensive (loss) income		(2,982)	372
Shareholders' equity		1,222,699	1,301,877
Non-controlling interest in equity of consolidated subsidiaries		28,792	36,980
Total equity		1,251,491	1,338,857
Total liabilities and equity		\$ 3,287,494	\$ 3,236,922

See accompanying notes to consolidated financial statements.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(Dollars in thousands, except share and per share data)

	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Revenues					
Equipment leasing revenues		\$ 79,834	\$ 79,200	\$ 166,283	\$ 151,652
Infrastructure revenues		14,475	70,648	40,866	113,090
Total revenues	12	94,309	149,848	207,149	264,742
Expenses					
Operating expenses		24,572	85,783	58,016	140,093
General and administrative		4,388	3,551	9,051	7,735
Acquisition and transaction expenses		3,661	2,308	6,855	3,782
Management fees and incentive allocation to affiliate	16	4,756	5,710	9,522	9,548
Depreciation and amortization	4, 6, 8	41,720	42,052	83,917	80,915
Asset impairment		10,476	—	10,476	—
Interest expense		21,794	25,394	44,655	46,128
Total expenses		111,367	164,798	222,492	288,201
Other (expense) income					
Equity in losses of unconsolidated entities	7	(3,209)	(169)	(2,944)	(553)
Gain (loss) on sale of assets, net		768	22,622	(1,051)	24,340
Loss on extinguishment of debt	9	—	—	(4,724)	—
Interest income		22	240	63	331
Other (expense) income		(1)	4,937	32	2,334
Total other (expense) income		(2,420)	27,630	(8,624)	26,452
(Loss) income from continuing operations before income taxes					
		(19,478)	12,680	(23,967)	2,993
Benefit from income taxes	15	(3,750)	(2,328)	(3,848)	(2,061)
Net (loss) income from continuing operations		(15,728)	15,008	(20,119)	5,054
Net income from discontinued operations, net of income taxes		—	785	1,331	943
Net (loss) income		(15,728)	15,793	(18,788)	5,997
Less: Net (loss) income attributable to non-controlling interests in consolidated subsidiaries:					
Continuing operations		(4,112)	(4,580)	(8,848)	(7,940)
Discontinued operations		—	41	—	(15)
Dividends on preferred shares		4,079	—	8,618	—
Net (loss) income attributable to shareholders		\$ (15,695)	\$ 20,332	\$ (18,558)	\$ 13,952
(Loss) earnings per share:					
Basic					
Continuing operations		\$ (0.18)	\$ 0.23	\$ (0.23)	\$ 0.15
Discontinued operations		\$ —	\$ 0.01	\$ 0.02	\$ 0.01
Diluted					
Continuing operations		\$ (0.18)	\$ 0.23	\$ (0.23)	\$ 0.15
Discontinued operations		\$ —	\$ 0.01	\$ 0.02	\$ 0.01
Weighted average shares outstanding:					
Basic		86,009,959	85,987,769	86,009,029	85,987,115
Diluted		86,009,959	85,989,029	86,009,029	85,987,115

See accompanying notes to consolidated financial statements.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (unaudited)
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (15,728)	\$ 15,793	\$ (18,788)	\$ 5,997
Other comprehensive (loss) income:				
Other comprehensive (loss) income related to equity method investees, net ⁽¹⁾	(12,112)	77,070	(3,354)	34,058
Comprehensive (loss) income	(27,840)	92,863	(22,142)	40,055
Continuing operations	(4,112)	(4,580)	(8,848)	(7,940)
Discontinued operations	—	41	—	(15)
Comprehensive (loss) income attributable to shareholders	\$ (23,728)	\$ 97,402	\$ (13,294)	\$ 48,010

⁽¹⁾ Net of deferred tax (benefit) expense of \$(3,220) and \$6,186 for the three months ended June 30, 2020 and 2019, respectively, and \$(894) and \$6,186 for the six months ended June 30, 2020 and 2019, respectively.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
(Dollars in thousands)

Three and Six Months Ended June 30, 2020							
	Common Shares	Preferred Shares	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2019	\$ 849	\$ 81	\$ 1,110,122	\$ 190,453	\$ 372	\$ 36,980	\$ 1,338,857
Net income (loss)				1,676		(4,736)	(3,060)
Other comprehensive income				—	8,758	—	8,758
Total comprehensive income (loss)				1,676	8,758	(4,736)	5,698
Issuance of common shares	2		154				156
Conversion of participating securities			(2)				(2)
Dividends declared - common shares				(28,391)			(28,391)
Issuance costs of preferred shares			(246)				(246)
Dividends declared - preferred shares				(4,539)			(4,539)
Equity-based compensation						291	291
Equity - March 31, 2020	<u>\$ 851</u>	<u>\$ 81</u>	<u>\$ 1,110,028</u>	<u>\$ 159,199</u>	<u>\$ 9,130</u>	<u>\$ 32,535</u>	<u>\$ 1,311,824</u>
Net loss				(11,616)		(4,112)	(15,728)
Other comprehensive loss				—	(12,112)	—	(12,112)
Total comprehensive loss				(11,616)	(12,112)	(4,112)	(27,840)
Settlement of equity-based compensation						(42)	(42)
Issuance of common shares	5		150				155
Conversion of participating securities			(5)				(5)
Dividends declared - common shares				(28,391)			(28,391)
Issuance costs of preferred shares			(542)				(542)
Dividends declared - preferred shares				(4,079)			(4,079)
Equity-based compensation						411	411
Equity - June 30, 2020	<u>\$ 856</u>	<u>\$ 81</u>	<u>\$ 1,109,631</u>	<u>\$ 115,113</u>	<u>\$ (2,982)</u>	<u>\$ 28,792</u>	<u>\$ 1,251,491</u>

Three and Six Months Ended June 30, 2019							
	Common Shares	Preferred Shares	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2018	\$ 840	\$ —	\$ 1,029,376	\$ (32,817)	\$ —	\$ 56,383	\$ 1,053,782
Net loss				(6,380)		(3,416)	(9,796)
Other comprehensive loss				—	(43,012)	—	(43,012)
Total comprehensive loss				(6,380)	(43,012)	(3,416)	(52,808)
Issuance of common shares	5		234				239
Conversion of participating securities			(4)				(4)
Dividends declared - common shares			(28,383)				(28,383)
Equity-based compensation						228	228
Equity - March 31, 2019	<u>\$ 845</u>	<u>\$ —</u>	<u>\$ 1,001,223</u>	<u>\$ (39,197)</u>	<u>\$ (43,012)</u>	<u>\$ 53,195</u>	<u>\$ 973,054</u>
Net income (loss)				20,332		(4,539)	15,793
Other comprehensive income				—	77,070	—	77,070
Total comprehensive income (loss)				20,332	77,070	(4,539)	92,863
Issuance of common shares	3						3
Conversion of participating securities			(3)				(3)
Dividends declared - common shares			(28,384)				(28,384)
Equity-based compensation						700	700
Equity - June 30, 2019	<u>\$ 848</u>	<u>\$ —</u>	<u>\$ 972,836</u>	<u>\$ (18,865)</u>	<u>\$ 34,058</u>	<u>\$ 49,356</u>	<u>\$ 1,038,233</u>

See accompanying notes to consolidated financial statements.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Dollars in thousands)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss) income	\$ (18,788)	\$ 5,997
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Equity in losses of unconsolidated entities	2,944	553
Gain on sale of subsidiaries	(1,331)	—
Loss (gain) on sale of assets, net	1,051	(24,355)
Security deposits and maintenance claims included in earnings	2,951	(2,869)
Loss on extinguishment of debt	4,724	—
Equity-based compensation	702	928
Depreciation and amortization	83,917	82,133
Asset impairment	10,476	—
Change in current and deferred income taxes	(4,506)	(2,655)
Change in fair value of non-hedge derivative	181	(250)
Amortization of lease intangibles and incentives	13,488	17,288
Amortization of deferred financing costs	4,010	4,043
Bad debt expense	1,761	3,062
Other	759	547
Change in:		
Accounts receivable	(24,140)	(14,675)
Other assets	6,210	(13,105)
Accounts payable and accrued liabilities	(18,894)	8,661
Management fees payable to affiliate	(20,987)	871
Other liabilities	124	(8,062)
Net cash provided by operating activities	44,652	58,112
Cash flows from investing activities:		
Investment in unconsolidated entities	(2,514)	—
Principal collections on finance leases	3,320	2,996
Acquisition of leasing equipment	(206,299)	(209,171)
Acquisition of property, plant and equipment	(130,073)	(159,252)
Acquisition of lease intangibles	1,997	623
Purchase deposits for acquisitions	(4,590)	(33,637)
Proceeds from sale of leasing equipment	37,687	71,497
Proceeds from sale of property, plant and equipment	—	7
Return of capital distributions from unconsolidated entities	—	1,280
Return of deposit on sale of engine	2,350	—
Net cash used in investing activities	\$ (298,122)	\$ (325,657)

See accompanying notes to consolidated financial statements.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Dollars in thousands)

	Six Months Ended June 30,	
	2020	2019
Cash flows from financing activities:		
Proceeds from debt	\$ 458,981	\$ 529,477
Repayment of debt	(275,991)	(128,835)
Payment of deferred financing costs	(12,629)	(32,443)
Receipt of security deposits	853	3,475
Return of security deposits	(3,815)	(233)
Receipt of maintenance deposits	18,499	28,903
Release of maintenance deposits	(9,185)	(22,493)
Issuance costs of preferred shares	(267)	—
Purchase of non-controlling interest	(45)	—
Cash dividends - common shares	(56,782)	(56,767)
Cash dividends - preferred shares	(8,618)	—
Net cash provided by financing activities	\$ 111,001	\$ 321,084
Net (decrease) increase in cash and cash equivalents and restricted cash	(142,469)	53,539
Cash and cash equivalents and restricted cash, beginning of period	242,517	120,837
Cash and cash equivalents and restricted cash, end of period	\$ 100,048	\$ 174,376
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of leasing equipment	\$ 25,326	\$ 1,558
Acquisition of property, plant and equipment	(13,631)	(13,735)
Settled and assumed security deposits	(2,545)	(679)
Billed, assumed and settled maintenance deposits	(20,113)	14,563
Change in fair value of cash flow hedge	—	34,058
Non-cash change in equity method investment	(3,354)	—
Issuance of common shares	304	242

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

Fortress Transportation and Infrastructure Investors LLC (“we”, “us”, “our” or the “Company”) is a Delaware limited liability company which, through its subsidiary, Fortress Worldwide Transportation and Infrastructure General Partnership (the “Partnership”), owns and leases aviation equipment and also owns and operates (i) a multi-modal crude oil and refined products terminal in Beaumont, Texas (“Jefferson Terminal”), (ii) a deep-water port located along the Delaware River with an underground storage cavern and multiple industrial development opportunities (“Repauno”) and (iii) an equity method investment in a multi-modal terminal located along the Ohio River with multiple industrial development opportunities, including a power plant under construction (“Long Ridge”). Additionally, we own and lease offshore energy equipment and shipping containers. We have three reportable segments, (i) Aviation Leasing, (ii) Jefferson Terminal and (iii) Ports and Terminals, which operate in two primary businesses, Equipment Leasing and Infrastructure (see Note 17).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of us and our subsidiaries.

Principles of Consolidation—We consolidate all entities in which we have a controlling financial interest and control over significant operating decisions, as well as variable interest entities (“VIEs”) in which we are the primary beneficiary. All significant intercompany transactions and balances have been eliminated. All adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The ownership interest of other investors in consolidated subsidiaries is recorded as non-controlling interest.

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

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

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

Variable Interest Entities—The assessment of whether an entity is a VIE and the determination of whether to consolidate a VIE requires judgment. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, and only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Delaware River Partners LLC

During 2016, through Delaware River Partners LLC (“DRP”), a consolidated subsidiary, we purchased the assets of Repauno, which consisted primarily of land, a storage cavern, and riparian rights for the acquired land, site improvements and rights. Upon acquisition there were no operational processes that could be applied to these assets that would result in outputs without significant green field development. We currently hold an approximately 98% economic interest, and a 100% voting interest in DRP. DRP is solely reliant on us to finance its activities and therefore is a VIE. We concluded that we were the primary beneficiary; and accordingly, DRP has been presented on a consolidated basis in the accompanying financial statements.

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

Restricted Cash—Restricted cash consists of prepaid interest and principal pursuant to the requirements of certain of our debt agreements (see Note 9) and other qualifying construction projects at Jefferson Terminal.

Inventory—Commodities inventory is carried at the lower of cost or net realizable value on our balance sheet. Commodities are removed from inventory based on the average cost at the time of sale. We had commodities inventory of \$0.4 million and \$5.6 million as of June 30, 2020 and December 31, 2019, respectively, which is included in Other assets in the Consolidated Balance Sheets.

Deferred Financing Costs—Costs incurred in connection with obtaining long term financing are capitalized and amortized to interest expense over the term of the underlying loans. Unamortized deferred financing costs of \$25.2 million and \$18.1 million as of June 30, 2020 and December 31, 2019, respectively, are recorded as a component of debt in the Consolidated Balance Sheets.

We also have unamortized deferred revolver fees related to our revolving debt of \$2.4 million and \$1.7 million as of June 30, 2020 and December 31, 2019, respectively, which are included in Other assets in the Consolidated Balance Sheets.

Amortization expense was \$1.9 million and \$2.0 million for the three months ended June 30, 2020 and 2019, respectively, and \$4.0 million and \$4.0 million for the six months ended June 30, 2020 and 2019, respectively, and is included in interest expense in the Consolidated Statements of Operations.

Revenue Recognition

Equipment Leasing Revenues

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

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

Maintenance payments received for which we expect to repay to the lessee are presented as Maintenance Deposits in our Consolidated Balance Sheets. All excess maintenance payments received that we do not expect to repay to the lessee are recorded as Maintenance revenues.

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

In April 2020, the FASB Staff issued a question-and-answer document (the "Q&A") regarding accounting for lease concessions related to the effects of the COVID-19 pandemic. The Q&A permits an entity to elect to forgo the evaluation of the enforceable rights and obligations of a lease contract required under ASC 842, Leases, as long as the total rent payments after the lease concessions are substantially the same, or less than, the total rent payments in the existing lease. The impact of the COVID-19 related lease concessions granted above did not have a material impact on our results of operations during the three and six months ended June 30, 2020.

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

Infrastructure Revenues

Terminal Services Revenues—Terminal services are provided to customers for the receipt and redelivery of various commodities. These revenues are recognized over time, i.e., as the services are rendered and the customer simultaneously receives and consumes the benefit over time.

Lease Income—Lease income consists of rental income from tenants for storage space. Lease income is recognized on a

straight-line basis over the terms of the relevant lease agreement.

Crude Marketing Revenues—Crude marketing revenues consists of marketing revenue related to Canadian crude oil. The revenues are recognized over time, i.e., as the services are rendered and the customer simultaneously receives and consumes the benefit over time.

Other Revenue—Other revenue primarily consists of revenue related to the handling, storage and sale of raw materials. Other revenue consists of two performance obligations: handling and storage of raw materials. The revenues are recognized over time, i.e., as the services are rendered and the customer simultaneously receives and consumes the benefit over time.

Payment terms for Infrastructure Revenues are generally short term in nature.

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

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

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

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

Concentration of Credit Risk—We are subject to concentrations of credit risk with respect to amounts due from customers on our finance leases and operating leases. We attempt to limit our credit risk by performing ongoing credit evaluations. During the three months ended June 30, 2020, one customer in the Aviation Leasing segment accounted for approximately 10% of total revenue. During the three months ended June 30, 2019, one customer in the Jefferson Terminal segment accounted for approximately 23% of total revenue. During the six months ended June 30, 2020, one customer in the Jefferson Terminal segment and one customer in the Aviation segment each accounted for approximately 11% of total revenue. During the six months ended June 30, 2019, one customer in the Jefferson Terminal segment accounted for approximately 23% of total revenue.

As of June 30, 2020, there were two customers in the Aviation Leasing segment that represented 27% and 14% of total accounts receivable, net, respectively. As of December 31, 2019, accounts receivable from one customer in the Jefferson Terminal segment represented 16% of total accounts receivable, net.

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

Allowance for Doubtful Accounts—We determine the allowance for doubtful accounts based on our assessment of the collectability of our receivables on a customer-by-customer basis. The allowance for doubtful accounts was \$2.8 million and \$1.3 million as of June 30, 2020 and December 31, 2019, respectively. Bad debt expense was \$1.1 million and \$0.0 million for the three months ended June 30, 2020 and 2019, respectively, and \$1.8 million and \$3.0 million for the six months ended June 30, 2020 and 2019, respectively, and is included in operating expenses in the Consolidated Statements of Operations.

Comprehensive Income (Loss)—Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. Our comprehensive income (loss) represents net income (loss), as presented in the Consolidated Statements of Operations, adjusted for fair value changes related to other comprehensive income related to our equity method investees.

Derivative Financial Instruments

Electricity Derivatives—Through our equity method investment in Long Ridge, we enter into derivative contracts as part of a risk management program to mitigate price risk associated with certain electricity price exposures. We primarily use swap derivative contracts, which are agreements to buy or sell a quantity of electricity at a predetermined future date and at a predetermined price.

Cash Flow Hedges

Certain of these derivative instruments are designated and qualify as cash flow hedges. Our share of the derivative's gain or loss is reported as Other comprehensive income related to equity method investees in our Consolidated Statements of Comprehensive (Loss) Income and recorded in Accumulated other comprehensive (loss) income in our Consolidated Balance Sheets.

Derivatives Not Designated As Hedging Instruments

Certain of these derivative instruments are not designated as hedging instruments for accounting purposes. The change in fair value of these contracts is recognized in Equity in earnings (losses) in unconsolidated entities in the Consolidated Statements of Operations. The cash flow impact of derivative contracts that are not designated as hedging instruments is recognized in Investment in unconsolidated entities in our Consolidated Statements of Cash Flows.

Commodity Derivatives—We also enter into short-term and long-term crude forward contracts. Gains and losses related to our crude sales and purchase derivatives are recorded on a gross basis and are included in Crude marketing revenues and Operating expenses, respectively, in our Consolidated Statements of Operations. See Note 11 for additional details. The cash flow impact of these derivatives is recognized in Change in fair value of non-hedge derivatives in our Consolidated Statements of Cash Flows.

To the extent that we have outstanding derivatives, they are not used for speculative purposes. We record all derivative assets and liabilities on a gross basis at fair value and are included in Other assets and Other liabilities, respectively, in our Consolidated Balance Sheets.

Other Assets—Other assets is primarily comprised of lease incentives of \$46.3 million and \$45.3 million, prepaid expenses of \$4.3 million and \$4.1 million, notes receivable of \$0.7 million and \$2.4 million and maintenance right assets of \$22.3 million and \$24.5 million as of June 30, 2020 and December 31, 2019, respectively.

Dividends—Dividends are recorded if and when declared by the Board of Directors. For both the three and six months ended June 30, 2020 and 2019, the Board of Directors declared a cash dividend of \$0.33 and \$0.66 per common share.

Additionally, in the quarter ended June 30, 2020, the Board of Directors declared a cash dividend on the Series A Preferred Shares and Series B Preferred Shares of \$0.52 and \$0.50 per share, respectively.

Recent Accounting Pronouncements—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”)*. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however this ASU requires that credit losses be presented as an allowance rather than as a write-down. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. We adopted this ASU in the first quarter of 2020 and adoption did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”)*. ASU 2017-04 addresses concerns over the cost and complexity of the two-step goodwill impairment test by removing the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. We adopted this ASU in the first quarter of 2020 and adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. We adopted this ASU in the first quarter of 2020 and adoption did not have a material impact on our consolidated financial statements.

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In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which temporarily simplifies the accounting for contract modifications, including hedging relationships, due to the transition from LIBOR and other interbank offered rates to alternative reference interest rates. For example, entities can elect not to remeasure the contracts at the modification date or reassess a previous accounting determination if certain conditions are met. Additionally, entities can elect to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain conditions are met. The new standard was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. Adoption did not have a material impact on our consolidated financial statements.

Unadopted Accounting Pronouncements—In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 and early adoption is permitted. We are currently assessing the impact this guidance will have on our consolidated financial statements.

3. DISCONTINUED OPERATIONS

In December 2019, we completed the sale of substantially all of our railroad business (“CMQR”), which was previously reported as our Railroad segment. Under ASC 205-20, this disposition met the criteria to be reported as discontinued operations. Accordingly, the results of operations of CMQR have been reported as discontinued operations for all periods presented.

The following table presents the significant components of net income from discontinued operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Total revenues	\$ —	\$ 9,157	\$ —	\$ 18,890
Expenses				
Operating expense	—	7,726	—	15,882
Depreciation and amortization	—	548	—	1,218
Interest expense	—	78	—	647
Total expenses	—	8,352	—	17,747
Gain on sale of assets, net	—	8	1,331	15
Other expense	—	1	—	—
Other income	—	9	1,331	15
Income before income taxes	—	814	1,331	1,158
Provision for income taxes	—	29	—	215
Net income	—	785	1,331	943
Less: Net income (loss) attributable to non-controlling interests in consolidated subsidiaries	—	41	—	(15)
Net income attributable to shareholders	\$ —	\$ 744	\$ 1,331	\$ 958

The following table presents the significant non-cash items and capital expenditures from discontinued operations:

	Six Months Ended June 30,	
	2020	2019
Operating activities:		
Depreciation and amortization	\$ —	\$ 1,218
Bad debt expense	—	110
Share-based compensation expense	—	167
Investing activities:		
Purchases of property, plant and equipment	\$ —	\$ 2,978

4. LEASING EQUIPMENT, NET

Leasing equipment, net is summarized as follows:

	June 30, 2020	December 31, 2019
Leasing equipment	\$ 2,146,948	\$ 2,019,773
Less: accumulated depreciation	(377,149)	(312,714)
Leasing equipment, net	\$ 1,769,799	\$ 1,707,059

During the three months ended June 30, 2020, we performed impairment analyses over certain of our leasing equipment and determined that the carrying amount of certain assets were not recoverable. To determine fair value, we used both a market approach, using quoted market prices for the same or similar assets, and an income approach, using discounted cash flows and an estimated discount rate. As a result, we adjusted the carrying value of these assets to fair value and recognized transactional impairment charges of \$10.5 million, net of redelivery compensation, during the second quarter of 2020.

The following table presents information related to our acquisitions and dispositions of aviation leasing equipment during the six months ended June 30, 2020:

Acquisitions:		
Aircraft		19
Engines		5
Dispositions:		
Aircraft		—
Engines		3

Depreciation expense for leasing equipment is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Depreciation expense for leasing equipment	\$ 34,293	\$ 35,150	\$ 69,017	\$ 67,046

5. FINANCE LEASES, NET

Finance leases, net are summarized as follows:

	June 30, 2020	December 31, 2019
Finance leases	\$ 10,888	\$ 12,388
Unearned revenue	(3,231)	(4,073)
Finance leases, net	\$ 7,657	\$ 8,315

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6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net is summarized as follows:

	June 30, 2020	December 31, 2019
Land, site improvements and rights	\$ 51,889	\$ 51,901
Construction in progress	322,353	211,110
Buildings and improvements	4,339	3,783
Terminal machinery and equipment	537,486	519,603
Track and track related assets	2,348	2,208
Railroad equipment	5,596	4,823
Computer hardware and software	4,986	4,325
Furniture and fixtures	2,443	2,322
Other	798	1,969
	<u>932,238</u>	<u>802,044</u>
Less: accumulated depreciation	<u>(83,109)</u>	<u>(69,935)</u>
Property, plant and equipment, net	<u>\$ 849,129</u>	<u>\$ 732,109</u>

During the six months ended June 30, 2020, we added property, plant and equipment of \$130.2 million, which primarily consists of terminal machinery and equipment placed in service or under development at Jefferson Terminal and Repauno.

Depreciation expense for property, plant and equipment is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Depreciation expense for property, plant and equipment:				
Continuing operations	\$ 6,538	\$ 6,014	\$ 13,123	\$ 12,092
Discontinued operations	—	544	—	1,203
Total	<u>\$ 6,538</u>	<u>\$ 6,558</u>	<u>\$ 13,123</u>	<u>\$ 13,295</u>

7. INVESTMENTS

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

	Investment	Ownership Percentage	Carrying Value	
			June 30, 2020	December 31, 2019
Advanced Engine Repair JV	Equity method	25%	\$ 23,467	\$ 24,652
Intermodal Finance I, Ltd.	Equity method	51%	233	501
Long Ridge Terminal LLC	Equity method	50%	152,172	155,397
Investments			<u>\$ 175,872</u>	<u>\$ 180,550</u>

We did not recognize any other-than-temporary impairments for the three and six months ended June 30, 2020 or 2019.

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Equity Method Investments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Advanced Engine Repair JV	\$ (594)	\$ (242)	\$ (1,185)	\$ (443)
JGP Energy Partners LLC	—	92	—	(128)
Intermodal Finance I, Ltd.	(33)	(19)	(83)	18
Long Ridge Terminal LLC	(2,582)	—	(1,676)	—
Total	\$ (3,209)	\$ (169)	\$ (2,944)	\$ (553)

Long Ridge Terminal LLC

In December 2019, Ohio River Shareholder LLC (“ORP”) contributed its equity interests in Long Ridge into Long Ridge Terminal LLC and sold a 49.9% interest (the “Long Ridge Transaction”) for \$150 million in cash, plus an earn out. We no longer have a controlling interest in Long Ridge but still maintain significant influence through our retained interest and, therefore, now account for this investment in accordance with the equity method. Following the sale we deconsolidated ORP, which held the assets of Long Ridge.

The following table presents a summarized statement of operations:

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Total revenue	\$ 5,169	\$ 9,907
Total expenses	(8,483)	(14,858)
Other (loss) income	(1,840)	1,605
Net loss	\$ (5,154)	\$ (3,346)

Advanced Engine Repair JV

In December 2016, we invested \$15 million for 25% interest in an advanced engine repair joint venture. We focus on developing new costs savings programs for engine repairs. We exercise significant influence over this investment and account for this investment as an equity method investment.

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

The following table presents a summarized statement of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total revenue	\$ —	\$ —	\$ —	\$ —
Total expenses	(2,374)	(1,047)	(4,738)	(1,851)
Net loss	\$ (2,374)	\$ (1,047)	\$ (4,738)	\$ (1,851)

JGP Energy Partners LLC

In 2016, we initiated activities in a 50% non-controlling interest in JGP, a joint venture. JGP was governed by a designated operating committee selected by the members in proportion to their equity interests. JGP was solely reliant on its members to finance its activities and therefore was a VIE. Initially, we concluded that we were not the primary beneficiary of JGP as the members shared equally in the risks and rewards and decision making authority of the entity and, therefore, we did not consolidate JGP and instead accounted for this investment in accordance with the equity method.

In December 2019, we purchased the remaining 50% interest in JGP from the joint venture partner for a purchase price of approximately \$30 million, consolidated JGP and no longer account for this as an equity method investment.

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Intermodal Finance I, Ltd.

In 2012, we acquired a 51% non-controlling interest in Intermodal Finance I, Ltd. ("Intermodal"), a joint venture. Intermodal is governed by a board of directors, and its shareholders have voting rights through their equity interests. As such, Intermodal is not within the scope of ASC 810-20 and should be evaluated for consolidation under the voting interest model. Due to the existence of substantive participating rights of the 49% equity investor, including the joint approval of material operating and capital decisions, such as material contracts and capital expenditures consistent with ASC 810-10-25-11, we do not have unilateral rights over this investment; therefore, we do not consolidate Intermodal but account for this investment in accordance with the equity method. We do not have a variable interest in this investment as none of the criteria of ASC 810-10-15-14 were met.

As of June 30, 2020, Intermodal owns a portfolio of approximately 3,000 shipping containers subject to multiple operating leases.

8. INTANGIBLE ASSETS AND LIABILITIES, NET

Intangible assets and liabilities, net are summarized as follows:

	June 30, 2020		
	Aviation Leasing	Jefferson Terminal	Total
Intangible assets			
Acquired favorable lease intangibles	\$ 35,349	\$ —	\$ 35,349
Less: Accumulated amortization	(26,434)	—	(26,434)
Acquired favorable lease intangibles, net	8,915	—	8,915
Customer relationships	—	35,513	35,513
Less: Accumulated amortization	—	(20,708)	(20,708)
Acquired customer relationships, net	—	14,805	14,805
Total intangible assets, net	\$ 8,915	\$ 14,805	\$ 23,720
Intangible liabilities			
Acquired unfavorable lease intangibles	\$ 7,151	\$ —	\$ 7,151
Less: Accumulated amortization	(3,131)	—	(3,131)
Acquired unfavorable lease intangibles, net	\$ 4,020	\$ —	\$ 4,020

	December 31, 2019		
	Aviation Leasing	Jefferson Terminal	Total
Intangible assets			
Acquired favorable lease intangibles	\$ 49,762	\$ —	\$ 49,762
Less: Accumulated amortization	(38,652)	—	(38,652)
Acquired favorable lease intangibles, net	11,110	—	11,110
Customer relationships	—	35,513	35,513
Less: Accumulated amortization	—	(18,931)	(18,931)
Acquired customer relationships, net	—	16,582	16,582
Total intangible assets, net	\$ 11,110	\$ 16,582	\$ 27,692
Intangible liabilities			
Acquired unfavorable lease intangibles	\$ 5,170	\$ —	\$ 5,170
Less: Accumulated amortization	(3,014)	—	(3,014)
Acquired unfavorable lease intangibles, net	\$ 2,156	\$ —	\$ 2,156

Intangible liabilities relate to unfavorable lease intangibles and are included as a component of other liabilities in the Consolidated Balance Sheets.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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Amortization of intangible assets and liabilities is as follows:

	Classification in Consolidated Statements of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Lease intangibles	Equipment leasing revenues	\$ 931	\$ 2,202	\$ 2,063	\$ 4,664
Customer relationships:	Depreciation and amortization				
Continuing operations		889	888	1,777	1,777
Discontinued operations		—	4	—	15
Total		\$ 1,820	\$ 3,094	\$ 3,840	\$ 6,456

As of June 30, 2020, estimated net annual amortization of intangibles is as follows:

Remainder of 2020	\$ 3,523
2021	6,213
2022	4,385
2023	3,343
2024	2,236
Thereafter	—
Total	\$ 19,700

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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9. DEBT, NET

Our debt, net is summarized as follows:

	June 30, 2020			December 31, 2019	
	Outstanding Borrowings	Stated Interest Rate	Maturity Date	Outstanding Borrowings	
Loans payable					
FTAI Pride Credit Agreement	\$ —	N/A	N/A	\$	36,009
Revolving Credit Facility ⁽¹⁾	195,000	(i) Base Rate + 2.00%; or (ii) Adjusted Eurodollar Rate + 3.00%	1/31/2022		—
Jefferson Revolver	—	N/A	N/A		50,000
DRP Revolver ⁽²⁾	25,000	(i) Base Rate + 1.50%; or (ii) Base Rate + 2.50% (Eurodollar)	11/5/2021		25,000
Total loans payable	220,000				111,009
Bonds payable					
Series 2012 Bonds ⁽³⁾	—	N/A	N/A		41,059
Series 2016 Bonds	—	N/A	N/A		144,200
Series 2020 Bonds	263,980	See below	See below		—
Senior Notes due 2022 ⁽⁴⁾	698,207	6.75%	3/15/2022		697,814
Senior Notes due 2025 ⁽⁵⁾	445,321	6.50%	10/1/2025		444,957
Total bonds payable	1,407,508				1,328,030
Debt	1,627,508				1,439,039
Less: Debt issuance costs	(25,204)				(18,111)
Total debt, net	\$ 1,602,304			\$	1,420,928
Total debt due within one year	\$ —			\$	182,019

⁽¹⁾ Requires a quarterly commitment fee at a rate of 0.50% on the average daily unused portion, as well as customary letter of credit fees and agency fees.

⁽²⁾ Requires a quarterly commitment fee at a rate of 0.875% on the average daily unused portion, as well as customary letter of credit fees and agency fees.

⁽³⁾ Includes unamortized premium of \$1,509 as of December 31, 2019.

⁽⁴⁾ Includes unamortized discount of \$4,348 and \$5,429 at June 30, 2020 and December 31, 2019, respectively, and an unamortized premium of \$2,555 and \$3,243 at June 30, 2020 and December 31, 2019, respectively.

⁽⁵⁾ Includes unamortized discount of \$4,679 and \$5,043 at June 30, 2020 and December 31, 2019, respectively.

Series 2020 Bonds—On February 11, 2020, our subsidiary (“Jefferson”) issued Series 2020 Bonds in an aggregate principal amount of approximately \$264.0 million (“Jefferson Refinancing”). The Series 2020 Bonds are designated as \$184.9 million of Series 2020A Dock and Wharf Facility Revenue Bonds (the “Tax Exempt Series 2020A Bonds”), and \$79.1 million of Series 2020B Taxable Facility Revenue Bonds (the “Taxable Series 2020B Bonds”).

The Tax Exempt Series 2020A Bonds maturing on January 1, 2035 (\$53.5 million aggregate principal amount) bear interest at a fixed rate of 3.625%.

The Tax Exempt Series 2020A Bonds maturing on January 1, 2050 (\$131.4 million aggregate principal amount) bear interest at a fixed rate of 4.00%.

The Taxable Series 2020B Bonds will mature on January 1, 2025 and bear interest at a fixed rate of 6.00%.

Jefferson used a portion of the net proceeds from this offering to refund, redeem and defease the Series 2012 Bonds, Series 2016 Bonds and Jefferson Revolver, and intends to use a portion of the net proceeds to pay for or reimburse the cost of development, construction and acquisition of certain facilities, to fund certain reserve and funded interest accounts related to the Series 2020 Bonds, and to pay for or reimburse certain costs of issuance of the Series 2020 Bonds.

Jefferson recognized a loss on extinguishment of debt of \$4.7 million as a result of this transaction.

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FTAI Pride Credit Agreement—During March 2020, we repaid the FTAI Pride Credit Agreement in full.

Revolving Credit Facility—On May 11, 2020, we entered into an amendment to the Revolving Credit Facility which, among other things, (i) permits the incurrence of additional secured indebtedness to finance the potential acquisition of certain aviation assets, subject to certain limitations, (ii) provides that, to the extent borrowings under the Existing Credit Agreement exceed \$150 million, we will pledge certain aviation assets as additional collateral and (iii) incorporates certain other updates, including procedures by which the parties will select a replacement benchmark interest rate in the event that LIBOR is no longer available or appropriate as a reference rate upon which to determine the interest rate under the Existing Credit Agreement.

