

WILLIS LEASE FINANCE CORP
Form 10-K/A
April 03, 2013
Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2012

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-15369

WILLIS LEASE FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

68-0070656

(IRS Employer Identification No.)

773 San Marin Drive, Suite 2215, Novato, CA

94998

Edgar Filing: WILLIS LEASE FINANCE CORP - Form 10-K/A

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (415) 408-4700

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

Title of Each Class	Name of each exchange on which registered
Common Stock	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Edgar Filing: WILLIS LEASE FINANCE CORP - Form 10-K/A

The aggregate market value of voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2012) was approximately \$74.9 million (based on a closing sale price of \$12.32 per share as reported on the NASDAQ National Market).

The number of shares of the registrant's Common Stock outstanding as of March 14, 2013 was 8,692,743.

Documents Incorporated by Reference

The registrant's 2012 Annual Report on Form 10-K, Reports of Independent Registered Public Accounting Firms, and the Definitive Proxy Statement on Schedule 14-A, is incorporated by reference into Part IV hereof.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 (Amendment) to Form 10-K amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2012, originally filed with the Securities and Exchange Commission on March 18, 2013 (the Original 10-K), of Willis Lease Finance Corporation (the Registrant , the Company , we and our). We are filing this Amendment with respect to Item 15 of the Original 10-K to include the separate condensed financial schedules for fiscal years ended December 31, 2012, 2011 and 2010, respectively, as Schedule I, which should be read in conjunction with the Company s consolidated financial statements and notes to the consolidated financial statements of the Original 10-K. Additionally, this Amendment corrects XBRL rendering that was incorrect at the time of the Original 10-K filing.

In connection with the filing of this Amendment, the currently dated certifications from our Chief Executive Officer, our Chief Financial Officer and consent of the independent registered public accounting firm are attached as exhibits hereto.

Except as described above, this Amendment does not amend, update or change the financial statements of the Company or any other items or disclosures contained in the Original 10-K and does not otherwise reflect events occurring subsequent to the original filing date of the Original 10-K on March 18, 2013.

Table of Contents

**WILLIS LEASE FINANCE CORPORATION
2012 FORM 10-K ANNUAL REPORT**

TABLE OF CONTENTS

PART IV

<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	5
-----------------	---	---

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Item 15 of the Original 10-K is amended by the addition of the following:

(a) (2) Financial Statement Schedule

Schedule I, Parent Company Financial Statements, are submitted as a separate section of this report starting on page 5.

All other financial statement schedules have been omitted as the required information is not pertinent to the Registrant or is not material or because the required information is included in the Financial Statements and Notes thereto.

(a) (3), (b) and (c): Exhibits: The response to this portion of Item 15 is submitted below.

EXHIBITS

Exhibit Number	Description
23.1	Consent of KPMG LLP.
31.1	Certification of Charles F. Willis, IV, pursuant to Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Bradley S. Forsyth, pursuant to Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101+	The following materials from the Company's report on Form 10-K for the fiscal year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Shareholder's Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

+ Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: April 3, 2013

Willis Lease Finance Corporation

By: /s/ CHARLES F. WILLIS, IV
Charles F. Willis, IV
Chairman of the Board and
Chief Executive Officer

Dated:	Title	Signature
Date: April 3, 2013	Chief Executive Officer and Director (Principal Executive Officer)	/s/ CHARLES F. WILLIS, IV Charles F. Willis, IV
Date: April 3, 2013	Chief Financial Officer and Senior Vice President (Principal Finance and Accounting Officer)	/s/ BRADLEY S. FORSYTH Bradley S. Forsyth

Table of Contents**WILLIS LEASE FINANCE CORPORATION****AND SUBSIDIARIES****SCHEDULE I CONDENSED BALANCE SHEETS****Parent Company Information****December 31, 2012 and 2011****(In thousands, except share data)**

