

AIR LEASE CORP
Form S-1/A
July 11, 2011

As filed with the Securities and Exchange Commission on July 11, 2011

Registration No. 333-173817

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

AIR LEASE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction
of incorporation or organization)*

7359
*(Primary Standard Industrial
Classification Code Number)*
**2000 Avenue of the Stars, Suite 1000N
Los Angeles, CA 90067
(310) 553-0555**

27-1840403
*(I.R.S. Employer
Identification Number)*

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**John L. Plueger
President & Chief Operating Officer
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Los Angeles, CA 90067
(310) 553-0555**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated July 11, 2011.

Prospectus

***65,852,274 shares of Class A Common Stock
1,829,339 shares of Class B Non-Voting Common Stock***

This prospectus relates to the following shares of Class A Common Stock and Class B Non-Voting Common Stock of Air Lease Corporation (together, the Common Stock), all of which may be offered for sale by the selling stockholders named in this prospectus: (i) 65,852,274 shares of Class A Common Stock, including up to 482,625 shares of Class A Common Stock issuable upon exercise of outstanding warrants and up to 1,829,339 shares of Class A Common Stock issuable upon conversion of outstanding Class B Non-Voting Common Stock, and (ii) 1,829,339 shares of Class B Non-Voting Common Stock. The selling stockholders acquired the shares of Common Stock offered by this prospectus in a private placement. We are registering the offer and sale of the shares of Common Stock to satisfy registration rights we granted to the selling stockholders.

We are not selling any shares of Common Stock under this prospectus and we will not receive any proceeds from the sale of Common Stock by the selling stockholders. The shares of Common Stock to which this prospectus relates may be offered and sold from time to time directly by the selling stockholders or alternatively through underwriters or broker-dealers or agents on terms to be determined at the time of sale. The shares of Common Stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Because all of the shares being offered under this prospectus are being offered by selling stockholders, we cannot determine the price or prices at which the shares of Common Stock may be sold under this prospectus. To the extent required, the names of any agent or broker-dealer and the applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement that will accompany this prospectus. A prospectus supplement also may add, update or change information contained in this prospectus.

We recently completed our initial public offering of 34,825,470 shares of our Class A Common Stock. Our Class A Common Stock is listed on the New York Stock Exchange, or the NYSE, under the symbol AL. On July 8, 2011, the last reported sale price of our Class A Common Stock on the NYSE was \$25.02 per share. Our Class B Non-Voting Common Stock is not currently listed on any national securities exchange or market system.

Investing in our Common Stock involves a high degree of risk. See Risk factors beginning on page 14. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2011.

Table of contents

	Page
<u>Industry and market data</u>	i
<u>Prospectus summary</u>	1
<u>Risk factors</u>	14
<u>Forward-looking statements</u>	40
<u>Use of proceeds</u>	41
<u>Dividend policy</u>	42
<u>Public market for our Common Stock</u>	43
<u>Capitalization</u>	44
<u>Selected financial data</u>	45
<u>Management's discussion and analysis of financial condition and results of operations</u>	49
<u>Overview of the aircraft leasing industry</u>	61
<u>Business</u>	74
<u>Management</u>	90
<u>Executive compensation</u>	100
<u>Principal stockholders</u>	126
<u>Selling stockholders</u>	129
<u>Certain relationships and related party transactions</u>	153
<u>Description of capital stock</u>	155
<u>Shares eligible for future sale</u>	161
<u>Material U.S. federal income tax considerations for non-U.S. holders</u>	163
<u>Plan of distribution</u>	166
<u>Legal matters</u>	169
<u>Experts</u>	169
<u>Where you can find additional information</u>	169
<u>Index to financial statements</u>	F-1

We and the selling stockholders have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or in any free writing prospectus prepared by or on behalf of us or the selling stockholders or to which we or the selling stockholders have referred you. We and the selling stockholders take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The selling stockholders are offering to sell, and seeking offers to buy, Common Stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Common Stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our Common Stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Dealer prospectus delivery obligation

Until _____, 2011, all dealers that buy, sell or trade in our Common Stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Industry and market data

Market data and forecasts used in this prospectus have been obtained from independent industry sources and publications as well as from research reports, including, without limitation, data relating to the airline industry provided by AVITAS, Inc. (AVITAS), a full-service aviation consulting firm retained by us to provide aviation market and industry data for inclusion in this prospectus. Although we believe that these sources are credible, we have not independently verified the accuracy or completeness of the data obtained from these sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

Prospectus summary

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of this offering but does not contain all of the information that you should consider before deciding to invest in our Common Stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our Common Stock discussed in the section titled "Risk factors" and our financial statements and related notes appearing elsewhere in this prospectus. Unless the context otherwise requires, the terms "Company," "ALC," "we," "our" and "us" refer to Air Lease Corporation and its subsidiaries.

Our company

Air Lease Corporation is an aircraft leasing company that was launched in February 2010 by aviation industry pioneer Steven F. Udvar-Házy. We are principally engaged in purchasing commercial aircraft which we, in turn, lease to airlines around the world to generate attractive returns on equity. We lease our aircraft to airlines pursuant to net operating leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term.

As of March 31, 2011, we owned 49 aircraft of which nine were new aircraft and 40 were used aircraft. Our fleet is comprised of fuel-efficient and newer technology aircraft, consisting of narrowbody (single-aisle) aircraft, such as the Airbus A319/320/321 and the Boeing 737-700/800, and select widebody (twin-aisle) aircraft, such as the Airbus A330-200 and the Boeing 777-300ER. We manage lease revenues and take advantage of changes in market conditions by acquiring a balanced mix of aircraft types, both new and used. Our used aircraft are generally less than five years old. All of the aircraft we own were leased as of March 31, 2011. Additionally, as of March 31, 2011, we had entered into purchase commitments to acquire an additional 153 new aircraft through 2017 and eight used aircraft in 2011.

Through careful management and diversification of our leases and lessees by geography, lease term, and aircraft age and type, we mitigate the risks of owning and leasing aircraft. We believe that diversification of our leases and lessees reduces the risks associated with individual lessee defaults and adverse geopolitical and regional economic events. We manage lease expirations in our fleet portfolio over varying time periods in order to minimize periods of concentrated lease expirations and mitigate the risks associated with cyclical variations in the airline industry. We target to place new aircraft under leases with a minimum term of six years for narrowbody aircraft and nine years for widebody aircraft. As of March 31, 2011, the weighted average lease term remaining on our current leases was 5.9 years, and we leased the aircraft in our portfolio to 30 airlines in 17 countries.

We operate our business on a global basis, providing aircraft to airline customers in every major geographical region, including emerging and high-growth markets such as Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe. According to AVITAS, many of these emerging markets are experiencing increased demand for passenger airline travel and have lower market saturation than more mature markets such as North America and Western Europe. In addition, airlines in some of these emerging markets have fewer financing alternatives, enabling us to command relatively higher lease rates compared to more mature markets. With our well-established industry contacts and access to capital, we believe we will be able to continue successfully implementing our business strategy worldwide. As of March 31, 2011, we

have entered into leases and future lease commitments with airlines in Australia, Brazil, Bulgaria, Canada, China, France, Germany, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kenya, Malaysia, Mexico, Mongolia, the Netherlands, New Zealand, Norway, Russia, South Africa, South Korea, Spain, Sri Lanka, Trinidad & Tobago, Turkey, United Arab Emirates, the United States and Vietnam.

While our primary business is to own and lease aircraft, we also plan to provide fleet management and remarketing services to third parties for a fee. These services are similar to those we perform with respect to our fleet, including leasing, re-leasing, lease management and sales services.

Air Lease Corporation is led by a highly experienced management team that includes Mr. Udvar-Házy, our Chairman and Chief Executive Officer, John L. Plueger, our President and Chief Operating Officer, Grant A. Levy, our Executive Vice President, General Counsel and Secretary, Marc H. Baer, our Executive Vice President, Marketing, Alex A. Khatibi, our Executive Vice President, Jie Chen, our Executive Vice President and Managing Director of Asia, James C. Clarke, our Senior Vice President and Chief Financial Officer, Gregory B. Willis, our Vice President, Finance, and Chief Accounting Officer, and John D. Poerschke, our Senior Vice President of Aircraft Procurement and Specifications. On average, our senior management team has over 23 years of experience in the aviation industry.

Operations to date

Current fleet

As of March 31, 2011, our aircraft fleet consisted of 43 narrowbody aircraft and six widebody aircraft, and the weighted average age of our aircraft fleet was 3.5 years.

Aircraft purchase commitments

As of March 31, 2011, we had committed to acquire a total of 153 new aircraft and eight used aircraft at an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$6.6 billion for delivery as shown below.

Aircraft type	2011(1)	2012	2013	2014	2015	2016	2017	Total(2)
Airbus A320/321-200	6	9	13	12	7			47
Airbus A330-200/300	7	4						11
Boeing B737-800	5	3	12	12	12	12	9	65
Boeing B767-300ER	3							3
Embraer E175/E190	11	14						25
ATR 72-600	2	8						10
Total(2)	34	38	25	24	19	12	9	161

(1) Of the 34 aircraft that we will acquire in the remainder of 2011, the following eight aircraft will be used aircraft: all five Boeing B737-800s and all three Boeing B767-300ERs.

- (2) During the second quarter of 2011, we entered into commitments to acquire up to 24 additional aircraft from Airbus, Boeing and Embraer for an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$1.0 billion. Deliveries of the additional aircraft are scheduled to commence in 2012 and to continue through 2018. From Airbus, we agreed to purchase one additional Airbus A321 aircraft. From Boeing, we agreed to purchase an additional 18 Boeing 737-800 aircraft and have cancellation rights with respect to four of the additional 18 Boeing 737-800 aircraft. From Embraer, we agreed to purchase an additional five Embraer E190 aircraft.

Our new aircraft are being purchased pursuant to binding purchase agreements with each of Airbus S.A.S. (Airbus), The Boeing Company (Boeing), Embraer S.A. (Embraer) and Avions de Transport Régional (ATR), or through sale-leaseback transactions with other airline customers. Under certain circumstances, we have the right to alter the mix of aircraft types that

we ultimately acquire. We also have cancellation rights with respect to six of the Airbus A320/321 aircraft.

As of March 31, 2011, we had future lease commitments for 33 out of 34 aircraft to be delivered in 2011 (subsequent to March 31, 2011, we placed 100% of the aircraft delivering in 2011), for 32 out of 38 aircraft to be delivered in 2012, for nine out of 25 aircraft to be delivered in 2013, and for one out of 24 aircraft to be delivered in 2014. Our future lease commitments for the 33 out of 34 aircraft to be delivered in 2011 are comprised of 31 binding leases and two non-binding letters of intent. Our future lease commitments for the 32 out of 38 aircraft to be delivered in 2012 are comprised of 25 binding leases and seven non-binding letters of intent. Our future lease commitments for the aircraft to be delivered in 2013 and 2014 are comprised of non-binding letters of intent. While we actively seek lease placements for the aircraft that are scheduled to be delivered through 2017, in making our lease placement decisions, we also take into consideration the anticipated growth in the aircraft leasing market and anticipated improvements in lease rates, which could lead us to determine that entering into particular lease arrangements at a later date would be more beneficial to us.

We had 49 aircraft in our fleet as of March 31, 2011 and anticipate growing our fleet to approximately 100 aircraft by the end of 2011. We intend to grow our fleet by purchasing the 34 aircraft for which we have purchase commitments in 2011 as well as acquiring 15 to 20 aircraft through additional purchases from aircraft manufacturers, other lessors and airlines.

Our business and growth strategies

We believe that we entered the aircraft leasing industry at an opportune time, as both airlines' use of net operating leases and the demand for air travel are expected to grow in the near future, consistent with a trend of growth in air travel over the last 40 years, as forecasted by AVITAS. Accordingly, we are pursuing the following business and growth strategies:

Capitalize on attractive market opportunities to grow our modern fleet of aircraft. We plan to continue acquiring aircraft and expect that a significant portion of these acquisitions will be subject to existing or new leases that produce immediate positive cash flows. We seek aircraft that produce attractive returns on equity while maintaining diversified lease portfolio characteristics in terms of aircraft type, aircraft age, lease term and geographic location of our lessees. We intend to continue to take advantage of the current economic environment to make opportunistic purchases of aircraft and aircraft portfolios. We plan to expand our fleet with a mix of narrowbody and widebody commercial aircraft that we expect to have long useful lives and that are currently in widespread use by airlines, with a greater focus on acquiring narrowbody aircraft. Based on our ongoing discussions with airlines, we believe narrowbody and certain widebody aircraft will continue to experience strong global airline demand. We have also entered into commitments to purchase select fuel-efficient regional jets and turboprop aircraft, such as the Embraer E175/E190 and ATR 72-600 aircraft types. We believe market demand for these types of aircraft will grow as they are well suited for direct service between smaller and medium-sized cities and between such cities and major hub cities.