We were in compliance with all debt covenants as of June 30, 2020.

10. FAIR VALUE MEASUREMENTS

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

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

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

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

The following tables set forth our financial assets measured at fair value on a recurring basis as of June 30, 2020 and December 31, 2019, by level within the fair value hierarchy. Assets measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

	Fair Value as of	Fair Value Measurements Using Fair Value Hierarchy as of			Valuation Technique
	June 30, 2020	June 30, 2020			
	Total	Level 1	Level 2	Level 3	
Assets					
Cash and cash equivalents	\$ 50,870	\$ 50,870	\$ —	\$ —	Market
Restricted cash	49,178	49,178	—	—	Market
Total assets	\$ 100,048	\$ 100,048	\$ —	\$ —	

	Fair Value as of	Fair Value Measurements Using Fair Value Hierarchy as of			Valuation Technique
	December 31, 2019	December 31, 2019			
	Total	Level 1	Level 2	Level 3	
Assets					
Cash and cash equivalents	\$ 226,512	\$ 226,512	\$ —	\$ —	Market
Restricted cash	16,005	16,005	—	—	Market
Derivative assets	181	—	—	181	Income
Total	\$ 242,698	\$ 242,517	\$ —	\$ 181	

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

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The fair value of our commodity derivative assets and liabilities classified as Level 3 measurements are estimated by applying the income approach, which is based on discounted projected future cash flows. The valuation of our electricity derivatives within our equity method investment in Long Ridge is based on management's best estimate of certain key assumptions, which include extrapolated power forward curves for periods with unobservable market pricing, credit valuation adjustments utilizing estimated cash flows, estimated price volatility and probability of default, and the discount rate. The valuation of our commodity derivatives is based on management's best estimate of certain key assumptions, which include an estimated differential factor for varying quality of commodity and the discount rate.

Except as discussed below, our financial instruments other than cash and cash equivalents and restricted cash consist principally of accounts receivable, accounts payable and accrued liabilities, loans payable, bonds payable, security deposits, maintenance deposits and management fees payable, whose fair values approximate their carrying values based on an evaluation of pricing data, vendor quotes, and historical trading activity or due to their short maturity profiles.

The fair value of our bonds and notes payable reported as debt, net in the Consolidated Balance Sheets are presented in the table below:

	June 30, 2020	December 31, 2019
Series 2012 Bonds ⁽¹⁾	\$ —	\$ 41,450
Series 2016 Bonds ⁽¹⁾	—	145,143
Series A 2020 Bonds ⁽²⁾	177,964	—
Series B 2020 Bonds ⁽²⁾	78,756	—
Senior Notes due 2022	674,324	731,451
Senior Notes due 2025	407,462	475,884

⁽¹⁾ These bonds were defeased as part of the Jefferson Refinancing. See Note 9 for additional details.

⁽²⁾ Fair value is based upon market prices for similar municipal securities.

Due to the COVID-19 pandemic, the fair values of our notes and bonds fluctuated significantly during the first half of 2020 and may continue to fluctuate based on market conditions and other factors.

The fair value of all other items reported as debt, net in the Consolidated Balance Sheet approximate their carrying values due to their bearing market rates of interest and are classified as Level 2 within the fair value hierarchy.

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

Commodity Derivatives

Depending on market conditions, we source crude oil from producers in Canada, arranging logistics to Jefferson Terminal and marketing crude oil to third parties. We exited this strategy in the fourth quarter of 2019. These crude oil forward purchase and sales contracts are not designated in hedging relationships.

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The following table presents a summary of the changes in fair value for all Level 3 derivatives:

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019		Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Crude Oil Forwards	Electricity Swaps ⁽¹⁾	Crude Oil Forwards	Crude Oil Forwards	Crude Oil Forwards	Electricity Swaps ⁽¹⁾	Crude Oil Forwards	
Beginning Balance	\$ —	\$ (45,382)	\$ 5,695	\$ —	\$ 181	\$ —	\$ 6,545	
Net unrealized gains (losses) recognized in earnings	—	4,887	(1,417)	—	(181)	2,517	(2,267)	
Gains recognized in other comprehensive income	—	83,256	—	—	—	40,244	—	
Purchases	—	—	310	—	—	—	314	
Sales	—	—	113	—	—	—	(854)	
Settlements	—	—	(424)	—	—	—	539	
Ending Balance	\$ —	\$ 42,761	\$ 4,277	\$ —	\$ —	\$ 42,761	\$ 4,277	

⁽¹⁾ These derivatives were deconsolidated in December 2019 due to the Long Ridge Transaction. See Note 7 for additional details.

There were no transfers into or out of Level 3 during the periods presented.

12. REVENUES

We disaggregate our revenue from contracts with customers by products and services provided for each of our segments, as we believe it best depicts the nature, amount, timing and uncertainty of our revenue. Revenues attributed to our Equipment Leasing business unit are within the scope of ASC 842, while revenues attributed to our Infrastructure business unit are within the scope of ASC 606, unless otherwise noted. Under the provisions of ASC 842, we have elected to exclude sales and other similar taxes from lease payments in arrangements where we are a lessor.

	Three Months Ended June 30, 2020				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Equipment leasing revenues					
Lease income	\$ 42,505	\$ —	\$ —	\$ 2,129	\$ 44,634
Maintenance revenue	27,105	—	—	—	27,105
Finance lease income	413	—	—	—	413
Other revenue	5,236	—	—	2,446	7,682
Total equipment leasing revenues	75,259	—	—	4,575	79,834
Infrastructure revenues					
Lease income	—	287	—	—	287
Terminal services revenues	—	12,794	—	—	12,794
Crude marketing revenues	—	—	—	—	—
Other revenue	—	—	—	1,394	1,394
Total infrastructure revenues	—	13,081	—	1,394	14,475
Total revenues	\$ 75,259	\$ 13,081	\$ —	\$ 5,969	\$ 94,309

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Three Months Ended June 30, 2019

	Equipment Leasing		Infrastructure			Total
	Aviation Leasing		Jefferson Terminal	Ports and Terminals	Corporate and Other	
Equipment leasing revenues						
Lease income	\$ 48,731	\$ —	\$ —	\$ —	\$ 3,157	\$ 51,888
Maintenance revenue	25,369	—	—	—	—	25,369
Finance lease income	881	—	—	—	—	881
Other revenue	—	—	—	—	1,062	1,062
Total equipment leasing revenues	74,981	—	—	—	4,219	79,200
Infrastructure revenues						
Lease income	—	821	265	—	—	1,086
Terminal services revenues	—	7,537	1,028	—	—	8,565
Crude marketing revenues	—	59,204	—	—	—	59,204
Other revenue	—	—	973	820	—	1,793
Total infrastructure revenues	—	67,562	2,266	820	—	70,648
Total revenues	\$ 74,981	\$ 67,562	\$ 2,266	\$ 5,039	\$ —	\$ 149,848

Six Months Ended June 30, 2020

	Equipment Leasing		Infrastructure			Total
	Aviation Leasing		Jefferson Terminal	Ports and Terminals	Corporate and Other	
Equipment leasing revenues						
Lease income	\$ 89,446	\$ —	\$ —	\$ —	\$ 5,001	\$ 94,447
Maintenance revenue	59,100	—	—	—	—	59,100
Finance lease income	842	—	—	—	—	842
Other revenue	8,863	—	—	—	3,031	11,894
Total equipment leasing revenues	158,251	—	—	—	8,032	166,283
Infrastructure revenues						
Lease income	—	407	—	—	—	407
Terminal services revenues	—	29,205	—	—	—	29,205
Crude marketing revenues	—	8,210	—	—	—	8,210
Other revenue	—	—	314	2,730	—	3,044
Total infrastructure revenues	—	37,822	314	2,730	—	40,866
Total revenues	\$ 158,251	\$ 37,822	\$ 314	\$ 10,762	\$ —	\$ 207,149

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	Six Months Ended June 30, 2019				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Equipment leasing revenues					
Lease income	\$ 96,034	\$ —	\$ —	\$ 5,090	\$ 101,124
Maintenance revenue	47,146	—	—	—	47,146
Finance lease income	1,707	—	—	—	1,707
Other revenue	505	—	—	1,170	1,675
Total equipment leasing revenues	145,392	—	—	6,260	151,652
Infrastructure revenues					
Lease income	—	1,129	620	—	1,749
Terminal services revenues	—	12,404	2,846	—	15,250
Crude marketing revenues	—	89,983	—	—	89,983
Other revenue	—	—	4,514	1,594	6,108
Total infrastructure revenues	—	103,516	7,980	1,594	113,090
Total revenues	\$ 145,392	\$ 103,516	\$ 7,980	\$ 7,854	\$ 264,742

Presented below are the contracted minimum future annual revenues to be received under existing operating and finance leases across several market sectors as of June 30, 2020:

	Operating Leases	Finance Leases
Remainder of 2020	\$ 91,457	\$ 770
2021	150,867	1,291
2022	95,870	897
2023	59,785	273
2024	37,687	—
Thereafter	22,149	—
Total	\$ 457,815	\$ 3,231

13. LEASES

We have commitments as lessees under lease arrangements primarily for real estate, equipment and vehicles. Our leases have remaining lease terms ranging from approximately 1 to 42 years.

The following table presents lease related costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating lease expense	\$ 1,229	\$ 1,595	\$ 2,364	\$ 3,199
Short-term lease expense	160	672	450	1,732
Variable lease expense	264	605	1,104	897
Lease expense from continuing operations	1,653	2,872	3,918	5,828
Finance lease expense	—	79	—	158
Operating lease expense	—	925	—	1,850
Lease expense from discontinued operations	—	1,004	—	2,008
Total lease expense	\$ 1,653	\$ 3,876	\$ 3,918	\$ 7,836

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The following table presents information related to our operating leases as of and for the six months ended June 30, 2020:

Right-of-use assets, net	\$	62,816
Lease liabilities		62,436
Weighted average remaining lease term		40.4 years
Weighted average incremental borrowing rate		6.2 %
Cash paid for amounts included in the measurement of operating lease liabilities		
Continuing operations	\$	2,371
Discontinued operations	\$	—

The following table presents future minimum lease payments under non-cancellable operating leases as of June 30, 2020:

Remainder of 2020	\$	2,378
2021		4,750
2022		4,632
2023		4,585
2024		4,354
Thereafter		149,992
Total undiscounted lease payments		170,691
Less: Imputed interest		108,255
Total lease liabilities	\$	62,436

During the six months ended June 30, 2020, we amended a lease agreement for real estate in connection with the Jefferson Refinancing. The amended lease had a ROU asset value of \$59.8 million and a lease term of approximately 43 years at commencement.

14. EQUITY-BASED COMPENSATION

In 2015, we established a Nonqualified Stock Option and Incentive Award Plan (“Incentive Plan”) which provides for the ability to award equity compensation awards in the form of stock options, stock appreciation rights, restricted stock, and performance awards to eligible employees, consultants, directors, and other individuals who provide services to us, each as determined by the Compensation Committee of the Board of Directors.

As of June 30, 2020, the Incentive Plan provides for the issuance of up to 29.9 million shares. We account for equity-based compensation expense in accordance with ASC 718 *Compensation-Stock Compensation* and is reported within operating expenses and general and administrative in the Consolidated Statements of Operations.

The Consolidated Statements of Operations includes the following expense related to our stock-based compensation arrangements:

	Three Months Ended June 30,		Six Months Ended June 30,		Remaining Expense To Be Recognized, If All Vesting Conditions Are Met	Weighted Average Remaining Contractual Term (in years)
	2020	2019	2020	2019		
Restricted Shares	\$ 215	\$ 456	\$ 430	\$ 546	\$ 659	0.8
Common Units	196	123	272	215	1,314	1.4
Total - continuing operations	<u>\$ 411</u>	<u>\$ 579</u>	<u>\$ 702</u>	<u>\$ 761</u>	<u>\$ 1,973</u>	
Total - discontinued operations	<u>\$ —</u>	<u>\$ 121</u>	<u>\$ —</u>	<u>\$ 167</u>		

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During the six months ended June 30, 2020, FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC, transferred 252,472 of its options to certain of the Manager's employees.

Common Units

During the six months ended June 30, 2020, we issued 831,140 common units of our subsidiaries that had a grant date fair value of \$0.9 million and vest over three years. These awards are subject to continued employment, and the compensation expense is recognized ratably over the vesting periods. The fair value of these awards was based on the fair value of the operating subsidiary on each grant date, which was estimated using a discounted cash flow analysis that requires the application of discount factors and terminal multiples to projected cash flows. Discount factors and terminal multiples were based on market-based inputs and transactions, as available at the measurement date.

15. INCOME TAXES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Current:				
Federal	\$ 31	\$ 51	\$ 68	\$ 70
State and local	83	43	251	108
Foreign	252	108	322	160
Total current provision	366	202	641	338
Deferred:				
Federal	(597)	(1,863)	(878)	(1,760)
State and local	—	(668)	—	(639)
Foreign	(3,519)	1	(3,611)	—
Total deferred provision	(4,116)	(2,530)	(4,489)	(2,399)
(Benefit from) provision for income taxes:				
Continuing operations	(3,750)	(2,328)	(3,848)	(2,061)
Discontinued operations	—	29	—	215
Total	\$ (3,750)	\$ (2,299)	\$ (3,848)	\$ (1,846)

We are taxed as a flow-through entity for U.S. income tax purposes and our taxable income or loss generated is the responsibility of our owners. Taxable income or loss generated by our corporate subsidiaries is subject to U.S. federal, state and foreign corporate income tax in locations where they conduct business.

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

As of and for the six months ended June 30, 2020, we had not established a liability for uncertain tax positions as no such positions existed. In general, our tax returns and the tax returns of our corporate subsidiaries are subject to U.S. federal, state, local and foreign income tax examinations by tax authorities. Generally, we are not subject to examination by taxing authorities for tax years prior to 2016. We do not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date of June 30, 2020.

16. MANAGEMENT AGREEMENT AND AFFILIATE TRANSACTIONS

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

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The Manager is entitled to a management fee, incentive allocations (comprised of income incentive allocation and capital gains incentive allocation, defined below) and reimbursement of certain expenses. The management fee is determined by taking the average value of total equity (excluding non-controlling interests) determined on a consolidated basis in accordance with GAAP at the end of the two most recently completed months multiplied by an annual rate of 1.50% and is payable monthly in arrears in cash.

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

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

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

The following table summarizes the management fees, income incentive allocation and capital gains incentive allocation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Management fees	\$ 4,756	\$ 3,499	\$ 9,522	\$ 7,175
Income incentive allocation	—	—	—	—
Capital gains incentive allocation	—	2,211	—	2,373
Total	\$ 4,756	\$ 5,710	\$ 9,522	\$ 9,548

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

We pay or reimburse the Manager and its affiliates for performing certain legal, accounting, due diligence tasks and other services that outside professionals or outside consultants otherwise would perform, provided that such costs and reimbursements are no greater than those which would be paid to outside professionals or consultants. The Manager is responsible for all of its other costs incident to the performance of its duties under the Management Agreement, including compensation of the Manager's employees, rent for facilities and other "overhead" expenses; we do not reimburse the Manager for these expenses.

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The following table summarizes our reimbursements to the Manager:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Classification in the Consolidated Statements of Operations:				
General and administrative	\$ 2,128	\$ 3,019	\$ 4,390	\$ 5,562
Acquisition and transaction expenses	523	2,309	1,047	3,770
Total	\$ 2,651	\$ 5,328	\$ 5,437	\$ 9,332

⁽¹⁾ Due to the Aviation Restructuring (as defined in Note 17), during the three and six months ended June 30, 2019, \$1,716 and \$3,229, respectively, was restated from the Corporate and Other segment to the Aviation Leasing segment, of which \$746 and \$1,294, respectively, was reclassified from General and administrative to Operating expenses and \$970 and \$1,935, respectively, remained in Acquisition and transaction expenses. See Note 17 for additional details.

If we terminate the Management Agreement, we will generally be required to pay the Manager a termination fee. The termination fee is equal to the amount of the management fee during the 12 months immediately preceding the date of the termination. In addition, an Incentive Allocation Fair Value Amount will be distributable to the Master GP if the Master GP is removed due to the termination of the Management Agreement in certain specified circumstances. The Incentive Allocation Fair Value Amount is an amount equal to the Income Incentive Allocation and the Capital Gains Incentive Allocation that would be paid to the Master GP if our assets were sold for cash at their then current fair market value (as determined by an appraisal, taking into account, among other things, the expected future value of the underlying investments).

Upon the successful completion of an offering of our common shares or other equity securities (including securities issued as consideration in an acquisition), we grant the Manager options to purchase common shares in an amount equal to 10% of the number of common shares being sold in the offering (or if the issuance relates to equity securities other than our common shares, options to purchase a number of common shares equal to 10% of the gross capital raised in the equity issuance divided by the fair market value of a common share as of the date of issuance), with an exercise price equal to the offering price per share paid by the public or other ultimate purchaser or attributed to such securities in connection with an acquisition (or the fair market value of a common share as of the date of the equity issuance if it relates to equity securities other than our common shares). Any ultimate purchaser of common shares for which such options are granted may be an affiliate of Fortress.

The following table summarizes amounts due to the Manager, which are included within accounts payable and accrued liabilities in the Consolidated Balance Sheets:

	June 30, 2020	December 31, 2019
Accrued management fees	\$ 1,548	\$ 1,410
Other payables ⁽¹⁾	866	21,992

⁽¹⁾ Includes \$21.2 million related to incentive fees, as of December 31, 2019, which we paid during the six months ended June 30, 2020.

As of June 30, 2020 and December 31, 2019, there were no receivables from the Manager.

Other Affiliate Transactions

As of June 30, 2020 and December 31, 2019 an affiliate of our Manager owns an approximately 20% interest in Jefferson Terminal which has been accounted for as a component of non-controlling interest in consolidated subsidiaries in the consolidated financial statements. The carrying amount of this non-controlling interest at June 30, 2020 and December 31, 2019 was \$25.0 million and \$33.7 million, respectively.

The following table presents the amount of this non-controlling interest share of net loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Non-controlling interest share of net loss	\$ 4,020	\$ 4,559	\$ 8,681	\$ 7,855

In connection with the Capital Call Agreement related to the Series 2016 Bonds, we, and an affiliate of our Manager, entered into a Fee and Support Agreement. The Fee and Support Agreement provides that the affiliate of the Manager is compensated for its guarantee of a portion of the obligations under the Standby Bond Purchase Agreement. This affiliate of the Manager received fees of \$1.7 million, which are amortized as interest expense to the earlier of the redemption date or February 13, 2020.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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In connection with the amendment to the Jefferson Revolver, on December 20, 2018, our subsidiary and an affiliate of our Manager entered into an amended and restated Fee and Support Agreement, and our subsidiary issued a \$0.3 million promissory note to the affiliate of our Manager, as consideration for the fee payable pursuant to the amended and restated Fee and Support Agreement.

In February 2020, the Fee and Support Agreement was terminated in connection with the Jefferson Refinancing.

On June 21, 2018, we, through a wholly owned subsidiary, completed a private offering with several third parties (the "Holders") to tender their approximately 20% stake in Jefferson Terminal. We increased our majority interest in Jefferson Terminal in exchange for Class B Units of another wholly owned subsidiary, which provide the right to convert such Class B Units to a fixed amount of our shares, equivalent to approximately 1.9 million shares, at a Holder's request. We have the option to satisfy any exchange request by delivering either common shares or cash. The Holders are entitled to receive distributions equivalent to the distributions paid to our shareholders. This transaction resulted in a purchase of non-controlling interest shares. See Note 18 for details related to conversions during the period.

17. SEGMENT INFORMATION

Our reportable segments represent strategic business units comprised of investments in different types of transportation and infrastructure assets. We have three reportable segments which operate in the Equipment Leasing and Infrastructure businesses across several market sectors. Our reportable segments are (i) Aviation Leasing, (ii) Jefferson Terminal and (iii) Ports and Terminals. The Aviation Leasing segment consists of aircraft and aircraft engines held for lease and are typically held long-term. The Jefferson Terminal segment consists of a multi-modal crude oil and refined products terminal and other related assets. The Ports and Terminals segment consists of Repauno, which is a 1,630-acre deep-water port located along the Delaware River with an underground storage cavern and multiple industrial development opportunities, and an equity method investment in Long Ridge, which is a 1,660-acre multi-modal port located along the Ohio River with rail, dock, and multiple industrial development opportunities, including a power plant under construction.

In December 2019, we completed the sale of substantially all of our railroad business, which was formerly reported as our Railroad segment. Under ASC 205-20, this disposition met the criteria to be reported as discontinued operations and the assets, liabilities and results of operations have been presented as discontinued operations for all periods presented. Additionally, in accordance with ASC 280, we assessed our reportable segments. We determined that our retained investment of the railroad business no longer met the requirement as a reportable segment. Accordingly, we have presented this operating segment, along with Corporate results, within Corporate and Other effective in 2019. All prior periods have been restated for historical comparison across segments.

Corporate and Other primarily consists of debt, unallocated company level general and administrative expenses, and management fees. Additionally, Corporate and Other includes (i) offshore energy related assets, which consist of vessels and equipment that support offshore oil and gas drilling and production which are typically subject to long-term operating leases, (ii) an investment in an unconsolidated entity engaged in the acquisition and leasing of shipping containers and (iii) railroad assets retained after the December 2019 sale, which consist of equipment that support a railcar cleaning business.

Aviation Leasing Organizational Restructuring

We recently completed an organizational restructuring of the Aviation Leasing segment. Previously, Aviation Leasing's employees were employed by the Manager and compensation and related costs associated with these employees were reimbursed to the Manager, per the Management Agreement (see Note 16). These costs were reported within Corporate and Other.

Effective in the first quarter of 2020, Aviation Leasing's employees are employed by one of our subsidiaries. Compensation and related costs incurred by this subsidiary will be reported within the Aviation Leasing segment. Prior periods have been restated for historical comparison.

The following table presents our adjustments for the three months ended June 30, 2019.

	As Previously Reported		Adjustments		As Reported	
	Aviation Leasing	Corporate and Other	Aviation Leasing	Corporate and Other	Aviation Leasing	Corporate and Other
Operating expenses	\$ 2,721	\$ 3,166	\$ 746	\$ —	\$ 3,467	\$ 3,166
General and administrative	—	4,297	—	(746)	—	3,551
Acquisition and transaction expenses	—	2,308	970	(970)	970	1,338

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The following table presents our adjustments for the six months ended June 30, 2019.

	As Previously Reported		Adjustments		As Reported	
	Aviation Leasing	Corporate and Other	Aviation Leasing	Corporate and Other	Aviation Leasing	Corporate and Other
Operating expenses	\$ 8,799	\$ 6,707	\$ 1,294	\$ —	\$ 10,093	\$ 6,707
General and administrative	—	9,029	—	(1,294)	—	7,735
Acquisition and transaction expenses	13	3,769	1,935	(1,935)	1,948	1,834

The accounting policies of the segments are the same as those described in the summary of significant accounting policies; however, financial information presented by segment includes the impact of intercompany eliminations. We evaluate investment performance for each reportable segment primarily based on net income attributable to shareholders and Adjusted EBITDA.

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

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

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

I. For the Three Months Ended June 30, 2020

	Three Months Ended June 30, 2020					Total
	Equipment Leasing	Infrastructure			Corporate and Other	
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Revenues						
Equipment leasing revenues	\$ 75,259	\$ —	\$ —	\$ 4,575	\$	79,834
Infrastructure revenues	—	13,081	—	1,394		14,475
Total revenues	75,259	13,081	—	5,969		94,309
Expenses						
Operating expenses	4,577	12,290	1,875	5,830		24,572
General and administrative	—	—	—	4,388		4,388
Acquisition and transaction expenses	2,061	—	19	1,581		3,661
Management fees and incentive allocation to affiliate	—	—	—	4,756		4,756
Depreciation and amortization	32,203	7,160	378	1,979		41,720
Asset impairment	10,476	—	—	—		10,476
Interest expense	—	2,310	354	19,130		21,794
Total expenses	49,317	21,760	2,626	37,664		111,367
Other (expense) income						
Equity in losses of unconsolidated entities	(594)	—	(2,582)	(33)		(3,209)
Gain (loss) on sale of assets, net	775	(7)	—	—		768
Interest income	17	—	—	5		22
Other expense	—	(1)	—	—		(1)
Total other income (expense)	198	(8)	(2,582)	(28)		(2,420)
Income (loss) from continuing operations before income taxes	26,140	(8,687)	(5,208)	(31,723)		(19,478)
(Benefit from) provision for income taxes	(3,427)	74	(597)	200		(3,750)
Net income (loss) from continuing operations	29,567	(8,761)	(4,611)	(31,923)		(15,728)
Less: Net loss from continuing operations attributable to non-controlling interests in consolidated subsidiaries	—	(4,020)	(92)	—		(4,112)
Dividends on preferred shares	—	—	—	4,079		4,079
Net income (loss) from continuing operations attributable to shareholders	\$ 29,567	\$ (4,741)	\$ (4,519)	\$ (36,002)		\$ (15,695)

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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The following table sets forth a reconciliation of Adjusted EBITDA to net loss attributable to shareholders from continuing operations:

	Three Months Ended June 30, 2020				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Adjusted EBITDA	\$ 77,501	\$ 2,968	\$ (885)	\$ (13,112)	\$ 66,472
Add: Non-controlling share of Adjusted EBITDA					2,101
Add: Equity in losses of unconsolidated entities					(3,209)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities					(126)
Less: Interest expense					(21,794)
Less: Depreciation and amortization expense					(48,341)
Less: Incentive allocations					—
Less: Asset impairment charges					(10,476)
Less: Changes in fair value of non-hedge derivative instruments					—
Less: Losses on the modification or extinguishment of debt and capital lease obligations					—
Less: Acquisition and transaction expenses					(3,661)
Less: Equity-based compensation expense					(411)
Less: Benefit from income taxes					3,750
Net loss attributable to shareholders from continuing operations					\$ (15,695)

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

	Three Months Ended June 30, 2020				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Revenues					
Africa	\$ 1,319	\$ —	\$ —	\$ —	\$ 1,319
Asia	31,732	—	—	4,575	36,307
Europe	31,287	—	—	—	31,287
North America	9,931	13,081	—	1,394	24,406
South America	990	—	—	—	990
Total	\$ 75,259	\$ 13,081	\$ —	\$ 5,969	\$ 94,309

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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II. For the Six Months Ended June 30, 2020

	Six Months Ended June 30, 2020				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Revenues					
Equipment leasing revenues	\$ 158,251	\$ —	\$ —	\$ 8,032	\$ 166,283
Infrastructure revenues	—	37,822	314	2,730	40,866
Total revenues	158,251	37,822	314	10,762	207,149
Expenses					
Operating expenses	8,648	34,233	3,875	11,260	58,016
General and administrative	—	—	—	9,051	9,051
Acquisition and transaction expenses	4,785	—	801	1,269	6,855
Management fees and incentive allocation to affiliate	—	—	—	9,522	9,522
Depreciation and amortization	64,834	14,386	754	3,943	83,917
Asset impairment	10,476	—	—	—	10,476
Interest expense	—	5,738	747	38,170	44,655
Total expenses	88,743	54,357	6,177	73,215	222,492
Other (expense) income					
Equity in losses of unconsolidated entities	(1,185)	—	(1,676)	(83)	(2,944)
Loss on sale of assets, net	(1,044)	(7)	—	—	(1,051)
Loss on extinguishment of debt	—	(4,724)	—	—	(4,724)
Interest income	29	22	—	12	63
Other income	—	32	—	—	32
Total other expense	(2,200)	(4,677)	(1,676)	(71)	(8,624)
Income (loss) from continuing operations before income taxes	67,308	(21,212)	(7,539)	(62,524)	(23,967)
(Benefit from) provision for income taxes	(3,382)	209	(878)	203	(3,848)
Net income (loss) from continuing operations	70,690	(21,421)	(6,661)	(62,727)	(20,119)
Less: Net loss from continuing operations attributable to non-controlling interests in consolidated subsidiaries	—	(8,681)	(167)	—	(8,848)
Dividends on preferred shares	—	—	—	8,618	8,618
Net income (loss) from continuing operations attributable to shareholders	\$ 70,690	\$ (12,740)	\$ (6,494)	\$ (71,345)	\$ (19,889)

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

	Six Months Ended June 30, 2020					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Adjusted EBITDA	\$ 160,891	\$ 7,537	\$ (2,201)	\$ (27,760)	\$ 138,467	
Add: Non-controlling share of Adjusted EBITDA					5,451	
Add: Equity in losses of unconsolidated entities					(2,944)	
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities					287	
Less: Interest expense					(44,655)	
Less: Depreciation and amortization expense					(97,405)	
Less: Incentive allocations					—	
Less: Asset impairment charges					(10,476)	
Less: Changes in fair value of non-hedge derivative instruments					(181)	
Less: Losses on the modification or extinguishment of debt and capital lease obligations					(4,724)	
Less: Acquisition and transaction expenses					(6,855)	
Less: Equity-based compensation expense					(702)	
Less: Benefit from income taxes					3,848	
Net loss attributable to shareholders from continuing operations					<u>\$ (19,889)</u>	

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

	Six Months Ended June 30, 2020					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Revenues						
Africa	\$ 8,473	\$ —	\$ —	\$ —	\$ 8,473	
Asia	58,277	—	—	8,032	66,309	
Europe	70,859	—	—	—	70,859	
North America	18,069	37,822	314	2,730	58,935	
South America	2,573	—	—	—	2,573	
Total	<u>\$ 158,251</u>	<u>\$ 37,822</u>	<u>\$ 314</u>	<u>\$ 10,762</u>	<u>\$ 207,149</u>	

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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III. For the Three Months Ended June 30, 2019

	Three Months Ended June 30, 2019				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Revenues					
Equipment leasing revenues	\$ 74,981	\$ —	\$ —	\$ 4,219	\$ 79,200
Infrastructure revenues	—	67,562	2,266	820	70,648
Total revenues	74,981	67,562	2,266	5,039	149,848
Expenses					
Operating expenses	3,467	74,393	4,757	3,166	85,783
General and administrative	—	—	—	3,551	3,551
Acquisition and transaction expenses	970	—	—	1,338	2,308
Management fees and incentive allocation to affiliate	—	—	—	5,710	5,710
Depreciation and amortization	33,267	5,519	1,560	1,706	42,052
Interest expense	—	4,524	348	20,522	25,394
Total expenses	37,704	84,436	6,665	35,993	164,798
Other income (expense)					
Equity in (losses) earnings of unconsolidated entities	(242)	92	—	(19)	(169)
Gain on sale of assets, net	22,610	12	—	—	22,622
Interest income	28	33	173	6	240
Other income	—	50	4,887	—	4,937
Total other income (expense)	22,396	187	5,060	(13)	27,630
Income (loss) from continuing operations before income taxes	59,673	(16,687)	661	(30,967)	12,680
(Benefit from) provision for income taxes	(2,369)	38	—	3	(2,328)
Net income (loss) from continuing operations	62,042	(16,725)	661	(30,970)	15,008
Less: Net loss from continuing operations attributable to non-controlling interests in consolidated subsidiaries	—	(4,558)	(22)	—	(4,580)
Net income (loss) from continuing operations attributable to shareholders	\$ 62,042	\$ (12,167)	\$ 683	\$ (30,970)	\$ 19,588

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

	Three Months Ended June 30, 2019				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Adjusted EBITDA	\$ 102,864	\$ (2,563)	\$ (2,241)	\$ (5,364)	\$ 92,696
Add: Non-controlling share of Adjusted EBITDA					2,785
Add: Equity in losses of unconsolidated entities					(169)
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities					(24)
Less: Interest expense					(25,394)
Less: Depreciation and amortization expense					(51,006)
Less: Incentive allocations					(2,211)
Less: Asset impairment charges					—
Less: Changes in fair value of non-hedge derivative instruments					3,470
Less: Losses on the modification or extinguishment of debt and capital lease obligations					—
Less: Acquisition and transaction expenses					(2,308)
Less: Equity-based compensation expense					(579)
Less: Benefit from income taxes					2,328
Net income attributable to shareholders from continuing operations					\$ 19,588

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

	Three Months Ended June 30, 2019				
	Equipment Leasing	Infrastructure			Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Corporate and Other	
Revenues					
Africa	\$ 2,208	\$ —	\$ —	\$ —	\$ 2,208
Asia	25,410	—	—	4,219	29,629
Europe	35,413	—	—	—	35,413
North America	9,604	67,562	2,266	820	80,252
South America	2,346	—	—	—	2,346
Total	\$ 74,981	\$ 67,562	\$ 2,266	\$ 5,039	\$ 149,848

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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IV. For the Six Months Ended June 30, 2019

	Six Months Ended June 30, 2019					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Revenues						
Equipment leasing revenues	\$ 145,392	\$ —	\$ —	\$ 6,260	\$ 151,652	
Infrastructure revenues	—	103,516	7,980	1,594	113,090	
Total revenues	145,392	103,516	7,980	7,854	264,742	
Expenses						
Operating expenses	10,093	113,634	9,659	6,707	140,093	
General and administrative	—	—	—	7,735	7,735	
Acquisition and transaction expenses	1,948	—	—	1,834	3,782	
Management fees and incentive allocation to affiliate	—	—	—	9,548	9,548	
Depreciation and amortization	63,272	10,675	3,553	3,415	80,915	
Interest expense	—	8,448	644	37,036	46,128	
Total expenses	75,313	132,757	13,856	66,275	288,201	
Other income (expense)						
Equity in (losses) earnings of unconsolidated entities	(443)	(128)	—	18	(553)	
Gain on sale of assets, net	24,328	12	—	—	24,340	
Interest income	54	71	194	12	331	
Other (expense) income	—	(183)	2,517	—	2,334	
Total other income (expense)	23,939	(228)	2,711	30	26,452	
Income (loss) from continuing operations before income taxes	94,018	(29,469)	(3,165)	(58,391)	2,993	
(Benefit from) provision for income taxes	(2,189)	124	—	4	(2,061)	
Net income (loss) from continuing operations	96,207	(29,593)	(3,165)	(58,395)	5,054	
Less: Net loss from continuing operations attributable to non-controlling interests in consolidated subsidiaries	—	(7,854)	(86)	—	(7,940)	
Net income (loss) from continuing operations attributable to shareholders	\$ 96,207	\$ (21,739)	\$ (3,079)	\$ (58,395)	\$ 12,994	