	December 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 4,142	\$ 6,429
Equipment held for operating lease, less accumulated depreciation	266,302	320,240
Equipment held for sale	18,271	14,164
Operating lease related receivable, net of allowances	3,688	3,395
Notes receivable, net of allowances		5
Investments	21,831	15,239
Investment in subsidiaries	198,443	148,104
Due from subsidiaries, net		2,298
Deferred income taxes	3,164	
Property, equipment & furnishings, less accumulated depreciation	5,989	6,901
Equipment purchase deposits	1,369	1,369
Other assets, net	9,257	9,722
Total assets	\$ 532,456	\$ 527,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,313	\$ 11,375
Due to subsidiaries, net	2,648	
Liabilities under derivative instruments	1,690	2,789
Deferred income taxes		9,555
Notes payable	301,671	252,006
Maintenance reserves	11,787	11,820
Security deposits	1,994	2,676
Unearned lease revenue	1,800	984
Total liabilities	332,903	291,205
Shareholders' equity:		
Preferred stock (\$0.01 par value, 5,000,000 shares authorized; 0 and 3,475,000 shares issued and outstanding at December 31, 2012 and 2011, respectively)		31,915
Common stock (\$0.01 par value, 20,000,000 shares authorized; 8,715,580 and 9,109,663 shares issued and outstanding at December 31, 2012 and 2011, respectively)	87	91
Paid-in capital in excess of par	47,785	56,842
Retained earnings	152,911	156,704
Accumulated other comprehensive loss, net of income tax benefit	(1,230)	(8,891)
Total shareholders' equity	199,553	236,661
Total liabilities and shareholders' equity	\$ 532,456	\$ 527,866

Table of Contents

WILLIS LEASE FINANCE CORPORATION

AND SUBSIDIARIES

SCHEDULE I CONDENSED STATEMENTS OF INCOME (LOSS)

Parent Company Information

Years Ended December 31, 2012, 2011 and 2010

(In thousands)

	2012	Years Ended December 31,		2010
		2011		
REVENUE				
Lease rent revenue	\$ 30,564	\$ 36,181	\$ 28,486	
Maintenance reserve revenue	13,139	11,344	11,187	
Gain on sale of leased equipment	3,605	7,895	3,782	
Other revenue	10,809	12,487	14,586	
Total revenue	58,117	67,907	58,041	
EXPENSES				
Depreciation expense	18,764	17,783	14,800	
Write-down of equipment	2,621	2,306	2,874	
General and administrative	30,565	34,151	27,917	
Technical expense	3,336	3,711	3,720	
Net finance costs:				
Interest expense	11,471	14,328	15,039	
Interest income		(40)	(25)	
Loss on debt extinguishment	94	343		
Total net finance costs	11,565	14,631	15,014	
Total expenses	66,851	72,582	64,325	
Loss from operations	(8,734)	(4,675)	(6,284)	
Earnings from joint ventures	1,759	1,295	1,109	
Loss before income taxes	(6,975)	(3,380)	(5,175)	
Income tax benefit/(expense)	2,196	(628)	1,602	
Equity in income of subsidiaries, net of tax of \$3,357, \$8,902, and \$9,232 at December 31, 2012, 2011, and 2010, respectively	6,314	18,516	15,623	
Net income	\$ 1,535	\$ 14,508	\$ 12,050	
Preferred stock dividends	2,493	3,128	3,128	
Preferred stock redemption costs	2,835			
Net income (loss) attributable to common shareholders	\$ (3,793)	\$ 11,380	\$ 8,922	

Table of Contents

WILLIS LEASE FINANCE CORPORATION

AND SUBSIDIARIES

SCHEDULE I CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Parent Company Information

Years Ended December 31, 2012, 2011 and 2010

(In thousands)

	Twelve Months Ended		
	December 31		
	2012	2011	2010
Net income	\$ 1,535	\$ 14,508	\$ 12,050
Other comprehensive income (loss):			
Derivative instruments			
Unrealized losses on derivative instruments	(1,039)	(2,145)	(6,254)
Reclassification adjustment for losses included in net income	1,901	3,356	5,781
Net gain (loss) recognized in other comprehensive income	862	1,211	(473)
Tax benefit (expense) related to items of other comprehensive income (loss)	(406)	(420)	171
Other comprehensive income (loss) from parent	456	791	(302)
Other comprehensive income (loss) from subsidiaries	7,205	787	(1,880)
Total other comprehensive income (loss)	7,661	1,578	(2,182)
Total comprehensive income	\$ 9,196	\$ 16,086	\$ 9,868