Continue to develop and grow our long-standing relationships and cultivate new relationships. We believe our management team's experience in the aircraft leasing industry provides us immediate access to key decision makers at airframe and engine manufacturers and major airlines around the world, thereby enabling us to make prompt acquisitions of new aircraft, enter into new leases, and anticipate airlines' longer-term needs so as to tailor our fleet and leases to their specific needs. Additionally, we believe our relationships with airframe and

engine manufacturers allow us to influence their airframe and engine designs to better meet the needs of our airline customers. In our view, the aircraft leasing industry continues to be relationship-driven, and airframe and engine manufacturers and our airline customers will place a high value on the expertise and experience of our management team. This will help us develop new relationships, while we use our long-standing contacts to grow our business. We believe these relationships will help to establish us as a leader in the aircraft leasing industry over time.

Emphasize marketing in high-growth areas of the world. As our portfolio grows, we anticipate that a growing percentage of our aircraft will be located in Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe, although we will continue to enter into select leasing transactions in North America and Western Europe. We expect aircraft demand to increase in emerging markets over the next several years, as forecasted by AVITAS. We believe a developing infrastructure supporting direct air travel to more destinations within emerging market regions, combined with economic and population growth, an expected increase in the number of low-cost carriers, expansion of existing low-cost carriers, deregulation in air travel, and a significant increase in such areas middle-class populations, will lead to growth in passenger air travel in these regions.

Enter into strategic ventures. We may, on occasion, enter into strategic ventures with third parties in order to take advantage of favorable financing or other opportunities, to share capital and/or operating risk, and/or to earn fleet management fees. Given our broad experience in acquiring, leasing, financing and managing aircraft, we believe that third parties seeking to invest in the aircraft leasing industry will view us as an attractive partner. Other than one arrangement whereby we manage one aircraft owned by a third party that is leased to one of our customers, we currently do not participate in, or have any binding commitments to enter into, any strategic ventures with any third parties.

Actively manage our lease portfolio to optimize returns and minimize risk through diversification. In actively managing our aircraft portfolio, we seek to optimize returns and minimize risks by appropriately and prudently diversifying the types of aircraft we acquire, maintaining a low average fleet age, spreading out over a number of years the termination dates for our leases, achieving geographic diversification, and minimizing our exposure to customer concentration. Our acquisition of desirable aircraft types with a low average fleet age helps to maximize the mobility of our assets across global markets, which allows us to achieve a high rate of lease placements on attractive lease terms. Through the implementation of our diversification strategies, we believe that we are in a position to reduce our exposure to industry fluctuations over a particular period of time, economic fluctuations in a particular regional market, changes in customer preferences for particular aircraft, and the credit risk posed by a particular customer.

Our financing strategies

In addition to our business and growth strategies described above, the successful implementation of our financing strategies is critical to the success and growth of our business.

As we grow our business, we envision funding our aircraft purchases through multiple sources, including the \$1.3 billion of gross cash proceeds we raised in our prior private placement of Common Stock, the \$922.9 million of gross cash proceeds we raised in our initial public offering, expected proceeds from any exercise of outstanding warrants, cash raised in potential

future equity offerings, future earnings and cash flow from operations, existing debt facilities, potential future debt financing and government-sponsored export guaranty and lending programs. We intend to employ multiple debt and equity strategies to provide us with financial flexibility to fund our aircraft purchases on the best terms available.

In May 2010, we entered into a non-recourse, revolving credit facility to finance the acquisition of aircraft that was subsequently modified by an amendment that became effective in April 2011 (the Warehouse Facility). This credit facility, as amended, provides us with secured financing of up to \$1.25 billion, modified from the original facility size of \$1.5 billion. We are able to draw on this facility, as amended, during an availability period that ends in June 2013. In addition, the credit facility, as amended, reduces the original interest rate during the availability period from LIBOR plus 3.25% to LIBOR plus 2.50% on drawn balances and from 1.00% to 0.75% on undrawn balances. The outstanding drawn balance at the end of the availability period may be converted at our option to an amortizing, four-year term loan. As of March 31, 2011, we had borrowed \$604.4 million under the Warehouse Facility. This facility provides us with ample liquidity to make opportunistic acquisitions of aircraft on short notice.

In addition, we fund some aircraft purchases through secured bilateral term financings and unsecured term and revolving credit facilities. As of March 31, 2011, we had outstanding loan balances, excluding drawings under the Warehouse Facility, of \$434.1 million in secured term debt and \$336.3 million in unsecured financing, and had \$57.0 million in available but undrawn revolving unsecured credit facilities. We will also use cash on hand to purchase aircraft and may use such acquired aircraft to secure new debt financing. Over time, we expect to access the public debt capital markets, subject to market conditions.

Furthermore, we may pursue financing from government-sponsored export guaranty and lending programs offered by agencies such as the European Export Credit Agencies (ECAs), the Export-Import Bank of the United States (Ex-Im Bank) and *Seguradora Brasileira Crédito à Exportação S.A.* (SBCE) in conjunction with the Brazilian Development Bank (BNDES).

In an effort to sustain our long-term financial health and limit our exposure to unforeseen dislocations in the capital markets, we intend to maintain a debt-to-equity ratio (excluding deferred tax liabilities for calculation purposes) generally within a range of 2-to-1 to 3-to-1. Due to the seasonality of aircraft deliveries, we expect this ratio to fluctuate within that range during the course of a typical fiscal year, although on occasion we may fall outside this range. In addition, we may from time to time enter into interest rate hedging arrangements to limit our exposure to increases in interest rates on our floating-rate debt.

We believe that the implementation of our financing strategies will help us maintain a prudent amount of leverage, while also maintaining financial flexibility to seize attractive market opportunities.

Our competitive strengths

We believe that the following strengths assist us in executing our business and growth strategies and provide us with an advantage over many of our competitors:

Highly experienced management team with diversified aviation and technical experience. Our senior management team, with an average of over 23 years of experience in the aviation industry, has significant experience in all aspects of the aviation and aircraft leasing industries, including the implementation of innovative lease structures, strategic planning, risk

diversification, fleet restructuring, aircraft purchasing and financing strategies, and general transactional capabilities. We have separate Sales, Marketing and Commercial Affairs; Finance and Accounting; Legal; Commercial Contracts; Aircraft Procurement and Specifications; and Technical Asset Management departments that are involved in our leasing, sales and purchasing business. Our Technical Asset Management department has in-depth knowledge of aircraft, engines, avionics and the various regulations governing the maintenance of aircraft. This department monitors the fleet while on lease to our airline customers, handles the transfer of the aircraft from one operator to the next and monitors operator compliance with its technical and maintenance obligations under our leases.

Available deployable capital to capture attractive market opportunities. With the net proceeds from our initial public offering, cash on hand, the financing available under the Warehouse Facility and multiple unsecured lines of credit, we have significant purchasing power that we can quickly deploy to acquire additional aircraft. In addition, we may supplement our access to capital with debt guaranteed by government agencies such as Ex-Im Bank and the ECAs and loans from BNDES for qualifying aircraft purchases and other debt financing arrangements. Our access to capital provides us with the flexibility to complete attractive aircraft purchases.

Strong aircraft delivery pipeline. Through our strategic and opportunistic approaches to acquiring aircraft and our strong relationship with airframe manufacturers, as of March 31, 2011, we entered into commitments to acquire 153 new aircraft over the next seven years. We believe that our access to this strong aircraft delivery pipeline over this period gives us the ability to provide airline customers with a comprehensive multi-year solution to their aircraft leasing and fleet needs. This ability represents a significant competitive advantage in developing, renewing and expanding customer relationships as we have new aircraft available for delivery during periods far earlier than most of our airline customers can obtain new aircraft directly from airframe and engine manufacturers.

Young, modern and efficient aircraft fleet. Our aircraft portfolio primarily consists of modern, fuel-efficient, narrowbody aircraft. As of March 31, 2011, the weighted average age of the aircraft in our current portfolio was 3.5 years. We believe we have one of the world's youngest operating lease portfolios. Younger aircraft are more desirable than older aircraft because of their fuel efficiency, lower maintenance costs, and longer remaining useful lives. Furthermore, younger aircraft are more likely to be in compliance with newer environmental standards or are more easily brought up to environmental compliance without costly modifications. We believe our aircraft, and the additional aircraft that we will acquire, are in high demand among our airline customers and are readily deployable to various markets throughout the world. We expect that our fleet of young, high-demand aircraft will enable us to provide stable and growing cash flows to our stockholders over the long term.

Long-standing relationships with a global, diversified customer base. Our management team is well-known in the aviation industry and we are able to benefit from the long-standing relationships that Messrs. Udvar-Házy and Plueger and other key members of management have with more than 200 airlines in over 70 countries.

Strong manufacturer relationships. The supply of commercial passenger aircraft is dominated by a few airframe manufacturers, including Boeing, Airbus, ATR, Embraer and Bombardier Inc. (Bombardier). Through our management team's active and long-standing participation in the aviation industry, we have developed strategic relationships with many of the manufacturers and suppliers of aircraft and aircraft parts, which enables us to leverage competitive acquisition and delivery terms and to influence new aircraft design.

Our management team and our board of directors' significant investment in us aligns the interests of management and our board with those of our other stockholders. Members of our management team (and their families or affiliates) and members of our board of directors have invested an aggregate of approximately \$91 million in shares of our Class A Common Stock. We believe that our management team and our board of directors' significant combined ownership stake in our Class A Common Stock, along with additional equity incentive grants, closely aligns our management team and our board of directors' interests with those of our other stockholders.

Overview of the aircraft leasing industry

Over the last 40 years, demand for air travel has consistently grown both in terms of the number of aircraft and passenger traffic. Today, air travel has penetrated most world regions, and the highest growth is now coming from emerging markets and economies such as Asia, Latin America and the Middle East. The long-term outlook for growth in the airline industry remains robust primarily due to increased passenger traffic, driven by growth in demand from these emerging markets. After suffering a decrease in air traffic during the financial crisis of 2008/2009, air traffic in 2010 increased approximately 7% over 2009 levels, according to AVITAS. Moreover, AVITAS forecasts that there will be more than 24,000 aircraft in service by 2015, which represents an increase of approximately 5,000 aircraft (or over 25%) compared with today's number of aircraft.

Due to the cost of aircraft acquisitions, aircraft financing complexities and the airlines' need for fleet flexibility, the role of operating lessors as suppliers of aircraft has expanded significantly over the last 20 years. In the late 1960s and early 1970s, airlines generally owned all of their aircraft, which were financed through loans that were collateralized by the aircraft themselves. At that time, airline fleets were typically small in size and limited to a few aircraft types. As airline fleets expanded and fixed costs for maintenance and ownership rapidly increased, airlines began to outsource the ownership of many of their airplanes through the adoption of aircraft leases. According to AVITAS, aircraft leasing has grown steadily since the 1970s and, as of December 2010, aircraft operating leases comprised approximately 35% of the more than 19,000 commercial jet aircraft fleet in service.

Leasing is attractive to nearly all airlines and is particularly attractive to start-up and low-cost carriers. Airlines have turned to operating leases for an increasing share of their financing requirements as operating leases provide fleet planning flexibility, relatively low capital investment and the avoidance of balance sheet residual value risk. An operating lease allows an airline to preserve capital that can be invested in other aspects of its operations. Furthermore, since operating lessors can provide airlines with different aircraft types to leverage their operating capabilities, operating leases assist airlines in diversifying their fleets, which provides economic and product flexibility and helps to promote growth in new markets in different geographic regions.

The growth of commercial aircraft operating leases is expected to continue. AVITAS forecasts for aircraft deliveries over the next five years suggest that leased aircraft may grow by more than 25%. Leasing companies will play an increasingly larger role in providing aircraft capacity as airlines grow their fleets and replace their existing fleets with newer, more fuel-efficient aircraft. Lessors who are adequately capitalized and are both nimble and flexible in their approach will be able to take advantage of both current and long-term aircraft leasing market opportunities.

Risks affecting us

Investing in our Common Stock involves a high degree of risk. You should carefully consider all of the information set forth in this prospectus and, in particular, the information in the section titled "Risk factors," before deciding to invest in our Common Stock. These risks include, among others:

We are a recently organized corporation with a brief operating history and, therefore, we have limited historical operating data from which you can evaluate our future prospects.

The success of our business will depend on our ability to identify high-quality commercial aircraft to acquire at reasonable prices.

Failure to close our aircraft acquisition commitments could negatively impact our share price and financial results.