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

	Six Months Ended June 30, 2019					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Adjusted EBITDA	\$ 176,526	\$ (3,853)	\$ (1,315)	\$ (13,907)	\$ 157,451	
Add: Non-controlling share of Adjusted EBITDA					4,938	
Add: Equity in losses of unconsolidated entities					(553)	
Less: Pro-rata share of Adjusted EBITDA from unconsolidated entities					94	
Less: Interest expense					(46,128)	
Less: Depreciation and amortization expense					(98,203)	
Less: Incentive allocations					(2,373)	
Less: Asset impairment charges					—	
Less: Changes in fair value of non-hedge derivative instruments					250	
Less: Losses on the modification or extinguishment of debt and capital lease obligations					—	
Less: Acquisition and transaction expenses					(3,782)	
Less: Equity-based compensation expense					(761)	
Less: Benefit from income taxes					2,061	
Net income attributable to shareholders from continuing operations					<u>\$ 12,994</u>	

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

	Six Months Ended June 30, 2019					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Revenues						
Africa	\$ 5,685	\$ —	\$ —	\$ —	\$ 5,685	
Asia	47,524	—	—	6,260	53,784	
Europe	67,298	—	—	—	67,298	
North America	20,430	103,516	7,980	1,594	133,520	
South America	4,455	—	—	—	4,455	
Total	<u>\$ 145,392</u>	<u>\$ 103,516</u>	<u>\$ 7,980</u>	<u>\$ 7,854</u>	<u>\$ 264,742</u>	

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC
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V. Balance Sheet and Location of Long-Lived Assets

The following tables sets forth summarized balance sheet information and the geographic location of property, plant and equipment and leasing equipment, net:

	June 30, 2020					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Total assets	\$ 1,758,972	\$ 890,770	\$ 414,490	\$ 223,262	\$ 3,287,494	
Debt, net	—	252,754	25,000	1,324,550	1,602,304	
Total liabilities	271,548	363,894	49,749	1,350,812	2,036,003	
Non-controlling interests in equity of consolidated subsidiaries	—	27,419	849	524	28,792	
Total equity	1,487,424	526,876	364,741	(1,127,550)	1,251,491	
Total liabilities and equity	\$ 1,758,972	\$ 890,770	\$ 414,490	\$ 223,262	\$ 3,287,494	

	June 30, 2020					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals			
Property, plant and equipment and leasing equipment, net						
Africa	\$ 37,049	\$ —	\$ —	\$ —	\$ 37,049	
Asia	392,135	—	—	45,969	438,104	
Europe	849,642	—	—	—	849,642	
North America	300,524	612,115	254,757	120,775	1,288,171	
South America	5,962	—	—	—	5,962	
Total	\$ 1,585,312	\$ 612,115	\$ 254,757	\$ 166,744	\$ 2,618,928	

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	December 31, 2019					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Total		
Total assets	\$ 1,694,837	\$ 781,422	\$ 366,402	\$ 394,261	\$ 3,236,922	
Debt, net	—	233,077	25,000	1,162,851	1,420,928	
Total liabilities	285,099	324,509	63,930	1,224,527	1,898,065	
Non-controlling interests in equity of consolidated subsidiaries	—	35,671	785	524	36,980	
Total equity	1,409,738	456,913	302,472	(830,266)	1,338,857	
Total liabilities and equity	\$ 1,694,837	\$ 781,422	\$ 366,402	\$ 394,261	\$ 3,236,922	

	December 31, 2019					
	Equipment Leasing	Infrastructure			Corporate and Other	Total
	Aviation Leasing	Jefferson Terminal	Ports and Terminals	Total		
Property, plant and equipment and leasing equipment, net						
Africa	\$ 43,348	\$ —	\$ —	\$ —	\$ 43,348	
Asia	487,913	—	—	37,548	525,461	
Europe	647,029	—	—	—	647,029	
North America	311,185	560,059	200,319	123,067	1,194,630	
South America	28,700	—	—	—	28,700	
Total	\$ 1,518,175	\$ 560,059	\$ 200,319	\$ 160,615	\$ 2,439,168	

18. EARNINGS PER SHARE AND EQUITY

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

The calculation of basic and diluted EPS is presented below:

<i>(in thousands, except share and per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income from continuing operations	\$ (15,728)	\$ 15,008	\$ (20,119)	\$ 5,054
Net income from discontinued operations, net of income taxes	—	785	1,331	943
Net (loss) income	(15,728)	15,793	(18,788)	5,997
Less: Net (loss) income attributable to non-controlling interests in consolidated subsidiaries:				
Continuing operations	(4,112)	(4,580)	(8,848)	(7,940)
Discontinued operations	—	41	—	(15)
Dividends on preferred shares	4,079	—	8,618	—
Net (loss) income attributable to shareholders	\$ (15,695)	\$ 20,332	\$ (18,558)	\$ 13,952
Weighted Average Common Shares Outstanding - Basic ⁽¹⁾	86,009,959	85,987,769	86,009,029	85,987,115
Weighted Average Common Shares Outstanding - Diluted ⁽¹⁾	86,009,959	85,989,029	86,009,029	85,987,115
Basic				
Continuing operations	\$ (0.18)	\$ 0.23	\$ (0.23)	\$ 0.15
Discontinued operations	\$ —	\$ 0.01	\$ 0.02	\$ 0.01
Diluted				
Continuing operations	\$ (0.18)	\$ 0.23	\$ (0.23)	\$ 0.15
Discontinued operations	\$ —	\$ 0.01	\$ 0.02	\$ 0.01

⁽¹⁾ The three and six months ended June 30, 2020 and 2019 includes participating securities which can be converted into a fixed amount of our shares.

For the three months ended June 30, 2020 and 2019, 1,219,065 and 119,009 shares, respectively, and for the six months ended June 30, 2020 and 2019, 499,053 and 127,923 shares, respectively, have been excluded from the calculation of Diluted EPS because the impact would be anti-dilutive.

During the six months ended June 30, 2020, we issued 18,337 common shares to certain directors as compensation.

During the six months ended June 30, 2020, certain holders of Class B Units (see Note 16) converted 911,448 Class B Units in exchange for 675,015 common shares.

19. COMMITMENTS AND CONTINGENCIES

In the normal course of business we, and our subsidiaries, may be involved in various claims, legal proceedings, or may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. Within our offshore energy business, a lessee did not fulfill its obligation under its charter arrangement, therefore we are pursuing rights afforded to us under the charter and the range of potential losses against the obligation is \$0.0 million to \$3.3 million. Our maximum exposure under other arrangements is unknown as no additional claims have been made. We believe the risk of loss in connection with such arrangements is remote.

We have also entered into an arrangement with our non-controlling interest holder of Repauno, as part of the acquisition, whereby the non-controlling interest holder may receive additional payments contingent upon the achievement of certain conditions, not to exceed \$15.0 million. We will account for such amounts when and if such conditions are achieved.

20. SUBSEQUENT EVENTS

On July 30, 2020, our Board of Directors declared a cash dividend on our common shares and eligible participating securities of \$0.33 per share for the quarter ended June 30, 2020, payable on August 31, 2020 to the holders of record on August 17, 2020.

Additionally, on July 30, 2020, our Board of Directors also declared a cash dividend on the Series A Preferred Shares and Series B Preferred Shares of \$0.52 per share and \$0.50 per share, respectively, payable on September 15, 2020 to the holders of record on September 1, 2020.

At the Market Program

On June 30, 2020, we entered into an At Market Issuance Sales Agreement with a third party to sell shares of our Series A Preferred Shares and Series B Preferred Shares (collectively, the "ATM Shares"), having an aggregate offering price of up to \$100 million, from time to time, through an "at-the market" equity offering program (the "ATM Program").

During July 2020, we sold 125,000 ATM Shares at an average price of \$19.60 per share for net proceeds of \$2.4 million. In connection with the shares sold under the ATM program, we granted options to the Manager relating to 17,265 shares of our common stock, the fair value of which was not material as of the grant date.

Senior Notes due 2027

On July 28, 2020, we issued \$400 million aggregate principal amount of senior unsecured notes due 2027 (the "2027 Notes"). The 2027 Notes bear interest at a rate of 9.75% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2021.

We used a portion of the proceeds to repay \$220 million of outstanding borrowings under the Revolving Credit Facility, and intend to use the remaining proceeds for general corporate purposes, which may include the repurchase or redemption of outstanding 2022 Notes and the funding of future acquisitions and investments, including aviation investments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

We own and acquire high quality infrastructure and related equipment that is essential for the transportation of goods and people globally. We target assets that, on a combined basis, generate strong cash flows with potential for earnings growth and asset appreciation. We believe that there are a large number of acquisition opportunities in our markets, and that our Manager's expertise and business and financing relationships, together with our access to capital, will allow us to take advantage of these opportunities. We are externally managed by FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), which has a dedicated team of experienced professionals focused on the acquisition of transportation and infrastructure assets since 2002. As of June 30, 2020, we had total consolidated assets of \$3.3 billion and total equity of \$1.3 billion.

Impact of COVID-19

Due to the outbreak of COVID-19, we have taken measures to protect the health and safety of our employees, including having employees work remotely, where possible. While the outbreak did not have a material impact on operating results on our Aviation Leasing business in the first half of 2020, and we have not yet seen a meaningful decline in the timing of lease payments, a number of our lessees are experiencing increased financial stress due to the significant decline in travel demand. A number of these lessees have been placed on non-accrual status as of June 30, 2020. However, we believe our overall portfolio exposure is limited by maintenance reserves and security deposits which are secured against lessee defaults. The value of these deposits was \$224.1 million as of June 30, 2020. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including the duration and spread of the pandemic and related restrictions put in place by the U.S. and international governments, all of which are uncertain and cannot be predicted. For additional detail, see Liquidity and Capital Resources and Item 1A. Risk Factors—The current outbreak of the novel coronavirus (COVID-19) has severely disrupted the global economy and may have, and the emergence of other epidemic or pandemic crises could have, material adverse effects on our business, results of operations or financial condition.

Operating Segments

Our operations consist of two primary strategic business units – Infrastructure and Equipment Leasing. Our Infrastructure Business acquires long-lived assets that provide mission-critical services or functions to transportation networks and typically have high barriers to entry. We target or develop operating businesses with strong margins, stable cash flows and upside from earnings growth and asset appreciation driven by increased use and inflation. Our Equipment Leasing Business acquires assets that are designed to carry cargo or people or provide functionality to transportation infrastructure. Transportation equipment assets are typically long-lived, moveable and leased by us on either operating leases or finance leases to companies that provide transportation services. Our leases generally provide for long-term contractual cash flow with high cash-on-cash yields and include structural protections to mitigate credit risk.

Our reportable segments are comprised of interests in different types of infrastructure and equipment leasing assets. We currently conduct our business through the following three reportable segments: (i) Aviation Leasing, which is within the Equipment Leasing Business, and (ii) Jefferson Terminal and (iii) Ports and Terminals, which together comprise our Infrastructure Business. The Aviation Leasing segment consists of aircraft and aircraft engines held for lease and are typically held long-term. The Jefferson Terminal segment consists of a multi-modal crude and refined products terminal and other related assets which were acquired in 2014. The Ports and Terminals segment consists of Repauno, acquired in 2016, a 1,630-acre deep-water port located along the Delaware River with an underground storage cavern and multiple industrial development opportunities. Additionally, Ports and Terminals includes an equity method investment ("Long Ridge"), which is a 1,660-acre multi-modal port located along the Ohio River with rail, dock, and multiple industrial development opportunities, including a power plant under construction.

In December 2019, we completed the sale of substantially all of our railroad business, which was formerly reported as our Railroad segment. Under ASC 205-20, this disposition met the criteria to be reported as discontinued operations and the assets, liabilities and results of operations have been presented as discontinued operations for all periods presented. Additionally, in accordance with ASC 280, we assessed our reportable segments. We determined that our retained investment of the railroad business no longer met the requirement as a reportable segment. Accordingly, we have presented this operating segment, along with Corporate results, within Corporate and Other effective in 2019. All prior periods have been restated for historical comparison across segments.

Corporate and Other primarily consists of debt, unallocated corporate general and administrative expenses, and management fees. Additionally, Corporate and Other includes (i) offshore energy related assets which consist of vessels and equipment that support offshore oil and gas activities and are typically subject to long-term operating leases, (ii) an investment in an

unconsolidated entity engaged in the leasing of shipping containers and (iii) railroad assets retained after the December 2019 sale, which consists of equipment that support a railcar cleaning business.

Aviation Leasing Organizational Restructuring

We recently completed an organizational restructuring of the Aviation Leasing segment (“Aviation Restructuring”). Previously, Aviation Leasing’s employees were employed by the Manager and compensation and related costs associated with these employees were reimbursed to the Manager, per the Management Agreement. These costs were reported within Corporate and Other.

Effective in the first quarter of 2020, Aviation Leasing’s employees are employed by one of our subsidiaries. Compensation and related costs incurred by this subsidiary will be reported within the Aviation Leasing segment. Prior periods have been restated for historical comparison. See Note 16 to the consolidated financial statements for additional details.

Our reportable segments are comprised of investments in different types of transportation infrastructure and equipment. Each segment requires different investment strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies; however, financial information presented by segment includes the impact of intercompany eliminations.

Our Manager

On December 27, 2017, SoftBank Group Corp. (“SoftBank”) announced that it completed its previously announced acquisition of Fortress (the “SoftBank Merger”). In connection with the Softbank Merger, Fortress operates within SoftBank as an independent business headquartered in New York.

Results of Operations

Adjusted EBITDA (Non-GAAP)

The CODM utilizes Adjusted EBITDA as the key performance measure. This performance measure provides the CODM with the information necessary to assess operational performance, as well as make resource and allocation decisions.

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

Comparison of the three and six months ended June 30, 2020 and 2019

The following table presents our consolidated results of operations:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Revenues						
Equipment leasing revenues						
Lease income	\$ 44,634	\$ 51,888	\$ (7,254)	\$ 94,447	\$ 101,124	\$ (6,677)
Maintenance revenue	27,105	25,369	1,736	59,100	47,146	11,954
Finance lease income	413	881	(468)	842	1,707	(865)
Other revenue	7,682	1,062	6,620	11,894	1,675	10,219
Total equipment leasing revenues	79,834	79,200	634	166,283	151,652	14,631
Infrastructure revenues						
Lease income	287	1,086	(799)	407	1,749	(1,342)
Terminal services revenues	12,794	8,565	4,229	29,205	15,250	13,955
Crude marketing revenues	—	59,204	(59,204)	8,210	89,983	(81,773)
Other revenue	1,394	1,793	(399)	3,044	6,108	(3,064)
Total infrastructure revenues	14,475	70,648	(56,173)	40,866	113,090	(72,224)
Total revenues	94,309	149,848	(55,539)	207,149	264,742	(57,593)
Expenses						
Operating expenses	24,572	85,783	(61,211)	58,016	140,093	(82,077)
General and administrative	4,388	3,551	837	9,051	7,735	1,316
Acquisition and transaction expenses	3,661	2,308	1,353	6,855	3,782	3,073
Management fees and incentive allocation to affiliate	4,756	5,710	(954)	9,522	9,548	(26)
Depreciation and amortization	41,720	42,052	(332)	83,917	80,915	3,002
Asset impairment	10,476	—	10,476	10,476	—	10,476
Interest expense	21,794	25,394	(3,600)	44,655	46,128	(1,473)
Total expenses	111,367	164,798	(53,431)	222,492	288,201	(65,709)
Other (expense) income						
Equity in losses of unconsolidated entities	(3,209)	(169)	(3,040)	(2,944)	(553)	(2,391)
Gain (loss) on sale of assets, net	768	22,622	(21,854)	(1,051)	24,340	(25,391)
Loss on extinguishment of debt	—	—	—	(4,724)	—	(4,724)
Interest income	22	240	(218)	63	331	(268)
Other (expense) income	(1)	4,937	(4,938)	32	2,334	(2,302)
Total other (expense) income	(2,420)	27,630	(30,050)	(8,624)	26,452	(35,076)
(Loss) income from continuing operations before income taxes	(19,478)	12,680	(32,158)	(23,967)	2,993	(26,960)
Benefit from income taxes	(3,750)	(2,328)	(1,422)	(3,848)	(2,061)	(1,787)
Net (loss) income from continued operations	(15,728)	15,008	(30,736)	(20,119)	5,054	(25,173)
Net income from discontinued operations, net of income taxes	—	785	(785)	1,331	943	388
Net (loss) income	(15,728)	15,793	(31,521)	(18,788)	5,997	(24,785)
Less: Net (loss) income attributable to non-controlling interest in consolidated subsidiaries:						
Continuing operations	(4,112)	(4,580)	468	(8,848)	(7,940)	(908)
Discontinued operations	—	41	(41)	—	(15)	15
Dividends on preferred shares	4,079	—	4,079	8,618	—	8,618
Net (loss) income attributable to shareholders	\$ (15,695)	\$ 20,332	\$ (36,027)	\$ (18,558)	\$ 13,952	\$ (32,510)

The following table sets forth a reconciliation of net (loss) income attributable to shareholders from continuing operations to Adjusted EBITDA:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net (loss) income attributable to shareholders from continuing operations	\$ (15,695)	\$ 19,588	\$ (35,283)	\$ (19,889)	\$ 12,994	\$ (32,883)
Add: Benefit from income taxes	(3,750)	(2,328)	(1,422)	(3,848)	(2,061)	(1,787)
Add: Equity-based compensation expense	411	579	(168)	702	761	(59)
Add: Acquisition and transaction expenses	3,661	2,308	1,353	6,855	3,782	3,073
Add: Losses on the modification or extinguishment of debt and capital lease obligations	—	—	—	4,724	—	4,724
Add: Changes in fair value of non-hedge derivative instruments	—	(3,470)	3,470	181	(250)	431
Add: Asset impairment charges	10,476	—	10,476	10,476	—	10,476
Add: Incentive allocations	—	2,211	(2,211)	—	2,373	(2,373)
Add: Depreciation and amortization expense ⁽¹⁾	48,341	51,006	(2,665)	97,405	98,203	(798)
Add: Interest expense	21,794	25,394	(3,600)	44,655	46,128	(1,473)
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities ⁽²⁾	126	24	102	(287)	(94)	(193)
Less: Equity in losses of unconsolidated entities	3,209	169	3,040	2,944	553	2,391
Less: Non-controlling share of Adjusted EBITDA ⁽³⁾	(2,101)	(2,785)	684	(5,451)	(4,938)	(513)
Adjusted EBITDA (non-GAAP)	\$ 66,472	\$ 92,696	\$ (26,224)	\$ 138,467	\$ 157,451	\$ (18,984)

⁽¹⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) depreciation and amortization expense of \$41,720 and \$42,052, (ii) lease intangible amortization of \$931 and \$2,202 and (iii) amortization for lease incentives of \$5,690 and \$6,752, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) depreciation and amortization expense of \$83,917 and \$80,915, (ii) lease intangible amortization of \$2,063 and \$4,664 and (iii) amortization for lease incentives of \$11,425 and \$12,624, respectively.

⁽²⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) net loss of \$(3,226) and \$(276), (ii) interest expense of \$446 and \$34, (iii) depreciation and amortization expense of \$1,446 and \$266, (iv) acquisition and transaction expenses of \$531 and \$0 and (v) changes in fair value of non-hedge derivatives of \$929 and \$0, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) net loss of \$(3,003) and \$(696), (ii) interest expense of \$481 and \$70, (iii) depreciation and amortization expense of \$2,408 and \$532, (iv) acquisition and transaction expenses of \$612 and \$0 and (v) changes in fair value of non-hedge derivatives of \$(785) and \$0, respectively.

⁽³⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) equity-based compensation of \$52 and \$98, (ii) provision for income taxes of \$15 and \$8, (iii) interest expense of \$512 and \$1,100, (iv) depreciation and amortization expense of \$1,522 and \$1,282 and (v) changes in fair value of non-hedge derivative instruments of \$0 and \$297, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) equity based compensation of \$99 and \$119, (ii) provision for income taxes of \$43 and \$26, (iii) interest expense of \$1,231 and \$1,945, (iv) depreciation and amortization expense of \$3,048 and \$2,372, (v) changes in fair value of non-hedge derivative instruments of \$38 and \$476 and (vi) loss on extinguishment of debt of \$992 and \$0, respectively.

Revenues

Comparison of the three months ended June 30, 2020 and 2019

Total revenues decreased \$55.5 million primarily due to lower revenues in the Jefferson Terminal segment.

Equipment Leasing

Other revenue increased \$6.6 million, which primarily reflects (i) an increase of \$5.2 million in the Aviation Leasing segment due to an increase in end-of-lease redelivery compensation and (ii) an increase of \$1.4 million in the offshore energy business primarily related to victualling income.

Maintenance revenue increased \$1.7 million primarily due to the recognition of maintenance deposits due to the early redelivery of six aircraft offset by lower aircraft and engine utilization as a result of the COVID-19 pandemic.

Lease income decreased \$7.3 million primarily due to a decrease in the number of engines on lease and an increase in the number of customers placed on non-accrual status offset by an increase in the number of aircraft on lease.

Infrastructure

Crude marketing revenue decreased \$59.2 million due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019.

Terminal services revenue increased \$4.2 million which primarily reflects (i) an increase of \$5.3 million due to increased activity and storage capacity at Jefferson Terminal, partially offset by (ii) a decrease of \$1.0 million at Long Ridge due to Long Ridge being accounted for as equity method investment starting in the fourth quarter of 2019 ("Long Ridge Transaction").

Comparison of the six months ended June 30, 2020 and 2019

Total revenues decreased \$57.6 million primarily due to lower revenues in the Jefferson Terminal and Ports and Terminals segments, partially offset by higher revenues in the Aviation Leasing segment and Corporate and Other.

Equipment Leasing

Maintenance revenue increased \$12.0 million primarily due to the recognition of maintenance deposits due to the early redelivery of seven aircraft offset by lower aircraft and engine utilization as a result of the COVID-19 pandemic.

Other revenue increased \$10.2 million, which primarily reflects (i) an increase of \$8.4 million in the Aviation Leasing segment due to an increase in end-of-lease redelivery compensation and settlement of an engine loss and (ii) an increase of \$1.9 million in the offshore energy business primarily related to victualling income.

Lease income decreased \$6.7 million primarily due to a decrease in the number of engines on lease and an increase in the number of customers placed on non-accrual status offset by an increase in the number of aircraft on lease.

Infrastructure

Crude marketing revenue decreased \$81.8 million due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019. Revenues in 2020 include contracts executed in 2019 but delivered in 2020.

Other revenue decreased \$3.1 million, which reflects (i) a decrease of \$3.1 million due to the Long Ridge Transaction, (ii) a decrease in butane sales of \$1.1 million at Repauno, partially offset by (iii) an increase of \$1.1 million due to higher volume in our railcar cleaning business.

Terminal services revenue increased \$14.0 million which primarily reflects (i) an increase of \$16.8 million due to increased activity and storage capacity at Jefferson Terminal, partially offset by (ii) a decrease of \$2.8 million due to the Long Ridge Transaction.

Expenses

Comparison of the three months ended June 30, 2020 and 2019

Total expenses decreased \$53.4 million, primarily due to (i) lower operating expenses, (ii) lower interest expense, partially offset by (iii) an asset impairment.

Operating expenses decreased \$61.2 million, primarily due to a decrease in cost of sales of \$61.4 million primarily due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019.

Interest expense decreased \$3.6 million, primarily due to:

- a decrease of \$2.2 million at Jefferson Terminal due to the Jefferson Refinancing; and
- a decrease of \$1.4 million in Corporate and Other primarily due to a decrease in interest expense related to the FTAI Pride Credit Agreement, which was repaid in full in March 2020.

The above decreases were partially offset by an asset impairment charge of \$10.5 million in 2020 in the Aviation Leasing segment.

Comparison of the six months ended June 30, 2020 and 2019

Total expenses decreased \$65.7 million, primarily due to lower (i) operating expenses and (ii) interest expense, partially offset by higher (iii) an asset impairment charge, (iv) depreciation and amortization and (v) acquisition and transaction expenses.

Operating expenses decreased \$82.1 million, primarily due to:

- a decrease in cost of sales of \$81.9 million primarily due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019;
- a decrease in bad debt of \$1.2 million primarily in the Aviation Leasing segment, partially offset by
- an increase in compensation and benefits of \$2.9 million primarily due to increased headcount in the Jefferson Terminal and Aviation Leasing segments.

Interest expense decreased \$1.5 million, primarily due to:

- a decrease of \$2.7 million at Jefferson Terminal due to the Jefferson Refinancing, partially offset by
- an increase of \$1.1 million in Corporate and Other which reflects an increase in our average outstanding debt of approximately \$64.0 million, which primarily consists of (i) an increase of \$100.0 million for the 2025 Notes, (ii) an increase of \$25.1 million for the 2022 Notes, (iii) a decrease of \$26.7 million for the Revolving Credit Facility and (iv) a decrease of \$34.4 million for the FTAI Pride Credit Agreement, which was repaid in March 2020.

The above decreases were partially offset by an asset impairment charge of \$10.5 million in 2020 in the Aviation Leasing segment.

Depreciation and amortization increased \$3.0 million, which reflects (i) an increase of \$3.7 million primarily due to assets placed into service at Jefferson Terminal, (ii) an increase of \$1.6 million primarily due to additional assets acquired and placed into service in the Aviation Leasing segment, partially offset by (iii) a decrease of \$2.8 million due to the Long Ridge Transaction.

Acquisition and transaction expenses increased \$3.1 million due to additional compensation and related costs associated with the acquisition of aviation leasing equipment.

Other (expense) income

Total other expense increased \$30.1 million during the three months ended June 30, 2020, which primarily reflects (i) a decrease of \$21.9 million in gain on sale of assets, net as we had more asset sales in 2019 compared to 2020 and (ii) a decrease of \$4.9 million in other income due to the Long Ridge Transaction.

Total other expense increased \$35.1 million during the six months ended June 30, 2020, which primarily reflects (i) a decrease of \$25.4 million in gain on sale of assets, net as we had more asset sales in 2019 compared to 2020, (ii) a loss on extinguishment of debt of \$4.7 million due to the Jefferson Refinancing, (iii) a decrease in other income of \$2.3 million primarily due to the Long Ridge Transaction and (iv) an increase of \$2.4 million in equity in losses of unconsolidated entities.

Net (loss) income from continuing operations

Net income from continuing operations decreased \$30.7 million and \$25.2 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA decreased \$26.2 million and \$19.0 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Aviation Leasing Segment

As of June 30, 2020, in our Aviation Leasing segment, we own and manage 272 aviation assets, consisting of 80 commercial aircraft and 192 engines.

As of June 30, 2020, 75 of our commercial aircraft and 88 of our engines were leased to operators or other third parties. Aviation assets currently off lease are either undergoing repair and/or maintenance, being prepared to go on lease or held in short term storage awaiting a future lease. Our aviation equipment was approximately 73% utilized during the three months ended June 30, 2020, based on the percent of days on-lease in the quarter weighted by the monthly average equity value of our aviation leasing equipment, excluding airframes. Our aircraft currently have a weighted average remaining lease term of 34 months, and our engines currently on-lease have an average remaining lease term of 20 months. The table below provides additional information on the assets in our Aviation Leasing segment:

Aviation Assets	Widebody	Narrowbody	Total
<u>Aircraft</u>			
Assets at January 1, 2020	14	60	74
Purchases	1	18	19
Sales	—	—	—
Transfers	—	(13)	(13)
Assets at June 30, 2020	15	65	80
<u>Engines</u>			
Assets at January 1, 2020	92	72	164
Purchases	3	2	5
Sales	(2)	(1)	(3)
Transfers	—	26	26
Assets at June 30, 2020	93	99	192

The following table presents our results of operations:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Revenues						
Equipment leasing revenues						
Lease income	\$ 42,505	\$ 48,731	\$ (6,226)	\$ 89,446	\$ 96,034	\$ (6,588)
Maintenance revenue	27,105	25,369	1,736	59,100	47,146	11,954
Finance lease income	413	881	(468)	842	1,707	(865)
Other revenue	5,236	—	5,236	8,863	505	8,358
Total revenues	75,259	74,981	278	158,251	145,392	12,859
Expenses						
Operating expenses	4,577	3,467	1,110	8,648	10,093	(1,445)
Acquisition and transaction expenses	2,061	970	1,091	4,785	1,948	2,837
Depreciation and amortization	32,203	33,267	(1,064)	64,834	63,272	1,562
Asset impairment	10,476	—	10,476	10,476	—	10,476
Total expenses	49,317	37,704	11,613	88,743	75,313	13,430
Other income (expense)						
Equity in losses of unconsolidated entities	(594)	(242)	(352)	(1,185)	(443)	(742)
Gain (loss) on sale of assets, net	775	22,610	(21,835)	(1,044)	24,328	(25,372)
Interest income	17	28	(11)	29	54	(25)
Total other income (expense)	198	22,396	(22,198)	(2,200)	23,939	(26,139)
Income before income taxes	26,140	59,673	(33,533)	67,308	94,018	(26,710)
Benefit from income taxes	(3,427)	(2,369)	(1,058)	(3,382)	(2,189)	(1,193)
Net income	29,567	62,042	(32,475)	70,690	96,207	(25,517)
Less: Net loss attributable to non-controlling interest in consolidated subsidiaries	—	—	—	—	—	—
Net income attributable to shareholders	\$ 29,567	\$ 62,042	\$ (32,475)	\$ 70,690	\$ 96,207	\$ (25,517)

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net income attributable to shareholders	\$ 29,567	\$ 62,042	\$ (32,475)	\$ 70,690	\$ 96,207	\$ (25,517)
Add: Benefit from income taxes	(3,427)	(2,369)	(1,058)	(3,382)	(2,189)	(1,193)
Add: Equity-based compensation expense	—	—	—	—	—	—
Add: Acquisition and transaction expenses	2,061	970	1,091	4,785	1,948	2,837
Add: Losses on the modification or extinguishment of debt and capital lease obligations	—	—	—	—	—	—
Add: Changes in fair value of non-hedge derivative instruments	—	—	—	—	—	—
Add: Asset impairment charges	10,476	—	10,476	10,476	—	10,476
Add: Incentive allocations	—	—	—	—	—	—
Add: Depreciation and amortization expense ⁽¹⁾	38,824	42,221	(3,397)	78,322	80,560	(2,238)
Add: Interest expense	—	—	—	—	—	—
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities ⁽²⁾	(594)	(242)	(352)	(1,185)	(443)	(742)
Less: Equity in losses of unconsolidated entities	594	242	352	1,185	443	742
Less: Non-controlling share of Adjusted EBITDA	—	—	—	—	—	—
Adjusted EBITDA (non-GAAP)	\$ 77,501	\$ 102,864	\$ (25,363)	\$ 160,891	\$ 176,526	\$ (15,635)

⁽¹⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) depreciation expense of \$32,203 and \$33,267, (ii) lease intangible amortization of \$931 and \$2,202 and (iii) amortization for lease incentives of \$5,690 and \$6,752, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) depreciation expense of \$64,834 and \$63,272, (ii) lease intangible amortization of \$2,063 and \$4,664 and (iii) amortization for lease incentives of \$11,425 and \$12,624, respectively.

⁽²⁾ Includes Aviation Leasing's proportionate share of the unconsolidated entities' net income adjusted for the excluded and included items detailed in the table above, for which there were no adjustments.

Revenues

Comparison of the three months ended June 30, 2020 and 2019

Total revenue increased \$0.3 million driven by higher maintenance revenue and other revenue.

- Maintenance revenue increased \$1.7 million primarily due to the recognition of maintenance deposits due to the early redelivery of six aircraft offset by lower aircraft and engine utilization as a result of the COVID-19 pandemic.
- Other revenue increased \$5.2 million primarily due to the increase in end-of-lease redelivery compensation.
- Lease income decreased \$6.2 million primarily due to a decrease in the number of engines on lease and an increase in the number of customers placed on non-accrual status offset by an increase in the number of aircraft on lease.

Comparison of the six months ended June 30, 2020 and 2019

Total revenue increased \$12.9 million driven by higher maintenance revenue and other revenue.

- Maintenance revenue increased \$12.0 million primarily due to the recognition of maintenance deposits due to the early redelivery of seven aircraft offset by lower aircraft and engine utilization as a result of the COVID-19 pandemic.
- Other revenue increased \$8.4 million primarily due to the increase in end-of-lease redelivery compensation and settlement of an engine loss.
- Lease income decreased \$6.6 million primarily due to a decrease in the number of engines on lease and an increase in the number of customers placed on non-accrual status offset by an increase in the number of aircraft on lease.

Expenses

Comparison of the three months ended June 30, 2020 and 2019

Total expenses increased \$11.6 million primarily due to an increase in asset impairment, acquisition and transaction expenses and operating expenses partially offset by a decrease in depreciation and amortization expense.

- Asset impairment increased \$10.5 million for the adjustment of the carrying value of leasing equipment to fair value, net of redelivery compensation.

- Acquisition and transaction expense increased \$1.1 million driven by additional compensation and related costs associated with the acquisition of aviation leasing equipment.
- Operating expenses increased \$1.1 million primarily as a result of an increase in bad debt expense.
- Depreciation and amortization expense decreased \$1.1 million driven by a decrease in the number of engines on lease and an increase in the number of aircraft redelivered and parted out into our engine leasing pool, partially offset by additional aircraft owned and on lease.

Comparison of the six months ended June 30, 2020 and 2019

Total expenses increased \$13.4 million primarily due to an increase in asset impairment, depreciation and amortization expense and acquisition and transaction expenses partially offset by a decrease in operating expenses.

- Asset impairment increased \$10.5 million for the adjustment of the carrying value of leasing equipment to fair value, net of redelivery compensation.
- Acquisition and transaction expense increased \$2.8 million driven by additional compensation and related costs associated with the acquisition of aviation leasing equipment.
- Depreciation and amortization expense increased \$1.6 million driven by additional aircraft owned and on lease, partially offset by a decrease in the number of engines on lease and additional aircraft redelivered and parted out into our engine leasing pool.
- Operating expenses decreased \$1.4 million primarily as a result of a decrease in bad debt expense.