Table of Contents

WILLIS LEASE FINANCE CORPORATION

AND SUBSIDIARIES

SCHEDULE I CONDENSED STATEMENTS OF CASH FLOWS

Parent Company Information

Years Ended December 31, 2012, 2011 and 2010

(In thousands)

	2012	Years Ended December 31,		2010
		2011		
Cash flows from operating activities:				
Net income	\$ 1,535	\$ 14,508	\$ 12,050	
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in income of subsidiaries	(6,314)	(18,516)	(15,623)	
Depreciation expense	18,764	17,783	14,800	
Write-down of equipment	2,621	2,306	2,874	
Stock-based compensation expenses	3,144	3,173	2,678	
Amortization of deferred costs	2,215	1,360	2,719	
Amortization of interest rate derivative cost	(236)	483	2,956	
Allowances and provisions	34	(157)	(21)	
Gain on sale of leased equipment	(3,605)	(7,895)	(3,782)	
Gain on insurance settlement	(173)			
Gain on sale of interest in joint venture			(2,020)	
Other non-cash items		(1,113)		
Income from joint ventures, net of distributions	(957)	(485)	(160)	
Non-cash portion of loss on debt extinguishment	94	343		
Deferred income taxes	(2,196)	4,325	(2,041)	
Changes in assets and liabilities:				
Receivables	(292)	(1,037)	(908)	
Notes receivable	5	78	259	
Other assets	(1,329)	(910)	(2,146)	
Accounts payable and accrued expenses	(2,421)	(9,066)	4,473	
Due to / from subsidiaries	4,946	553	(546)	
Maintenance reserves	2,898	3,008	(2,590)	
Security deposits	(641)	759	379	
Unearned lease revenue	335	(72)	144	
Net cash provided by operating activities	18,427	9,428	13,495	
Cash flows from investing activities:				
Increase in investment in subsidiaries	(100,649)	(1,800)	(21,814)	
Distributions received from subsidiaries	106,183	22,851	39,314	
Proceeds from sale of equipment held for operating lease (net of selling expenses)	21,371	61,309	13,520	
Proceeds from sale of interest in joint ventures			3,500	
Investment in joint venture	(5,636)	(8,943)		
Purchase of equipment held for operating lease	(40,465)	(99,132)	(25,946)	
Purchase of property, equipment and furnishings	(1,219)	(904)	(399)	
Net cash provided by (used in) investing activities	(20,415)	(26,619)	8,175	

Edgar Filing: WILLIS LEASE FINANCE CORP - Form 10-K/A

Cash flows from financing activities:				
Proceeds from issuance of notes payable	236,392		132,409	120,466
Debt issuance cost	(516)		(3,565)	(268)
Preferred stock dividends	(2,493)		(3,128)	(3,128)
Proceeds from shares issued under stock compensation plans	1,725		672	1,268
Cancellation of restricted stock units in satisfaction of withholding tax	(1,194)		(968)	(775)
Excess tax benefit from stock-based compensation			779	422
Redemption of preferred stock	(34,750)			
Repurchase of common stock	(12,736)		(5,661)	(4,156)
Cash settlement of stock options			(1,262)	
Principal payments on notes payable	(186,727)		(97,858)	(135,309)
Net cash provided by (used in) financing activities	(299)		21,418	(21,480)
Increase/(Decrease) in cash and cash equivalents	(2,287)		4,227	190
Cash and cash equivalents at beginning of period	6,429		2,202	2,012
Cash and cash equivalents at end of period	\$ 4,142	\$	6,429	\$ 2,202
Supplemental disclosures of cash flow information:				
Net cash paid for:				
Interest	\$ 8,105	\$	9,307	\$ 7,462
Income Taxes	\$ 101	\$	155	\$ 541
Supplemental disclosures of non-cash investing activities:				
During the years ended December 31, 2012, 2011, 2010, engines and equipment totaling \$14,156, \$17,067 and \$70, respectively, were transferred from Held for Operating Lease to Held for Sale but not settled.				
During the years ended December 31, 2012, 2011, 2010, engines and equipment totaling \$56,562, \$2,448 and \$14,417, respectively, were transferred from the parent to its subsidiaries.				