Our business model depends on the continual leasing and re-leasing of our aircraft, and we may not be able to do so on favorable terms, if at all.

Our credit facilities may limit our operational flexibility, our ability to effectively compete and our ability to grow our business as currently planned.

We will need additional capital to finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to satisfy our commitments to acquire additional aircraft and to compete effectively in the commercial aircraft leasing market.

Changes in interest rates may adversely affect our financial results.

We have a high airline customer concentration, which makes us more vulnerable to the potential that defaults by one or more of our major airline customers would have a material adverse effect on our cash flow and earnings and our ability to meet our debt obligations.

We may be indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results and growth prospects.

From time to time, the aircraft industry has experienced periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially adversely affect our financial results and growth prospects.

Increases in fuel costs could materially adversely affect our lessees and by extension the demand for our aircraft.

A deterioration in the financial condition of the airline industry would have an adverse impact on our ability to lease our aircraft and sustain our revenues.

Initial Public Offering

In April 2011, we completed an initial public offering of our Class A Common Stock in which we sold an aggregate of 34,825,470 shares of Class A Common Stock, including 4,542,450 shares of Class A Common Stock sold to the underwriters pursuant to an over-allotment option. J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC acted as joint book-running managers of the initial public offering and as representatives of the other book-runners and co-managers. The shares in the initial public offering were sold at the initial public offering price of

\$26.50, less underwriting discounts and commissions of \$1.4575 per share. After deducting the underwriting discounts and commissions and offering expenses payable by us, we received net proceeds of approximately \$868.1 million. We intend to use the net proceeds of our initial public offering to fund the acquisition of commercial aircraft and for general corporate purposes.

Corporate information

Air Lease Corporation incorporated in Delaware and launched in February 2010. Our principal executive office is located at 2000 Avenue of the Stars, Suite 1000N, Los Angeles, California 90067. Our telephone number is (310) 553-0555 and our website is www.airleasecorp.com. Information included or referred to on, or otherwise accessible through, our website is not intended to form a part of or be incorporated by reference into this prospectus.

The offering

Class A Common Stock offered by the selling stockholders 65,852,274 shares

Class B Non-Voting Common Stock offered by the selling stockholders 1,829,339 shares

Total Common Stock outstanding prior to and after this offering 100,714,470 shares

Use of proceeds We will not receive any proceeds from the sale of Common Stock by the selling stockholders. See Use of proceeds.

Dividend policy We have no current plans to declare or pay any dividends on our Common Stock. See Dividend policy.

Voting rights The holders of Class A Common Stock possess all voting power for the election of our directors and all other matters requiring stockholder action, except with respect to amendments to our restated certificate of incorporation that alter or change the powers, preferences, rights or other terms of any outstanding preferred stock if the holders of such affected series of preferred stock are entitled to vote on such an amendment. Holders of our Class A Common Stock are entitled to one vote for each share held and will not have cumulative voting rights in connection with the election of directors. Holders of Class B Non-Voting Common Stock are not entitled to any vote, other than with respect to amendments to the terms of the Class B Non-Voting Common Stock that would significantly and adversely affect the rights or preferences of the Class B Non-Voting Common Stock, including, without limitation, with respect to the convertibility thereof. See Description of capital stock.

Risk factors See Risk factors for a discussion of certain factors you should consider before deciding to invest in our Common Stock.

The number of shares of our Common Stock outstanding prior to and after this offering excludes:
482,625 shares of Common Stock issuable upon the exercise of warrants outstanding as of June 30, 2011 at an exercise price of \$20.00 per share;

3,225,908 shares of Class A Common Stock issuable upon the exercise of options outstanding as of June 30, 2011 at an exercise price of \$20.00 per share;

150,000 shares of Class A Common Stock issuable upon the exercise of options outstanding as of June 30, 2011 at an exercise price of \$28.80 per share; and

2,613,989 shares of Class A Common Stock issuable upon the vesting of restricted stock units outstanding as of June 30, 2011.

Summary financial information and data

The following table sets forth summary consolidated financial data for Air Lease Corporation. The historical results presented are not necessarily indicative of future results. The summary consolidated financial data set forth below should be read in conjunction with Management's discussion and analysis of financial condition and results of operations and the financial statements and related notes appearing elsewhere in this prospectus.

(in thousands, except share data)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Operating data:			
Rentals of flight equipment	\$ 54,612	\$	\$ 57,075
Interest and other	603		1,291
Total revenues	55,215		58,366
Expenses	50,291	477	119,281
Income (loss) before taxes	4,924	(477)	(60,915)
Income tax (expense) benefit	(1,748)		8,875
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Income (loss) per share:			
Basic	\$ 0.05	\$ (1.06)	\$ (1.32)
Diluted	\$ 0.05	\$ (1.06)	\$ (1.32)
Weighted average shares outstanding			
Basic	65,393,149	449,565	39,511,045
Diluted	65,511,529	449,565	39,511,045
Other financial data (unaudited)			
Adjusted net income (loss) (1)	\$ 11,713	\$ (477)	\$ 2,520
Adjusted EBITDA(2)	\$ 45,249	\$ (477)	\$ 32,973
Balance sheet data:			
Flight equipment subject to operating leases (net of accumulated depreciation)	\$ 2,141,738	\$	\$ 1,629,809
Total assets	2,788,658	5,224	2,276,282
Total debt	1,374,820	251	911,981
Total liabilities	1,549,639	4,391	1,051,347
Shareholders' equity	1,239,019	833	1,224,935
Cash flow data:			
Net cash flows from:			
Operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Investing activities	(611,877)	(4,250)	(1,854,710)
Financing activities	474,820	(2,691)	2,138,407
Other operating data:			
Aircraft lease portfolio at period end:			
Owned(3)	49		40

- (1) Adjusted net income (loss) (defined as net income before stock-based compensation expense and non-cash interest expense, which includes the amortization of debt issuance costs and convertible debt discounts) is a measure of both operating performance and liquidity that is not defined by United States generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted net income is presented as a supplemental disclosure because management believes that it may be a useful performance measure that is used within our industry. We believe adjusted net income provides useful information on our earnings from ongoing operations, our ability to service our long-term debt and other fixed obligations, and our ability to fund our expected growth with internally generated funds. Set forth below is additional detail as to how

we use adjusted net income as a measure of both operating performance and liquidity, as well as a discussion of the limitations of adjusted net income as an analytical tool and a reconciliation of adjusted net income to our GAAP net loss and cash flow from operating activities.

Operating Performance: Management and our board of directors use adjusted net income in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful in identifying trends in our performance. We use adjusted net income as a measure of our consolidated operating performance exclusive of income and expenses that relate to the financing, income taxes, and capitalization of the business. Also, adjusted net income assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily one-time amortization of convertible debt discounts) and stock-based compensation expense from our operating results. In addition, adjusted net income helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance. Accordingly, we believe this metric measures our financial performance based on operational factors that we can influence in the short term, namely the cost structure and expenses of the organization.

Liquidity: In addition to the uses described above, management and our board of directors use adjusted net income as an indicator of the amount of cash flow we have available to service our debt obligations, and we believe this measure can serve the same purpose for our investors.

Limitations: Adjusted net income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are as follows:

adjusted net income does not reflect (i) our cash expenditures or future requirements for capital expenditures or contractual commitments, or (ii) changes in or cash requirements for our working capital needs; and

our calculation of adjusted net income may differ from the adjusted net income or analogous calculations of other companies in our industry, limiting its usefulness as a comparative measure.

The following tables show the reconciliation of net income (loss) and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted net income:

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted net income (loss):			
Net cash provided by operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Depreciation of flight equipment	(18,130)		(19,262)
Stock-based compensation	(10,908)		(24,044)
Deferred taxes	(1,748)		8,875

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Amortization of deferred debt issue costs	(2,328)		(4,883)
Amortization of convertible debt discounts			(35,798)
Changes in operating assets and liabilities:			
Lease receivables and other assets	2,286	105	8,040
Accrued interest and other payables	(1,028)	(2,392)	(22,054)
Rentals received in advance	(3,517)		(8,038)
Net income (loss)	3,176	(477)	(52,040)
Amortization of deferred debt issue costs	2,328		4,883
Amortization of convertible debt discounts			35,798
Stock-based compensation	10,908		24,044
Tax effect	(4,699)		(10,165)
Adjusted net income (loss)	\$ 11,713	\$ (477)	\$ 2,520

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
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Reconciliation of net income (loss) to adjusted net income (loss):

Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Amortization of deferred debt issue costs	2,328		4,883
Amortization of convertible debt discounts			35,798
Stock-based compensation	10,908		24,044
Tax effect	(4,699)		(10,165)
Adjusted net income (loss)	\$ 11,713	\$ (477)	\$ 2,520

- (2) Adjusted EBITDA (defined as net loss before net interest expense, stock-based compensation expense, income tax expense (benefit), and depreciation and amortization expense) is a measure of both operating performance and liquidity that is not defined by GAAP and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted EBITDA is presented as a supplemental disclosure because management believes that it may be a useful performance measure that is used within our industry. We believe adjusted EBITDA provides useful information on our earnings from ongoing operations, our ability to service our long-term debt and other fixed obligations, and our ability to fund our expected growth with internally generated funds. Set forth below is additional detail as to how we use adjusted EBITDA as a measure of both operating performance and liquidity, as well as a discussion of the limitations of adjusted EBITDA as an analytical tool and a reconciliation of adjusted EBITDA to our GAAP net loss and cash flow from operating activities.

Operating Performance: Management and our board of directors use adjusted EBITDA in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful in identifying trends in our performance. We use adjusted EBITDA as a measure of our consolidated operating performance exclusive of income and expenses that relate to the financing, income taxes, and capitalization of the business. Also, adjusted EBITDA assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily one-time amortization of convertible debt discounts) and stock-based compensation expense from our operating results. In addition, adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance. Accordingly, we believe this metric measures our financial performance based on operational factors that we can influence in the short term, namely the cost structure and expenses of the organization.

Liquidity: In addition to the uses described above, management and our board of directors use adjusted EBITDA as an indicator of the amount of cash flow we have available to service our debt obligations, and we believe this measure can serve the same purpose for our investors.

Limitations: Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are as follows:

adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

adjusted EBITDA does not reflect changes in or cash requirements for our working capital needs;

adjusted EBITDA does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt; and

other companies in our industry may calculate these measures differently from how we calculate these measures, limiting their usefulness as comparative measures.

The following tables show the reconciliation of net income (loss) and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted EBITDA:

For the period

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted EBITDA:			
Net cash provided by operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Depreciation of flight equipment	(18,130)		(19,262)
Stock-based compensation	(10,908)		(24,044)
Deferred taxes	(1,748)		8,875
Amortization of deferred debt issue costs	(2,328)		(4,883)
Amortization of convertible debt discounts			(35,798)
Changes in operating assets and liabilities:			
Lease receivables and other assets	2,286	105	8,040
Accrued interest and other payables	(1,028)	(2,392)	(22,054)
Rentals received in advance	(3,517)		(8,038)
Net income (loss)	3,176	(477)	(52,040)
Net interest expense	11,287		50,582
Income taxes	1,748		(8,875)
Depreciation	18,130		19,262
Stock-based compensation	10,908		24,044
Adjusted EBITDA	\$ 45,249	\$ (477)	\$ 32,973

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Reconciliation of net income (loss) to adjusted EBITDA:			
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Add back:			
Net interest expense	11,287		50,582
Income taxes	1,748		(8,875)
Depreciation	18,130		19,262
Stock-based compensation	10,908		24,044
Adjusted EBITDA	\$ 45,249	(477)	\$ 32,973

- (3) As of March 31, 2011, we owned 49 aircraft (of which nine were new aircraft and 40 were used aircraft) and we managed one aircraft. As of December 31, 2010, we owned 40 aircraft of which four were new aircraft and 36 were used aircraft.

Risk factors

*An investment in our Common Stock involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this prospectus, before making a decision to invest in our Common Stock. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. As a result, the trading price of our Class A Common Stock could decline and you may lose a part or all of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section titled *Forward-looking statements*.*

Risks relating to our business

We are a recently organized corporation with a brief operating history and, therefore, we have limited historical operating data from which you can evaluate our future prospects.

Given our limited operating history, you have little historical information upon which to evaluate our prospects, including our ability to acquire aircraft on favorable terms or to enter into profitable aircraft leases. We cannot assure you that we will be able to implement our business objectives, that any of our objectives will be achieved or that we will be able to operate profitably. The results of our operations will depend on several factors, including the availability of opportunities for the acquisition, disposition and leasing of aircraft, our ability to capitalize on any such opportunities, the creditworthiness of our counterparties, the level of volatility of interest rates and commodities, the availability of adequate short- and long-term financing, conditions in the financial markets and other economic conditions, particularly as these conditions impact airlines and manufacturers of aircraft and aircraft parts. Our limited historical operations place us at a competitive disadvantage that our competitors may exploit.