Other (expense) income

Total other income decreased \$22.2 million during the three months ended June 30, 2020, primarily due to a decrease of \$21.8 million in gain on the sale of leasing equipment in 2020, partially offset by an increase of \$0.4 million in Aviation Leasing's proportionate share of the unconsolidated entities' net loss.

Total other income decreased \$26.1 million during the six months ended June 30, 2020, primarily due to a decrease of \$25.4 million in gain on the sale of leasing equipment in 2020, partially offset by an increase of \$0.7 million in Aviation Leasing's proportionate share of the unconsolidated entities' net loss.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA decreased \$25.4 million and \$15.6 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Jefferson Terminal Segment

The following table presents our results of operations:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Infrastructure revenues						
Lease income	\$ 287	\$ 821	\$ (534)	\$ 407	\$ 1,129	\$ (722)
Terminal services revenues	12,794	7,537	5,257	29,205	12,404	16,801
Crude marketing revenues	—	59,204	(59,204)	8,210	89,983	(81,773)
Total revenues	13,081	67,562	(54,481)	37,822	103,516	(65,694)
Expenses						
Operating expenses	12,290	74,393	(62,103)	34,233	113,634	(79,401)
Depreciation and amortization	7,160	5,519	1,641	14,386	10,675	3,711
Interest expense	2,310	4,524	(2,214)	5,738	8,448	(2,710)
Total expenses	21,760	84,436	(62,676)	54,357	132,757	(78,400)
Other (expense) income						
Equity in earnings (losses) of unconsolidated entities	—	92	(92)	—	(128)	128
(Loss) gain on sale of assets, net	(7)	12	(19)	(7)	12	(19)
Loss on extinguishment of debt	—	—	—	(4,724)	—	(4,724)
Interest income	—	33	(33)	22	71	(49)
Other (expense) income	(1)	50	(51)	32	(183)	215
Total other (expense) income	(8)	187	(195)	(4,677)	(228)	(4,449)
Loss before income taxes	(8,687)	(16,687)	8,000	(21,212)	(29,469)	8,257
Provision for income taxes	74	38	36	209	124	85
Net loss	(8,761)	(16,725)	7,964	(21,421)	(29,593)	8,172
Less: Net loss attributable to non-controlling interest in consolidated subsidiaries	(4,020)	(4,558)	538	(8,681)	(7,854)	(827)
Net loss attributable to shareholders	\$ (4,741)	\$ (12,167)	\$ 7,426	\$ (12,740)	\$ (21,739)	\$ 8,999

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net loss attributable to shareholders	\$ (4,741)	\$ (12,167)	\$ 7,426	\$ (12,740)	\$ (21,739)	\$ 8,999
Add: Provision for income taxes	74	38	36	209	124	85
Add: Equity-based compensation expense	214	456	(242)	429	546	(117)
Add: Acquisition and transaction expenses	—	—	—	—	—	—
Add: Losses on the modification or extinguishment of debt and capital lease obligations	—	—	—	4,724	—	4,724
Add: Changes in fair value of non-hedge derivative instruments	—	1,417	(1,417)	181	2,267	(2,086)
Add: Asset impairment charges	—	—	—	—	—	—
Add: Incentive allocations	—	—	—	—	—	—
Add: Depreciation and amortization expense	7,160	5,519	1,641	14,386	10,675	3,711
Add: Interest expense	2,310	4,524	(2,214)	5,738	8,448	(2,710)
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities ⁽¹⁾	—	285	(285)	—	331	(331)
Less: Equity in (earnings) losses of unconsolidated entities	—	(92)	92	—	128	(128)
Less: Non-controlling share of Adjusted EBITDA ⁽²⁾	(2,049)	(2,543)	494	(5,390)	(4,633)	(757)
Adjusted EBITDA (non-GAAP)	\$ 2,968	\$ (2,563)	\$ 5,531	\$ 7,537	\$ (3,853)	\$ 11,390

⁽¹⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) net income of \$0 and \$19 and (ii) depreciation and amortization expense of \$0 and \$266, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) net loss of \$0 and \$(201) and (ii) depreciation and amortization expense of \$0 and \$532, respectively.

⁽²⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) equity-based compensation of \$45 and \$96, (ii) provision for income taxes of \$15 and \$8, (iii) interest expense of \$485 and \$983, (iv) changes in fair value of non-hedge derivative instruments of \$0 and \$297 and (v) depreciation and amortization expense of \$1,504 and \$1,159, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) equity-based compensation of \$90 and \$115, (ii) provision for income taxes of \$43 and \$26, (iii) interest expense of \$1,205 and \$1,774, (iv) changes in fair value of non-hedge derivative instruments of \$38 and \$476, (v) depreciation and amortization expense of \$3,022 and \$2,242 and (vi) loss on extinguishment of debt of \$992 and \$0, respectively.

Revenues

Total revenues decreased \$54.5 million during the three months ended June 30, 2020, primarily due to (i) a decrease in crude marketing revenue of \$59.2 million due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019, partially offset by (ii) an increase in terminal services of \$5.3 million due to increased activity and storage capacity.

Total revenues decreased \$65.7 million during the six months ended June 30, 2020, primarily due to (i) a decrease in crude marketing revenue of \$81.8 million due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019, partially offset by (ii) an increase in terminal services of \$16.8 million due to increased activity and storage capacity.

Expenses

Total expenses decreased \$62.7 million during the three months ended June 30, 2020, which reflects (i) a decrease in operating expenses of \$62.1 million primarily due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019, (ii) a decrease in interest expense of \$2.2 million due to the Jefferson Refinancing, partially offset by (iii) an increase in depreciation and amortization of \$1.6 million due to additional assets being placed into service.

Total expenses decreased \$78.4 million during the six months ended June 30, 2020, which reflects (i) a decrease in operating expenses of \$79.4 million primarily due to Jefferson Terminal exiting the crude marketing strategy in the fourth quarter of 2019, (ii) a decrease in interest expense of \$2.7 million due to the Jefferson Refinancing, partially offset by (iii) an increase in depreciation and amortization of \$3.7 million due to additional assets being placed into service.

Other (expense) income

Total other expense increased \$4.4 million during the six months ended June 30, 2020, which primarily reflects a loss on extinguishment of debt of \$4.7 million due to the Jefferson Refinancing.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased \$5.5 million and \$11.4 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Ports and Terminals

The following table presents our results of operations:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Infrastructure revenues						
Lease income	\$ —	\$ 265	\$ (265)	\$ —	\$ 620	\$ (620)
Terminal services revenues	—	1,028	(1,028)	—	2,846	(2,846)
Other revenue	—	973	(973)	314	4,514	(4,200)
Total revenues	—	2,266	(2,266)	314	7,980	(7,666)
Expenses						
Operating expenses	1,875	4,757	(2,882)	3,875	9,659	(5,784)
Acquisition and transaction expenses	19	—	19	801	—	801
Depreciation and amortization	378	1,560	(1,182)	754	3,553	(2,799)
Interest expense	354	348	6	747	644	103
Total expenses	2,626	6,665	(4,039)	6,177	13,856	(7,679)
Other (expense) income						
Equity in losses of unconsolidated entities	(2,582)	—	(2,582)	(1,676)	—	(1,676)
Interest income	—	173	(173)	—	194	(194)
Other income	—	4,887	(4,887)	—	2,517	(2,517)
Total other (expense) income	(2,582)	5,060	(7,642)	(1,676)	2,711	(4,387)
(Loss) income before income taxes	(5,208)	661	(5,869)	(7,539)	(3,165)	(4,374)
Benefit from income taxes	(597)	—	(597)	(878)	—	(878)
Net (loss) income	(4,611)	661	(5,272)	(6,661)	(3,165)	(3,496)
Less: Net loss attributable to non-controlling interest in consolidated subsidiaries	(92)	(22)	(70)	(167)	(86)	(81)
Net (loss) income attributable to shareholders	\$ (4,519)	\$ 683	\$ (5,202)	\$ (6,494)	\$ (3,079)	\$ (3,415)

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net (loss) income attributable to shareholders	\$ (4,519)	\$ 683	\$ (5,202)	\$ (6,494)	\$ (3,079)	\$ (3,415)
Add: Benefit from income taxes	(597)	—	(597)	(878)	—	(878)
Add: Equity-based compensation expense	197	123	74	273	215	58
Add: Acquisition and transaction expenses	19	—	19	801	—	801
Add: Losses on the modification or extinguishment of debt and capital lease obligations	—	—	—	—	—	—
Add: Changes in fair value of non-hedge derivative instruments	—	(4,887)	4,887	—	(2,517)	2,517
Add: Asset impairment charges	—	—	—	—	—	—
Add: Incentive allocations	—	—	—	—	—	—
Add: Depreciation and amortization expense	378	1,560	(1,182)	754	3,553	(2,799)
Add: Interest expense	354	348	6	747	644	103
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities ⁽¹⁾	753	—	753	981	—	981
Less: Equity in losses of unconsolidated entities	2,582	—	2,582	1,676	—	1,676
Less: Non-controlling share of Adjusted EBITDA ⁽²⁾	(52)	(68)	16	(61)	(131)	70
Adjusted EBITDA (non-GAAP)	\$ (885)	\$ (2,241)	\$ 1,356	\$ (2,201)	\$ (1,315)	\$ (886)

⁽¹⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) net loss of \$(2,570) and \$0, (ii) interest expense of \$417 and \$0, (iii) depreciation and amortization expense of \$1,446 and \$0, (iv) acquisition and transaction expenses of \$531 and \$0 and (v) changes in fair value of non-hedge derivative instruments of \$929 and \$0, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) net loss of \$(1,676) and \$0, (ii) interest expense of \$422 and \$0, (iii) depreciation and amortization expense of \$2,408 and \$0, (iv) acquisition and transaction expenses of \$612 and \$0 and (v) changes in fair value of non-hedge derivative instruments of \$(785) and \$0, respectively.

⁽²⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) equity-based compensation of \$7 and \$2, (ii) interest expense of \$27 and \$58 and (iii) depreciation and amortization expense of \$18 and \$8, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) equity-based compensation of \$9 and \$4, (ii) interest expense of \$26 and \$112 and (iii) depreciation and amortization expense of \$26 and \$15, respectively.

Revenues

Total revenue decreased \$2.3 million during the three months ended June 30, 2020, primarily due to the Long Ridge Transaction.

Total revenue decreased \$7.7 million during the six months ended June 30, 2020, primarily due to (i) the Long Ridge Transaction and (ii) a decrease of \$1.2 million in butane sales at Repauno.

Expenses

Total expenses decreased \$4.0 million during the three months ended June 30, 2020, primarily due to lower operating expenses of \$2.9 million and depreciation and amortization of \$1.2 million.

The decrease in operating expenses and depreciation and amortization is primarily due to the Long Ridge Transaction.

Total expenses decreased \$7.7 million during the six months ended June 30, 2020, primarily due to lower operating expenses of \$5.8 million and depreciation and amortization of \$2.8 million. This was offset by an increase in acquisition and transaction expenses relating to the Long Ridge joint venture of \$0.8 million.

The decrease in operating expenses and depreciation and amortization is primarily due to the Long Ridge Transaction.

Other (expense) income

Total other income decreased \$7.6 million during the three months ended June 30, 2020, primarily due to an equity method loss of \$2.6 million from Long Ridge and a decrease of \$4.9 million in unrealized gain on power swap derivatives that was deconsolidated after the Long Ridge Transaction.

Total other income decreased \$4.4 million during the six months ended June 30, 2020, respectively, primarily due to an equity method loss of \$1.7 million from Long Ridge and a decrease of \$2.5 million in unrealized gain on power swap derivatives that was deconsolidated after the Long Ridge Transaction.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA increased \$1.4 million and decreased \$0.9 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Corporate and Other

The following table presents our results of operations:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Revenues						
Equipment leasing revenues						
Lease income	\$ 2,129	\$ 3,157	\$ (1,028)	\$ 5,001	\$ 5,090	\$ (89)
Other revenue	2,446	1,062	1,384	3,031	1,170	1,861
Total equipment leasing revenues	4,575	4,219	356	8,032	6,260	1,772
Infrastructure revenues						
Other revenue	1,394	820	574	2,730	1,594	1,136
Total infrastructure revenues	1,394	820	574	2,730	1,594	1,136
Total revenues	5,969	5,039	930	10,762	7,854	2,908
Expenses						
Operating expenses	5,830	3,166	2,664	11,260	6,707	4,553
General and administrative	4,388	3,551	837	9,051	7,735	1,316
Acquisition and transaction expenses	1,581	1,338	243	1,269	1,834	(565)
Management fees and incentive allocation to affiliate	4,756	5,710	(954)	9,522	9,548	(26)
Depreciation and amortization	1,979	1,706	273	3,943	3,415	528
Interest expense	19,130	20,522	(1,392)	38,170	37,036	1,134
Total expenses	37,664	35,993	1,671	73,215	66,275	6,940
Other (expense) income						
Equity in (losses) earnings of unconsolidated entities	(33)	(19)	(14)	(83)	18	(101)
Interest income	5	6	(1)	12	12	—
Total other (expense) income	(28)	(13)	(15)	(71)	30	(101)
Loss before income taxes	(31,723)	(30,967)	(756)	(62,524)	(58,391)	(4,133)
Provision for income taxes	200	3	197	203	4	199
Net loss	(31,923)	(30,970)	(953)	(62,727)	(58,395)	(4,332)
Less: Net loss attributable to non-controlling interest in consolidated subsidiaries	—	—	—	—	—	—
Dividends on preferred shares	4,079	—	4,079	8,618	—	8,618
Net loss attributable to shareholders	\$ (36,002)	\$ (30,970)	\$ (5,032)	\$ (71,345)	\$ (58,395)	\$ (12,950)

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net loss attributable to shareholders	\$ (36,002)	\$ (30,970)	\$ (5,032)	\$ (71,345)	\$ (58,395)	\$ (12,950)
Add: Provision for income taxes	200	3	197	203	4	199
Add: Equity-based compensation expense	—	—	—	—	—	—
Add: Acquisition and transaction expenses	1,581	1,338	243	1,269	1,834	(565)
Add: Losses on the modification or extinguishment of debt and capital lease obligations	—	—	—	—	—	—
Add: Changes in fair value of non-hedge derivative instruments	—	—	—	—	—	—
Add: Asset impairment charges	—	—	—	—	—	—
Add: Incentive allocations	—	2,211	(2,211)	—	2,373	(2,373)
Add: Depreciation and amortization expense	1,979	1,706	273	3,943	3,415	528
Add: Interest expense	19,130	20,522	(1,392)	38,170	37,036	1,134
Add: Pro-rata share of Adjusted EBITDA from unconsolidated entities ⁽¹⁾	(33)	(19)	(14)	(83)	18	(101)
Less: Equity in losses (earnings) of unconsolidated entities	33	19	14	83	(18)	101
Less: Non-controlling share of Adjusted EBITDA ⁽²⁾	—	(174)	174	—	(174)	174
Adjusted EBITDA (non-GAAP)	\$ (13,112)	\$ (5,364)	\$ (7,748)	\$ (27,760)	\$ (13,907)	\$ (13,853)

⁽¹⁾ Includes the following items for the three months ended June 30, 2020 and 2019: (i) net loss of \$(62) and \$(53) and (ii) interest expense of \$29 and \$34, respectively. Includes the following items for the six months ended June 30, 2020 and 2019: (i) net loss of \$(142) and \$(52) and (ii) interest expense of \$59 and \$70, respectively.

⁽²⁾ Includes the following items for the three and six months ended June 30, 2019: (i) interest expense of \$59 and (ii) depreciation and amortization expense of \$115.

Revenues

Total revenues increased \$0.9 million during the three months ended June 30, 2020, which primarily reflects (i) an increase of \$1.4 million in other revenue in the offshore energy business primarily related to victualling income, (ii) an increase of \$0.6 million due to higher volume in our railcar cleaning business, partially offset by (iii) a decrease of \$1.0 million in lease income as one of our vessels was off-hire in the second quarter of 2020 while it was on-hire in the second quarter of 2019.

Total revenues increased \$2.9 million during the six months ended June 30, 2020, which primarily reflects (i) an increase of \$1.9 million in other revenue in the offshore energy business primarily related to victualling income and (ii) an increase of \$1.1 million due to higher volume in our railcar cleaning business.

Expenses

Comparison of the three months ended June 30, 2020 and 2019

Total expenses increased \$1.7 million primarily due to higher (i) operating expenses and (ii) general and administrative expenses, partially offset by lower (iii) interest expense and (iv) management fees and incentive allocation to affiliate.

Total operating expenses increased \$2.7 million which primarily reflects higher (i) vessel operating and general and administrative expenses of approximately \$1.1 million in the offshore energy business and (ii) repairs and maintenance of \$1.1 million in the offshore energy business.

Total general and administrative expense increased \$0.8 million which primarily reflects higher professional fees related to audit and legal services.

Total interest expense decreased \$1.4 million primarily due to a decrease in interest expense related to the FTAI Pride Credit Agreement which was repaid in full in March 2020.

Total management fees and incentive allocation to affiliate decreased \$1.0 million due to (i) a decrease of \$2.2 million in incentive fees due to lower gains on sale in 2020 compared to 2019, partially offset by (ii) an increase of \$1.3 million in base management fees as our equity offerings in 2019 increased our average total equity.

Comparison of the six months ended June 30, 2020 and 2019

Total expenses increased \$6.9 million primarily due to higher (i) operating expenses, (ii) interest expense and (iii) general and administrative expense.

Total operating expenses increased \$4.6 million which primarily reflects higher (i) project costs of \$1.9 million in our offshore energy business, (ii) repairs and maintenance of \$1.1 million in our offshore energy business and (iii) compensation and benefits of approximately \$0.4 million related to our railcar cleaning business.

Total interest expense increased \$1.1 million which reflects an increase in our average outstanding debt of approximately \$64.0 million, which primarily consists of (i) an increase of \$100.0 million for the 2025 Notes, (ii) an increase of \$25.1 million for the 2022 Notes, (iii) a decrease of \$26.7 million for the Revolving Credit Facility and (iv) a decrease of \$34.4 million for the FTAI Pride Credit Agreement, which was repaid in March 2020.

Total general and administrative expense increased \$1.3 million primarily due to higher (i) professional fees related to audit and legal services, (ii) regulatory filing expenses and (iii) market data and other services.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA decreased \$7.7 million and \$13.9 million during the three and six months ended June 30, 2020, respectively, primarily due to the changes noted above.

Liquidity and Capital Resources

On July 28, 2020, we issued \$400 million aggregate principal amount of senior unsecured notes due 2027 (see Note 20 to the consolidated financial statements). We used a portion of the proceeds to repay \$220 million of outstanding borrowings under the Revolving Credit Facility, and intend to use the remaining proceeds for general corporate purposes, which may include the repurchase or redemption of outstanding 2022 Notes and the funding of future acquisitions and investments, including aviation investments. Following the repayment, we have additional borrowing capacity of \$250 million under the Revolving Credit Facility.

Additionally, on June 30, 2020, we entered into an At Market Issuance Sales Agreement with a third party to sell shares of our Series A Preferred Shares and Series B Preferred Shares (collectively, the "ATM Shares"), having an aggregate offering price of up to \$100 million, from time to time, through an "at-the-market" equity offering program. During July 2020, we sold 125,000 ATM Shares for net proceeds of approximately \$2.4 million.

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

Our principal uses of liquidity have been and continue to be (i) acquisitions of transportation infrastructure and equipment, (ii) dividends to our shareholders and holders of eligible participating securities, (iii) expenses associated with our operating activities, and (iv) debt service obligations associated with our investments.

- Cash used for the purpose of making investments was \$341.5 million and \$401.4 million during the six months ended June 30, 2020 and 2019, respectively.
- Dividends to shareholders and holders of eligible participating securities were \$65.4 million and \$56.8 million during the six months ended June 30, 2020 and 2019, respectively.
- Uses of liquidity associated with our operating expenses are captured on a net basis in our cash flows from operating activities. Uses of liquidity associated with our debt obligations are captured in our cash flows from financing activities.

Our principal sources of liquidity to fund these uses have been and continue to be (i) revenues from our transportation infrastructure and equipment assets (including finance lease collections and maintenance reserve collections) net of operating expenses, (ii) proceeds from borrowings or the issuance of securities and (iii) proceeds from asset sales.

- Cash flows from operating activities, plus the principal collections on finance leases and maintenance reserve collections were \$66.5 million and \$90.0 million during the six months ended June 30, 2020 and 2019, respectively.
- During the six months ended June 30, 2020, additional borrowings were obtained in connection with the (i) Series 2020 Bonds of \$264.0 million and (ii) Revolving Credit Facility of \$195.0 million. We made total principal repayments of \$276.0 million relating to the Series 2016 Bonds, Series 2012 Bonds, Jefferson Revolver and FTAI Pride Credit Agreement. During the six months ended June 30, 2019, additional borrowings were obtained in connection with the (i) 2025 Notes of \$148.7 million, (ii) 2022 Notes of \$147.8 million, (iii) Revolving Credit Facility of \$105.0 million, (iv) LREG Credit Agreement of \$71.5 million, (v) Jefferson Revolver of \$23.2 million, (vi) DRP Revolver of \$21.6 million and (vii) CMQR Credit Agreement of \$11.7 million. We made total principal repayments of \$128.8 million, primarily relating to the Revolving Credit Facility and CMQR Credit Agreement.
- Proceeds from the sale of assets were \$37.7 million and \$71.5 million during the six months ended June 30, 2020 and 2019, respectively.

We are currently evaluating several potential Infrastructure and Equipment Leasing transactions, which could occur within the next 12 months. However, as of the date of this filing, none of these pipeline transactions or negotiations are definitive or included within our planned liquidity needs. We cannot assure if or when any such transaction will be consummated or the terms of any such transaction.

We have a dividend reinvestment plan in place which allows shareholders to automatically reinvest dividends in our common shares. The plan became effective on February 24, 2017.

Historical Cash Flow

Comparison of the six months ended June 30, 2020 and 2019

The following table compares the historical cash flow for the six months ended June 30, 2020 and 2019:

<i>(in thousands)</i>	Six Months Ended June 30,	
	2020	2019
Cash Flow Data:		
Net cash provided by operating activities	\$ 44,652	\$ 58,112
Net cash used in investing activities	(298,122)	(325,657)
Net cash provided by financing activities	111,001	321,084

Net cash provided by operating activities decreased \$13.5 million, which primarily reflects (i) changes in accounts payable, management fees payable, other assets, other liabilities and accounts receivable of \$31.4 million, primarily due to the timing of payments and (ii) a decrease in net income of \$24.8 million. These decreases were partially offset by changes in (iii) gain on sale of assets, net of \$25.4 million and (iv) asset impairment of \$10.5 million.

Net cash used in investing activities decreased \$27.5 million primarily due to (i) a decrease in acquisitions of property, plant and equipment of \$29.2 million, (ii) a decrease in purchase deposits for acquisitions of \$29.0 million, partially offset by (iii) lower proceeds from the sale of leasing equipment of \$33.8 million.

Net cash provided by financing activities decreased \$210.1 million primarily due to (i) an increase in repayments of debt of \$147.2 million and (ii) a decrease in proceeds from debt of \$70.5 million.

We use Funds Available for Distribution ("FAD") in evaluating our ability to meet our stated dividend policy. FAD is not a financial measure in accordance with GAAP. The GAAP measure most directly comparable to FAD is net cash provided by operating activities. We believe FAD is a useful metric for investors and analysts for similar purposes.

We define FAD as: net cash provided by operating activities plus principal collections on finance leases, proceeds from sale of assets, and return of capital distributions from unconsolidated entities, less required payments on debt obligations and capital distributions to non-controlling interest, and excludes changes in working capital. The following table sets forth a reconciliation of Net Cash Provided by Operating Activities to FAD:

<i>(in thousands)</i>	Six Months Ended June 30,	
	2020	2019
Net Cash Provided by Operating Activities	\$ 44,652	\$ 58,112
Add: Principal Collections on Finance Leases	3,320	2,996
Add: Proceeds from Sale of Assets	37,687	71,504
Add: Return of Capital Distributions from Unconsolidated Entities	—	1,280
Less: Required Payments on Debt Obligations ⁽¹⁾	—	(3,125)
Less: Capital Distributions to Non-Controlling Interest	—	—
Exclude: Changes in Working Capital	57,687	26,310
Funds Available for Distribution (FAD)	\$ 143,346	\$ 157,077

⁽¹⁾ Required payments on debt obligations for the six months ended June 30, 2020 exclude repayments of \$144,200 for the Series 2016 Bonds, \$50,262 for the Jefferson Revolver, \$45,520 for the Series 2012 Bonds and \$36,009 for the FTAI Pride Credit Agreement and for the six months ended June 30, 2019 exclude repayments of \$115,000 for the Revolving Credit Facility and \$10,710 for the CMQR Credit Agreement.

Limitations

FAD is subject to a number of limitations and assumptions and there can be no assurance that we will generate FAD sufficient to meet our intended dividends. FAD has material limitations as a liquidity measure because such measure excludes items that are required elements of our net cash provided by operating activities as described below. FAD should not be considered in isolation nor as a substitute for analysis of our results of operations under GAAP, and it is not the only metric that should be considered in evaluating our ability to meet our stated dividend policy. Specifically:

- FAD does not include equity capital called from our existing limited partners, proceeds from any debt issuance or future equity offering, historical cash and cash equivalents and expected investments in our operations.

- FAD does not give pro forma effect to prior acquisitions, certain of which cannot be quantified.
- While FAD reflects the cash inflows from sale of certain assets, FAD does not reflect the cash outflows to acquire assets as we rely on alternative sources of liquidity to fund such purchases.
- FAD does not reflect expenditures related to capital expenditures, acquisitions and other investments as we have multiple sources of liquidity and intends to fund these expenditures with future incurrences of indebtedness, additional capital contributions and/or future issuances of equity.
- FAD does not reflect any maintenance capital expenditures necessary to maintain the same level of cash generation from our capital investments.
- FAD does not reflect changes in working capital balances as management believes that changes in working capital are primarily driven by short term timing differences, which are not meaningful to our distribution decisions.
- Management has significant discretion to make distributions, and we are not bound by any contractual provision that requires us to use cash for distributions.

If such factors were included in FAD, there can be no assurance that the results would be consistent with our presentation of FAD.

Debt Obligations

Refer to Note 9 of the Consolidated Financial Statements for additional information.

Contractual Obligations

The following table summarizes our future obligations, by period due, as of June 30, 2020, under our various contractual obligations and commitments. We had no off-balance sheet arrangements as of June 30, 2020.

<i>(in thousands)</i>	Remainder of 2020	2021	2022	2023	2024	Thereafter	Total
Series 2020 Bonds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 263,980	\$ 263,980
Revolving Credit Facility	—	—	195,000	—	—	—	195,000
DRP Revolver	—	25,000	—	—	—	—	25,000
Senior Notes due 2022	—	—	700,000	—	—	—	700,000
Senior Notes due 2025	—	—	—	—	—	450,000	450,000
Total principal payments on loans and bonds payable	—	25,000	895,000	—	—	713,980	1,633,980
Total estimated interest payments ⁽¹⁾	45,361	93,296	51,580	41,190	41,190	136,917	409,534
Operating lease obligations	2,378	4,750	4,632	4,585	4,354	149,992	170,691
	47,739	98,046	56,212	45,775	45,544	286,909	580,225
Total contractual obligations	\$ 47,739	\$ 123,046	\$ 951,212	\$ 45,775	\$ 45,544	\$ 1,000,889	\$ 2,214,205

⁽¹⁾ Estimated interest rates as of June 30, 2020.

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

Application of Critical Accounting Policies

Goodwill—Goodwill includes the excess of the purchase price over the fair value of the net tangible and intangible assets associated with the acquisition of Jefferson Terminal. The carrying amount of goodwill was approximately \$122.7 million and \$122.6 million as of June 30, 2020 and December 31, 2019, respectively.

We review the carrying values of goodwill at least annually to assess impairment since these assets are not amortized. An annual impairment review is conducted as of October 1st of each year. Additionally, we review the carrying value of goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The determination of fair value involves significant management judgment.

For an annual goodwill impairment assessment, an optional qualitative analysis may be performed. If the option is not elected or if it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step goodwill impairment test is performed to identify potential goodwill impairment and measure an impairment loss. A qualitative analysis was not elected for the year ended December 31, 2019.

Beginning in 2020, we adopted new guidance regarding the testing and recognition of a goodwill impairment which prior to 2020 required two steps. A goodwill impairment assessment compares the fair value of a respective reporting unit with its carrying amount, including goodwill. The estimate of fair value of the respective reporting unit is based on the best information available as of the date of assessment, which primarily incorporates certain factors including our assumptions about operating results, business plans, income projections, anticipated future cash flows and market data. If the estimated fair value of the reporting unit is less than the carrying amount, a goodwill impairment is recorded to the extent of any goodwill recorded in the reporting unit.

We estimate the fair value of the reporting units using an income approach, specifically a discounted cash flow analysis. This analysis requires us to make significant assumptions and estimates about the extent and timing of future cash flows (including forecasted revenue growth rates and EBITDA margins), capital expenditures and discount rates. The estimates and assumptions used consider historical performance if indicative of future performance, and are consistent with the assumptions used in determining future profit plans for the reporting units. We also utilize market valuation models and other financial ratios, which require us to make certain assumptions and estimates regarding the applicability of those models to our assets and businesses.

Although we believe the estimates of fair value are reasonable, the determination of certain valuation inputs is subject to management's judgment. Changes in these inputs, including as a result of events beyond our control, could materially affect the results of the impairment review. If the forecasted cash flows of the Jefferson Terminal and Railroad reporting units or other key inputs are negatively revised in the future, the estimated fair value of the Jefferson Terminal and Railroad reporting units could be adversely impacted, potentially leading to an impairment in the future that could materially affect our operating results. Specifically, as it relates to the Jefferson Terminal segment, forecasted revenue is dependent on the ramp up of volumes under current contracts and the acquisition of additional storage contracts for the heavy and light crude and refined products during 2020 subject to obtaining rail capacity for crude, permits for pipeline and movements in future oil spreads. Jefferson Terminal was designed to reach a storage capacity of 21.7 million barrels, and 4.4 million of storage, or approximately 20.3% of capacity, is currently operational. If the Company strategy changes from planned capacity downward due to an inability to source contracts or expand volumes, the fair value of the reporting units would be negatively affected, which could lead to an impairment. The expansion of refineries in the Beaumont/Port Arthur area, as well as growing crude oil production in the U.S. and Canada, are expected to result in increased demand for storage on the U.S. Gulf Coast. Although we do not have significant direct exposure to volatility of crude oil prices, changes in crude oil pricing that effects long term refining planned output could impact Jefferson Terminal operations. Other assumptions utilized in our annual impairment analysis that are significant in determination of the fair value of the reporting unit include the discount rate utilized in our discounted cash flow analysis of 13.5% and our terminal growth rate of 2%.

Furthermore, development of both inbound and outbound pipelines to and from the Jefferson Terminal over the next year to two years will affect our forecasted growth and therefore our estimated fair value. We continue to expect the Jefferson Terminal segment to generate positive Adjusted EBITDA during 2020. Although certain of our anticipated contracts or expected volumes from existing contracts for Jefferson Terminal have been delayed, we continue to believe our projected revenues are achievable and have not yet modified those projections based on ongoing negotiations with our customers and discussions with major pipeline companies. Further delays in executing these contracts or achieving our projections could adversely affect the fair value of the reporting unit. However, with a strengthening macroeconomic demand for storage and the increasing spread between Western Canadian Crude and Western Texas Intermediate, we remain positive for the outlook of Jefferson Terminal's earnings potential.

For the year ended December 31, 2019, there was no impairment of goodwill.

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements for recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of changes in value of a financial instrument, caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the market risks described below.

Interest Rate Risk

Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. Interest rate risk is highly sensitive to many factors, including the U.S. government's monetary and tax policies, global economic factors and other factors beyond our control. We are exposed to changes in the level of interest rates and to changes in the relationship or spread between interest rates. Our primary interest rate exposure relates to our term loan arrangements.

LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform, and it appears likely that LIBOR will be phased out or the methodology for determining LIBOR will be modified by 2021. We currently have agreements that are indexed to LIBOR and are monitoring related reform proposals and evaluating the related risks; however, it is not possible to predict the effects of any of these developments, and any future initiatives to regulate, reform or change the manner of administration of LIBOR could result in adverse consequences to the rate of interest payable and receivable on, market value of and market liquidity for LIBOR-based financial instruments.

Our borrowing agreements generally require payments based on a variable interest rate index, such as LIBOR. Therefore, to the extent our borrowing costs are not fixed, increases in interest rates may reduce our net income by increasing the cost of our debt without any corresponding increase in rents or cash flow from our finance leases. We manage our exposure to interest rate movements through the use of interest rate derivatives (interest rate swaps and caps). As a result, when market rates of interest change, there is generally not a material impact on our interest expense, future earnings or cash flows.

The following discussion about the potential effects of changes in interest rates is based on a sensitivity analysis, which models the effects of hypothetical interest rate shifts on our financial condition and results of operations. Although we believe a sensitivity analysis provides the most meaningful analysis permitted by the rules and regulations of the SEC, it is constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by the inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. Although the following results of a sensitivity analysis for changes in interest rates may have some limited use as a benchmark, they should not be viewed as a forecast. This forward-looking disclosure also is selective in nature and addresses only the potential interest expense impacts on our financial instruments and, in particular, does not address the mark-to-market impact on our interest rate derivatives. It also does not include a variety of other potential factors that could affect our business as a result of changes in interest rates. In addition, the following discussion does not take into account our Series A preferred shares, on which distributions currently accrue interest at a fixed rate but will accrue interest at a floating rate based on three-month LIBOR plus a spread from and after September 15, 2024.

As of June 30, 2020, assuming we do not hedge our exposure to interest rate fluctuations related to our outstanding floating rate debt, a hypothetical 100-basis point increase/decrease in our variable interest rate on our borrowings would result in an increase of approximately \$2.2 million and/or a decrease of approximately \$0.5 million in interest expense over the next 12 months before the impact of interest rate derivatives.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material adverse effect on our financial results.

Item 1A. Risk Factors

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

Risks Related to Our Business

The current outbreak of the novel coronavirus (COVID-19) has severely disrupted the global economy and may have, and the emergence of other epidemic or pandemic crises could have, material adverse effects on our business, results of operations or financial condition.

In recent years, the outbreaks of certain highly contagious diseases have increased the risk of a pandemic resulting in economic disruptions. In particular, the COVID-19 outbreak, which has been declared a global pandemic, has led to severe disruptions in the market and the global, U.S. and regional economies that may continue for a prolonged duration and trigger a recession or a period of economic slowdown. In response, various governmental bodies and private enterprises have implemented numerous measures to contain the outbreak, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. The COVID-19 outbreak is dynamic and expanding, and its ultimate scope, duration and effects are uncertain.

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

- deterioration of worldwide, regional or national economic conditions and activity, which could further reduce or prolong the recent significant declines in energy prices, or adversely affect global demand for crude oil and petroleum products, demand for our services, and time charter and spot rates;
- disruptions to our operations as a result of the potential health impact on our employees and crew, and on the workforces of our customers and business partners;
- disruptions to our business from, or additional costs related to, new regulations, directives or practices implemented in response to the pandemic, such as travel restrictions, increased inspection regimes, hygiene measures (such as quarantining and physical distancing) or increased implementation of remote working arrangements;
- a lack of air travel demand or an inability of airlines to operate to or from certain regions could impact demand for air travel and the financial health of certain airlines, including our lessees;
- potential delays in the loading and discharging of cargo on or from our vessels, and any related off hire due to quarantines, worker health or regulations, which in turn could disrupt our operations and result in a reduction of revenue;
- potential shortages or a lack of access to required spare parts for our vessels, or potential delays in any repairs to, scheduled or unscheduled maintenance or modifications;
- potential delays in vessel inspections and related certifications by class societies, customers or government agencies;
- potential reduced cash flows and financial condition, including potential liquidity constraints;
- reduced access to capital, including the ability to refinance any existing obligations, as a result of any credit tightening generally or due to continued declines in global financial markets, including to the prices of publicly-traded securities of us, our peers and of listed companies generally; and
- potential deterioration in the financial condition and prospects of our customers, joint venture partners or business partners, or attempts by customers or third parties to invoke force majeure contractual clauses as a result of delays or other disruptions.

Although disruption and effects from the COVID-19 pandemic may be temporary, given the dynamic nature of these circumstances, the duration of any business disruption and the related financial impact to us is uncertain at this time and could materially affect our business, results of operations and financial condition. The ongoing impact of COVID-19 also heightens many of the other risks described in this report, including those relating to our target returns, liquidity and asset values.

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

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and commodity price volatility, historically have created difficult operating environments for owners and operators in the transportation industry. Many factors, including factors that are beyond our control, may impact our operating results or financial condition and/or affect the lessees and charterers that form our customer base. For some years, the world has experienced weakened economic conditions and volatility following adverse changes in global capital markets. Excess supply in oil and gas markets can put significant downward pressure on prices for these commodities, and may affect demand for assets

used in production, refining and transportation of oil and gas. In the past, a significant decline in oil prices has led to lower offshore exploration and production budgets worldwide. These conditions have resulted in significant contraction, deleveraging and reduced liquidity in the credit markets. A number of governments have implemented, or are considering implementing, a broad variety of governmental actions or new regulations for the financial markets. In addition, limitations on the availability of capital, higher costs of capital for financing expenditures or the desire to preserve liquidity, may cause our current or prospective customers to make reductions in future capital budgets and spending.

Further, demand for our assets is related to passenger and cargo traffic growth, which in turn is dependent on general business and economic conditions. Global economic downturns could have an adverse impact on passenger and cargo traffic levels and consequently our lessees' and charterers' business, which may in turn result in a significant reduction in revenues, earnings and cash flows, difficulties accessing capital and a deterioration in the value of our assets. We may also become exposed to increased credit risk from our customers and third parties who have obligations to us, which could result in increased non-performance of contracts by our lessees or charterers and adversely impact our business, prospects, financial condition, results of operations and cash flows.

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

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

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

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

There can be no assurance that any target returns will be achieved.

Our target returns for assets are targets only and are not forecasts of future profits. We develop target returns based on our Manager's assessment of appropriate expectations for returns on assets and the ability of our Manager to enhance the return generated by those assets through active management. There can be no assurance that these assessments and expectations will be achieved and failure to achieve any or all of them may materially adversely impact our ability to achieve any target return with respect to any or all of our assets.

In addition, our target returns are based on estimates and assumptions regarding a number of other factors, including, without limitation, holding periods, the absence of material adverse events affecting specific investments (which could include, without limitation, natural disasters, terrorism, social unrest or civil disturbances), general and local economic and market conditions, changes in law, taxation, regulation or governmental policies and changes in the political approach to transportation investment, either generally or in specific countries in which we may invest or seek to invest. Many of these factors, as well as the other risks described elsewhere in this report, are beyond our control and all could adversely affect our ability to achieve a target return with respect to an asset. Further, target returns are targets for the return generated by specific assets and not by us. Numerous factors could prevent us from achieving similar returns, notwithstanding the performance of individual assets, including, without limitation, taxation and fees payable by us or our operating subsidiaries, including fees and incentive allocation payable to our Manager.

There can be no assurance that the returns generated by any of our assets will meet our target returns, or any other level of return, or that we will achieve or successfully implement our asset acquisition objectives, and failure to achieve the target return in respect of any of our assets could, among other things, have a material adverse effect on our business, prospects, financial condition, results of operations and cash flow. Further, even if the returns generated by individual assets meet target returns, there can be no assurance that the returns generated by other existing or future assets would do so, and the historical performance of the assets in our existing portfolio should not be considered as indicative of future results with respect to any assets.

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

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

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

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

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

We operate in highly competitive markets.

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

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

Certain liens may arise on our assets.

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

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

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

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

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

We may acquire operating businesses, including businesses whose operations are not fully matured and stabilized. These businesses may be subject to significant operating and development risks, including increased competition, cost overruns and delays, and difficulties in obtaining approvals or financing. These factors could materially affect our business, financial condition, liquidity and results of operations.

We have acquired, and may in the future acquire, operating businesses, including businesses whose operations are not fully matured and stabilized (including, but not limited to, our businesses within the Jefferson Terminal and Ports and Terminals segments). While we have deep experience in the construction and operation of these companies, we are nevertheless subject to significant risks and contingencies of an operating business, and these risks are greater where the operations of such businesses are not fully matured and stabilized. Key factors that may affect our operating businesses include, but are not limited to:

- competition from market participants;
- general economic and/or industry trends, including pricing for the products or services offered by our operating businesses;
- the issuance and/or continued availability of necessary permits, licenses, approvals and agreements from governmental agencies and third parties as are required to construct and operate such businesses;
- changes or deficiencies in the design or construction of development projects;
- unforeseen engineering, environmental or geological problems;
- potential increases in construction and operating costs due to changes in the cost and availability of fuel, power, materials and supplies;
- the availability and cost of skilled labor and equipment;
- our ability to enter into additional satisfactory agreements with contractors and to maintain good relationships with these contractors in order to construct development projects within our expected cost parameters and time frame, and the ability of those contractors to perform their obligations under the contracts and to maintain their creditworthiness;
- potential liability for injury or casualty losses which are not covered by insurance;

- potential opposition from non-governmental organizations, environmental groups, local or other groups which may delay or prevent development activities;
- local and economic conditions;
- changes in legal requirements; and
- force majeure events, including catastrophes and adverse weather conditions.

Any of these factors could materially affect our business, financial condition, liquidity and results of operations.

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

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

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

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

Technological and other improvements expose us to the risk that certain of our assets may become technologically or commercially obsolete. For example, in our Aviation Leasing segment, as manufacturers introduce technological innovations and new types of aircraft, some of our assets could become less desirable to potential lessees. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by us. In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft less desirable and less valuable in the marketplace. In our offshore energy business, development and construction of new, sophisticated, high-specification assets could cause our assets to become less desirable to potential charterers, and insurance rates may also increase with the age of a vessel, making older vessels less desirable to potential charterers. Any of these risks may adversely affect our ability to lease, charter or sell our assets on favorable terms, if at all, which could materially adversely affect our operating results and growth prospects.

The North American rail sector is a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future laws, regulations and other requirements could significantly increase our operational costs of doing business, thereby adversely affecting our profitability.

The rail sector is subject to extensive laws, regulations and other requirements including, but not limited to, those relating to the environment, safety, rates and charges, service obligations, employment, labor, immigration, minimum wages and overtime pay, health care and benefits, working conditions, public accessibility and other requirements. These laws and regulations are enforced by U.S. federal agencies including the U.S. Environmental Protection Agency, the U.S. Department of Transportation (DOT), the Occupational Safety and Health Act (OSHA), the U.S. Federal Railroad Administration (FRA), and the U.S. Surface Transportation Board (STB), as well as numerous other state, provincial, local and federal agencies. Ongoing compliance with, or a violation of, these laws, regulations and other requirements could have a material adverse effect on our business, financial condition and results of operations.

We believe that our rail operations are in substantial compliance with applicable laws and regulations. However, these laws and regulations, and the interpretation or enforcement thereof, are subject to frequent change and varying interpretation by regulatory authorities, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of these laws and regulations on our operations. In addition, from time to time we are subject to inspections and investigations by various regulators. Violation of environmental or other laws, regulations and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions and construction bans or delays.

Legislation passed by the U.S. Congress or Canadian Parliament or new regulations issued by federal agencies can significantly affect the revenues, costs and profitability of our business. For instance, more recently proposed bills such as the “Rail Shipper Fairness Act of 2017,” or competitive access proposals under consideration by the STB, if adopted, could increase government involvement in railroad pricing, service and operations and significantly change the federal regulatory framework of the railroad industry. Several of the changes under consideration could have a significant negative impact on the Company’s ability to determine prices for rail services, meet service standards and could force a reduction in capital spending. Statutes imposing price constraints or affecting rail-to-rail competition could adversely affect the Company’s profitability.

Under various U.S. and Canadian federal, state, provincial and local environmental requirements, as the owner or operator of terminals or other facilities, we may be liable for the costs of removal or remediation of contamination at or from our existing locations, whether we knew of, or were responsible for, the presence of such contamination. The failure to timely report and properly remediate contamination may subject us to liability to third parties and may adversely affect our ability to sell or rent our property or to borrow money using our property as collateral. Additionally, we may be liable for the costs of remediating third-party sites where hazardous substances from our operations have been transported for treatment or disposal, regardless of whether we own or operate that site. In the future, we may incur substantial expenditures for investigation or remediation of contamination that has not yet been discovered at our current or former locations or locations that we may acquire.

A discharge of hydrocarbons or hazardous substances into the environment associated with operating our rail assets could subject us to substantial expense, including the cost to recover the materials spilled, restore the affected natural resources, pay fines and penalties, and natural resource damages and claims made by employees, neighboring landowners, government authorities and other third parties, including for personal injury and property damage. We may experience future catastrophic sudden or gradual releases into the environment from our facilities or discover historical releases that were previously unidentified or not assessed. Although our inspection and testing programs are designed to prevent, detect and address any such releases promptly, the liabilities incurred due to any future releases into the environment from our assets, have the potential to substantially affect our business. Such events could also subject us to media and public scrutiny that could have a negative effect on our operations and also on the value of our common shares.

Our business could be adversely affected if service on the railroads is interrupted or if more stringent regulations are adopted regarding railcar design or the transportation of crude oil by rail.

As a result of hydraulic fracturing and other improvements in extraction technologies, there has been a substantial increase in the volume of crude oil and liquid hydrocarbons produced and transported in North America, and a geographic shift in that production versus historical production. The increase in volume and shift in geography has resulted in increased pipeline congestion and a corresponding growth in crude oil being transported by rail from Canada and across the U.S. High-profile accidents involving crude-oil-carrying trains in Quebec, North Dakota and Virginia, and more recently in Saskatchewan, West Virginia and Illinois, have raised concerns about derailments and the environmental and safety risks associated with crude oil transport by rail and the associated risks arising from railcar design. In Canada, the transport of hazardous products is receiving greater scrutiny which could impact our customers and our business.

In May 2015, the DOT issued new production standards and operational controls for rail tank cars used in “High-Hazard Flammable Trains” (i.e., trains carrying commodities such as ethanol, crude oil and other flammable liquids). Similar standards have been adopted in Canada. The new standard applies for all cars manufactured after October 1, 2015, and existing tank cars must be retrofitted within the next three to eight years. The applicable operational controls include reduced speed restrictions, and maximum lengths on trains carrying these materials. Retrofitting our tank cars will be required under these new standards to the extent we elect to move certain flammable liquids in the future. While we may be able to pass some of these costs on to our customers, there may be costs that we cannot pass on to them. We continue to monitor the railcar regulatory landscape and remain in close contact with railcar suppliers and other industry stakeholders to stay informed of railcar regulation rulemaking developments. It is unclear how these regulations will impact the crude-by-rail industry, and any such impact would depend on a number of factors that are outside of our control. If, for example, overall volume of crude-by-rail decreases, or if we do not have access to a sufficient number of compliant cars to transport required volumes under our existing contracts, our operations may be negatively affected. This may lead to a decrease in revenues and other consequences.

The adoption of additional federal, state, provincial or local laws or regulations, including any voluntary measures by the rail industry regarding railcar design or crude oil and liquid hydrocarbon rail transport activities, or efforts by local communities to restrict or limit rail traffic involving crude oil, could affect our business by increasing compliance costs and decreasing demand for our services, which could adversely affect our financial position and cash flows. Moreover, any disruptions in the operations of railroads, including those due to shortages of railcars, weather-related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts or bottlenecks, could adversely impact our customers’ ability to move their product and, as a result, could affect our business.

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

The operations of transportation and infrastructure projects are exposed to unplanned interruptions caused by significant catastrophic events, such as hurricanes, cyclones, earthquakes, landslides, floods, explosions, fires, derailments, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, and increased government oversight could adversely impact the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in temporary or permanent loss of customers, substantial litigation or penalties for regulatory or contractual non-compliance, and any loss from such events may not be recoverable under relevant insurance policies. Although we believe that we are adequately insured against these types of events, either indirectly through our lessees or charterers or through our own insurance policies, no assurance can be given that the occurrence of any such event will not materially adversely affect us. In addition, if a lessee or charterer is not obligated to maintain sufficient insurance, we may incur the costs of additional insurance coverage during the related lease or charter. We can give no assurance that such insurance will be available at commercially reasonable rates, if at all.

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

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

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

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

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

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

The profitability of our offshore energy assets may be impacted by the profitability of the offshore oil and gas industry generally, which is significantly affected by, among other things, volatile oil and gas prices.

Demand for assets in the offshore energy business and our ability to secure charter contracts for our assets at favorable charter rates following expiry or termination of existing charters will depend, among other things, on the level of activity in the offshore oil and gas industry. The offshore oil and gas industry is cyclical and volatile, and demand for oil-service assets depends on, among other things, the level of development and activity in oil and gas exploration, as well as the identification and development of oil and gas reserves and production in offshore areas worldwide. The availability of high quality oil and gas prospects, exploration success, relative production costs, the stage of reservoir development, political concerns and regulatory requirements all affect the level of activity for charterers of oil-service vessels. Accordingly, oil and gas prices and market expectations of potential changes in these prices significantly affect the level of activity and demand for oil-service assets. Oil and gas prices can be extremely volatile and are affected by numerous factors beyond our control, such as: worldwide demand for oil and gas; costs of exploring, developing, producing and delivering oil and gas; expectations regarding future energy prices; the ability of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and impact pricing; the level of production in non-OPEC countries; governmental regulations and policies regarding development of oil and gas reserves; local and international political, economic and weather conditions; domestic and foreign tax or trade policies; political and military conflicts in oil-producing and other countries; and the development and exploration of alternative fuels. Any reduction in the demand for our assets due to these or other factors could materially adversely affect our operating results and growth prospects.

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

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

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

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

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

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

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy;
- potential cybersecurity attacks;
- significant governmental influence over many aspects of local economies;
- seizure, nationalization or expropriation of property or equipment;
- repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;

- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, imposition of trade barriers;
- U.S. and foreign sanctions or trade embargoes;
- restrictions on the transfer of funds into or out of countries in which we operate;
- compliance with U.S. Treasury sanctions regulations restricting doing business with certain nations or specially designated nationals;
- regulatory or financial requirements to comply with foreign bureaucratic actions;
- compliance with applicable anti-corruption laws and regulations;
- changing taxation policies, including confiscatory taxation;
- other forms of government regulation and economic conditions that are beyond our control; and
- governmental corruption.

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

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

To the extent that we acquire assets in emerging markets-which we may do throughout the world-additional risks may be encountered that could adversely affect our business. Emerging market countries have less developed economies and infrastructure and are often more vulnerable to economic and geopolitical challenges and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. In addition, the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible or may be subject to the imposition of other monetary or fiscal controls and restrictions.

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

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

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

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

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

The agreements governing our indebtedness, including, but not limited to, the indenture governing our Senior Notes and the revolving credit facility entered into on June 16, 2017 ("Revolving Credit Facility"), contain covenants that place restrictions on us and our subsidiaries. The indentures governing our Senior Notes and the Revolving Credit Facility restrict among other things, our and certain of our subsidiaries' ability to:

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

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

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

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

Because we have a limited operating history, our historical financial and operating data may not be representative of our future results.

We are a limited liability company with a limited operating history. Our results of operations, financial condition and cash flows reflected in our consolidated financial statements may not be indicative of the results we would have achieved if we were a public company or results that may be achieved in future periods. Consequently, there can be no assurance that we will be able to generate sufficient income to pay our operating expenses and make satisfactory distributions to our shareholders, or any distributions at all. Further, we only make acquisitions identified by our Manager. As a result of this concentration of assets, our financial performance depends on the performance of our Manager in identifying target assets, the availability of opportunities falling within our asset acquisition strategy and the performance of those underlying assets.

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

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

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

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

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

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

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

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

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and noise and emission levels. Under some environmental laws in the United States and certain other countries, strict liability may be imposed on the owners or operators of assets, which could render us liable for environmental and natural resource damages without regard to negligence or fault on our part. We could incur substantial costs, including cleanup costs, fines and third-party claims for property or natural resource damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessee's or charterer's current or historical operations, any of which could have a material adverse effect on our results of operations and financial condition. While we typically maintain liability insurance coverage and typically require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient or available to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage. In addition, changes to environmental standards or regulations in the industries in which we operate could limit the economic life of the assets we acquire or reduce their value, and also require us to make significant additional investments in order to maintain compliance, which would negatively impact our cash flows and results of operations.

Our Repauno site and Long Ridge property are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

Our Repauno site is subject to ongoing environmental investigation and remediation by the former owner of the property related to historic industrial operations. The former owner is responsible for completion of this work, and we benefit from a related indemnity and insurance policy. If the former owner fails to fulfill its investigation and remediation, or indemnity obligations and the related insurance, which are subject to limits and conditions, fail to cover our costs, we could incur losses. Redevelopment of the property in those areas undergoing investigation and remediation must await state environmental agency confirmation that no further investigation or remediation is required before redevelopment activities can occur in such areas of the property. Therefore, any delay in the former owner's completion of the environmental work or receipt of related approvals in an area of the property could delay our redevelopment activities. In addition, once received, permits and approvals may be subject to litigation, and projects may be delayed or approvals reversed or modified in litigation. If there is a delay in obtaining any required regulatory approval, it could delay projects and cause us to incur costs.

In connection with our acquisition of Long Ridge, the former owner of the property is obligated to perform certain post-closing demolition activities, remove specified containers, equipment and structures and conduct investigation, removal, cleanup and decontamination related thereto. In addition, the former owner is responsible for ongoing environmental remediation related to historic industrial operations on and off Long Ridge. Pursuant to an order issued by the Ohio Environmental Protection Agency ("Ohio EPA"), the former owner is responsible for completing the removal and off-site disposal of electrolytic pots associated with the former use of Long Ridge as an aluminum reduction plant. In addition, Long Ridge is located adjacent to the former Ormet Corporation Superfund site (the "Ormet site"), which is owned and operated by the former owner of Long Ridge. Pursuant to an order with the United States Environmental Protection Agency ("U.S. EPA"), the former owner is obligated to pump groundwater that has been impacted by the adjacent Ormet site beneath our site and discharge it to the Ohio River and monitor the groundwater annually. Long Ridge is also subject to an environmental covenant related to the adjacent Ormet site that, inter alia, restricts the use of groundwater beneath our site and requires U.S. EPA consent for activities on Long Ridge that could disrupt the groundwater monitoring or pumping. The former owner is contractually obligated to complete its regulatory obligations on Long Ridge and we benefit from a related indemnity and insurance policy. If the former owner fails to fulfill its demolition, removal, investigation, remediation, monitoring, or indemnity obligations, and if the related insurance, which is subject to limits and conditions, fails to cover our costs, we could incur losses. Redevelopment of the property in those areas undergoing investigation and remediation pursuant to the Ohio EPA order must await state environmental agency confirmation that no further investigation or remediation is required before redevelopment activities can occur in such area of the property. Therefore, any delay in the former owner's completion of the environmental work or receipt of related approvals or consents from Ohio EPA or U.S. EPA could delay our redevelopment activities.

In addition, a portion of Long Ridge is proposed for redevelopment as a combined cycle gas-fired electric generating facility. Although environmental investigations in that portion of the property have not identified material impacts to soils or groundwater that reasonably would be expected to prevent or delay redevelopment, impacted materials could be encountered during construction that require special handling and/or result in delays to the project. In addition, the construction of an electric generating plant will require environmental permits and approvals from federal, state and local environmental agencies. Once received, permits and approvals may be subject to litigation, and projects may be delayed or approvals reversed or modified in litigation. If there is a delay in obtaining any required regulatory approval, it could delay projects and cause us to incur costs.

Moreover, new, stricter environmental laws, regulations or enforcement policies, including those imposed in response to climate change, could be implemented that significantly increase our compliance costs, or require us to adopt more costly methods of operation. If we are not able to transform Repauno or Long Ridge into hubs for industrial and energy development in a timely manner, their future prospects could be materially and adversely affected, which may have a material adverse effect on our business, operating results and financial condition.

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

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. As a result, LIBOR may be discontinued after 2021. The FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. Financial services regulators and industry groups are evaluating the phase-out of LIBOR and the development of alternate reference rate indices or reference rates.

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

As of June 30, 2020, we had \$220.0 million of total debt outstanding under facilities with interest rates based on floating-rate indices. We cannot predict what reference rate would be agreed upon or what the impact of any such replacement rate would be to our interest expense. Potential changes to the underlying floating-rate indices and reference rates may have an adverse impact on our agreements indexed to LIBOR and could have a negative impact on our profitability and cash flows.

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

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

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

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

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

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

Risks Related to Our Manager

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

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

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

On December 27, 2017, SoftBank announced that it completed the SoftBank Merger. In connection with the SoftBank Merger, Fortress operates within SoftBank as an independent business headquartered in New York. There can be no assurance that the SoftBank Merger will not have an impact on us or our relationship with the Manager.

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

Our Management Agreement, the Partnership Agreement and our operating agreement were negotiated prior to our IPO and among affiliated parties, and their terms, including fees payable, may not be as favorable to us as if they had been negotiated after our IPO with an unaffiliated third-party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates - including investment funds, private investment funds, or businesses managed by our Manager, including Seacastle Inc. and Florida East Coast Industries, LLC (“FECI”) - invest in transportation and transportation-related infrastructure assets and whose investment objectives overlap with our asset acquisition objectives. Certain opportunities appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. For example, we have some of the same directors and officers as Seacastle Inc. Although we have the same Manager, we may compete with entities affiliated with our Manager or

Fortress, including Seacastle Inc. and FECl, for certain target assets. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has multiple existing and planned funds focused on investing in one or more of our target sectors, each with significant current or expected capital commitments. We have previously purchased and may in the future purchase assets from these funds, and have previously co-invested and may in the future co-invest with these funds in transportation and transportation-related infrastructure assets. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund.

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

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

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

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

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

Our asset acquisition strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets we target and our ability to finance such assets on a short or long-term basis. Opportunities that present unattractive risk-return profiles relative to other available opportunities under

particular market conditions may become relatively attractive under changed market conditions and changes in market conditions may therefore result in changes in the assets we target. Decisions to make acquisitions in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce or eliminate our ability to pay dividends on our common shares or have adverse effects on our liquidity or financial condition. A change in our asset acquisition strategy may also increase our exposure to interest rate, foreign currency or credit market fluctuations. In addition, a change in our asset acquisition strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations and our financial condition.

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

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

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

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

Risks Related to Taxation

Shareholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash dividends from us.

So long as we would not be required to register as an investment company under the Investment Company Act of 1940 if we were a U.S. Corporation and 90% of our gross income for each taxable year constitutes "qualifying income" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), on a continuing basis, FTAI will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or publicly traded partnership taxable as a corporation. Holders of our common shares may be subject to U.S. federal, state, local and possibly, in some cases, non-U.S. income taxation on their allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of Holdco or any other entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within their taxable year, regardless of whether they receive cash dividends from us. Such shareholders may not receive cash dividends equal to their allocable share of our net taxable income or even the tax liability that results from that income.

We may hold or acquire certain investments through entities classified as CFCs or PFICs for U.S. federal income tax purposes.

Many of our investments are in non-U.S. corporations or are held through non-U.S. subsidiaries that are classified as corporations for U.S. federal income tax purposes. Some of these foreign entities may be classified as controlled foreign corporations ("CFCs") or passive foreign investment companies ("PFICs") (each as defined in the Code). Shareholders subject to U.S. federal income tax may experience adverse U.S. federal income tax consequences related to the indirect ownership of CFC or PFIC shares. For example, such shareholders may be required to take into account U.S. taxable income with respect to such CFCs or PFICs without a corresponding receipt of cash from us. In addition, under the CFC rules, certain capital gains are treated as ordinary dividend income and shareholders could be subject to income inclusions in respect of the "global intangible low-taxed income" of the CFC. Treasury regulations have been proposed that, if finalized, will generally have the effect of limiting certain adverse consequences of the CFC rules to shareholders treated for U.S. federal income tax purposes as owning indirectly or constructively (including through other partnerships) stock possessing 10% or more of the voting power or value of such CFCs. Taxpayers are permitted to rely, and we intend to rely, on such proposed regulations.

Under the PFIC rules, indirect ownership of PFIC shares by U.S. persons generally gives rise to materially adverse U.S. federal income tax consequences, which may be mitigated by electing to treat the PFIC as a qualified electing fund (“QEF”). We currently anticipate using commercially reasonable efforts to make such an election (a “QEF Election”) with respect to each PFIC in which we hold a material interest, directly or indirectly, in the first year during which we hold shares in such entity. As a result, U.S. holders of our common shares will generally be subject to tax on a current basis on their respective shares of each such PFIC’s undistributed ordinary earnings and net capital gains for each year in which the entity is a PFIC, regardless of whether such holders receive a corresponding distribution of cash from us. In certain cases, however, we may be unable to make a QEF Election with respect to a PFIC because, for example, we are unable to obtain the necessary information. In such event, U.S. holders of our common shares will be subject to imputed interest charges and other disadvantageous tax treatment with respect to certain “excess distributions” from the PFIC and gain realized upon the direct or indirect sale of the PFIC (including through the sale our common shares).

Prospective investors should consult their tax advisors regarding the potential impact of the rules regarding CFCs and PFICs before investing in our shares.

Certain tax consequences of the ownership of our preferred shares, including treatment of distributions as guaranteed payments for the use of capital, are uncertain.

The tax treatment of distributions on our preferred shares is uncertain. We intend to treat the holders of our preferred shares as partners for tax purposes and we intend to treat distributions on the shares as guaranteed payments for the use of capital that will generally be taxable to the holders of our preferred shares as ordinary income. Although a holder of our preferred shares will recognize taxable income from the accrual of such a guaranteed payment (even in the absence of a contemporaneous cash distribution), we anticipate accruing and making the guaranteed payment distributions quarterly. Except in the case of any loss recognized in connection with our liquidation, holders of our preferred shares are generally not anticipated to share in our items of income, gain, loss or deduction, nor are they anticipated to be allocated any share of our nonrecourse liabilities. If our preferred shares were treated as indebtedness for tax purposes, rather than as guaranteed payments for the use of capital, distributions likely would be treated as payments of interest by us to the holders of our preferred shares. Finally, if holders of our preferred shares were entitled to an allocation of income from FTAI, the risk factors applicable to holders of common shares would generally apply.

U.S. tax reform could adversely affect us and our shareholders.

The Tax Cuts and Jobs Act (the “TCJA”), which is generally effective for taxable years beginning after December 31, 2017, amended the Code in a manner that significantly changed the taxation of individuals and business entities, including with respect to the taxation of offshore earnings and the deductibility of interest. In some cases, there is still uncertainty around the scope and application of the TCJA that may be addressed in future guidance issued by the U.S. Department of Treasury and the IRS. Some of the changes could adversely affect our business and financial condition and the value of our shares. The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was enacted on March 27, 2020, temporarily modifies some provisions of the TCJA.

Prospective investors should consult their tax advisors about the TCJA and its potential impact before investing in our shares.

Under the TCJA, shareholders that are not U.S. persons could be subject to U.S. federal income tax, including a 10% withholding tax, on the disposition of our shares.

If the Internal Revenue Service (the “IRS”) were to determine that we, Holdco, or any other entity in which we invest that is subject to tax on a flow-through basis, is engaged in a U.S. trade or business for U.S. federal income tax purposes, any gain recognized by a foreign transferor on the sale, exchange or other disposition of our shares would generally be treated as “effectively connected” with such trade or business to the extent it does not exceed the effectively connected gain that would be allocable to the transferor if we sold all of our assets at their fair market value as of the date of the transferor’s disposition. Under the TCJA, any such gain that is treated as effectively connected will generally be subject to U.S. federal income tax. In addition, the transferee of the shares or the applicable withholding agent would be required to deduct and withhold a tax equal to 10% of the amount realized by the transferor on the disposition, which would include an allocable portion of our liabilities and would therefore generally exceed the amount of transferred cash received by transferor in the disposition, unless the transferor provides an IRS Form W-9 or an affidavit stating the transferor’s taxpayer identification number and that the transferor is not a foreign person. If the transferee fails to properly withhold such tax, we would be required to deduct and withhold from distributions to the transferee a tax in an amount equal to the amount the transferee failed to withhold, plus interest. Although we do not believe that we are currently engaged in a U.S. trade or business (directly or indirectly through pass-through subsidiaries), we are not required to manage our operations in a manner that is intended to avoid the conduct of a U.S. trade or business.

The withholding requirements with respect to the disposition of an interest in a publicly traded partnership are currently suspended and will remain suspended until Treasury regulations are promulgated or other relevant authoritative guidance is issued. Future guidance on the implementation of these requirements will be applicable on a prospective basis.

Tax gain or loss on a sale or other disposition of our common shares could be more or less than expected.

If a sale of our common shares by a shareholder is taxable in the United States, the shareholder will recognize gain or loss equal to the difference between the amount realized by such shareholder in the sale and such shareholder's adjusted tax basis in those shares. A shareholder's adjusted tax basis in the shares at the time of sale will generally be lower than the shareholder's original tax basis in the shares to the extent that prior distributions to such shareholder exceed the total taxable income allocated to such shareholder. A shareholder may therefore recognize a gain in a sale of our common shares if the shares are sold at a price that is less than their original cost. A portion of the amount realized, whether or not representing gain, may be treated as ordinary income to such shareholder.

Our ability to make distributions depends on our receiving sufficient cash distributions from our subsidiaries, and we cannot assure our shareholders that we will be able to make cash distributions to them in amounts that are sufficient to fund their tax liabilities.

Our subsidiaries may be subject to local taxes in each of the relevant territories and jurisdictions in which they operate, including taxes on income, profits or gains and withholding taxes. As a result, our funds available for distribution are indirectly reduced by such taxes, and the post-tax return to our shareholders is similarly reduced by such taxes.

In general, a shareholder that is subject to U.S. federal income tax must include in income its allocable share of FTAI's items of income, gain, loss, deduction, and credit (including, so long as FTAI is treated as a partnership for U.S. federal income tax purposes, FTAI's allocable share of those items of Holdco and any pass-through subsidiaries of Holdco) for each of our taxable years ending with or within such shareholder's taxable year. However, the cash distributed to a shareholder may not be sufficient to pay the full amount of such shareholder's tax liability in respect of its investment in us, because each shareholder's tax liability depends on such shareholder's particular tax situation and the tax treatment of our underlying activities or assets.

If we are treated as a corporation for U.S. federal income tax purposes, the value of the shares could be adversely affected.

We have not requested, and do not plan to request, a ruling from the IRS on our treatment as a partnership for U.S. federal income tax purposes, or on any other matter affecting us. As of the date of the consummation of our initial public offering, under then current law and assuming full compliance with the terms of our operating agreement (and other relevant documents) and based upon factual statements and representations made by us, our outside counsel opined that we will be treated as a partnership, and not as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge. The factual representations made by us upon which our outside counsel relied relate to our organization, operation, assets, activities, income, and present and future conduct of our operations. In general, if an entity that would otherwise be classified as a partnership for U.S. federal income tax purposes is a "publicly traded partnership" (as defined in the Code) it will be nonetheless treated as a corporation for U.S. federal income tax purposes, unless the exception described below, and upon which we intend to rely, applies. A publicly traded partnership will, however, be treated as a partnership, and not as a corporation for U.S. federal income tax purposes, so long as 90% or more of its gross income for each taxable year constitutes "qualifying income" within the meaning of the Code and it is not required to register as an investment company under the Investment Company Act of 1940. We refer to this exception as the "Qualifying Income Exception."

Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We believe that our return from investments will include interest, dividends, capital gains and other types of qualifying income, but no assurance can be given as to the types of income that will be earned in any given year.

If we fail to satisfy the Qualifying Income Exception, we would be required to pay U.S. federal income tax at regular corporate rates on our income. Although the TCJA reduced regular corporate rates from 35% to 21%, our failure to qualify as a partnership for U.S. federal income tax purposes could nevertheless adversely affect our business, operating results and financial condition. In addition, we would likely be liable for state and local income and/or franchise taxes on our income. Finally, distributions of cash to shareholders would constitute qualified dividend income taxable to such shareholders to the extent of our earnings and profits and would not be deductible by us. Taxation of us as a publicly traded partnership taxable as a corporation could result in a material adverse effect on our cash flow and the after-tax returns for shareholders and thus could result in a substantial reduction in the value of our shares.