We cannot assure you of the quantity or types of aircraft that we will be able to acquire in the future or that we will be able to enter into profitable leases for any aircraft acquired.

We cannot assure you of the quantity of aircraft that will be available to us for future acquisitions or the success or timing of any such proposed or potential acquisitions. Further, we cannot assure you that we will be able to enter into profitable leases upon the acquisition of the aircraft we purchase in the future. If we experience significant delays in the implementation of our business strategies, including delays in the acquisition and leasing of aircraft, our growth strategy and long-term results of operations could be adversely affected.

You will not have advance information as to the types, ages, manufacturers, model numbers or condition of the assets purchased in connection with other future acquisitions. You must rely upon our management team's judgment and ability to select our investments, to evaluate the assets' condition, to evaluate the ability of lessees and other counterparties to perform their obligations to us and to negotiate transaction documents. We cannot assure you that our management team will be able to perform such functions in a manner that will achieve our investment objectives.

The success of our business will depend on our ability to identify high-quality commercial aircraft to acquire at reasonable prices. If we experience abnormally high maintenance or obsolescence issues with any commercial aircraft that we acquire, our financial results and growth prospects could be materially and adversely affected.

The success of our business depends, in part, on our ability to identify high-quality commercial aircraft to acquire at reasonable prices. As reported by AVITAS, there is currently high market demand for certain narrowbody aircraft, so competition may reduce our opportunities to complete the acquisition of aircraft we are seeking on favorable terms. An acquisition of one or more aircraft or other aviation assets may not be profitable to us after the acquisition and may not generate sufficient cash flow to justify our completion of those acquisitions. In addition, our acquisition strategy exposes us to risks that may harm our business, financial condition, results of operations and cash flow, including risks that we may:

impair our liquidity by using a significant portion of our available cash or borrowing capacity to finance the acquisition of aircraft;

significantly increase our interest expense and financial leverage to the extent we incur additional debt to finance the acquisition of aircraft; or

incur or assume unanticipated liabilities, losses or costs associated with the aircraft or other aviation assets that we acquire.

Unlike new aircraft, used aircraft typically do not carry warranties as to their condition. As a result, we may not be able to claim any warranty-related expenses on used aircraft. Although we may inspect an existing aircraft and its documented maintenance, usage, lease and other records prior to acquisition, we may not discover every defect during an inspection. Repairs and maintenance costs for existing aircraft are difficult to predict and generally increase as aircraft age, and an aircraft's condition can be adversely affected by prior operations. These repair costs could decrease our cash flow and reduce our liquidity.

In addition, aircraft are long-lived assets, requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and less in demand over time when newer, more advanced aircraft are manufactured. By acquiring existing aircraft, we have greater exposure to more rapid obsolescence of our fleet, particularly if there are unanticipated events shortening the life cycle of such aircraft, such as government regulation or changes in our airline customers' preferences. This may result in a shorter life cycle for our fleet and, accordingly, declining lease rates, impairment charges, increased depreciation expense or losses related to aircraft asset value guarantees, if we were to provide such guarantees.

Further, variable expenses like fuel, crew size or aging aircraft corrosion control or modification programs and related airworthiness directives could make the operation of older aircraft more costly to our lessees and may result in increased lessee defaults. We may also incur some of these increased maintenance expenses and regulatory costs upon acquisition or re-leasing of our aircraft. Any of these expenses or costs will have a negative impact on our financial results.

Failure to close our aircraft acquisition commitments could negatively impact our share price and financial results.

As of March 31, 2011, we had commitments to acquire a total of 161 aircraft for delivery through 2017. If we are unable to maintain our financing sources or find new sources of financing or if the various conditions to our existing commitments are not satisfied, we may be

unable to close the purchase of some or all of the aircraft which we have commitments to acquire. If our aircraft acquisition commitments are not closed for these or other reasons, we will be subject to several risks, including the following:

forfeiting deposits and progress payments and having to pay and expense certain significant costs relating to these commitments, such as actual damages, and legal, accounting and financial advisory expenses, and not realizing any of the benefits of completing the transactions;

defaulting on our lease commitments, which could result in monetary damages and damage to our reputation and relationships with lessees; and

failing to capitalize on other aircraft acquisition opportunities that were not pursued due to our management's focus on these commitments.

If we determine that the capital we require to satisfy these commitments may not be available to us, either at all or on terms we deem attractive, we may eliminate or reduce any dividend program that may be in place at that time in order to preserve capital to apply to these commitments. These risks could materially adversely affect our share price and financial results.

The death, incapacity or departure of key officers could harm our business and financial results.

We believe our senior management's reputations and relationships with lessees, manufacturers, buyers and financiers of aircraft are a critical element to the success of our business. We depend on the diligence, skill and network of business contacts of our management team. We believe there are only a limited number of available qualified executives in the aircraft industry, and we therefore have encountered, and will likely continue to encounter, intense competition for qualified employees from other companies in our industry. Our future success will depend, to a significant extent, upon the continued service of our senior management personnel, particularly: Mr. Udvar-Házy, our founder, Chairman and Chief Executive Officer; Mr. Plueger, our President and Chief Operating Officer; and our other senior officers, including Messrs. Levy, Baer, Khatibi, Chen, Clarke, Willis and Poerschke, each of whose services are critical to the successful implementation of our business strategies. We only have employment agreements with Messrs. Udvar-Házy and Plueger and have no intention at this time to enter into employment agreements with any of our other senior officers. If we were to lose the services of any of the members of our senior management team, our business and financial results could be adversely affected.

Our business model depends on the continual leasing and re-leasing of our aircraft, and we may not be able to do so on favorable terms, if at all.

Our business model depends on the continual leasing and re-leasing of our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and generate positive cash flows from operations. Our ability to lease and re-lease our aircraft will depend on general market and competitive conditions at the time the initial leases are entered into and expire. If we are not able to lease or re-lease an aircraft or to do so on favorable terms, we may be required to attempt to sell the aircraft to provide funds for our debt service obligations or operating expenses. Our ability to lease, re-lease or sell the aircraft on favorable terms or without significant off-lease time and costs could be adversely affected by depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war, the sale of other aircraft by financial institutions, and various other general

market and competitive conditions and factors which are outside of our control, including those discussed under Risk factors Risks relating to the aircraft leasing industry.

Our credit facilities may limit our operational flexibility, our ability to effectively compete and our ability to grow our business as currently planned.

Our credit facilities contain financial and non-financial covenants, such as requirements that we comply with one or more of loan-to-value, debt service coverage, minimum net worth and interest coverage ratios, change of control provisions, and prohibitions against our disposing of our aircraft or other aviation assets without a lender's prior consent. Complying with such covenants may at times necessitate that we forego other opportunities, such as using available cash to grow our aircraft fleet or promptly disposing of less profitable aircraft or other aviation assets. Moreover, our failure to comply with any of these covenants would likely constitute a default under such facilities and could give rise to an acceleration of some, if not all, of our then outstanding indebtedness, which would have a material adverse effect on our business and our ability to continue as a going concern.

In the future, we may have ECA and Ex-Im Bank supported credit facilities and credit facilities provided by BNDES. We expect that, similar to commercial lenders, the ECAs, Ex-Im Bank and BNDES will require certain structural and operational restrictions to be included in the terms of the operating leases, particularly with respect to subleasing, insurance and the possession, use and location of the aircraft financed under such facilities. The imposition of these mandatory provisions could significantly restrict a lessee's business operations, which may cause such aircraft to be less desirable to potential lessees and make it more difficult for us to negotiate operating leases for such aircraft on favorable terms. In addition, the credit facilities supported by the ECAs and Ex-Im Bank may contain certain change of control provisions, which would require us to prepay the loans in the event that our ownership structure changes. Complying with such change of control provisions may also require us to forego other opportunities, which may adversely affect our financial condition.

In addition, we cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to service our debt and grow our operations as planned. We cannot assure you that we will be able to refinance any of our debt on favorable terms, if at all. Any inability to generate sufficient cash flow or maintain our existing fleet and facilities could have a material adverse effect on our financial condition and results of operations.

We will need additional capital to finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to satisfy our commitments to acquire additional aircraft and to compete effectively in the commercial aircraft leasing market.

Meeting our anticipated growth strategy to acquire approximately 100 aircraft by the end of 2011 and then further grow our fleet will require substantial additional capital. Our Warehouse Facility, as amended, includes a revolving period that ends in June 2013 (subject to possible early termination of this period, or possible extension of this period, which will require the consent of the agent thereunder and lenders, including replacement lenders), following which all amounts outstanding under the facility may be converted to a term loan, and we will no longer have access to additional loans from this facility. In addition, the terms of the Warehouse Facility will then become more stringent, including, but not limited to, increasing interest rates and principal amortization. Accordingly, we will need to obtain additional financing, which may not be available to us on favorable terms or at all.

Our access to additional sources of financing will depend upon a number of factors over which we have limited control, including:

- general market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- interest rate fluctuations;
- our current and potential future earnings and cash distributions; and
- the market price of our Class A Common Stock.

Weakness in the capital and credit markets could adversely affect one or more private lenders and could cause one or more private lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, if there are new regulatory capital requirements imposed on our private lenders, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price.

If we are unable to raise additional funds or obtain capital on terms acceptable to us, we may not be able to satisfy funding requirements should we have any aircraft acquisition commitments then in place. If we are unable to satisfy our purchase commitments, we may be forced to forfeit our deposits. Further, we would be exposed to potential breach of contract claims by our lessees and manufacturers. These risks may also be increased by the volatility and disruption in the capital and credit markets. Depending on market conditions at the time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our stockholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities and other purposes. Moreover, if additional capital is raised through the issuance of additional equity securities, your interests as a stockholder could be diluted. Because our charter permits the issuance of preferred stock, if our board of directors approves the issuance of preferred stock in a future financing transaction, such preferred stockholders may have rights, preferences or privileges senior to yours, and you will not have the ability to approve such a transaction.

We may not be able to obtain long-term debt refinancing on attractive terms, if at all, or qualify for guarantees, or obtain attractive terms for such guarantees, from the ECAs, Ex-Im Bank or SBCE, any of which may adversely affect our growth strategy and results of operations.

Our business model contemplates our ability to enter into attractive and economical long-term financing transactions. Conditions in the capital markets or debt markets may prevent us from entering into long-term debt financing arrangements, if at all, on terms favorable to us, which, if available, could cause such financings to be more costly or otherwise less attractive to us. Obtaining credit support from the ECAs, Ex-Im Bank and SBCE could facilitate our access to long-term financing, but the ECAs, Ex-Im Bank and SBCE have in place certain pre-approval criteria that must be met in order to qualify for, and gain access to, the credit support from or financing from such agencies, and we cannot assure you that we would qualify for financing under these programs. If in the future we are unable to meet the pre-approval criteria of these entities, whether due to changes in our financial condition or changes in the underlying criteria, or if the

entities discontinue providing credit support, or if there are changes in the economic terms of the programs sponsored by these agencies, then we may no longer be able to access such favorable credit support, which may cause the terms of the debt financing that we are able to obtain, if any, to be less favorable. A new aircraft sector understanding (ASU) governing credit support from the ECAs, Ex-Im Bank and SBCE went into effect on February 1, 2011. While these government-sponsored financings have historically provided favorable funding levels at interest rates below those obtainable from traditional commercial sources, under the new ASU, aircraft under firm contract after December 31, 2010 or scheduled for delivery after December 31, 2012 will be subject to significantly higher guarantee fees, which may make such financings less attractive to us than alternative sources of financing. Aircraft under firm contract on or before December 31, 2010 and scheduled to deliver on or before December 31, 2012 are grandfathered under the new ASU and are not subject to the higher fee structure. While we may pursue credit support from the ECAs, Ex-Im Bank and SBCE for our grandfathered aircraft, it is uncertain at this time whether we would be able to obtain attractive financing terms from these government-sponsored programs for our non-grandfathered aircraft. To the extent we are unable to obtain attractive financing terms, we would be more limited in the sources of favorable financing available to us.

Accordingly, we cannot assure you that in the future we will be able to access long-term financing or credit support from the ECAs, Ex-Im Bank or SBCE on favorable terms, if at all. Our inability to access such financing or credit support could adversely affect our growth strategy and results of operations.

An unexpected increase in our borrowing costs may adversely affect our earnings.