Shareholders that are not U.S. persons should also anticipate being required to file U.S. tax returns and may be required to pay U.S. tax solely on account of owning our shares.

In light of our intended investment activities, we may be, or may become, engaged in a U.S. trade or business for U.S. federal income tax purposes (directly or indirectly through pass-through subsidiaries), in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. persons. Moreover, we anticipate that, in the future, we will sell interests in U.S. real holding property corporations (each a "USRPHC") and therefore be deemed to be engaged in a U.S. trade or business at such time. If we were to realize gain from the sale or other disposition of a U.S. real property interest (including a USRPHC) or were otherwise engaged in a U.S. trade or business, non-U.S. persons holding our common shares generally would be required to file U.S. federal income tax returns and would be subject to U.S. federal withholding tax on their allocable share of the effectively connected income on gain at the highest marginal U.S. federal income tax rates applicable to ordinary income. Likewise, non-U.S. persons holding our preferred shares, by virtue of receiving guaranteed payments, may be required to file U.S. federal income tax returns and may be subject to U.S. federal withholding tax on their guaranteed payments, irrespective of our operations or investments. In both cases, non-U.S. persons that are corporations may also be subject to a branch profits tax on their allocable share of such income. Non-U.S. persons should anticipate being required to file U.S. tax returns and may be required to pay U.S. tax solely on account of owning our shares. Non-U.S. shareholders are urged to consult their tax advisors regarding the tax consequences of an investment in our shares.

Non-U.S. persons that hold (or are deemed to hold) more than 5% of any class of our shares (or held, or were deemed to hold, more than 5% of any class of our shares) may be subject to U.S. federal income tax upon the disposition of some or all their shares.

If a non-U.S. person held more than 5% of any class of our shares at any time during the 5-year period preceding such non-U.S. person's disposition of such shares, and we were considered a USRPHC (determined as if we were a U.S. corporation) at any time during such 5-year period because of our current or previous ownership of U.S. real property interests above a certain threshold, such non-U.S. person may be subject to U.S. tax on such disposition of such shares (and may have a U.S. tax return filing obligation).

Tax-exempt shareholders may face certain adverse U.S. tax consequences from owning our shares.

We are not required to manage our operations in a manner that would minimize the likelihood of generating income that would constitute "unrelated business taxable income" ("UBTI") to the extent allocated to a tax-exempt shareholder. Although we expect to invest through subsidiaries that are treated as corporations for U.S. federal income tax purposes and such corporate investments would generally not result in an allocation of UBTI to a shareholder on account of the activities of those subsidiaries, we may not invest through corporate subsidiaries in all cases. Moreover, UBTI also includes income attributable to debt-financed property and we are not prohibited from incurring debt to finance our investments, including investments in subsidiaries. Furthermore, we are not prohibited from being (or causing a subsidiary to be) a guarantor of loans made to a subsidiary. If we (or certain of our subsidiaries) were treated as the borrower for U.S. tax purposes on account of those guarantees, some or all of our investments could be considered debt-financed property. In addition, the treatment of guaranteed payments for the use of capital to tax-exempt investors is not certain, and so distributions on our preferred shares may be treated as UBTI for federal income tax purposes, irrespective of our operations or the structure of our investments. The potential for income to be characterized as UBTI could make our shares an unsuitable investment for a tax-exempt entity. Tax-exempt shareholders are urged to consult their tax advisors regarding the tax consequences of an investment in our shares.

If substantially all of the U.S. source rental income derived from aircraft or ships used to transport passengers or cargo in international traffic ("U.S. source international transport rental income") of any of our non-U.S. corporate subsidiaries is attributable to activities of personnel based in the United States, such subsidiary could be subject to U.S. federal income tax on a net income basis at regular tax rates, rather than at a rate of 4% on gross income, which would adversely affect our business and result in decreased funds available for distribution to our shareholders.

We believe that the U.S. source international transport rental income of our non-U.S. subsidiaries generally will be subject to U.S. federal income tax, on a gross-income basis at a rate not in excess of 4%. If any of our non-U.S. subsidiaries that is treated as a corporation for U.S. federal income tax purposes did not comply with certain administrative guidelines of the IRS, such that 90% or more of such subsidiary's U.S. source international transport rental income were attributable to the activities of personnel based in the United States (in the case of bareboat leases) or from "regularly scheduled transportation" as defined in such administrative guidelines (in the case of time-charter leases), such subsidiary's U.S. source rental income would be treated as income effectively connected with a trade or business in the United States. In such case, such subsidiary's U.S. source international transport rental income would be subject to U.S. federal income tax at a maximum rate of 21% for taxable years beginning after December 31, 2017. In addition, such subsidiary would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes would adversely affect our business and would result in decreased funds available for distribution to our shareholders.

The ability of our corporate subsidiaries to utilize net operating losses ("NOLs") to offset their future taxable income may become limited.

Certain of our corporate subsidiaries have significant NOLs, and any limitation on their use could materially affect our profitability. Such a limitation could occur if our corporate subsidiaries were to experience an "ownership change" as defined under Section 382 of the Code. The rules for determining ownership changes are complex, and changes in the ownership of our shares could

cause an ownership change in one or more of our corporate subsidiaries. Sales of our shares by our shareholders, as well as future issuances of our shares, could contribute to a potential ownership change in our corporate subsidiaries.

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

Some of our subsidiaries are subject to income, withholding or other taxes in certain non-U.S. jurisdictions by reason of their jurisdiction of incorporation, activities and operations, where their assets are used or where the lessees of their assets (or others in possession of their assets) are located, and it is also possible that taxing authorities in any such jurisdictions could assert that our subsidiaries are subject to greater taxation than we currently anticipate. Further, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“BEPS”) recently entered into force among the jurisdictions that ratified it. The implementation of BEPS prevention measures could result in a higher effective tax rate on our worldwide earnings by, for example, reducing the tax deductions or otherwise increasing the taxable income of our subsidiaries. In addition, a portion of certain of our non-U.S. corporate subsidiaries’ income is treated as effectively connected with a U.S. trade or business and is accordingly subject to U.S. federal income tax. It is possible that the IRS could assert that a greater portion of any such non-U.S. subsidiaries’ income is effectively connected income that should be subject to U.S. federal income tax.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of our shareholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. The U.S. federal income tax treatment of our shareholders may also be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect our investments and commitments that were previously made, and could adversely affect the value of our shares or cause us to change the way we conduct our business.

Our organizational documents and agreements permit the board of directors to modify our operating agreement from time to time, without the consent of shareholders, in order to address certain changes in Treasury regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all shareholders. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to shareholders in a manner that reflects such shareholders’ beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, these assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Code and/or Treasury regulations and could require that items of income, gain, deduction, loss or credit, including interest deductions, be adjusted, reallocated, or disallowed, in a manner that adversely affects shareholders.

We could incur a significant tax liability if the IRS successfully asserts that the “anti-stapling” rules apply to our investments in our non-U.S. and U.S. subsidiaries, which would adversely affect our business and result in decreased funds available for distribution to our shareholders.

If we were subject to the “anti-stapling” rules of Section 269B of the Code, we would incur a significant tax liability as a result of owning more than 50% of the value of both U.S. and non-U.S. corporate subsidiaries, whose equity interests constitute “stapled interests” that may only be transferred together. If the “anti-stapling” rules applied, our non-U.S. corporate subsidiaries that are treated as corporations for U.S. federal income tax purposes would be treated as U.S. corporations, which would cause those entities to be subject to U.S. federal corporate income tax on their worldwide income. Because we intend to separately manage and operate our non-U.S. and U.S. corporate subsidiaries and structure their business activities in a manner that would allow us to dispose of such subsidiaries separately, we do not expect that the “anti-stapling” rules will apply. However, there can be no assurance that the IRS would not successfully assert a contrary position, which would adversely affect our business and result in decreased funds available for distribution to our shareholders.

Because we cannot match transferors and transferees of our shares, we have therefore adopted certain income tax accounting positions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our shares.

Because we cannot match transferors and transferees of our shares, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our shareholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of our common shares and could have a negative impact on the value of our common shares or result in audits of and adjustments to our shareholders’ tax returns.

We generally allocate items of income, gain, loss and deduction using a monthly or other convention, whereby any such items we recognize in a given month are allocated to our shareholders as of a specified date of such month. As a result, if a shareholder transfers its common shares, it might be allocated income, gain, loss and deduction realized by us after the date of the transfer. Similarly, if a shareholder acquires additional common shares, it might be allocated income, gain, loss, and deduction realized by us prior to its ownership of such common shares. Consequently, our shareholders may recognize income in excess of cash distributions received from us, and any income so included by a shareholder would increase the basis such

shareholder has in its common shares and would offset any gain (or increase the amount of loss) realized by such shareholder on a subsequent disposition of its common shares.

Rules regarding U.S. federal income tax liability arising from IRS audits could adversely affect our shareholders.

For taxable years beginning on or after January 1, 2018, we will be liable for U.S. federal income tax liability arising from an IRS audit, unless certain alternative methods are available and we elect to use them. It is possible that certain shareholders or we may be liable for taxes attributable to adjustments to our taxable income with respect to tax years that closed before such shareholders owned our shares. Accordingly, these rules may adversely affect certain shareholders in certain cases. This differs from the rules that apply for taxable years beginning before January 1, 2018, which generally provide that tax adjustments only affect the persons who were shareholders in the tax year in which the item was reported on our tax return. The manner in which these rules apply is uncertain and in many respects depends on the promulgation of future regulations or other guidance by the U.S. Treasury Department or the IRS.

Risks Related to Our Shares

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

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

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

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

We are required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal controls, and the outcome of that effort may adversely affect our results of operations, financial condition and liquidity. Because we are no longer an emerging growth company, we are subject to heightened disclosure obligations, which may impact our share price.

As a public company, we are required to comply with Section 404 ("Section 404") of the Sarbanes-Oxley Act. Section 404 requires that we evaluate the effectiveness of our internal control over financial reporting at the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our Annual Report on Form 10-K for that fiscal year. Section 404 also requires an independent registered public accounting firm to attest to, and report on, management's assessment of our internal controls over financial reporting. Because we ceased to be an emerging growth company at the end of 2017, we were required to have our independent registered public accounting firm attest to the effectiveness of our internal controls in our Annual Reports on Form 10-K for the fiscal years ended December 31, 2019 and December 31, 2018, and will be required to do so going forward. The outcome of our review and the report of our independent registered public accounting firm may adversely affect our results of operations, financial condition and liquidity. During the course of our review, we may identify control deficiencies of varying degrees of severity, and we may incur significant costs to remediate those deficiencies or otherwise improve our internal controls. As a public company, we are required to report control deficiencies that constitute a "material weakness" in our internal control over financial reporting. If we discover a material weakness in our internal control over financial reporting, our share price could decline and our ability to raise capital could be impaired.

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

Your percentage ownership in FTAI may be diluted in the future because of equity awards granted and may be granted to our Manager pursuant to the Management Agreement and the Incentive Plan. Since 2015, we granted our Manager an option to acquire 2,088,704 common shares in connection with equity offerings. In the future, upon the successful completion of additional offerings of our common shares or other equity securities (including securities issued as consideration in an acquisition), we will grant to our Manager options to purchase common shares in an amount equal to 10% of the number of common shares being sold in such offerings (or if the issuance relates to equity securities other than our common shares, options to purchase a number of common shares equal to 10% of the gross capital raised in the equity issuance divided by the fair market value of a common share as of the date of the issuance), with an exercise price equal to the offering price per share paid by the public or other ultimate purchaser or attributed to such securities in connection with an acquisition (or the fair market value of a common share as of the date of the equity issuance if it relates to equity securities other than our common shares), and any such offering or the exercise of the option in connection with such offering would cause dilution.

Our board of directors has adopted the Incentive Plan, which provides for the grant of equity-based awards, including restricted shares, stock options, stock appreciation rights, performance awards, restricted share units, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisors of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We have initially reserved 30,000,000 common shares for issuance under the Incentive Plan. As of June 30, 2020, rights relating to 2,113,704 of our common shares were outstanding under the Incentive Plan. In the future on the date of any equity issuance by us during the ten-year term of the Incentive Plan (including in respect of securities issued as consideration in an acquisition), the maximum number of shares available for issuance under the Plan will be increased to include an additional number of common shares equal to ten percent (10%) of either (i) the total number of common shares newly issued by us in such equity issuance or (ii) if such equity issuance relates to equity securities other than our common shares, a number of our common shares equal to 10% of (A) the gross capital raised in an equity issuance of equity securities other than common shares during the ten-year term of the Incentive Plan, divided by (B) the fair market value of a common share as of the date of such equity issuance.

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

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

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

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

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

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

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

Although we currently intend to pay regular quarterly dividends to holders of our common shares, we may change our dividend policy at any time. Our net cash provided by operating activities has been less than the amount of distributions to our

shareholders. The declaration and payment of dividends to holders of our common shares will be at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including actual results of operations, liquidity and financial condition, net cash provided by operating activities, restrictions imposed by applicable law, our taxable income, our operating expenses and other factors our board of directors deem relevant. Our long term goal is to maintain a payout ratio of between 50-60% of funds available for distribution, with remaining amounts used primarily to fund our future acquisitions and opportunities. There can be no assurance that we will continue to pay dividends in amounts or on a basis consistent with prior distributions to our investors, if at all. Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we receive from our subsidiaries and our ability to receive distributions from our subsidiaries may be limited by the financing agreements to which they are subject. In addition, pursuant to the Partnership Agreement, the General Partner will be entitled to receive incentive allocations before any amounts are distributed by us based both on our consolidated net income and capital gains income in each fiscal quarter and for each fiscal year, respectively. Furthermore, the terms of our Series A preferred shares generally prevent us from declaring or paying dividends on or repurchasing our common shares or other junior capital unless all accrued distributions on such preferred shares have been paid in full.

Anti-takeover provisions in our operating agreement and Delaware law could delay or prevent a change in control.

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

There are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (the "DGCL") in a manner that may be less protective of the interests of our shareholders.

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. Under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. Under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

As a public company, we will incur additional costs and face increased demands on our management.

As a relatively new public company with shares listed on the NYSE, we need to comply with an extensive body of regulations that did not apply to us previously, including certain provisions of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, regulations of the SEC and requirements of the NYSE. These rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. For example, as a result of becoming a public company, we have independent directors and board committees. In addition, we may continue to incur additional costs associated with maintaining directors' and officers' liability insurance and with the termination of our status as an emerging growth company as of the end of 2017. Because we are no longer an emerging growth company, we are subject to the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and enhanced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We are currently evaluating and monitoring developments with respect to these rules, which may impose additional costs on us and have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

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

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of November 19, 2019, by and among Soo Line Corporation, Black Bear Acquisition LLC, Railroad Acquisition Holdings LLC and Fortress Worldwide Transportation and Infrastructure General Partnership (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed January 6, 2020).
3.1	Certificate of Formation (incorporated by reference to Exhibit 3.1 of Amendment No. 4 to the Company's Registration Statement on Form S-1, filed on April 30, 2015).
3.2	Third Amended and Restated Limited Liability Company Agreement of Fortress Transportation and Infrastructure Investors LLC, dated as of November 27, 2019 (incorporated by reference to Exhibit 3.2 of the Company's Form 8-A, filed November 27, 2019).
3.3	Share Designation with respect to the 8.25% Fixed-to-Floating Series A Cumulative Perpetual Redeemable Preferred Shares, dated as of September 12, 2019 (included as part of Exhibit 3.2).
3.4	Share Designation with respect to the 8.00% Fixed-to-Floating Series B Cumulative Perpetual Redeemable Preferred Shares, dated as of November 27, 2019 (included as part of Exhibit 3.2).
4.1	Indenture, dated March 15, 2017, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on March 15, 2017).
4.2	Form of global note representing the Company's 6.75% senior unsecured notes due 2022 (included in Exhibit 4.1).
4.3	First Supplemental Indenture, dated June 8, 2017, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K, filed on March 1, 2018).
4.4	Second Supplemental Indenture, dated August 23, 2017, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on August 23, 2017).
4.5	Third Supplemental Indenture, dated December 20, 2017, between Fortress Transportation and Infrastructure LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on December 20, 2017).
4.6	Fourth Supplemental Indenture, dated May 31, 2018, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed May 31, 2018).
4.7	Fifth Supplemental Indenture, dated February 8, 2019, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.75% senior unsecured notes due 2022 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed February 8, 2019).
4.8	Indenture, dated September 18, 2018, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.50% senior unsecured notes due 2025 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on September 18, 2018).
4.9	Form of global note representing the Company's 6.50% senior unsecured notes due 2025 (included in Exhibit 4.8).
4.10	First Supplemental Indenture, dated May 21, 2019, between Fortress Transportation and Infrastructure Investors LLC and U.S. Bank National Association, as trustee, relating to the Company's 6.50% senior unsecured notes due 2025 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on May 21, 2019).
4.11	Form of certificate representing the 8.25% Fixed-to-Floating Rate Series A Cumulative Perpetual Redeemable Preferred Shares of Fortress Transportation and Infrastructure Investors LLC (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A, filed September 12, 2019).
4.12	Form of certificate representing the 8.00% Fixed-to-Floating Rate Series B Cumulative Perpetual Redeemable Preferred Shares of Fortress Transportation and Infrastructure Investors LLC (incorporated by reference to Exhibit 4.1 to the Company's Form 8-A, filed November 27, 2019).
4.13	Description of Securities Registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.13 to the Company's Form 10-K, filed February 28, 2020).
10.1	Fourth Amended and Restated Partnership Agreement of Fortress Worldwide Transportation and Infrastructure General Partnership (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on May 21, 2015).
† 10.2	Management and Advisory Agreement, dated as of May 20, 2015, between Fortress Transportation and Infrastructure Investors LLC and FIG LLC (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, filed on May 21, 2015).
† 10.3	Registration Rights Agreement, dated as of May 20, 2015, among Fortress Transportation and Infrastructure Investors LLC, FIG LLC and Fortress Transportation and Infrastructure Master GP LLC (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K, filed on May 21, 2015).
† 10.4	Fortress Transportation and Infrastructure Investors LLC Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K, filed on May 21, 2015).

Exhibit No.	Description
10.5	Form of director and officer indemnification agreement of Fortress Transportation and Infrastructure Investors LLC (incorporated by reference to Exhibit 10.5 of Amendment No. 4 to the Company's Registration Statement on Form S-1, filed April 30, 2015).
10.6	Credit Agreement, dated June 16, 2017, among Fortress Transportation and Infrastructure Investors LLC, as Borrower, the lenders and issuing banks from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on June 22, 2017).
10.7	Credit Agreement Amendment No. 1, dated as of August 2, 2018, among Fortress Transportation and Infrastructure Investors LLC, as borrower, Fortress Worldwide Transportation and Infrastructure General Partnership, the lenders and issuing banks from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q, filed on August 3, 2018).
10.8	Credit Agreement Amendment No. 2 dated as of February 8, 2019, among Fortress Transportation and Infrastructure Investors LLC, as borrower, Fortress Worldwide Transportation and Infrastructure General Partnership, as grantor, JPMorgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc. and Barclays Bank PLC, as lenders and issuing banks, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on February 11, 2019).
10.9	Credit Agreement Amendment No. 3 dated as of August 6, 2019, among Fortress Transportation and Infrastructure Investors LLC, as borrower, Fortress Worldwide Transportation and Infrastructure General Partnership, as grantor, JPMorgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc. and Barclays Bank PLC, as lenders and issuing banks, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on August 9, 2019).
10.10	Credit Agreement Amendment No. 4 dated as of May 11, 2020, among Fortress Transportation and Infrastructure Investors LLC, as borrower, Fortress Worldwide Transportation and Infrastructure General Partnership, as grantor, JPMorgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc. and Barclays Bank PLC, as lenders and issuing banks, and JPMorgan Chase Bank, N.A., as administrative agent.
* 10.11	Engineering, Procuring and Construction Agreement dated as of February 15, 2019, between Long Ridge Energy Generation LLC and Kiewit Power Constructors Co. (incorporated by reference to Exhibit 10.17 of the Company's Quarterly Report on Form 10-Q, filed on May 3, 2019).
* 10.12	Purchase and Sale of Power Generation Equipment and Related Services Agreement dated as of February 15, 2019, between Long Ridge Energy Generation LLC and General Electric Company (incorporated by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q, filed on May 3, 2019).
10.13	First Lien Credit Agreement dated as of February 15, 2019, among Ohio River PP Holdco LLC, Ohio Gasco LLC, Long Ridge Energy Generation LLC, the lenders and issuing banks from time to time party thereto, and Cortland Capital Market Services LLC, as administrative agent (incorporated by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-Q, filed on May 3, 2019).
10.14	Second Lien Credit Agreement dated as of February 15, 2019, among Ohio River PP Holdco LLC, Ohio Gasco LLC, Long Ridge Energy Generation LLC, the lenders from time to time party thereto, and Cortland Capital Market Services LLC, as administrative agent (incorporated by reference to Exhibit 10.20 of the Company's Quarterly Report on Form 10-Q, filed on May 3, 2019).
† 10.15	Form of Award Agreement under the Fortress Transportation and Infrastructure Investors Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on January 17, 2018).
10.16	Credit Agreement, dated as of February 11, 2020, among Jefferson 2020 Bond Borrower LLC, as the borrower and Fortress Transportation and Infrastructure Investors LLC, acting through one or more affiliates, as the lender (incorporated by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q, filed on May 1, 2020).
10.17	Senior Loan Agreement, dated as of February 1, 2020, between Port of Beaumont Navigation District of Jefferson County, Texas, as issuer and Jefferson 2020 Bond Borrower LLC, as borrower (incorporated by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q, filed on May 1, 2020).
10.18	Deed of Trust, Security Agreement, Financing Statement and Fixture Filing, dated February 1, 2020, from Jefferson 2020 Bond Borrower LLC, as grantor, and Jefferson 2020 Bond Lessee LLC, as grantor, to Ken N. Whitlow, as Deed of Trust Trustee for the benefit of Deutsche Bank National Trust Company, as beneficiary (incorporated by reference to Exhibit 10.17 of the Company's Quarterly Report on Form 10-Q, filed on May 1, 2020).
10.19	Amended and Restated Lease and Development Agreement, effective as of January 1, 2020, by and between Port of Beaumont Navigation District of Jefferson County, Texas, as lessor, and Jefferson 2020 Bond Lessee LLC, as lessee (incorporated by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q, filed on May 1, 2020).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Changes in Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
†	<i>Management contracts and compensatory plans or arrangements.</i>
*	<i>Portions of this exhibit have been omitted.</i>

SIGNATURES

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

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC

By: /s/ Joseph P. Adams, Jr.
Joseph P. Adams, Jr.
Chairman and Chief Executive Officer

Date: July 31, 2020

By: /s/ Scott Christopher
Scott Christopher
Chief Financial Officer

Date: July 31, 2020

By: /s/ Eun Nam
Eun Nam
Chief Accounting Officer

Date: July 31, 2020

AMENDMENT NO. 4 dated as of May 11, 2020 (this "Amendment"), to the CREDIT AGREEMENT dated as of June 16, 2017 (as amended by Amendment No. 1, dated as of August 2, 2018, as further amended by Amendment No. 2, dated as of February 8, 2019, as further amended by Amendment No. 3, dated as of August 6, 2019, and as further amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS LLC, a Delaware limited liability company (the "Borrower"), each lender from time to time party thereto (each individually referred to therein as a "Lender" and collectively as "Lenders") and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

A. The Borrower, through one of its indirect, wholly-owned Subsidiaries, desires to purchase the Specified Assets (as defined below) pursuant to a sale-leaseback transaction, and in connection therewith, enter into the Specified Acquisition Financing Documents (as defined below) and consummate the transactions contemplated thereby.

B. In connection with the foregoing, the Borrower has requested that the Credit Agreement be amended as set forth herein.

C. The Lenders party hereto are willing to so amend the Credit Agreement, in each case on the terms and subject to the conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Defined Terms. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Credit Agreement. The rules of interpretation set forth in Section 1.2 of the Credit Agreement are hereby incorporated by reference herein, *mutatis mutandis*.

SECTION 2. Amendments. Effective as of the Fourth Amendment Effective Date:

(a) Section 1.01 of the Credit Agreement is hereby by adding the following definitions in the appropriate alphabetical order:

“Additional Revolver Aviation Collateral”: such specific assets as may be specified in the Aircraft Mortgage and Security Agreement.”

“Additional Specified Assets”: each aircraft listed on Schedule I to Amendment No. 4.

““Affected Financial Institution”: (a) any EEA Financial Institution or (b) any UK Financial Institution.”

““Aircraft Mortgage and Security Agreement”: the Aircraft Mortgage and Security Agreement substantially in the form of Annex A to Amendment No. 4 (as further amended, restated, supplemented, modified, extended, renewed or restated from time to time).”

““Amendment No. 4”: Amendment No. 4, dated as of May 11, 2020, among the Borrower, the Lenders party thereto and the Administrative Agent.”

““Appraised Value”: with respect to any aircraft as of any date of determination, the current market value (as defined by the International Society of Transport Aircraft Trading) of such aircraft as of such date, calculated pursuant to a “desk-top” appraisal conducted with respect to such aircraft by a Qualified Appraiser and delivered to the Administrative Agent on or within 60 days prior to such aircraft being a Mortgaged Aviation Asset.”

““Associated Collateral”: with respect to each Specified Asset and Additional Specified Asset, (a) all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature with respect thereto, (b) all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required pursuant to applicable law to be maintained with respect thereto, and all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, pursuant to applicable law, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by the relevant lessee, (c) each bill of sale or any contract of sale with respect thereto, (d) all proceeds of insurance with respect to the Specified Assets and Additional Specified Assets and (e) all security assignments, cash deposit agreements and other security agreements executed in favor of the Subsidiary owning such asset in respect thereof and all property of whatever nature, in each case pledged, assigned or transferred to such Subsidiary or mortgaged or charged in its favor pursuant to any such assignment or agreement.”

““Benchmark Replacement”: the sum of: (a) the alternate benchmark rate (which may include SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for

determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBO Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.”

““Benchmark Replacement Adjustment”: with respect to any replacement of the LIBO Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time.”

““Benchmark Replacement Conforming Changes”: with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).”

““Benchmark Replacement Date”: the earlier to occur of the following events with respect to the LIBO Rate:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of

- (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the LIBO Rate permanently or indefinitely ceases to provide the LIBO Rate; or
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.”

“Benchmark Transition Event”: the occurrence of one or more of the following events with respect to the LIBO Rate:

- (1) a public statement or publication of information by or on behalf of the administrator of the LIBO Rate announcing that such administrator has ceased or will cease to provide the LIBO Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Rate;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Rate, a resolution authority with jurisdiction over the administrator for the LIBO Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Rate, which states that the administrator of the LIBO Rate has ceased or will cease to provide the LIBO Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Rate; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Rate announcing that the LIBO Rate is no longer representative.”

“Benchmark Transition Start Date”: (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent and the Borrower or the Required Lenders and the Borrower, as applicable, by notice to the Administrative

Agent (in the case of such notice by the Borrower and the Required Lenders) and the Lenders.”

““Benchmark Unavailability Period”: if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 2.15(b) and (y) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder pursuant to Section 2.15(b).”

““BHC Act Affiliate”: as defined in Section 9.22 hereto.”

““Compounded SOFR”: the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; or

(2) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided, further, that if the Administrative Agent decides (in consultation with the Borrower) that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of “Benchmark Replacement.””

““Corresponding Tenor”: with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to the LIBO Rate.””

““Covered Entity”: as defined in Section 9.22 hereto.”

““Covered Party”: as defined in Section 9.22 hereto.”

““Default Right”: as defined in Section 9.22 hereto.”

““Early Opt-in Election”: the occurrence of:

(1) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to the Borrower) that the Required Lenders have determined, in each case, that Dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.15(b) are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate, and

(2) (i) the election by the Administrative Agent and the Borrower or (ii) the election by the Required Lenders with the written consent of the Borrower (such consent not be unreasonably withheld or delayed) to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent and the Borrower of written notice of such election to the Borrower and the Lenders or by the Required Lenders of written notice of such election by the Required Lenders to the Administrative Agent.

““Eligible Aviation Assets”: Aviation Assets that are commercial jet aircraft owned an Owner Subsidiary, which at the time they are subjected to an Aircraft Mortgage and Security Agreement are subject to an operating lease with a commercial passenger or freighter airline under which no payment, insolvency or other material lease default (however defined) exists and for which all registrations, filings, opinions and other requirements (including all UCC filings and registrations under the Cape Town Convention) required under the Aircraft Mortgage and Security Agreement shall have been duly made or delivered; *provided* that Eligible Aviation Assets shall not include any Excluded Aviation Assets.”

““Federal Reserve Bank of New York’s Website”: the NYFRB website at <http://www.newyorkfed.org>, or any successor source.”

““IBA”: as defined in Section 1.05 hereof.”

““Incremental Aviation Borrowing Amount”: as defined in Section 5.14.”

““Mortgaged Aviation Assets”: as defined in Section 5.14.”

““Owner Subsidiary”: any (a) entity (including trusts where the trustee is an institutional trustee or a Subsidiary) of which a Loan Party holds directly or indirectly 100% of the Equity Interests and which is incorporated or organized under the laws of the United States of America, any state thereof or the District of Columbia, the laws of Ireland or Bermuda, or the laws of any other jurisdiction that is approved by the Administrative Agent acting reasonably, in each case, that (b) (i) owns, directly or indirectly, one or more aircraft constituting Eligible Aviation Assets.”

““QFC”: as defined in Section 9.22 hereto.”

““QFC Credit Support”: as defined in Section 9.22 hereto.”

““Qualified Appraiser”: Morten Beyer & Agnew, Inc., or, if such appraisal firm is unavailable or in the Borrower’s judgment should be replaced, the Borrower may replace the foregoing appraisal firm with any of Alton Aviation Consultancy LLC, Avmark Inc., Ascend Worldwide Ltd., ICF SH&E Inc., Aircraft Information Services, Inc. or Aviation Specialist Group, or with any such other appraisal firm selected and retained by the Borrower and reasonably approved by the Administrative Agent, in each case so long as such appraiser is certified by the International Society of Transport Aircraft Trading.”

““Relevant Governmental Body”: the Board and/or NYFRB, or a committee officially endorsed or convened by the Board and/or the NYFRB or any successor thereto.

““Resolution Authority”: an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.”

““SOFR”: with respect to any day means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.”

““SOFR-Based Rate”: SOFR, Term SOFR and Compounded SOFR.”

““Specified Acquisition Financing Documents”: collectively, (i) the definitive documentation for the Specified Acquisition Indebtedness, (ii) the definitive documentation for any Specified Acquisition Refinancing Indebtedness and (iii) any guarantee and security agreements related to the foregoing.”

““Specified Acquisition Indebtedness”: Indebtedness that (i) is in an aggregate principal amount not to exceed \$170,000,000 at any time

outstanding, (ii) will not have a final maturity date less than 364 days after the date of execution of the definitive documentation for such Indebtedness, (iii) is used to finance the purchase of the Specified Assets, (iv) is on terms and conditions not materially less favorable to the Borrower than those in this Agreement and (v) is not secured by a Lien on any asset other than the Specified Collateral.”

““Specified Acquisition Refinancing Indebtedness”: any Indebtedness, Disqualified Stock or preferred stock issued to extend, replace, refund, refinance, renew or defease the Specified Acquisition Indebtedness, and any refinancing of such Indebtedness, Disqualified Stock or preferred stock, so long as such additional Indebtedness, Disqualified Stock or preferred stock (i) is in an aggregate principal amount no greater than the amount of such Indebtedness, Disqualified Stock or preferred stock being extended, replaced, refunded, refinanced, renewed or defeased, plus additional amounts incurred to pay interest, premiums (including tender premiums), defeasance costs, underwriting discounts, other costs and expenses and fees in connection therewith, (ii) is not secured by a Lien on any asset other than the Specified Collateral, (iii) does not have a final maturity date that is prior to the date that is 91 days following the Maturity Date, (iv) has a Weighted Average Life to Maturity which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or preferred stock being extended, replaced, refunded, refinanced, renewed or defeased and (v) shall not include Indebtedness, Disqualified Stock or preferred stock of a Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or preferred stock of the Borrower or a Guarantor.”

““Specified Assets”: each aircraft listed on Schedule II to Amendment No. 4.

““Specified Collateral”: the right, title and interest of the Borrower (or any of its indirect or direct Subsidiaries) in (i) the Specified Assets, (ii) the Additional Specified Assets, (iii) the Equity Interests of any Subsidiary of the Borrower that owns any Specified Assets or Additional Specified Assets so long as such Subsidiary does not own any other material assets, (iv) any Equity Interests of any Subsidiary of the Borrower that leases any Specified Assets or Additional Specified Assets from another Subsidiary of the Borrower so long as such pledged Subsidiary does not own any other material assets, (v) the Specified Leases, the (vi) the Associated Collateral and (vii) all proceeds of the foregoing.”

““Specified Leases”: the lease agreements relating to any Specified Assets and Additional Specified Assets listed on Schedule III to Amendment No. 4 and any other lease agreements relating to any

Specified Assets or Additional Specified Assets entered into from time to time while the Specified Acquisition Indebtedness or Specified Acquisition Refinancing Indebtedness remains outstanding.”

““Specified Transactions”: (i) the acquisition and concurrent leaseback by the Borrower, through one of its indirect, wholly-owned Subsidiaries, of the Specified Assets and (ii) the execution, delivery and performance by the Borrower and certain Subsidiaries of the Borrower of the Specified Acquisition Financing Documents.”

““Supported QFC”: as defined in Section 9.22 hereto.”

““Term SOFR”: the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.”

““UK Financial Institution”: any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.”

““UK Resolution Authority”: the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.”

““Unadjusted Benchmark Replacement”: the Benchmark Replacement excluding the Benchmark Replacement Adjustment; *provided* that, if the Unadjusted Benchmark Replacement as so determined would be less than zero, the Unadjusted Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.”

““U.S. Special Resolution Regimes”: as defined in Section 9.22 hereto.”

(b) The definitions of “Bail-In Action,” “Bail-In Legislation,” “Excluded Aviation Assets,” “Security Documents” and “Write-Down and Conversion Powers” in Section 1.01 of the Credit Agreement are hereby amended and restated as follows:

““Bail-In Action”: the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.”

““Bail-In Legislation”: (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European

Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).”

““Excluded Aviation Assets”: as defined in Section 6.13(a)(ii) hereto; provided that for so long as the Specified Acquisition Indebtedness or any Specified Acquisition Refinancing Indebtedness shall remain outstanding, any Aviation Assets that are Specified Collateral securing such Indebtedness shall constitute Excluded Aviation Assets for all purposes of this Agreement and the other Loan Documents.”

““Security Documents”: the collective reference to the Pledge Agreements, the Aircraft Mortgage and Security Agreement (if applicable) and all other security documents now or hereafter delivered to the Administrative Agent granting (or purporting to grant) a Lien on any Property of any Person to secure the Obligations, including any such security documents delivered to the Administrative Agent pursuant to Section 5.10.”

““Write-Down and Conversion Powers”: (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.”

(c) The following new Section is hereby added as Section 1.05 of the Credit Agreement:

“SECTION 1.05. Interest Rates; LIBO Rate Notification.

The interest rate on Eurodollar Rate Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the “IBA”) for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Rate Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. Upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, Section 2.15 provides a mechanism for determining an alternative rate of interest. The Administrative Agent will promptly notify the Borrower, pursuant to Section 2.15, of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of “LIBO Rate” or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 2.15, whether upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 2.15), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.”

(d) Section 2.15 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“SECTION 2.15. Making or Maintaining Eurodollar Rate Loans.

(a) Inability to Determine Applicable Interest Rate. (x) If the commencement of any Interest Period for a Eurodollar Rate Loan:

- (i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted Eurodollar Rate or the LIBO Rate, as applicable (including because the LIBO Screen Rate is not available or published on a current basis), for such Interest Period;
- (ii) the Administrative Agent is advised by the Required Lenders that the Adjusted Eurodollar Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period; or
- (iii) the Administrative Agent determines that deposits in Dollars are not being offered to banks in the applicable offshore interbank market for the applicable amount and the Interest Period of such Eurodollar Rate Loans in Dollars;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone, telecopy or electronic mail as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, which the Administrative Agent agrees to do promptly thereafter, (A) any Conversion/Continuation Notice that requests the conversion of any Loan to, or continuation of any Loan as, a Eurodollar Rate Loan shall be ineffective and (B) if any Funding Notice requests a Eurodollar Rate Loan, such Borrowing shall be made as a Base Rate Loan; *provided* that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted; *provided, further*, that, in each case, the Borrower may revoke any Conversion/Continuation Notice or Funding Notice that is pending when such notice is received.

(b) Effect of Benchmark Transition Event.

- (i) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the

Borrower may amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders; *provided* that, with respect to any such amendment to replace the LIBO Rate with a Benchmark Replacement, Lenders shall (i) not be entitled to object to any SOFR-Based Rate contained in such amendment and (ii) only be entitled to object to the Benchmark Replacement Adjustments with respect thereto. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders accept such amendment. No replacement of the LIBO Rate with a Benchmark Replacement pursuant to this Section 2.15(b) will occur prior to the applicable Benchmark Transition Start Date.

- (ii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.
- (iii) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be

made by the Administrative Agent, the Borrower or the Lenders pursuant to this Section 2.15(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.15(b).

- (iv) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period, the component of Base Rate based upon the LIBO Rate will not be used in any determination of Base Rate.

- (c) Illegality or Impracticability of Eurodollar Rate Loans. In the event that on any date (i) any Lender shall have reasonably determined (which determination shall be final and conclusive and binding upon all parties hereto but shall be made only after consultation with the Borrower and the Administrative Agent) that the making, maintaining, converting to or continuation of its Eurodollar Rate Loans has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or (ii) the Administrative Agent is advised by the Required Lenders (which determination shall be final and conclusive and binding upon all parties hereto) that the making, maintaining, converting to or continuation of its Eurodollar Rate Loans has become impracticable, as a result of contingencies occurring after the date hereof which materially and adversely affect the London interbank market or the position of the Lenders in that market, then, and in any such event, such Lenders (or in the case of the preceding clause (i), such Lender) shall be an "Affected Lender" and such Affected Lender shall on that day give

notice (by e-mail or by telephone confirmed in writing) to the Borrower and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each other Lender). If the Administrative Agent receives a notice from (x) any Lender pursuant to clause (i) of the preceding sentence or (y) Lenders constituting Required Lenders pursuant to clause (ii) of the preceding sentence, then (A) the obligation of the Lenders (or, in the case of any notice pursuant to clause (i) of the preceding sentence, such Lender) to make Loans as, or to convert Loans to, Eurodollar Rate Loans shall be suspended until such notice shall be withdrawn by each Affected Lender, (B) to the extent such determination by the Affected Lender relates to a Eurodollar Rate Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Lenders (or in the case of any notice pursuant to clause (i) of the preceding sentence, such Lender) shall make such Loan as (or continue such Loan as or convert such Loan to, as the case may be) a Base Rate Loan, (C) the Lenders' (or in the case of any notice pursuant to clause (i) of the preceding sentence, such Lender's) obligations to maintain their respective outstanding Eurodollar Rate Loans (the "Affected Loans") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law, and (D) the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination. Notwithstanding the foregoing, to the extent a determination by an Affected Lender as described above relates to a Eurodollar Rate Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Borrower shall have the option, subject to the provisions of Section 2.15(c), to rescind such Funding Notice or Conversion/Continuation Notice as to all Lenders by giving written or telephonic notice (promptly confirmed by delivery of written notice thereof) to the Administrative Agent of such rescission on the date on which the Affected Lender gives notice of its determination as described above (which notice of rescission the Administrative Agent shall promptly transmit to each other Lender). Except as provided in the immediately preceding sentence, nothing in this Section 2.15(c) shall affect the obligation of any Lender other than an Affected Lender to make or maintain Loans as, or to convert Loans to, Eurodollar Rate Loans in accordance with the terms hereof.

(d) Compensation for Breakage or Non-Commencement of Interest Periods. The Borrower shall compensate each Lender, upon written request by such Lender (which request shall set forth

the basis for requesting such amounts in reasonable detail), for all reasonable losses, expenses and liabilities (including any interest paid or payable by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss, expense or liability sustained by such Lender in connection with the liquidation or re-employment of such funds but excluding loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender) a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Funding Notice or a telephonic request for borrowing, or a conversion to or continuation of any Eurodollar Rate Loan does not occur on a date specified therefor in a Conversion/Continuation Notice or a telephonic request for conversion or continuation; (ii) if any prepayment or other principal payment of, or any conversion of, any of its Eurodollar Rate Loans occurs on a date prior to the last day of an Interest Period applicable to that Loan; or (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower.

(e) Booking of Eurodollar Rate Loans. Any Lender may make, carry or transfer Eurodollar Rate Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of such Lender.

(f) Assumptions Concerning Funding of Eurodollar Rate Loans. Calculation of all amounts payable to a Lender under this Section 2.15 and under Section 2.16 shall be made as though such Lender had actually funded each of its relevant Eurodollar Rate Loans through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to the definition of “Adjusted Eurodollar Rate” in an amount equal to the amount of such Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of such Lender to a domestic office of such Lender in the United States of America; *provided, however*, each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 2.15 and under Section 2.16.

(e) Clause (iii) of Section 5.10 of the Credit Agreement is hereby amended by inserting the text “, other than Specified Collateral,” immediately following the text “Aviation Assets” appearing therein.

(f) Article V of the Credit Agreement is hereby amended by adding the following new Section 5.14:

“Section 5.14 Aircraft Mortgage and Security Agreement.

(a) As promptly as practicable and in any event within 10 Business Days following the time, if any, at which aggregate Borrowings under the Credit Agreement exceed \$150,000,000 (the amount of such excess, the “Incremental Aviation Borrowing Amount”), the Borrower shall, and shall cause its applicable Subsidiaries to, execute and deliver to the Administrative Agent an Aircraft Mortgage and Security Agreement in respect of Eligible Aviation Assets with an Appraised Value equal to, or greater than, the amount by which the Incremental Aviation Borrowing Amount exceeds \$150,000,000 (it being understood and agreed that if the Borrower cannot produce a customary insurance certificate naming the Administrative Agent in its role as collateral agent or security trustee as additional insured and loss payee on the general and liability insurance of the lessee of the applicable Eligible Aviation Assets on such timeframe the Administrative Agent may extend such timeframe for an Aircraft Mortgage and Security Agreement for an additional 10 Business Days so the Borrower can find other Eligible Aviation Assets with respect to which such an insurance certificate can be provided and that if after such additional 10 Business Day timeframe the Borrower cannot find such other Eligible Aviation Assets the Administrative Agent may extend the timeframe for an Aircraft Mortgage and Security Agreement by an additional 10 Business Days and may elect to hire a third party security trustee reasonably acceptable to it to hold such Aircraft Mortgage and Security Agreement and any or all existing or future Aircraft Mortgage and Security Agreements all at the expense of the Borrower).

(b) If at any time the Incremental Aviation Borrowing Amount exceeds the Appraised Value of Eligible Aviation Assets then subject to an Aircraft Mortgage and Security Agreement (the “Mortgaged Aviation Assets”), then the Borrower shall within 10 Business Days either (i) prepay the Loans such that the Incremental Aviation Borrowing Amount is equal to, or less than, the Appraised Value of the Mortgaged Aviation Assets or (ii) execute and deliver an additional Aircraft Mortgage and Security Agreement (or amend or supplement an existing Aircraft Mortgage and Security Agreement) to add thereto additional Eligible Aviation Assets with an Appraised Value equal to or greater than such difference (it being understood and agreed that if the Borrower cannot produce a customary insurance certificate naming the Administrative Agent in its role as collateral agent or security trustee as additional insured and loss payee on the general and liability insurance of the lessee of the applicable Eligible Aviation Assets on such timeframe the Administrative Agent may extend

such timeframe for such additional Aircraft Mortgage and Security Agreement for an additional 10 Business Days so the Borrower can find other Eligible Aviation Assets with respect to which such an insurance certificate can be provided and that if after such additional 10 Business Day timeframe the Borrower cannot find such other Eligible Aviation Assets the Administrative Agent may extend the timeframe for such additional Aircraft Mortgage and Security Agreement by an additional 10 Business Days and may elect to hire a third party security trustee reasonably acceptable to it to hold such Aircraft Mortgage and Security Agreement and any or all existing or future Aircraft Mortgage and Security Agreements all at the expense of the Borrower). On each twelve month anniversary of any Eligible Aviation Asset becoming a Mortgaged Aviation Asset, the Borrower shall provide an updated appraisal of the Appraised Value.”

6.13:

(g) Section 6 of the Credit Agreement is hereby amended by adding the following new paragraph after Section

“Notwithstanding the foregoing, the limitations set forth in Section 6 shall not prohibit the Borrower’s or any of its Subsidiaries’ entry into and performance of the Specified Transactions or the taking of any action by the Borrower and its Subsidiaries in accordance with the Specified Acquisition Financing Documents, it being understood and agreed that the Initial Liens that will secure the Specified Acquisition Indebtedness (and any Specified Acquisition Refinancing Indebtedness) are Permitted Liens and the Secured Parties agree that no Liens on the Specified Collateral will be granted in their favor. For the avoidance of doubt, in no event shall the Borrower’s consummation of the Specified Transactions (including the granting of Liens in the Specified Collateral pursuant to the Specified Acquisition Financing Documents) result in an Event of Default.”

(h) Section 7.1(a)(3) of the Credit Agreement is hereby amended and restated as follows:

“(3) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) of Section 5.4(a) (with respect to the Borrower only), Section 5.7(a), Section 5.14 or Section 6; or”

(i) Section 9.5 of the Credit Agreement is hereby amended by adding the following new clause (c):

“(c) In addition, and without limiting the Borrower’s obligations under this Section 9.5, the Borrower agrees to pay, indemnify or reimburse each Indemnitee for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, claims (including Environmental Claims), actions, judgments, suits, costs,

expenses or disbursements of any kind or nature whatsoever (limited to, in the case of counsel, the reasonable and documented fees and disbursements of a single law firm as counsel to the Indemnitees taken as a whole and one local counsel to the Indemnitees taken as a whole in any relevant jurisdiction and, if a conflict exists among such Persons, one additional primary counsel and, if necessary or advisable, one local counsel (plus if applicable, any additional counsel in the event of a conflict) in each relevant jurisdiction) whether direct, indirect, special or consequential, incurred by an Indemnatee or asserted against any Indemnatee arising out of, in connection with, or as a result any aircraft, engine or part included in the Collateral, including, without limitation, with respect thereto, (1) the manufacture, design, purchase, acceptance, nonacceptance or rejection, ownership, registration, reregistration, deregistration, delivery, nondelivery, lease, sublease, assignment, possession, use or non-use, operation, maintenance, testing, repair, overhaul, condition, alteration, modification, addition, improvement, storage, airworthiness, replacement, repair, sale, substitution, return, abandonment, redelivery or other disposition of any such aircraft, engine or part, (2) any claim or penalty arising out of violations of applicable laws by the Borrower, owner or operator thereof, (3) tort liability of any Indemnatee (whether active, passive or imputed) and (4) death, personal injury or property damage of any Person, including passengers, shippers or others, but excluding, in each case, Taxes other than any Taxes that represent losses, claims or damages arising from a non-tax claim; *provided* that the Borrower shall have no obligation hereunder to any Indemnatee with respect to the Indemnified Liabilities under this Section 9.5(c) to the extent such Indemnified Liabilities (x) are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence, bad faith, willful misconduct or material breach of its obligations under this Agreement of such Indemnatee or (y) resulted from any dispute that does not involve an act or omission by the Borrower or any of its affiliates, shareholders, partners or other equity holders and that is brought by an Indemnatee against another Indemnatee other than any claims against an Indemnatee in its capacity or in fulfilling its role as the Administrative Agent, an Arranger or Syndication Agent under the Revolving Loan Facility.”

(j) Section 9.20(c) of the Credit Agreement is hereby amended and restated as follows:

“(c) If at any time the Incremental Aviation Borrowing Amount shall be zero, then so long as no Event of Default has occurred and is continuing, upon written request by the Borrower the Administrative Agent’s Lien on the Mortgaged Aviation Assets shall be automatically and fully released,

and the Administrative Agent shall, at the Borrower's expense, execute such release documents as the Borrower may reasonably request.”

(k) Section 9.21 of the Credit Agreement is hereby amended and restated as follows:

“Section 9.21 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any applicable Resolution Authority.”

(l) Article IX of the Credit Agreement is hereby amended by adding the following new Section 9.22:

“Section 9.22 Acknowledgment Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported

QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 9.22, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and

interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).”

SECTION 3. Representations and Warranties. To induce the other parties hereto to enter into this Agreement, the Borrower hereby represents and warrants to the Administrative Agent and each of the other parties hereto that:

(a) As of the Fourth Amendment Effective Date, each Loan Party has duly executed and delivered and authorized this Amendment and this Amendment constitutes the legal, valid and binding obligation of such Loan Party enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization and other similar laws relating to or affecting creditors’ rights generally and general principles of equity (whether considered in a proceeding in equity or law).

(b) As of the Fourth Amendment Effective Date, (i) the representations and warranties set forth in the Credit Agreement and in the other Loan Documents are true and correct in all material respects except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects on and as of such earlier date; *provided* that, in each case, such materiality qualifier is not applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof and (ii) no Default or Event of Default has occurred and is continuing.

SECTION 4. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the satisfaction or waiver, on or prior to May 11, 2020, of the following conditions precedent (the date on which all such conditions are satisfied or waived, the “Fourth Amendment Effective Date”):

(a) The Administrative Agent shall have received from the Borrower and the Required Lenders either (i) a counterpart of this Amendment signed on behalf of such parties or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed signature page of this Amendment) that such parties have signed a counterpart of this Amendment.

(b) The Borrower shall have paid all fees due and payable as of the Fourth Amendment Effective Date and all expenses for which reasonably detailed invoices have been presented prior to the Fourth Amendment Effective Date that are due to the Administrative Agent and the Lenders and required to be paid on the Fourth Amendment Effective Date in connection with the transactions contemplated hereby.

(c) The representations and warranties set forth in Section 3 shall be true and correct.

The Administrative Agent shall notify the Borrower and the Lenders of the Fourth Amendment Effective Date, and such notice shall be conclusive and binding.

SECTION 5. Consent and Reaffirmation. Each of the Loan Parties hereby (i) consents to this Amendment and the transactions contemplated hereby and (ii) agrees that, notwithstanding the effectiveness of this Amendment, its Obligations under each of the Loan Documents to which it is a party continues to be in full force and effect. The parties hereto expressly acknowledge that it is not their intention that this Amendment or any of the other Loan Documents executed or delivered pursuant hereto constitute a novation of any of the obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, but a modification thereof pursuant to the terms contained herein.

SECTION 6. Loan Documents. This Amendment shall constitute a “Loan Document” for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of an original executed counterpart of this Amendment.

SECTION 8. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 9. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers or representatives as of the day and year first above written.

FORTRESS TRANSPORTATION AND INFRASTRUCTURE
INVESTORS LLC,

as the Borrower

By: /s/ Joseph P. Adams Jr.

Name: Joseph P. Adams Jr.

Title: Chief Executive Officer

FORTRESS WORLDWIDE TRANSPORTATION AND
INFRASTRUCTURE GENERAL PARTNERSHIP,

BY ITS FORTRESS PARTNER FORTRESS WORLDWIDE
TRANSPORTATION AND INFRASTRUCTURE MASTER
GP LLC,

as a Grantor

By: /s/ Demetrios Tserpelis

Name: Demetrios Tserpelis

Title: Authorized Signatory

[Signature Page to Amendment No. 4]

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, a Lender and Issuing Bank

By: /s/ Cristina Caviness
Name: Cristina Caviness
Title: Vice President

[Signature Page to Amendment No. 4]

BARCLAYS BANK PLC,
as a Lender and Issuing Bank

By: /s/ Craig J. Malloy
Name: Craig J. Malloy
Title: Director

[Signature Page to Amendment No. 4]

MORGAN STANLEY SENIOR FUNDING, INC.,
as a Lender and Issuing Bank

By: /s/ Jack Kuhns
Name: Jack Kuhns
Title: Vice President

[Signature Page to Amendment No. 4]

Annex A

See attached.

AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

Dated as of _____, 2020

among

THE GRANTORS AND ADDITIONAL GRANTORS REFERRED TO HEREIN
as the Grantors

and

JPMORGAN CHASE BANK, N.A.
as the Administrative Agent

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Schedule II Registered Office and Company Registration Number or Organizational ID

EXHIBITS

Exhibit A-1 Form of Collateral Supplement

Exhibit A-2 Form of Grantor Supplement

AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

This AIRCRAFT MORTGAGE AND SECURITY AGREEMENT (this "Agreement"), dated as of [•], 2020, is made among the GRANTORS named on the signature pages hereto and the ADDITIONAL GRANTORS who from time to time become grantors under this Agreement (collectively, the "Grantors"), and JPMORGAN CHASE BANK, N.A., as the administrative agent (in such capacity, and together with any permitted successor or assign thereto or any permitted replacement thereof, the "Administrative Agent").

PRELIMINARY STATEMENTS:

(1) Fortress Transportation and Infrastructure Investors LLC (the "Borrower"), the Grantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), and the Administrative Agent have entered into the Credit Agreement, dated as of June 16, 2017 (as amended by Amendment No. 1, dated as of August 2, 2018, as further amended by Amendment No. 2, dated as of February 8, 2019, as further amended by Amendment No. 3, dated as of August 6, 2019, as further amended by Amendment No. 4, dated as of May 11, 2020 and as further amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), pursuant to which the Lenders have agreed to make Loans to the Borrower.

(2) The Grantors own certain Pool Aircraft and are parties to lease and sub-lease contracts with respect to such Pool Aircraft.

(3) The Grantors may from time to time grant additional security for the benefit of the Secured Parties, all in accordance with, and subject to the terms and conditions of, this Agreement.

(4) The Grantors in each case party thereto have agreed pursuant to the Credit Agreement, and it is a condition precedent to the making of the Loans by the Lenders to the Borrower under the Credit Agreement, that the Grantors grant the security interests required by this Agreement.

(5) Each Grantor will derive substantial direct and indirect benefit from the transactions described above.

(6) JPMorgan Chase Bank, N.A. is willing to act as the Administrative Agent under this Agreement.

NOW, THEREFORE, in consideration of the premises, each Grantor hereby agrees with the Administrative Agent for its respective benefit and the benefit of the other Secured Parties as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 Definitions

(a) Certain Defined Terms. For the purposes of this Agreement, the following terms have the meanings indicated below:

"Additional Grantor" has the meaning specified in Section 7.01(a).

"Administrative Agent" has the meaning specified in the recital of parties to this Agreement.

"Agreement" has the meaning specified in the recital of parties to this Agreement.

"Agreement Currency" has the meaning specified in Section 7.07.

"Aircraft Documents" means, with respect to a Pool Aircraft, all technical data, manuals and log books, and all inspection, modification and overhaul records and other service, repair, maintenance and technical records that are required pursuant to applicable law to be maintained with respect to such Pool Aircraft, and such term shall include all additions, renewals, revisions and replacements of any such materials from time to time made, or required to be made, pursuant to applicable law, and in each case in whatever form and by whatever means or medium (including, without limitation, microfiche, microfilm, paper or computer disk) such materials may be maintained or retained by the relevant Lessee.

"Aircraft Objects" means, collectively, the Aircraft Objects (as defined in the Protocol) described on Schedule I hereto and in any Collateral Supplement or Grantor Supplement.

"Airframe" means, individually, each of the airframes described on Schedule I hereto and in any Collateral Supplement or Grantor Supplement.

"Applicable Creditor" has the meaning specified in Section 7.07.

"Assigned Agreement Collateral" has the meaning specified in Section 2.01(b)(iii).

"Assigned Agreements" has the meaning specified in Section 2.01(b)(iii)(A).

"Assigned Documents" means, collectively, the Assigned Agreements and the Assigned Leases.

"Assigned Leases" has the meaning specified in Section 2.01(b)(ii).

"Borrower" has the meaning in the recital of parties to this Agreement.

"Cape Town Lease" means any Lease (including any Lease between Grantors) that has been entered into, extended, assigned or novated after March 1, 2006 (or such later date as the Cape Town Convention may be given effect under the law of any applicable jurisdiction) (A) with a Cape Town Lessee or (B) where the related Aircraft Object is registered in a "Contracting State".

"Cape Town Lessee" means a lessee under a Lease that is "situated in" a "Contracting State".

"Collateral" has the meaning specified in Section 2.01.

"Collateral Supplement" means a supplement to this Agreement in substantially the form attached as Exhibit A-1 hereto executed and delivered by a Grantor.

"Credit Agreement" has the meaning specified in the preliminary statements to this Agreement.

"Eligible Institution" means (a) JPMorgan Chase Bank, N.A. in its capacity as the Administrative Agent under this Agreement; (b) any bank not organized under the laws of the United States of America or Ireland so long as it has either (i) a long-term unsecured debt rating of either A- or better by Standard & Poor's or A2 or better by Moody's or (ii) a short-term unsecured debt rating of either A-1 or better by Standard & Poor's or P-1 or better by Moody's; or (c) any bank organized under the laws of the United States of America or any state thereof, or the District of Columbia (or any branch of a foreign bank licensed under any such laws) or Ireland, so long as it (i) has either (A) a long-term unsecured debt rating of AA (or the equivalent) or better by either Standard & Poor's or Moody's or (B) a short-term unsecured debt rating of either A-1 or better by Standard & Poor's or P-1 or better by Moody's and (ii) can act as a securities intermediary under the New York Uniform Commercial Code.

"Engine" means, individually, each of the aircraft engines described on Schedule I hereto or in any Collateral Supplement or Grantor Supplement.

"Express Perfection Requirements" with respect to each Pool Aircraft and the related Assigned Lease(s), (i) filing any UCC financing and/or continuation statements, and any amendments thereto, required pursuant to the Uniform Commercial Code of any applicable jurisdiction to establish and maintain a valid and perfected first priority Lien on such Pool Aircraft and the related Assigned Lease(s) under the UCC (subject to Permitted Liens); (ii) the taking of such other actions as may be required to perfect the Administrative Agent's security interest in any Collateral (other than any Pool Aircraft and any Assigned Lease); (iii) the Required Cape Town Registrations; and (iv) any other action contemplated by the Loan Documents.

"Excluded Property" shall mean (a) proceeds of public liability insurance (or government or other Person (including any Manufacturer, any Lessee and any sublessee of any Lessee) indemnities in lieu thereof) paid or payable as a result of insurance claims made, or

losses suffered, by any Grantor, any other Loan Party or any of their respective Affiliates, (b) proceeds of insurance maintained by any Grantor, any other Loan Party or any of their respective Affiliates for its or their own account or benefit (whether directly or through a Grantor or any other Loan Party) and not required by the Loan Documents, (c) any general, Tax or other indemnity payments, expenses, reimbursements and similar payments and interest in respect thereof paid or payable in favor of any Grantor, any other Loan Party or any of their respective Affiliates or their respective successors or assigns, officers, directors, employees, agents, managers and servants, including any such payments pursuant to any Lease, except to the extent such Person owes such amounts in respect of the same claim to a Secured Party, (d) any security interest held by a Grantor, any other Loan Party or any of their respective Affiliates in any assets of a Lessee or any sublessee thereof or of any of their Affiliates which secure obligations owed by such Lessee, sublessee or Affiliate pursuant to a grant of collateral not securing such Lessee's obligations under the applicable Lease, (e) any interest that may from time to time accrue in respect of any of the amounts described in clauses (a) through (d) above, (f) the proceeds from the enforcement of any right to enforce the payment of any amount described in clauses (a) through (e) above, and (g) any right to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to take any other action in respect of, but in each case, only to the extent relating to, any Excluded Property.

"Grantor" has the meaning specified in the preliminary statements to this Agreement.

"Grantor Supplement" means a supplement to this Agreement in substantially the form attached as Exhibit A-2 hereto executed and delivered by a Grantor.

"Insurance" means in relation to each Pool Aircraft, insurance certificates and, if applicable, reinsurance certificates complying with the provisions of the applicable Assigned Lease and Credit Agreement.

"International Registry" means the International Registry under the Cape Town Convention.

"Judgment Currency" has the meaning specified in Section 7.07.

"Lease Collateral" has the meaning specified in Section 2.01(b)(ii).

"Lease Documents" means in respect of a Pool Aircraft, any agreement, contract or document relating to such Pool Aircraft or agreements relating to the leasing of such Pool Aircraft, whether in existence on the date hereof or thereafter acquired, including, without limitation, the related Leases, any related novations and all Bills of Sale applicable to such Pool Aircraft.

"Lenders" has the meaning specified in the preliminary statements to this Agreement.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature (other than (a) Engines or engines, and (b) any appliance, part, component, instrument, appurtenance, accessory, furnishing, seat or other equipment that would qualify as a removable part and is leased by a Lessee from a third party or is subject to a security interest granted to a third party), that may from time to time be installed or incorporated in or attached or appurtenant to any Airframe or any Engine or removed therefrom.

"Permitted Lien" means:

(1) Liens imposed by law, such as carriers', warehousemen's, materialmen's, landlords', workmen's, suppliers', repairmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, in each case for sums not yet overdue for a period of more than 30 days or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

(2) Liens for taxes, assessments or other governmental charges or levies (x) that are not yet overdue for a period of more than 30 days or (y) being contested in good faith by appropriate proceedings and for which adequate reserves are maintained on the books of such Person in conformity with GAAP;

(3) any Lease on such Pool Aircraft;

(4) Liens securing the Obligations; and

(5) Liens securing judgments, attachments or awards for the payment of money not constituting an Event of Default so long as such judgment is being contested in good faith and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired.

"Pool Aircraft" mean each aircraft identified on Schedule I hereto and in any Collateral Supplement or Grantor Supplement.

"Protocol" means the Protocol to the Convention on Matters Specific to Aircraft Equipment, as in effect in any applicable jurisdiction from time to time.

"Received Currency" has the meaning specified in Section 7.07.

"Related Collateral Documents" means a letter of credit or third-party or bank guarantee provided by or on behalf of a Lessee to secure such Lessee's obligations under a Lease, in each case to the extent assignable without the consent of a third party.

"Required Cape Town Registrations" has the meaning set forth in Section 2.06(d).

"UCC" means the Uniform Commercial Code as in effect on the date of determination in the State of New York, provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions of this Agreement relating to such perfection or effect of perfection or non-perfection.

(b) Terms Defined in the Cape Town Convention. The following terms shall have the respective meanings ascribed thereto in the Cape Town Convention: "Administrator", "Contracting State", "Contract of Sale", "International Interest", "Professional User Entity", "situated in" and "Transacting User Entity".

(c) Terms Defined in the Credit Agreement. For all purposes of this Agreement, all capitalized terms used but not defined in this Agreement shall have the respective meanings assigned to such terms in the Credit Agreement.

Section 1.02 Construction and Usage

Unless the context otherwise requires:

(a) A term has the meaning assigned to it and an accounting term not otherwise defined has the meaning assigned to it in accordance with IFRS.

(b) The terms "herein", "hereof" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(c) Unless otherwise indicated in context, all references to Articles, Sections, Schedules or Exhibits refer to an Article or Section of, or a Schedule or Exhibit to, this Agreement.

(d) Words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders, and words in the singular shall include the plural, and vice versa.

(e) The terms "include", "including" and similar terms shall be construed as if followed by the phrase "without limitation".

(f) References in this Agreement to an agreement or other document (including this Agreement) include references to such agreement or document as amended, replaced or otherwise modified (without, however, limiting the effect of the provisions of this Agreement with regard to any such amendment, replacement or modification), and the provisions of this Agreement apply to successive events and transactions. References to any Person shall include such Person's successors in interest and permitted assigns.

(g) References in this Agreement to any statute or other legislative provision shall include any statutory or legislative modification or re-enactment thereof, or any substitution therefor, and references to any governmental Person shall include reference to any governmental Person succeeding to the relevant functions of such Person.

(h) References in this Agreement to any action, remedy or method of judicial proceeding for the enforcement of the rights of creditors or of security shall be deemed to include, in respect of any jurisdiction other than the State of New York, references to such action, remedy or method of judicial proceeding for the enforcement of the rights of creditors or of security available or appropriate in such jurisdiction as shall most nearly approximate such action, remedy or method of judicial proceeding described or referred to in this Agreement.

(i) Where any payment is to be made, funds applied or any calculation is to be made hereunder on a day which is not a Business Day, unless any Loan Document otherwise provides, such payment shall be made, funds applied and calculation made on the next succeeding Business Day, and payments shall be adjusted accordingly, provided, however, that no additional interest shall be due in respect of such delay.

(j) The collateral granted pursuant to this Agreement shall constitute Collateral notwithstanding the definition of "Excluded Assets" under any Loan Document.

ARTICLE II.

SECURITY

Section 2.01 Grant of Security

(a) To secure the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations (including any extensions, modifications, substitutions, amendments or renewals of any or all of the Obligations) each Grantor hereby assigns and pledges to the Administrative Agent for its benefit and the benefit of the other Secured Parties, and hereby grants to the Administrative Agent for its benefit and the benefit of the other Secured Parties a security interest in, all of such Grantor's right, title and interest in and to the following, whether now owned or existing or hereafter acquired or arising (collectively, the "Collateral"):

(i) all of Grantor's right, title and interest in and to each Pool Aircraft, including each Airframe and Engine as the same is now and will hereafter be constituted, and in the case of such Engines, whether or not any such Engine shall be installed in or attached to any Airframe or any other airframe, together with (i) all Parts of whatever nature, which are from time to time included within the definitions of "Airframe" or "Engines", including all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to the Airframes and Engines (other than additions, improvements, accessions and accumulations which constitute appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment excluded

from the definition of Parts), (ii) all Aircraft Documents with respect to such Pool Aircraft, (iii) each bill of sale or any contract of sale with respect to such Pool Aircraft; (iv) all proceeds from any sale or other disposition of such Pool Aircraft; and (v) all proceeds of Insurance due to such Grantor on, and all other proceeds payable to such Grantor in respect of, any total or partial loss or physical destruction, confiscation, condemnation or requisition of such Pool Aircraft, each such Engine and all Parts, equipment, attachments, accessories, replacement and added Parts and components described in the preceding clauses of this clause (i);

(ii) all of Grantor's right, title and interest in and to all Leases to which Grantor is or may from time to time be party with respect to the Pool Aircraft and any leasing arrangements among Grantor with respect to such Leases, together with all Related Collateral Documents (all such Leases and Related Collateral Documents, the "Assigned Leases"), including, without limitation, (i) all rights of Grantor to receive moneys due and to become due under or pursuant to such Assigned Leases, (ii) all rights of Grantor to receive proceeds of any indemnity, warranty or guaranty with respect to such Assigned Leases, (iii) claims of Grantor for damages arising out of or for breach or default under such Assigned Leases, (iv) all rights under any such Assigned Leases with respect to any subleases of the Pool Aircraft subject to such Assigned Leases, (v) all rights of Grantor to discharge any registration of an International Interest with respect to such Pool Aircraft or Engine or any such Assigned Lease made with the International Registry and (vi) the right of Grantor to terminate such Assigned Leases and to compel performance of, and otherwise to exercise all remedies under, any Assigned Lease, whether arising under such Assigned Leases or by statute or at law or in equity (the "Lease Collateral");

(iii) all of the following (the "Assigned Agreement Collateral"):

(A) all of Grantor's right, title and interest in and to all security assignments, cash deposit agreements and other security agreements executed in its favor in respect of any Pool Aircraft (including any Airframe and any Engine) or in respect of or pursuant to any Assigned Lease, in each case as such agreements may be amended or otherwise modified from time to time (collectively, the "Assigned Agreements"); and

(B) all of Grantor's right, title and interest in and to all property of whatever nature, in each case pledged, assigned or transferred to it or mortgaged or charged in its favor pursuant to any Assigned Agreement;

(iv) all of Grantor's right, title and interest in and to the personal property identified in a Grantor Supplement or a Collateral Supplement executed and delivered by Grantor to the Administrative Agent; and

(v) all proceeds of any and all of the foregoing Collateral (including proceeds that constitute property of the types described in subsections (i), (ii), (iii) and (iv) of this Section 2.01).

excluding, however, all Excluded Property.