We finance many of the aircraft in our fleet through a combination of short- and long-term debt financings. As these debt financings mature, we may have to refinance these existing commitments by entering into new financings, which could result in higher borrowing costs, or repay them by using cash on hand or cash from the sale of our assets. Moreover, an increase in interest rates under the various debt financing facilities we have in place would have an adverse effect on our earnings and could make our aircraft leasing contracts unprofitable. Our Warehouse Facility, as amended, has incremental increases in the interest rate beginning in June 2013 (absent an earlier termination of this period, or the extension of this period, which will require the consent of the agent thereunder and all of the lenders). In addition, the terms of the Warehouse Facility will then become more stringent, including principal amortization and increases in the interest rate, thereby adversely affecting our cash flows and profitability.

The Warehouse Facility and some of our other debt financings bear interest at a floating rate, such that our interest expense would vary with changes in the applicable reference rate. As a result, to the extent we have not sufficiently protected ourselves from increases in the reference rate or have not refinanced our debt to fixed rates, changes in interest rates may increase our interest costs and may reduce the spread between the revenues from our net operating leases and the cost of our borrowings.

Our substantial indebtedness incurred to acquire our aircraft requires significant debt service payments.

As of March 31, 2011, we had \$1.4 billion in debt outstanding, and we expect this amount to grow as we acquire more aircraft. If our cash flow and capital resources are insufficient to fund our debt service payments, we may be forced to reduce or delay capital

expenditures, dispose of assets, issue equity or incur additional debt to obtain necessary funds, or restructure our debt, any or all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions on terms acceptable to us, or at all, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

Changes in interest rates may adversely affect our financial results.

Changes, both increases and decreases, in our cost of borrowing, as reflected in our composite interest rate, directly impact our net income. Our lease rental stream is generally fixed over the life of our leases, whereas we have used floating-rate debt to finance a significant portion of our aircraft acquisitions. As of March 31, 2011, we had \$1.1 billion in floating-rate debt. If interest rates increase, we would be obligated to make higher interest payments to our lenders. If we incur significant fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If our composite interest rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of March 31, 2011, of approximately \$11.4 million on an annualized basis, which would negatively affect our operating margins.

The interest rates that we obtain on our debt financings have several components, including credit spreads, swap spreads, duration, and new issue premiums. These are all incremental to the underlying risk-free rates, as applicable. Volatility in our perceived risk of default or in a market sector's risk of default will negatively impact our cost of funds.

We currently are not involved in any interest rate hedging activities, but we are contemplating engaging in hedging activities in the future. Any such hedging activities will require us to incur additional costs, and there can be no assurance that we will be able to successfully protect ourselves from any or all adverse interest rate fluctuations at a reasonable cost.

Under our Warehouse Facility and other of our financing arrangements, creditors of any subsidiaries we form for purposes of such facilities will have priority over you in the event of a distribution of such subsidiaries' assets.

All of the aircraft and other assets we acquire with the Warehouse Facility are held in subsidiaries of ALC Warehouse Borrower, LLC, a special-purpose, bankruptcy-remote subsidiary of our Company. Liens on those assets will be held by a collateral agent for the benefit of the lenders under such facility. ALC Warehouse Borrower, LLC's assets will be primarily composed of its investment in the stock or other equity interests of these subsidiaries, which stock or other equity interests will also be subject to liens held by the collateral agent for the benefit of the lenders under such facility. In addition, funds generated from the lease of aircraft in the Warehouse Facility generally are applied first to amounts due to lenders thereunder, with certain exceptions. As a result, the creditors in the Warehouse Facility will have priority over us and you in any distribution of ALC Warehouse Borrower, LLC's subsidiaries' assets in a liquidation, reorganization or otherwise. Similarly, creditors of other of our special-purpose, bankruptcy-remote subsidiaries that were established for some of our other financing arrangements will have priority over you in the event of a distribution of such subsidiaries' assets.

We have a high airline customer concentration, which makes us more vulnerable to the potential that defaults by one or more of our major airline customers would have a material adverse effect on our cash flow and earnings and our ability to meet our debt obligations.

As a newly organized company with a limited operating history, our revenues to date are principally derived from our initial customer base of lessees. The airline industry is cyclical, economically sensitive and highly competitive. Our lessees are affected by fuel prices and shortages, political or economic instability, terrorist activities, changes in national policy, competitive pressures, labor actions, pilot shortages, insurance costs, recessions, health concerns, and other political or economic events adversely affecting the world or regional trading markets. Our lessees' abilities to react to and cope with the volatile competitive environment in which they operate, as well as our own competitive environment, will likely affect our revenues and income. The loss of one or more of our airline customers or their inability to make operating lease payments due to financial difficulties, bankruptcy or otherwise could have a material adverse effect on our cash flow and earnings. This, in turn, could result in a breach of the covenants contained in any of our long-term debt facilities, possibly resulting in accelerated amortization or defaults and materially adversely affecting our ability to meet our debt obligations.

If we acquire a high concentration of a particular model of aircraft, our business and financial results could be adversely affected by changes in market demand or problems specific to that aircraft model.

If we acquire a high concentration of a particular model of aircraft, our business and financial results could be adversely affected if the market demand for that model of aircraft declines, if it is redesigned or replaced by its manufacturer or if this type of aircraft experiences design or technical problems. If we acquire a high concentration of a particular aircraft model and such model encounters technical or other problems, the value and lease rates of such aircraft will likely decline, and we may be unable to lease such aircraft on favorable terms, if at all. A significant technical problem with a specific type of aircraft could result in the grounding of the aircraft. Any decrease in the value and lease rates of our aircraft may have a material adverse effect on our financial results and growth prospects.

The advent of superior aircraft technology or the introduction of a new line of aircraft could cause the aircraft that we acquire to become outdated or obsolete and therefore less desirable, which could adversely affect our financial results and growth prospects.

As manufacturers introduce technological innovations and new types of aircraft, some of the aircraft in our fleet could become less desirable to potential lessees. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by our management or accounted for in our accounting policy. New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan and Sukhoi Company (JSC) in Russia, could someday produce aircraft that compete with current offerings from Airbus, ATR, Boeing, Bombardier and Embraer.

Mitsubishi Aircraft Corporation in Japan, Sukhoi Company (JSC) in Russia and Aviation Industries of China and Commercial Aircraft Corporation of China Ltd. in China will most likely be producing regional jets in the future that compete with existing equipment from Bombardier and Embraer, and it is unclear how these offerings could adversely impact the demand and liquidity for the current offerings.

Additionally, manufacturers in China may develop a narrowbody aircraft that competes with established aircraft types from Boeing and Airbus, and the new Chinese product could put downward price pressure on and decrease the liquidity for aircraft from Boeing and Airbus.

New aircraft types that are introduced into the market could be more attractive for the target lessees of our aircraft.

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. Any of these risks may adversely affect our ability to lease or sell our aircraft on favorable terms, if at all, which could have a material adverse effect on our financial results and growth prospects. The advent of new technologies or introduction of a new type of aircraft may materially adversely affect the value of the aircraft in our fleet.

We may be indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results and growth prospects.

Our business strategy emphasizes leasing aircraft to lessees outside of the United States, including to airlines in emerging market countries. 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. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise, particularly if combined with high fuel prices, could adversely affect the value of our aircraft subject to lease in such countries, or the ability of our lessees, which operate in these markets, to meet their lease obligations. As a result, lessees that operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries.

Further, demand for aircraft is dependent on passenger and cargo traffic, which in turn is dependent on general business and economic conditions. As a result, weak or negative economic growth in emerging markets may have an indirect effect on the value of the assets that we acquire if airlines and other potential lessees are adversely affected. We cannot assure you that the recent global economic downturn will not continue or worsen or that any assets we purchase will not decline in value, which may have an adverse effect on our results of operations or our financial condition. For these and other reasons, our financial results and growth prospects may be negatively impacted by adverse economic and political developments in emerging market countries.

Our aircraft require routine maintenance, and if they are not properly maintained, their value may decline and we may not be able to lease or re-lease such aircraft at favorable rates, if at all, which would adversely affect our financial results, asset values and growth prospects.

We may be exposed to increased maintenance costs for our aircraft associated with a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent. If an aircraft is not properly maintained, its market value may decline, which would result in lower revenues from its lease or sale. We enter into leases pursuant to which the lessees are primarily

responsible for many obligations, which include maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. Failure of a lessee to perform required maintenance during the term of a lease could result in a decrease in value of an aircraft, an inability to re-lease an aircraft at favorable rates, if at all, or a potential grounding of an aircraft. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to re-leasing or sale. Any failure by our lessees to meet their obligations to perform required scheduled maintenance or our inability to maintain our aircraft may materially adversely affect our financial results, asset values and growth prospects.

Our aircraft may not at all times be adequately insured either as a result of lessees failing to maintain sufficient insurance during the course of a lease or insurers not being willing to cover certain risks.

We do not directly control the operation of any aircraft we acquire. Nevertheless, because we hold title, directly or indirectly, to such aircraft, we could be sued or held strictly liable for losses resulting from the operation of such aircraft, or may be held liable for those losses on other legal theories, in certain jurisdictions around the world, or claims may be made against us as the owner of an aircraft requiring us to expend resources in our defense. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, liabilities arising out of their use and operation of the aircraft. Some lessees may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease terms, would necessitate our taking some corrective action such as terminating the lease or securing insurance for the aircraft, either of which could adversely affect our financial results.

In addition, there are certain risks or liabilities that our lessees may face, for which insurers may be unwilling to provide coverage or the cost to obtain such coverage may be prohibitively expensive. For example, following the terrorist attacks of September 11, 2001, non-government aviation insurers significantly reduced the amount of insurance coverage available for claims resulting from acts of terrorism, war, dirty bombs, bio-hazardous materials, electromagnetic pulsing or similar events. Accordingly, we anticipate that our lessees' insurance or other coverage may not be sufficient to cover all claims that could or will be asserted against us arising from the operation of our aircraft by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us in the event that we are sued and are required to make payments to claimants, which could have a material adverse effect on our financial results and growth prospects.

Incurring significant costs resulting from lease defaults could adversely affect our financial results and growth prospects.

If we are required to repossess an aircraft after a lessee default, we may be required to incur significant costs. Those costs likely would include legal and other expenses of court or other governmental proceedings, including the cost of posting surety bonds or letters of credit necessary to effect repossession of an aircraft, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft would likely not be generating revenue. We could also incur substantial maintenance,

refurbishment or repair costs if a defaulting lessee fails to pay such costs and where such maintenance, refurbishment or repairs are necessary to put the aircraft in suitable condition for re-lease or sale. We may also incur storage costs associated with any aircraft that we repossess and are unable immediately to place with another lessee. It may also be necessary to pay off liens, taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessor might have incurred in connection with the operation of its other aircraft. We could also incur other costs in connection with the physical possession of the aircraft.

We may also suffer other adverse consequences as a result of a lessee default, the related termination of the lease and the repossession of the related aircraft. It is likely that our rights upon a lessee default will vary significantly depending upon the jurisdiction and the applicable law, including the need to obtain a court order for repossession of the aircraft and/or consents for deregistration or re-export of the aircraft. We anticipate that when a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft without paying lease rentals or performing all or some of the obligations under the relevant lease. In addition, certain of our lessees are owned in whole, or in part, by government-related entities, which could complicate our efforts to repossess our aircraft in that lessee's domicile. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft.

If we repossess an aircraft, we may not necessarily be able to export or deregister and profitably redeploy the aircraft. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. We may also incur significant costs in retrieving or recreating aircraft records required for registration of the aircraft, and in obtaining the Certificate of Airworthiness for an aircraft. If, upon a lessee default, we incur significant costs in connection with repossessing our aircraft, are delayed in repossessing our aircraft or are unable to obtain possession of our aircraft as a result of lessee defaults, our financial results and growth prospects may be materially adversely affected.

If our lessees fail to discharge aircraft liens, we may be obligated to pay the aircraft liens, which could adversely affect our financial results and growth prospects.

In the normal course of their business, our lessees are likely to incur aircraft liens that secure the payment of airport fees and taxes, customs duties, air navigation charges, including charges imposed by Eurocontrol, the European Organization for the Safety of Air Navigation, landing charges, salvage or other liens that may attach to our aircraft. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens, particularly liens on entire fleets of aircraft, exceed the value of the particular aircraft to which the liens have attached. Aircraft may also be subject to mechanics' liens as a result of routine maintenance performed by third parties on behalf of our lessees. Although we anticipate that the financial obligations relating to these liens will be the responsibility of our lessees, if they fail to fulfill such obligations, the liens may attach to our aircraft and ultimately become our responsibility. In some jurisdictions, aircraft liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft.

Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft. Our lessees may not comply with the anticipated obligations under their leases to discharge aircraft liens arising during the terms of the leases. If they do not, we may find it necessary to pay the claims secured by such aircraft liens in order to repossess the aircraft. Such payments could materially adversely affect our financial results and growth prospects.

If our lessees fail to perform as expected and we decide to restructure or reschedule our leases, the restructuring and rescheduling would likely result in less favorable leases, which could have an adverse effect on our financial results and growth prospects.

A lessee's ability to perform its obligations under its lease will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors outside our control, including:

competition;

fare levels;

passenger and air cargo rates;

passenger and air cargo demand;

geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;

increases in operating costs, including the price and availability of jet fuel and labor costs;

labor difficulties;

economic conditions and currency fluctuations in the countries and regions in which the lessee operates; and

governmental regulation and associated fees affecting the air transportation business.

We anticipate that some lessees may experience a weakened financial condition or suffer liquidity problems, which may lead to lease payment difficulties or breaches of our operating leases. We expect that some of these lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions, such as a decrease in their contribution toward maintenance obligations. Any future downturns in the airline industry could greatly exacerbate the weakened financial condition and liquidity problems of some of these lessees and further increase the risk of delayed, missed or reduced rental payments. We may not correctly assess the credit risk of a lessee, or may not charge lease rates which correctly reflect the related risks, and as a result, lessees may not be able to satisfy their financial and other obligations under their leases. A delayed, missed or reduced rental payment from a lessee would decrease our revenues and cash flow. If we, in the exercise of our remedies under a lease, repossess an aircraft, we may not be able to re-lease the aircraft promptly or at favorable rates.

You should expect that restructurings and/or repossessions with some of our lessees will occur in the future. The terms and conditions of possible lease restructurings or reschedulings may result in a significant reduction of lease revenue, which may adversely affect our financial results and growth prospects. If any request for payment restructuring or rescheduling is made and granted, reduced or deferred rental payments may be payable over all or some part of the remaining term of the lease, although the terms of any revised payment schedules may be

unfavorable and such payments may not be made. Our default levels would likely increase over time if economic conditions deteriorate. If lessees of a significant number of our aircraft defaulted on their leases, our financial results and growth prospects would be adversely affected.

Conflicts of interest may arise between us and clients who will utilize our fleet management services, which may adversely affect our business interests.

Conflicts of interest may arise between us and third-party aircraft owners, financiers and operating lessors who hire us to perform fleet management services such as leasing, re-leasing, lease management and sales services. These conflicts may arise because services we anticipate providing for these clients are also services we will provide for our own fleet, including the placement of aircraft with lessees. We expect our fleet management services agreements will provide that we will use our reasonable best efforts, but, to the extent that we are in competition with the client for leasing opportunities, we will give priority to our own fleet. Nevertheless, despite these contractual waivers, competing with our fleet management clients in practice may result in strained relationships with them, which may adversely affect our business interests.

We may on occasion enter into strategic ventures with the intent that we would serve as the manager of such strategic ventures; however, entering into strategic relationships poses risks in that we most likely would not have complete control over the enterprise, and our financial results and growth prospects could be adversely affected if we encounter disputes, deadlock or other conflicts of interest with our strategic partners.

We may on occasion enter into strategic ventures with third parties to take advantage of favorable financing opportunities or tax benefits, to share capital and/or operating risk, and/or to earn fleet management fees. Although we anticipate that we would serve as the manager of any such strategic ventures, it has been our management's experience that most strategic venture agreements will provide the non-managing strategic partner certain veto rights over various significant actions, including the right to remove us as the manager under certain circumstances. If we were to be removed as the manager from a strategic venture that generates significant management fees, our financial results and growth prospects could be materially and adversely affected. In addition, if we were unable to resolve a dispute with a significant strategic partner that retains material managerial veto rights, we might reach an impasse that could require us to dissolve the strategic venture at a time and in a manner that could result in our losing some or all of our original investment in the strategic venture, which could have a material adverse effect on our financial results and growth prospects.

After a period of strong fleet growth, if the rate at which we add aircraft to our fleet decreases, we may be required to recognize deferred tax liabilities accumulated during the growth period, which could have a negative impact on our cash flow.

It is typical in the aircraft leasing industry for companies that are continuously acquiring additional aircraft to incur significant tax depreciation, which offsets taxable income but creates a deferred tax liability on the aircraft leasing company's balance sheet. This deferred tax liability is attributable to the excess of the depreciation claimed for tax purposes over the depreciation claimed for financial statement purposes. While we are currently in a deferred tax asset position, if future growth results in a net deferred tax liability and we are unable to continue to

acquire additional aircraft at a sufficient pace, then we will begin to recognize some or all of our deferred tax liability, which could have a negative impact on our cash flow.

Our business and earnings are affected by general business, financial market and economic conditions throughout the world, which could have a material adverse effect on our cash flow and results of operations.

Our business and earnings are affected by general business, financial market and economic conditions throughout the world. As an aircraft leasing business focused on emerging markets, we are particularly exposed to downturns in these emerging markets. A recession or worsening of economic conditions, particularly if combined with high fuel prices, may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our operating leases, which, if our lessees default on their obligations to us, could have a material adverse effect on our cash flow and results of operations. General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, employment levels, bankruptcies, demand for passenger and cargo air travel, volatility in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence and the strength of the global economy and the local economies in which we operate.

To a large extent, our success also depends upon our ability to access financing on favorable terms, including accessing the public debt and equity markets and bank loans, to finance the purchase of aircraft and repay outstanding debt obligations as they mature. If disruptions in credit markets occur, we may not be able to obtain financing from third parties on favorable terms, if at all.

During the recent financial crisis, many companies experienced downward pressure on share prices and had limited or no access to the credit markets, often without regard to their underlying financial strength. If financial market disruption and volatility were to occur again, we cannot assure you that we will not experience an adverse effect, which may be material, on our ability to access capital, on our cost of capital or on our business, financial condition or results of operations.

We will be exposed to risk from volatility and disruption in the financial markets in various ways, including:

difficulty or inability to finance obligations for, or to finance a portion of, the acquisition of aircraft;

increased risk of default by our lessees resulting from financial market distress, lack of available credit or continuing effects of the global economic recession;

exposure to increased bank or counterparty risk in the current environment, including the risk that our counterparties will not be able to perform their obligations under contracts effectively locking in interest rates for our debt that has a floating interest rate feature and the risk that, if banks issue letters of credit to us in lieu of cash security deposits from our lessees, such banks may fail to pay when we seek to draw on these letters of credit; and

the risk that we will not be able to re-finance any of our debt financings, as they come due, on favorable terms or at all.

Failure to obtain certain required licenses and approvals could negatively affect our ability to re-lease or sell aircraft, which would negatively affect our financial condition and results of operations.

Lessees are subject to extensive regulation under the laws of the jurisdictions in which they are registered and in which they operate. As a result, we expect that certain aspects of our leases will require licenses, consents or approvals, including consents from governmental or regulatory authorities for certain payments under our leases and for the import, export or deregistration of the aircraft. Subsequent changes in applicable law or administrative practice may increase such requirements and governmental consent, once given, could be withdrawn. Furthermore, consents needed in connection with the future re-leasing or sale of an aircraft may not be forthcoming. Any of these events could adversely affect our ability to re-lease or sell aircraft, which would negatively affect our financial condition and results of operations.

We may not be able to protect our intellectual property, which may adversely affect our business and operations.

On May 20, 2010, we filed a service mark application for our corporate logo with the United States Patent and Trademark Office (the USPTO). On March 30, 2011, the USPTO issued a non-substantive Office Action following examination of our service mark application after we timely responded to the requests in the initial Office Action. The new Office Action requires minor amendments to the recitation of services. It is our expectation that once we respond to the inquiries, the mark will be approved by the examining attorney and proceed to the next step in the prosecution of the application. We have not otherwise sought registration of, and do not own or possess licenses or other rights to use, any patents, trade secrets or other proprietary know-how related to our intended business and operations. We have not sought registration of copyrights that may be necessary for us to conduct our business as described in this prospectus. There can be no assurances that our service mark application will be approved, or that infringement or other claims will not be asserted or prosecuted against us in the future, or that prosecutions will not materially and adversely affect our business, results of operations and financial condition. Any such claims, with or without merit, could be time consuming to management, resulting in costly litigation and diversion of resources and personnel. Moreover, it is not clear that we will be able to protect the use of our name by others because the name may be deemed generic and not subject to protection under applicable laws.

Certain of our subsidiaries may be restricted in their ability to make distributions to us.

The subsidiaries that hold our aircraft are legally distinct from us, and some of these subsidiaries are restricted from paying dividends or otherwise making funds available to us pursuant to agreements governing our indebtedness. All of our principal debt facilities have financial covenants. If we are unable to comply with these covenants, then the amounts outstanding under these facilities may become immediately due and payable, cash generated by our subsidiaries affected by these facilities may be unavailable to us and/or we may be unable to draw additional amounts under these facilities. The events that could cause some of our subsidiaries not to be in compliance with their loan agreements, such as a lessee default, may be beyond our control, but they nevertheless could have a substantial adverse impact on the amount of our cash flow available to fund working capital, make capital expenditures and satisfy other cash needs. For a description of the operating and financial restrictions in our debt facilities, see the section titled Management's discussion and analysis of financial condition and results of operations Liquidity and capital resources.

Risks relating to the aircraft leasing industry

A significant discounting of prices on new aircraft by manufacturers or increase in the rate of new aircraft production may indirectly affect demand for used aircraft we purchase for leasing and our financial results and growth prospects.

The recent financial crisis has had a significant impact on the values of new aircraft as some buyers lost some or all of the funding for orders they had placed. As a result, some orders for new aircraft were cancelled or deferred. Ex-Im Bank and the ECAs supported debt financing for many new deliveries during the recent financial crisis but equity was still needed for these financings, which limited buyers' access to these agencies. Consequently, to secure sales of new aircraft and maintain revenues, manufacturers sold many of these aircraft at significant discounts. If there is another downturn in the financial markets or economy and manufacturers again drive down the price of new aircraft, this may have an adverse effect on the value of any aircraft we own and our ability to lease them at attractive rates. We intend for used aircraft to make up a part of our target assets and our ability to extend leases or create new leases may be adversely affected by a surplus in the availability of new aircraft. Further, if manufacturers discount the prices of new aircraft, it may require us to mark down the value of aircraft we carry on our balance sheet or depreciate our aircraft portfolio at a faster rate. Thus, a significant decrease in the prices of new aircraft could adversely affect our results of operations and financial condition.

Airbus has announced that it will have two new engine variants available for its A319/A320/A321 family of aircraft, which could decrease the value and lease rates of aircraft we acquire.

On December 1, 2010, Airbus announced the launch of the NEO program, which involves the offering of two new engine types – one from Pratt & Whitney, a division of United Technologies Corporation, and the other from CFM International, Inc. – on certain Airbus A319/A320/A321 aircraft delivering in 2016 and thereafter. Airbus proposes to charge a price premium for A319/A320/A321 aircraft equipped with these new engines. The availability of A319/A320/A321 aircraft with these new engine types may have an adverse effect on residual value and future lease rates on current A319/A320/A321 aircraft. The development of these new engine options could decrease the desirability of the current A319/A320/A321 aircraft that are not equipped with these new engines and thereby increase the supply of this type of aircraft in the marketplace. This increase in supply could, in turn, reduce both future residual values and lease rates for this type of aircraft. It is also possible that other airframe manufacturers could embark on similar programs, which could have similar effects on residual values and lease rates of the aircraft manufactured by these manufacturers.

From time to time, the aircraft industry has experienced periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially adversely affect our financial results and growth prospects.

Historically, the aircraft leasing business has experienced periods of aircraft oversupply. The oversupply of a specific type of aircraft is likely to depress the lease rates for and the value of that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are outside of our control, including:

passenger and air cargo demand;

fuel costs and general economic conditions;

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;

airline restructurings and bankruptcies;

manufacturer production levels and technological innovation;

manufacturers merging or exiting the industry or ceasing to produce aircraft types;

retirement and obsolescence of aircraft models;

reintroduction into service of aircraft previously in storage; and

airport and air traffic control infrastructure constraints.

In addition, due to the recent economic downturn and increased financial pressures, a number of operating lessors may be sold or merged with other operating lessors. The sale of any of these operating lessors (which may include a reduction in their aircraft fleets) and, in particular, their aircraft portfolios, could increase supply levels of used and older aircraft in the market.

These factors may produce sharp and prolonged decreases in aircraft lease rates and values and have a material adverse effect on our ability to lease or re-lease the commercial aircraft that we ultimately acquire and on our ability to sell such aircraft and parts at acceptable prices. Any of these factors could materially and adversely affect our financial results and growth prospects.