Section 2.02 Security for Obligations

This Agreement secures the payment and performance of all Obligations to each Secured Party and shall be held by the Administrative Agent in trust for the Secured Parties. Without limiting the generality of the foregoing, this Agreement secures the payment of the Obligations and would be owed by any Grantor to any Secured Party but for the fact that the Obligations are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Grantor.

Section 2.03 Representations and Warranties of the Grantors

Each Grantor represents and warrants as of the date of this Agreement, and as of each date on which such Grantor subjects a new Pool Aircraft to this Agreement solely with respect to such Pool Aircraft and such Grantor, as follows:

(a) The Grantors are the legal and beneficial owners of the Collateral. None of the Collateral has been pledged, assigned, sold or otherwise encumbered other than pursuant to the terms of the Loan Documents and except for Permitted Liens.

(b) This Agreement creates a valid and (upon the taking of the actions required hereby and under the Credit Agreement, provided that only the Express Perfection Requirements shall be required to be satisfied) perfected security interest in favor of the Administrative Agent for the benefit of the Secured Parties in the Collateral as security for the Obligations, subject in priority to no other Liens (other than Permitted Liens), and all filings and other actions necessary to perfect and protect such security interest as a first priority security interest of the Administrative Agent have been (or, in the case of future Collateral or actions expressly permitted to be taken at a later date pursuant to the Loan Documents, will be) duly taken (except that only the Express Perfection Requirements shall be required to be satisfied), enforceable against the applicable Grantors and creditors of and purchasers from such Grantors.

(c) No Grantor has any trade names.

(d) Subject to the Express Perfection Requirements which are required to be complied with, no consent of any other Person and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other third party (including, for the avoidance of doubt, the International Registry) is required under the laws of the United States, Bermuda or Ireland or (if not the United States, Bermuda, or Ireland) the law of the jurisdiction of incorporation or organization of such Grantor either (i) for the grant by such Grantor of the pledge, assignment and security interest granted hereby, (ii) for the execution,

delivery or performance of this Agreement by such Grantor or (iii) for the perfection or maintenance of the pledge, assignment and security interest created hereby, except for (A) the Required Cape Town Registrations, (B) the filing of financing and continuation statements under the UCC, and (C) any consent, authorization, approval, action or notice of filing required under the law of the jurisdiction of incorporation or organization of such Grantor (if not Ireland, Bermuda or the United States).

(e) Such Grantor's name, jurisdiction of incorporation, organization or formation, the chief place of business, organizational identification number (if applicable) and chief executive or registered office of such Grantor and the office where such Grantor keeps records of the Collateral are located at the address specified opposite the name of such Grantor on the attached Schedule II. If such Grantor is the lessor under a Cape Town Lease, it has the right to assign the International Interest provided for in such Cape Town Lease and all associated rights in respect of such Cape Town Lease that form part of the Collateral. Such Grantor has furnished to the Administrative Agent a charter or other equivalent formation or organizational document, certified to the extent applicable, certificate of incorporation or other organizational document and short-form good standing certificate (to the extent such concept is relevant in the applicable jurisdiction) as of a date which is recent to the date hereof, provided that such charter or equivalent document, certificate of incorporation or other organizational document and short-form good standing certificate has not been amended or otherwise modified after such date and prior to the date hereof.

Section 2.04 Grantors Remain Liable

Anything contained herein to the contrary notwithstanding, (a) each Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Administrative Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral and (c) in each case, unless the Administrative Agent or any other Secured Party, expressly in writing or by operation of law, assumes or succeeds to the interests of any Grantor hereunder, no Secured Party shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall any Secured Party be obligated to perform any of the obligations or duties of any Grantor under the contracts and agreements included in the Collateral or to take any action to collect or enforce any claim for payment assigned under this Agreement.

Section 2.05 As to the Assigned Documents

(a) Promptly following the inclusion of any Assigned Document in the Collateral, the relevant Grantor will (i) deliver a copy thereof to the Administrative Agent, (ii) with respect to each Assigned Lease, give due notice to the Lessee under such Assigned Lease of its assignment pursuant to this Agreement, (iii) with respect to each Assigned Lease which constitutes an International Interest, register such International Interest and the assignment thereof at the International Registry to the extent required by the Required Cape Town

Registrations, and (iv) take such other action as may be necessary to perfect the lien of this Agreement as to such Assigned Document such that the security interest therein granted to the Administrative Agent is senior to that of any other creditor of the relevant Grantor or as otherwise reasonably requested by the Administrative Agent (provided that only the Express Perfection Requirements shall be required to be satisfied and, notwithstanding anything else to the contrary in any Loan Document, no Grantor shall be required to deliver to the Administrative Agent any letter of credit issued pursuant to an Assigned Lease). Upon the written request of any Grantor, the Administrative Agent (solely in its capacity as such) will execute such undertakings of quiet enjoyment in favor of the Lessee under any Assigned Lease as are substantially to the same effect as the undertakings of quiet enjoyment provided for in such Assigned Lease.

(b) Upon the amendment or replacement of any Assigned Document or the entering into of any new Assigned Document, the relevant Grantor will deliver a copy thereof to the Administrative Agent and will take such other action as may be necessary to perfect the lien of this Agreement as to such Assigned Document such that the security interest therein granted to the Administrative Agent is senior to that of any other creditor of the relevant Grantor or as otherwise reasonably requested by the Administrative Agent (provided that only the Express Perfection Requirements shall be required to be satisfied).

(c) Each Grantor shall, at its expense, furnish to the Administrative Agent promptly upon receipt copies of each material amendment, supplement or waiver to a Lease received by such Grantor under or pursuant to the Assigned Documents.

(d) So long as no Event of Default shall have occurred and be continuing, and notwithstanding any provision to the contrary in this Agreement, each Grantor shall be entitled, to the exclusion of the Administrative Agent but subject always to the terms of the Loan Documents (x) to exercise and receive, directly or indirectly through one or more agents, any of the claims, rights, powers, privileges, remedies and other benefits under, pursuant to, with respect to or arising out of the Assigned Documents and (y) to take any action or to not take any action, directly or indirectly through one or more agents, related to the Assigned Documents and the lessees or counterparties thereunder, including entering into, amending, supplementing, terminating, performing, enforcing, compelling performance of, exercising all remedies (whether arising under any Assigned Document or by statute or at law or in equity or otherwise) under, exercising rights, elections or options or taking any other action under or in respect of, granting or withholding notices, waivers, approvals and consents in respect of, receiving all payments under, dealing with any credit support or collateral security in respect of, or taking any other action in respect of, the Assigned Documents and contacting or otherwise having any dealings with any lessee or counterparty thereunder, provided, however, that (i) so long as any Assigned Lease remains in effect, no Grantor will abrogate any right, power or privilege granted expressly in favor of the Administrative Agent or any other Secured Party under any Assigned Lease and (ii) during the continuance of an Event of Default, all such rights of each Grantor shall cease, and all such rights shall become vested in the Administrative Agent, which shall thereupon have the sole right to exercise or refrain from exercising such rights.

Section 2.06 Further Assurances

(a) Each Grantor agrees that from time to time, at the expense of such Grantor, such Grantor shall promptly execute and deliver all further instruments and documents, and take all further action (including under the laws of any foreign jurisdiction), that may be necessary, or that the Administrative Agent may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral (except that (x) with respect to the perfection of liens, only the Express Perfection Requirements shall be required to be satisfied and (y) no local law aircraft mortgages, security assignments, security agreements or like instruments shall be required to be provided). Each Grantor shall (i) execute and file such UCC financing or continuation statements, or amendments thereto, and such other instruments or notices, that may be necessary, or as the Administrative Agent may reasonably request, in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby and (ii) execute, file, record, or register such additional documents and supplements to this Agreement, including any further assignments, security agreements, pledges, grants and transfers, as may be required under the laws of any foreign jurisdiction or as the Administrative Agent may reasonably request, to create, attach, perfect, validate, render enforceable, protect or establish the priority of the security interest and lien of this Agreement (except that (x) with respect to the perfection of liens, only the Express Perfection Requirements shall be required to be satisfied and (y) no local law aircraft mortgages, security assignments, security agreements or like instruments shall be required to be provided).

(b) Each Grantor hereby authorizes the Administrative Agent to file one or more UCC financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of such Grantor where permitted by law. Such financing statements may describe the Collateral in the same manner as described in this Agreement or may contain an indication or description of collateral that describes such property in any other manner as the Administrative Agent may determine, in its sole discretion, is necessary to ensure the perfection of the security interest in the Collateral granted to the Administrative Agent in connection herewith. Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

(c) Each Grantor shall, prior to or simultaneously with any Person becoming a lessor of any Pool Aircraft, cause such Person to enter into a Collateral Supplement or a Grantor Supplement (as applicable).

(d) Each Grantor shall register or cause to be registered (or if the Administrative Agent is making such registration, without relieving each Grantor of such obligation, consent to such registration) with the International Registry (collectively, the "Required Cape Town Registrations"): (i) the International Interest provided for hereunder with respect to each Aircraft Object in respect of Pool Aircraft where the relevant Grantor is situated in a Contracting State or such Aircraft Object is registered in a Contracting State; (ii) the International Interest provided for in any Cape Town Lease under which such Grantor is a lessor or lessee; (iii) the assignment to the Administrative Agent of each International Interest described in clause (ii) and assigned to the Administrative Agent hereunder; and (iv) the Contract of Sale with respect to any Pool

Aircraft by which title to such Pool Aircraft is conveyed by or to such Grantor, but only if the seller under such Contract of Sale is situated in a Contracting State or if such Aircraft Object is registered in a Contracting State and if such seller agrees to such registration; provided that any registrations described in the foregoing clauses (ii), (iii) or (iv) that require the consent of a lessee shall not be required. To the extent that (A) the Administrative Agent's consent is required for any such registration, or (B) the Administrative Agent is required to initiate any such registration, the Administrative Agent shall ensure that such consent or such initiation of such registration is effected, and no Grantor shall be in breach of this Section should the Administrative Agent fail to do so in a proper fashion (it being understood and agreed that in no event shall the Administrative Agent be liable for any failure to so register as a result of such Grantor's failure to provide any necessary information required for such registration in a timely manner or if such information is inaccurate or incomplete).

(e) If any Grantor shall (i) change its jurisdiction of organization, type of organization or the location of its sole place of business or chief executive office from that referred to in Schedule II or, if such Grantor is not a registered organization, become a registered organization (within the meaning of Section 9-307 of any Uniform Commercial Code) due to any action by such Grantor; or (ii) change its name, such Grantor shall, on or before the date that is 30 days following such change (or such longer period as the Administrative Agent may agree to in its sole discretion), give the Administrative Agent written notice thereof and deliver to the Administrative Agent all additional financing statements and other documents required or reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interest provided for herein after giving effect to such change. Without the prior consent of the Administrative Agent, no Grantor shall change its jurisdiction of organization or principal place of business if it would cause such Grantor not to satisfy the definition of Owner Subsidiary.

Section 2.07 Administrative Agent Appointed Attorney-in-Fact

Each Grantor hereby irrevocably appoints, as security for the Obligations, the Administrative Agent as such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in the Administrative Agent's discretion during the occurrence and continuance of an Event of Default, to take any action and to execute any instrument that the Administrative Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) to receive, indorse and collect any drafts or other instruments and documents in connection with the Collateral;

(c) to file any claims or take any action or institute any proceedings that the Administrative Agent may deem necessary for the collection of any of the Collateral or

otherwise to enforce the rights of the Administrative Agent with respect to any of the Collateral; and

(d) to execute and file any UCC financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary, in order to perfect and preserve the pledge, assignment and security interest granted hereby;

provided that the Administrative Agent's exercise of any such power shall be subject to Section 2.05(d).

Section 2.08 Administrative Agent May Perform

If any Grantor fails to perform any agreement contained in this Agreement, the Administrative Agent may (but shall not be obligated to) after such prior notice as may be reasonable under the circumstances, itself perform, or cause performance of, such agreement, and the expenses of the Administrative Agent incurred in connection with doing so shall be payable by the Grantors.

Section 2.09 Delivery of Collateral Supplements

Upon the addition of any Pool Aircraft, each relevant Grantor shall promptly execute and deliver to the Administrative Agent a Collateral Supplement duly completed with respect to such Collateral and shall take such steps with respect to the perfection of such Collateral as are called for by this Agreement for Collateral of the same type (except that only the Express Perfection Requirements shall be required to be satisfied), provided that the foregoing shall not be construed to impair or otherwise derogate from any restriction on any such action in any Loan Document, and provided further that the failure of any Grantor to deliver any Collateral Supplement as to any such Collateral shall not impair the lien of this Agreement as to such Collateral.

Section 2.10 Covenants Related to Addition of Pool Aircraft

Each Grantor hereby covenants that, as of the date hereof, they have delivered or will deliver to the Administrative Agent the following;

(a) opinions in the customary form and satisfactory to the Administrative Agent of (i) counsel in the jurisdiction of organization of the applicable Grantor, (ii) with respect to the laws of the State of New York, counsel to the applicable Grantor regarding authorization, enforceability and perfection as to the security interests granted hereunder and (iii) counsel to the applicable Grantor in respect of the registration and filing of the Required Cape Town Filings;

(b) the applicable Insurance; provided that that if any Pool Aircraft is not subject to an Assigned Lease, such insurance shall be in an amount and on substantially similar terms as the prior Insurance for such Pool Aircraft; and

(c) in respect of each Pool Aircraft, copies of the certificate of registration, each Lease and all other material Lease Documents.

Section 2.11 Application of Proceeds

All proceeds collected by the Administrative Agent upon any collection, sale, foreclosure or other realization upon any Collateral (including any distribution pursuant to a plan of reorganization), including any Collateral consisting of cash, shall be applied in accordance with Section 7.2 of the Credit Agreement.

ARTICLE III.

REMEDIES

Section 3.01 Remedies

Notwithstanding anything herein or in any other Loan Document to the contrary, if any Event of Default shall have occurred and be continuing, and, in each case, subject to the quiet enjoyment rights of the applicable Lessee of any Pool Aircraft:

(a) The Administrative Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein (including, for the avoidance of doubt, the rights and remedies of the Administrative Agent provided for in Section 2.07(c)), all of the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Collateral) and all of the rights and remedies under applicable law and also may (i) require any Grantor to, and such Grantor hereby agrees that it shall at its expense and upon request of the Administrative Agent forthwith, assemble all or any part of the Collateral as directed by the Administrative Agent and make it available to the Administrative Agent at a place to be designated by the Administrative Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell or cause the sale of the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' prior notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) The Administrative Agent may, in addition to or in connection with any other remedies available hereunder or under any other applicable law, exercise any and all remedies granted under the Cape Town Convention as it shall determine in its sole discretion. In connection therewith, the parties hereby agree to the extent permitted by the UCC that (i) Article 9(1) and Article 9(2) of the Convention, wherein the parties may agree or the court may order

that any Collateral shall vest in the Administrative Agent in or towards satisfaction of the Obligations, shall not preclude the Administrative Agent from obtaining title to any Collateral pursuant to any other remedies available under applicable law (including but not limited to Article 9-620 of the UCC); (ii) any surplus of cash or cash proceeds held by the Administrative Agent and remaining after payment in full of the Obligations shall be paid as specified in Section 7.2 of the Credit Agreement; and (iii) the Administrative Agent may obtain from any applicable court, pending final determination of any claim resulting from an Event of Default, speedy relief in the form of any of the orders specified in Article 13 of the Convention and Article X of the Protocol as the Administrative Agent shall determine in its sole and absolute discretion, subject to any procedural requirements prescribed by applicable laws

ARTICLE IV.

SECURITY INTEREST ABSOLUTE

Section 4.01 Security Interest Absolute

A separate action or actions may be brought and prosecuted against each Grantor to enforce this Agreement, irrespective of whether any action is brought against any other Grantor or whether any other Grantor is joined in any such action or actions. Except as otherwise provided in the Loan Documents, all rights of the Administrative Agent and the security interests and Liens granted under, and all obligations of each Grantor under, until payment in full of the Obligations, the expiration or termination of the Commitments and the expiration or termination of all Letters of Credit (except those that have been cash collateralized or backstopped, in each case, in a manner reasonably satisfactory to each applicable Issuing Bank), this Agreement and each other Loan Document shall be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of any Loan Document, Assigned Document or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, the security for, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Loan Document or Assigned Document or any other agreement or instrument relating thereto;

(c) any taking, exchange, release or non-perfection of the Collateral or any other collateral or taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;

(d) any manner of application of Collateral, or proceeds thereof, to the Obligations, or any manner of sale or other disposition of any Collateral for the Obligations or any other assets of the Grantors;

(e) any change, restructuring or termination of the corporate structure or existence of any Grantor; or

(f) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor or a third-party grantor of a security interest or a Person deemed to be a surety.

ARTICLE V.

THE ADMINISTRATIVE AGENT

Section 5.01 Cape Town Convention

The Administrative Agent, during the term of this Agreement, shall establish and maintain a valid and existing account as a Transacting User Entity with the International Registry and appoint an Administrator and/or a Professional User Entity to make registrations in regard to the Collateral as required by this Agreement.

Section 5.02 No Individual Liability

The Administrative Agent shall not have any individual liability in respect of all or any part of the Obligations, and all shall look, subject to the lien and priorities of payment provided herein and in the Loan Documents, only to the property of the Grantors (to the extent provided in the Loan Documents) for payment or satisfaction of the Obligations pursuant to this Agreement and the other Loan Documents.

ARTICLE VI.

INDEMNITY AND EXPENSES

Section 6.01 Secured Parties' Indemnity

The Administrative Agent shall be entitled to be indemnified (subject to the limitations and requirements described in Section 9.5 of the Credit Agreement) by the Lenders to the sole satisfaction of the Administrative Agent before proceeding to exercise any right or power under this Agreement at the request or direction of the Administrative Agent.

Section 6.02 Survival

The provisions of Section 6.01 shall survive the termination of this Agreement or, if earlier, the resignation of the Administrative Agent hereunder.

ARTICLE VII.

MISCELLANEOUS

Section 7.01 Amendments; Etc.

(a) Upon the execution and delivery by any Person of a Grantor Supplement, (i) such Person shall be referred to as an "Additional Grantor" and shall be and become a Grantor hereunder, and each reference in this Agreement to "Grantor" shall also mean and be a reference to such Additional Grantor, (ii) Annexes I and II attached to each Grantor Supplement shall be incorporated into, become a part of and supplement Schedules I and II hereto, respectively, and the Administrative Agent may attach such Annexes as supplements to such Schedules; and each reference to such Schedules shall be a reference to such Schedules as so supplemented and (iii) such Additional Grantor shall be a Grantor for all purposes under this Agreement and shall be bound by the obligations of the Grantors hereunder.

(b) Upon the execution and delivery by a Grantor of a Collateral Supplement, Annex I to each Collateral Supplement shall be incorporated into, become a part of and supplement Schedule I, and the Administrative Agent may attach such Annexes as supplements to such Schedule; and each reference to such Schedule shall be a reference to such Schedule as so supplemented.

(c) None of the terms or provisions of this Agreement may be amended, supplemented or otherwise modified except in accordance with Section 9.1 of the Credit Agreement.

Section 7.02 Addresses for Notices

All notices and other communications provided for hereunder shall be in writing (including telecopier or email) and telecopied, emailed or delivered to the intended recipient to the address, telecopier number, electronic mail address or telephone number specified for such Person in Section 9.2 of the Credit Agreement or in a Grantor Supplement, or to such other address as shall be designated by such Person in a written notice to each other party to this Agreement complying as to delivery with the terms of this Section 7.02. Each such notice shall be effective (a) on the date personally delivered to an authorized officer of the party to which sent, or (b) on the date transmitted by legible telecopier or email transmission with a confirmation of receipt.

Section 7.03 No Waiver; Cumulative Remedies

No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Secured Party, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 7.04 Severability

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.05 Continuing Security Interest

Subject to Section 7.06, this Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full in cash of all of the Obligations, the expiration or termination of the Commitments and the expiration or termination of all Letters of Credit (except those that have been cash collateralized or backstopped, in each case, in a manner reasonably satisfactory to each applicable Issuing Bank), (b) be binding upon each Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Secured Parties and their respective successors, permitted transferees and permitted assigns.

Section 7.06 Release and Termination

(a) Upon any release of a Pool Aircraft pursuant to the Credit Agreement, such Pool Aircraft and the Collateral related solely to such Pool Aircraft will be deemed released from the Lien hereof, and the Administrative Agent will, at such Grantor's expense, execute and deliver to the Grantor of such Collateral such documents as such Grantor shall reasonably request and provide to the Administrative Agent to evidence the release of such Collateral from the pledge, assignment and security interest granted hereby, and to the extent that (A) the Administrative Agent's consent is required for any deregistration of the interests in such released Collateral from the International Registry or other registry or (B) the Administrative Agent is required to initiate any such deregistration, the Administrative Agent shall ensure that such consent or such initiation of such deregistration is affected, subject in each case, to receipt by the Administrative Agent of an officer's certificate of the Borrower certifying as to such matters reasonably requested by the Administrative Agent.

(b) If at any time the Incremental Aviation Borrowing Amount is zero and no Event of Default has occurred and is continuing, upon written request by the Borrower the pledge, assignment and security interest granted by Section 2.01 hereof shall terminate, the Administrative Agent shall cease to be a party to this agreement, and all provisions of this Agreement (except for this Section 7.06(b)) relating to the Obligations, the Secured Parties or the Administrative Agent shall cease to be of any effect insofar as they relate to the Obligations, the Secured Parties or the Administrative Agent. Upon any such termination, the Administrative Agent will, at the relevant Grantor's expense, execute and deliver to each relevant Grantor such documents as such Grantor shall prepare and reasonably request to evidence such termination.

Section 7.07 Conversion of Currencies

(a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at

which, in accordance with normal banking procedures in the jurisdiction, the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Grantor in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the “**Applicable Creditor**”) shall, notwithstanding any judgment in a currency (the “**Judgment Currency**”) other than the currency in which such sum is stated to be due hereunder (the “**Agreement Currency**”), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Grantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Grantor contained in this Section 7.07 shall survive the termination of the Credit Agreement and the payment of all other amounts owing thereunder.

Section 7.08 Governing Law

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 7.09 Jurisdiction; Consent to Service of Process

Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, in each case, in the County of New York, Borough of Manhattan, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to its address set forth in Section 9.2 of the Credit Agreement or at such other address of which the Administrative Agent (or in the case of the Administrative Agent, the other parties hereto) shall have been notified pursuant thereto;

(d) agrees that the Administrative Agent, the Issuing Bank and the Lenders retain the right to bring proceedings against any Loan Party in the courts of any other jurisdiction in connection with the exercise of any rights under any Security Document or the enforcement of any judgment;

(e) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law; and

(f) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 7.09 any special, exemplary, punitive or consequential damages.

Section 7.10 Counterparts

(a) This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

(b) The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent.

Section 7.11 Table of Contents, Headings, Etc.

The Table of Contents and headings of the Articles and Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms and provisions hereof.

Section 7.12 Non-Invasive Provisions

(a) Notwithstanding any other provision of the Loan Documents, the Administrative Agent agrees that, so long as no Event of Default shall have occurred and be continuing, not to take any action or cause to be taken any action, or permit any person claiming

by, through or on behalf of it to take any action or cause any action, that would interfere with the possession, use, operation and quiet enjoyment of and other rights with respect to any Pool Aircraft or Collateral related thereto and all rents, revenues, profits and income therefrom, including, without limitation, the right to enforce manufacturers' warranties, the right to apply or obtain insurance proceeds for damage to the Pool Aircraft to the repair of the Pool Aircraft and the right to engage in pooling, leasing and similar actions, in each case in accordance with the terms of this Agreement.

(b) Notwithstanding any other provision of the Loan Documents, the Administrative Agent agrees that, so long as no "Event of Default" (or similar term) under a Lease (as defined in such Lease) shall have occurred and be continuing, not to take any action or cause to be taken any action, or permit any person claiming by, through or on behalf of it to take any action or cause any action, that would interfere with the possession, use, operation and quiet enjoyment of and other rights of the Lessee with respect to any Pool Aircraft or Collateral related thereto and all rents, revenues, profits and income therefrom, including, without limitation, the right to enforce manufacturers' warranties, the right to apply or obtain insurance proceeds for damage to the Pool Aircraft to the repair of the Pool Aircraft and the right to engage in pooling, leasing and similar actions, in each case in accordance with the terms of such Lease.

(c) The Administrative Agent agrees to release any Lien the Administrative Agent may have upon any Engine upon (i) a Grantor providing the Administrative Agent with written notice of a transfer thereof promptly after receipt of a notice thereof from the relevant Lessee and with a copy of the bill of sale or other instrument evidencing the transfer of title of such replacement Engine to a Grantor, (ii) in the case of the transfer of title to an Engine initiated by a Grantor, the Grantor providing the Administrative Agent with a certificate of such transfer and a copy of the bill of sale or other instrument evidencing the transfer of title of a replacement Engine to a Grantor, or (iii) upon the total loss payment or Loan repayment being received (or replacement aircraft being provided) in a case where the Airframe, but not such Engine, was the subject of a total loss, provided that, for the avoidance of doubt, the Administrative Agent shall not release any Lien upon an engine that is not replaced by a Grantor or a Lessee, unless such Engine is associated with an aircraft that was subject to a total loss or otherwise removed from the Designated Pool. The applicable Grantor shall at the request of the Administrative Agent execute a supplement to this Agreement to evidence that any such replacement engine has become subject to the Lien of this Agreement and the Administrative Agent shall, at the request of the applicable Grantor, execute a supplement to this Agreement to evidence the release of the applicable Engine from the Lien of the Administrative Agent.

(d) The Lenders and the Administrative Agent agree that they will not claim, and upon the request of any Grantor, the Administrative Agent will confirm in writing that it does not claim, any right, title or interest in any engine or part (including any audio visual, telephonic, entertainment or similar equipment) that is installed on a Pool Aircraft which does not constitute an "engine" or "part" as defined in the applicable Lease.

(e) For the avoidance of doubt, the Administrative Agent agrees that each Grantor may from time to time lease out an engine that is part of a Pool Aircraft or lease in an

engine that is not part of a Pool Aircraft as it determines in accordance with Leasing Company Practice.
[The Remainder of this Page is Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by its representative or officer thereunto duly authorized as of the date first above written.

[GRANTOR], as a Grantor

By _____

Name:

Title:

JPMORGAN CHASE BANK, N.A., not in its individual capacity but solely as the
Administrative Agent

By _____

Name:

Title:

SCHEDULE I
AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

AIRCRAFT OBJECTS

	Airframe Manufacturer and Model	Airframe MSN	Engine Manufacturer and Model	Engine MSNs	Registration Mark

SCHEDULE II
AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

Name of Grantor

Registered Office and Company Registration Number or Organizational
ID (if applicable)

[Grantor]

[•]
Registration No. [•]

EXHIBIT A-1
AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

FORM OF COLLATERAL SUPPLEMENT

JPMorgan Chase Bank, N.A., as the Administrative Agent
500 Stanton Christiana Road, Ops 2, 3rd Floor
Newark, Delaware 19713
Attention: [•]
Fax: [•]
[Date]

Re: Aircraft Mortgage and Security Agreement, dated as of [__], 2020

Ladies and Gentlemen:

Reference is made to the Aircraft Mortgage and Security Agreement, dated as of [__], 2020 (the "Aircraft Mortgage and Security Agreement"), among the Grantors named on the signature pages thereto and the Additional Grantors who become grantors under the Aircraft Mortgage and Security Agreement from time to time (collectively, the "Grantors") and JPMorgan Chase Bank, N.A., as the Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Aircraft Mortgage and Security Agreement.

The undersigned hereby delivers, as of the date first above written, the attached Annex I pursuant to Section 2.09 of the Aircraft Mortgage and Security Agreement.

The undersigned Grantor hereby confirms that the property included in the attached Annex constitutes part of the Collateral and hereby makes each representation and warranty set forth in Section 2.03 of the Aircraft Mortgage and Security Agreement (as supplemented by the attached Annex).

This Collateral Supplement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

Very truly yours,

[_____]

By:
Name:
Title:

Acknowledged and agreed to as of the date first above written:

JPMORGAN CHASE BANK, N.A.,
not in its individual capacity, but
solely as the Administrative Agent

By:
Name:
Title:

AIRCRAFT OBJECTS

Airframe MSN	Airframe Manufacturer and Model	Engine MSNs	Engine Manufacturer and Model
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FORM OF GRANTOR SUPPLEMENT

JPMorgan Chase Bank, N.A., as the Administrative Agent
500 Stanton Christiana Road, Ops 2, 3rd Floor
Newark, Delaware 19713
Attention: [•]
Fax: [•]

[Date]

Re: Aircraft Mortgage and Security Agreement, dated as of [___], 2020

Ladies and Gentlemen:

Reference is made to the Aircraft Mortgage and Security Agreement, dated as of [___], 2020 (the "Aircraft Mortgage and Security Agreement"), among the Grantors named on the signature pages thereto and the Additional Grantors who become grantors under the Aircraft Mortgage and Security Agreement from time to time (collectively, the "Grantors") and JPMorgan Chase Bank, N.A., as the Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Aircraft Mortgage and Security Agreement.

The undersigned hereby agrees, as of the date first above written, to become a Grantor under the Aircraft Mortgage and Security Agreement as if it were an original party thereto and agrees that each reference in the Aircraft Mortgage and Security Agreement to "Grantor" shall also mean and be a reference to the undersigned.

Grant of Security Interest. To secure the Obligations, the undersigned Grantor hereby assigns and pledges to the Administrative Agent for its benefit and the benefit of the other Secured Parties and hereby grants to the Administrative Agent for its benefit and the benefit of the other Secured Parties a first priority security interest in, all of its right, title and interest in and to the following (collectively, the "Supplementary Collateral"):

(a) all of such Grantor's right, title and interest in and to each Pool Aircraft, including each Airframe and Engine as the same are now and will hereafter be constituted, and in the case of such Engines, whether or not any such Engine shall be installed in or attached to any Airframe or any other airframe, together with (i) all Parts of whatever nature, which are from time to time included within the definitions of "Airframe" or "Engines", including all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to the Airframes and Engines (other than additions, improvements, accessions and accumulations which constitute appliances, parts, instruments, appurtenances, accessories,

furnishings or other equipment excluded from the definition of Parts), (ii) all Aircraft Documents with respect to such Pool Aircraft, (iii) each bill of sale or any contract of sale with respect to such Pool Aircraft, and (iv) all proceeds from any sale or other disposition of such Pool Aircraft;

(b) all of such Grantor's right, title and interest in and to all Leases to which such Grantor is or may from time to time be party with respect to the Pool Aircraft and any leasing arrangements among Grantors with respect to such Leases together with all Related Collateral Documents (all such Leases and Related Collateral Documents, the "Assigned Leases"), including without limitation (i) all rights of such Grantor to receive moneys due and to become due under or pursuant to such Assigned Leases, (ii) all rights of such Grantor to receive proceeds of any indemnity, warranty or guaranty with respect to such Assigned Leases, (iii) claims of such Grantor for damages arising out of or for breach or default under such Assigned Leases, (iv) all rights under any such Assigned Lease with respect to any subleases of the Pool Aircraft subject to such Assigned Leases, (v) all rights of such Grantor to discharge any registration of an International Interest with respect to such Pool Aircraft or Engine or any such Assigned Lease made with the International Registry and (vi) the right of such Grantor to terminate such Assigned Leases and to compel performance of, and otherwise to exercise all remedies under, any Assigned Lease, whether arising under such Assigned Leases or by statute or at law or in equity (the "Lease Collateral");

(c) all of the following (the "Assigned Agreement Collateral"):

(i) all of such Grantor's right, title and interest in and to all security assignments, cash deposit agreements and other security agreements executed in its favor in respect of any Pool Aircraft (including any Airframe and any Engine) or in respect of or pursuant to any Assigned Lease, in each case, as such agreements may be amended or otherwise modified from time to time (collectively, the "Assigned Agreements"); and

(ii) all of such Grantor's right, title and interest in and to all property of whatever nature, in each case pledged, assigned or transferred to it or mortgaged or charged in its favor pursuant to any Assigned Agreement;

(d) all of such Grantor's right, title and interest in and to the personal property identified in a Grantor Supplement or a Collateral Supplement executed and delivered by such Grantor to the Administrative Agent; and

(e) all proceeds of any and all of the foregoing Collateral (including proceeds that constitute property of the types described in subsections (a), (b), (c) and (d) above),

excluding, however, all Excluded Property and the right to specifically enforce the same or to sue for damages for breach thereof, as the case may be.

The undersigned Grantor hereby makes each representation and warranty set forth in Section 2.03 of the Aircraft Mortgage and Security Agreement (as supplemented by the attached Annexes) and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Aircraft Mortgage and Security Agreement. Each reference in the Aircraft Mortgage and

Security Agreement to the Assigned Agreements, the Assigned Agreement Collateral, the Assigned Leases, the Lease Collateral, the Assigned Documents and the Assigned Agreement Collateral shall be construed to include a reference to the corresponding Collateral hereunder.

The notice details of the undersigned Grantor are as follows:

[•]

This Grantor Supplement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

[Signature Page Follows]

Very truly yours,

[NAME OF GRANTOR]

By:
Name:
Title:

Acknowledged and agreed to as of the date first above written:

JPMORGAN CHASE BANK, N.A.,
not in its individual capacity, but solely as the *Administrative Agent*

By:
Name:
Title:

AIRCRAFT OBJECTS

Airframe MSN

Airframe Manufacturer and
Model

Engine MSNs

Engine Manufacturer and
Model

ANNEX II
GRANTOR SUPPLEMENT

Name of Grantor

Chief Executive Office, Chief Place of
Business and Registered Office and Organizational ID (if applicable)

EXHIBIT 31.1

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Fortress Transportation and Infrastructure Investors LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2020

(Date)

/s/ Joseph P. Adams, Jr.

Joseph P. Adams, Jr.

Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Scott Christopher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fortress Transportation and Infrastructure Investors LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2020

(Date)

/s/ Scott Christopher

Scott Christopher

Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Fortress Transportation and Infrastructure Investors LLC (the "Company") for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph P. Adams, Jr., as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph P. Adams, Jr.

Joseph P. Adams, Jr.

Chief Executive Officer

July 31, 2020

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of Fortress Transportation and Infrastructure Investors LLC (the "Company") for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Scott Christopher, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott Christopher

Scott Christopher
Chief Financial Officer
July 31, 2020

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.