The value of the aircraft we acquire and the market rates for leases could decline and this could have a material adverse effect on financial results and growth prospects of aircraft lessors.

Aircraft values and market rates for leases have from time to time experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger and air cargo demand, increases in fuel costs, government regulation and increases in interest rates. Operating leases place the risk of realization of residual values on aircraft lessors because only a portion of the equipment's value is covered by contractual cash flows at lease inception. In addition to factors linked to the aviation industry generally, many other factors may affect the value of the aircraft that we acquire and market rates for leases, including:

the particular maintenance, operating history and documentary records of the aircraft;

the number of operators using that type of aircraft;

aircraft age;

the regulatory authority under which the aircraft is operated;

any renegotiation of an existing lease on less favorable terms;

the negotiability of clear title free from mechanics liens and encumbrances;

any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type;
comparative value based on newly manufactured competitive aircraft; and
the availability of spare parts.

Any decrease in the value of aircraft that we acquire and market rates for leases, which may result from the above factors or other unanticipated factors, may have a material adverse effect on our financial results and growth prospects.

Competition from other aircraft lessors with greater resources or a lower cost of capital than ours could adversely affect our financial results and growth prospects.

The aircraft leasing industry is highly competitive, and although it is comprised of over 100 aircraft lessors, the top five lessors in terms of the number of aircraft owned control more than 50% of the total number of aircraft that are currently on lease. Initially, we believe most of our primary competitors those top five aircraft lessors will be significantly larger, have a longer operating history and may have greater resources or lower cost of capital than ours; accordingly, they may be able to compete more effectively in one or more of the markets we attempt to enter.

In addition, we may encounter competition from other entities in the acquisition of aircraft such as:

airlines;

financial institutions;

aircraft brokers;

public and private partnerships, investors and funds with more capital to invest in aircraft; and

other aircraft leasing companies that we do not currently consider our major competitors.

Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Some of our potential competitors may have significantly greater operating and financial resources and access to lower capital costs than we have. In addition, some competing aircraft lessors may have a lower overall cost of capital and may provide inducements to potential lessees that we cannot match. Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee, if any. We likely will not always be able to compete successfully with our competitors and other entities, which could materially adversely affect our financial results and growth prospects.

Given the financial condition of the airline industry, many airlines have reduced their capacity by eliminating select types of aircraft from their fleets, affecting the prices both of the aircraft types they eliminate and the types they continue to use. This elimination of certain aircraft from

their fleets has resulted in an increase in the availability of such aircraft in the market, a decrease in rental rates for such aircraft and a decrease in market values of such aircraft. We cannot assure you that airlines will continue to acquire the same types of aircraft, or that we will not acquire aircraft that cease to be in use by our potential lessees.

There are a limited number of airframe and engine manufacturers and the failure of any manufacturer to meet its delivery obligations to us could adversely affect our financial results and growth prospects.

The supply of commercial aircraft is dominated by a few airframe manufacturers, including Boeing, Airbus, Embraer, ATR and Bombardier, and a limited number of engine manufacturers, such as GE Aircraft Engines, Rolls-Royce plc, Pratt & Whitney, a division of United Technologies Corporation, IAE International Aero Engines AG and CFM International, Inc. As a result, we will be dependent on the success of these manufacturers in remaining financially stable, producing products and related components which meet the airlines' demands and fulfilling any contractual obligations they may have to us.

Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfill any contractual obligations they might have to us, we may experience:

missed or late delivery of aircraft and a potential inability to meet our contractual obligations owed to any of our then lessees, resulting in potential lost or delayed revenues, lower growth rates and strained customer relationships;

an inability to acquire aircraft and related components on terms which will allow us to lease those aircraft to airline customers at a profit, resulting in lower growth rates or a contraction in our aircraft fleet;

a market environment with too many aircraft available, potentially creating downward pressure on demand for the anticipated aircraft in our fleet and reduced market lease rates and sale prices; or

a reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and aircraft values and may affect our ability to remarket or sell at a profit, or at all, some of the aircraft in our fleet.

There have been recent well-publicized delays by Boeing and Airbus in meeting stated deadlines in bringing new aircraft to market. If there are manufacturing delays for aircraft for which we have made future lease commitments, some or all of our affected lessees could elect to terminate their lease arrangements with respect to such delayed aircraft. Any such termination could strain our relations with those lessees going forward and adversely affect our financial results and growth prospects.

Additional terrorist attacks or the fear of such attacks, even if not made directly on the airline industry, could negatively affect lessees and the airline industry.

As a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures increased, passenger and cargo demand for air travel decreased, and operators faced, and, to a certain extent, continue to face, increased difficulties in acquiring war risk and other

insurance at reasonable costs. The September 11, 2001 terrorist attacks resulted in substantial flight disruption costs caused by the temporary grounding of the U.S. airline industry's fleet and prohibition of all flights in and out of the U.S. by the U.S. Federal Aviation Administration, significantly increased security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or any precautions taken in anticipation of such attacks (including elevated national threat warnings or selective cancellation or reduction of flights), could materially adversely affect lessees and the airline industry. The wars in Iraq and Afghanistan and additional international hostilities, including heightened terrorist activity, could also have a material adverse impact on our lessees' financial condition, liquidity and results of operations. Lessees' financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the United States or U.S. interests, which could result in significant decreases in aircraft leasing transactions and thereby materially adversely affect our results of operations.

Increases in fuel costs could materially adversely affect our lessees and by extension the demand for our aircraft.

Fuel costs represent a major expense to airlines, and fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events, regulatory changes (including those related to greenhouse gas emissions) and currency exchange rates. If airlines are unable to increase ticket prices to offset fuel price increases, their cash flows will suffer. The ongoing unrest in Libya and other nations in the Middle East and North Africa has generated uncertainty regarding the predictability of the world's future oil supply, which has led to significant near-term increases in fuel costs. If this unrest continues, fuel costs may continue to rise. Other events can also significantly affect fuel availability and prices, including natural disasters, decisions by the Organization of the Petroleum Exporting Countries regarding their members' oil output, and the increase in global demand for fuel from countries such as China.

The current high cost of fuel will likely have a material adverse impact on airline profitability, and fuel cost increases that could occur in the future would have a similar negative impact on industry profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their passengers by increasing fares. If airlines are successful in increasing fares, demand for air travel may be adversely affected. In addition, airlines may not be able to manage fuel cost risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices increase further, they are likely to cause our lessees to incur higher costs or experience reduced revenues. Consequently, these conditions may:

affect our lessees' ability to make rental and other lease payments;

result in lease restructurings and aircraft and engine repossessions;

increase our costs of maintaining and marketing aircraft;

impair our ability to re-lease aircraft and other aviation assets or re-lease or otherwise sell our assets on a timely basis at favorable rates; or

reduce the sale proceeds received for aircraft or other aviation assets upon any disposition.

Such effects could materially adversely affect demand for our aircraft.

A deterioration in the financial condition of the airline industry would have an adverse impact on our ability to lease our aircraft and sustain our revenues.

The financial condition of the airline industry is of particular importance to us because we plan to lease our aircraft to passenger airlines. Our ability to achieve our primary business objectives will depend on the financial condition and growth of the airline industry. The risks affecting airlines are generally out of our control, but because these risks have a significant impact on our intended airline customers, they will affect us as well. We may experience:

downward pressure on demand for our aircraft and reduced market lease rates and lease margins;

a higher incidence of lessee defaults, lease restructurings, repossessions and airline bankruptcies and restructurings, resulting in lower lease margins due to maintenance and legal costs associated with repossession, as well as lost revenue for the time our aircraft are off lease and possibly lower lease rates from our new lessees; and

an inability to lease aircraft on commercially acceptable terms, resulting in lower lease margins due to aircraft not earning revenue and resulting in storage, insurance and maintenance costs.

SARS, H1N1 and other epidemic diseases may hinder airline travel and reduce the demand for aircraft.

The outbreak of severe acute respiratory syndrome (SARS) materially adversely affected passenger demand for air travel in 2003. In addition, since 2003, there have been several outbreaks of avian influenza, or the bird flu, beginning in Asia and, eventually, spreading to certain parts of Africa and Europe. More recently, there was a global outbreak of the H1N1 virus, or the swine flu, which depressed travel due to fears of a global pandemic. Additional outbreaks of SARS, bird flu, swine flu or other pandemic diseases, or the fear of such events, could provoke responses, including government-imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry. The consequences of these events may reduce the demand for aircraft and/or impair our lessees' ability to satisfy their lease payment obligations to us, which in turn would adversely affect our financial results and growth prospects.

Natural disasters and other natural phenomena may disrupt air travel and reduce the demand for aircraft.

Air travel can be disrupted, sometimes severely, by the occurrence of natural disasters and other natural phenomena. For example, in April 2010, the Eyjafjallajökull volcano in Iceland erupted, releasing a massive amount of ash and glass particles into the air. The volcanic ash traveled across Europe, causing the closure of airports and grounding of air traffic in, and canceling of flights through, affected areas. The May 2011 eruption of the Grimsvötn volcano, also in Iceland, caused similar disruptions to air travel in Europe, and the June 2011 eruption of the Puyehue-Cordón Caulle volcano in Chile interfered with flights in Australia, New Zealand, South Africa and South America. The airline industry incurred substantial losses from the disruption to air travel caused by these volcanic eruptions, negatively affecting the financial condition of certain major airlines and the aviation industry as a whole. A future natural disaster could cause similar disruption to air travel and could result in a reduced demand for aircraft and/or impair our lessees' ability to satisfy their lease payment obligations to us, which in turn would adversely affect our financial results and growth prospects.

The effects of various environmental regulations may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations to us.

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant aircraft is registered and operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition to the current requirements, the United States and the International Civil Aviation Organization (the ICAO), have adopted a new, more stringent set of standards for noise levels which applies to engines manufactured or certified on or after January 1, 2006. Currently, U.S. regulations would not require any phase-out of aircraft that qualify with the older standards applicable to engines manufactured or certified prior to January 1, 2006, but the European Union has established a framework for the imposition of operating limitations on aircraft that do not comply with the new standards and incorporated aviation-related emissions into the European Union's Emission Trading Scheme beginning in 2012. These regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to more stringent noise restrictions, the United States and other jurisdictions are beginning to impose more stringent limits on nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines, consistent with current ICAO standards. These limits generally apply only to engines manufactured after 1999. Because aircraft engines are replaced from time to time in the normal course, it is likely that the number of such engines would increase over time. Concerns over global warming could result in more stringent limitations on the operation of aircraft powered by older, noncompliant engines, as well as newer engines.

European countries generally have relatively strict environmental regulations that can restrict operational flexibility and decrease aircraft productivity. The European Parliament has confirmed that aviation is to be included in the European Union's Emissions Trading Scheme starting in 2012. This inclusion could possibly distort the European air transport market, leading to higher ticket prices and ultimately a reduction in the number of airline passengers. In response to these concerns, European airlines have established the Committee for Environmentally Friendly Aviation to promote the positive environmental performance of airlines. The United Kingdom doubled its air passenger duties, effective February 1, 2007, in recognition of the environmental costs of air travel. Similar measures may be implemented in other jurisdictions as a result of environmental concerns.

Compliance with current or future regulations, taxes or duties imposed to deal with environmental concerns could cause lessees to incur higher costs and to generate lower net revenues, resulting in an adverse impact on their financial conditions. Consequently, such compliance may affect lessees' ability to make rental and other lease payments and reduce the value we receive for the aircraft upon any disposition, which could have an adverse effect on our financial results and growth prospects.

Aircraft have limited economically useful lives and depreciate over time, which could adversely affect our financial condition and growth prospects.

As commercial aircraft age, they will depreciate and generally the aircraft will generate lower revenues and cash flows. We must be able to replace such older depreciated aircraft with newer

aircraft, or our ability to maintain or increase our revenues and cash flow will decline. In addition, since we depreciate our aircraft for accounting purposes on a straight-line basis to the aircraft's residual value over its estimated useful life, if we dispose of an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we will recognize a loss on the sale.

A new standard for lease accounting is expected to be announced in the future, but we are unable to predict the impact of such a standard at this time.

In August 2010, the Financial Accounting Standards Board (FASB) issued an Exposure Draft that proposes substantial changes to existing lease accounting that will affect all lease arrangements. The FASB's proposal requires that all leases be recorded on the statement of financial position of both lessees and lessors.

Under the proposed accounting model, lessees will be required to record an asset representing the right-to-use the leased item for the lease term (the Right-of-Use Asset) and a liability to make lease payments. The Right-of-Use Asset and liability incorporate the rights, including renewal options, and obligations, including contingent payments and termination payments, arising under the lease and are based on the lessee's assessment of expected payments to be made over the lease term. The proposed model requires measuring these amounts at the present value of the future expected payments.

Under the proposed accounting model, lessors will apply one of two approaches to each lease based on whether the lessor retains exposure to significant risks or benefits associated with the underlying asset, as defined. The performance obligation approach will be applied when the lessor has retained exposure to significant risks or benefits associated with the underlying lease, and the de-recognition approach will apply when the lessor does not retain significant risks or benefits associated with the underlying asset.

The comment period for this proposal ended in December 2010 and the FASB intends to issue a final standard in 2011. The proposal does not include a proposed effective date, rather it is expected to be considered as part of the evaluation of the effective dates for the major projects currently undertaken by the FASB. The FASB continues to deliberate on the proposed accounting as presented in the Exposure Draft. In subsequent meetings in January and February 2011, the FASB discussed and agreed to make substantial revisions to the proposed accounting in the Exposure Draft. These revisions affect both lessees and lessors. At present management is unable to assess the effects the adoption of the new standard will have on our financial statements. We believe the presentation of our financial statements, and those of our lessees, could change; however, we do not anticipate that the accounting pronouncement will change the fundamental economic reasons why airlines lease aircraft.

Risks relating to this offering

We cannot assure that an active trading market for our Class A Common Stock will be sustained.

Prior to our initial public offering in April 2011, there was no public market for our Class A Common Stock, and our Class B Non-Voting Common Stock is not currently listed on any national securities exchange or market system. Our Class A Common Stock is now listed on the NYSE under the symbol AL. While there has been trading in our Class A Common Stock since our initial public offering, we cannot assure you that an active trading market for the shares offered by the selling stockholders named in this prospectus will be sustained. In the absence of an active public trading market, you may not be able to resell your shares of Class A Common Stock at a price that is attractive to you, or at all. We cannot assure you that the price at which the shares of Class A Common Stock are selling in the public market will not decline.

The market price and trading volume of our Class A Common Stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our Class A Common Stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our Class A Common Stock may fluctuate and cause significant price variations to occur. If the market price of our Class A Common Stock declines significantly, you may be unable to resell your shares at or above the purchase price, if at all. We cannot assure you that the market price of shares of our Class A Common Stock will not 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 Class A Common Stock include:

announcements concerning our competitors, the airline industry or the economy in general;

announcements concerning the availability of the type of aircraft we own;

general and industry-specific economic conditions;

changes in the price of aircraft fuel;

changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;

additions or departures of key members of management;

any increased indebtedness we may incur in the future;

speculation or reports by the press or investment community with respect to us or our industry in general;

announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;

changes or proposed changes in laws or regulations affecting the airline industry or enforcement of these laws and regulations, or announcements relating to these matters; and

general market, political and economic conditions, including any such conditions and local conditions in the markets in which our lessees are located.

These broad market and industry factors may decrease the market price of our Class A Common Stock, regardless of our actual operating performance. The stock market in general has from time to time experienced extreme price and volume fluctuations, including periods of sharp decline, as in late 2008 and early 2009. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A Common Stock depends in part on the research and reports that securities or industry analysts publish about us, our business and our industry. Prior to our initial public offering, we did not have research coverage by securities and industry analysts. While we anticipate that we will be the subject of research coverage by securities and industry analysts, if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Future offerings of debt or equity securities by us may adversely affect the market price of our Class A Common Stock.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of Class A Common Stock or offering debt or additional equity securities, including commercial paper, medium-term notes, senior or subordinated notes or preferred shares. Issuing additional shares of Class A Common Stock or other additional equity offerings may dilute the economic and voting rights of our existing stockholders or reduce the market price of our Class A Common Stock, or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings, would receive a distribution of our available assets prior to the holders of our Class A Common Stock. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our Class A Common Stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Class A Common Stock bear the risk of our future offerings reducing the market price of our Class A Common Stock and diluting their share holdings in us. See Description of capital stock.

Since we have no current plans to declare or pay cash dividends on our Common Stock, you may not receive any return on investment unless you sell your Common Stock for a price greater than that which you paid for it.

We have no current plans to declare or pay any dividends to our stockholders. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on various factors, including our results of operations, our financial condition, our earnings, our cash requirements, legal restrictions, regulatory restrictions, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, you may have to sell some or all of your shares of our Common Stock in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell our Common Stock and may lose some or all of the amount of your investment. Investors seeking cash dividends in the foreseeable future should not purchase our Common Stock.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we expect to incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We expect to incur costs associated with the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented or to be implemented by the Securities and Exchange Commission (the "SEC") and the requirements of the NYSE. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Common Stock, fines, sanctions and other regulatory action and potentially civil litigation.

If we do not timely satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the trading price of our Class A Common Stock could be adversely affected.

As a company with publicly-traded securities, we are subject to Section 404 of the Sarbanes-Oxley Act of 2002. This law requires us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls over financial reporting. The cost to comply with this law affects our net income adversely. Any delays or difficulty in satisfying the requirements of Section 404 could, among other things, cause investors to lose confidence in, or otherwise be unable to rely on, the accuracy of our reported financial information, which could adversely affect the trading price of our Class A Common Stock. In addition, if we fail to comply with Section 404, we could be subject to regulatory scrutiny and sanctions, which could include the delisting of our Class A Common Stock.

Provisions in Delaware law and our restated certificate of incorporation and amended and restated bylaws may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our Common Stock and could entrench management.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests, including the ability of our board of directors to designate the terms of and issue new series of preferred stock, a prohibition on our stockholders from calling special meetings of the stockholders, and advance notice requirements for stockholder proposals and director nominations. In addition, Section 203 of the Delaware General Corporation Law, which we have not opted out of, prohibits a public Delaware corporation from engaging in certain business combinations with an "interested stockholder" (as defined in such section) for a period of three years following the time that such stockholder became an interested stockholder without the prior consent of our board of directors. The effect of Section 203 of the Delaware General Corporation Law, as well as these charter and bylaws provisions, may make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing

market prices for our securities. See Description of capital stock Certain anti-takeover provisions of Delaware law and our restated certificate of incorporation and amended and restated bylaws.

Forward-looking statements

Statements in this prospectus that are not historical facts are hereby identified as forward-looking statements, including any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance that are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, could, may, predicts, should, will, estimate, plans, projects, continuing, ongoing, expects, intends and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described in the section titled Risk factors and elsewhere in this prospectus, including the exhibits hereto, including the following factors, among others:

our status as a recently organized corporation with a limited operating history;

our inability to make acquisitions of, or to lease, aircraft on favorable terms;

our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of sufficient aircraft as currently contemplated or to fund the operations and growth of our business;

our inability to obtain refinancing prior to the time our debt matures;

impaired financial condition and liquidity of our lessees;

deterioration of economic conditions in the commercial aviation industry generally;

increased maintenance, operating or other expenses or changes in the timing thereof;

changes in the regulatory environment;

potential natural disasters and terrorist attacks and the amount of our insurance coverage, if any, relating thereto; and

the other risks identified in this offering memorandum including, without limitation, those under the sections titled Risk factors, Business and Certain relationships and related party transactions.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Use of proceeds

We will not receive any proceeds from the sale of Common Stock by the selling stockholders. Any proceeds from the sale of the shares of Common Stock offered by this prospectus will be received by the selling stockholders. We have agreed to pay certain expenses in connection with the registration of the shares of Common Stock offered by this prospectus.

Dividend policy

We have no current plans to declare or pay any cash or other dividends on our Common Stock. We intend to reinvest cash flow generated by operations to finance the future development and expansion of our business. In addition, we have entered into and may continue to enter into credit agreements or other borrowing arrangements that impose restrictions on the declaration or payment of dividends. Our board of directors may consider the payment of a cash dividend in the future. Any determination to pay cash dividends in the future will be at the discretion of our board of directors and will depend on various factors, including our results of operations, our financial condition, our earnings, our cash requirements, legal restrictions, regulatory restrictions, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, you may need to sell your shares of our Common Stock to generate cash flow from your investment or to realize a return on your investment, and you may not be able to sell your shares at or above the purchase price, or at all. See *Risk factors* *Since we have no current plans to declare or pay cash dividends on our Common Stock, you may not receive any return on investment unless you sell your Common Stock for a price greater than that which you paid for it.*

Public market for our Class A Common Stock

As of June 30, 2011, there were 98,885,131 shares of Class A Common Stock outstanding held by approximately 139 holders of record, and 1,829,339 shares of Class B Non-Voting Common Stock outstanding held by approximately one stockholder of record.

Our Class A Common Stock started trading on April 19, 2011 on the NYSE under the symbol AL. On July 8, 2011, the closing price of our Class A Common Stock, as reported on the NYSE, was \$25.02 per share. The table below sets forth the reported high and low sale prices for our Class A Common Stock, as reported on the NYSE, for the period indicated below.

Our Class B Non-Voting Common Stock is not currently listed on any national securities exchange or market system.

2011	High	Low
April 19, 2011 through June 30, 2011	\$ 29.94	\$ 23.02
July 1, 2011 through July 8, 2011	\$ 25.36	\$ 24.49

Capitalization

The following table sets forth our capitalization as of March 31, 2011, on an actual basis and on a pro forma as adjusted basis to give effect to our initial public offering in April 2011 of 34,825,470 shares of our Class A Common Stock at the initial public offering price of \$26.50 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information below is illustrative only. You should read the information set forth below in conjunction with Management's discussion and analysis of financial condition and results of operations and our financial statements and related notes appearing elsewhere in this prospectus.

(dollars in thousands, except share amounts)	As of March 31, 2011	
	Actual	Pro forma as adjusted
Cash and cash equivalents	\$ 230,313	\$ 1,098,430
Restricted cash	62,064	62,064
Debt financing	1,374,820	1,374,820
Shareholders' equity		
Preferred Stock, \$0.01 par value; 50,000,000 shares authorized, no shares issued or outstanding, actual and as adjusted		
Class A Common Stock, \$0.01 par value; 500,000,000 shares authorized, 63,563,810 shares issued and outstanding, actual, 98,389,280 shares issued and outstanding, as adjusted	636	984
Class B Non-Voting Common Stock, \$0.01 par value; 10,000,000 shares authorized, 1,829,339 shares issued and outstanding, actual and as adjusted	18	18
Paid-in capital	1,287,229	2,154,998
Accumulated deficit	(48,864)	(48,864)
Total shareholders' equity	1,239,019	2,107,136
Total capitalization	\$ 2,613,839	\$ 3,481,956

Selected financial data

The following table sets forth selected financial data for Air Lease Corporation. The historical results presented are not necessarily indicative of future results. You should read this information in conjunction with Management's discussion and analysis of financial condition and results of operations and our financial statements and related notes appearing elsewhere in this prospectus.

(in thousands, except share data)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Operating data:			
Rentals of flight equipment	\$ 54,612	\$	\$ 57,075
Interest and other	603		1,291
Total revenues	55,215		58,366
Expenses	50,291	477	119,281
Income (loss) before taxes	4,924	(477)	(60,915)
Income tax (expense) benefit	(1,748)		8,875
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Loss per share:			
Basic	\$ 0.05	\$ (1.06)	\$ (1.32)
Diluted	\$ 0.05	\$ (1.06)	\$ (1.32)
Weighted average shares outstanding			
Basic	65,393,149	449,565	39,511,045
Diluted	65,511,529	449,565	39,511,045
Other financial data (unaudited)			
Adjusted net income (loss)(1)	\$ 11,713	\$ (477)	\$ 2,520
Adjusted EBITDA(2)	\$ 45,249	\$ (477)	\$ 32,973
Balance sheet data:			
Flight equipment subject to operating leases (net of accumulated depreciation)	\$ 2,141,738	\$	\$ 1,629,809
Total assets	2,788,658	5,224	2,276,282
Total debt	1,374,820	251	911,981
Total liabilities	1,549,639	4,391	1,051,347
Shareholders' equity	1,239,019	833	1,224,935
Cash flow data:			
Net cash flows from:			
Operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Investing activities	(611,877)	(4,250)	(1,854,710)
Financing activities	474,820	(2,691)	2,138,407
Other operating data:			

Aircraft lease portfolio at period end:
Owned(3)

49

40

(1) Adjusted net income (loss) (defined as net income before stock-based compensation expense and non-cash interest expense, which includes the amortization of debt issuance costs and convertible debt discounts) is a measure of both operating performance and liquidity that is not defined by United States generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted net income is presented as a supplemental disclosure because management believes that it may be a useful performance measure that is used within our industry. We believe adjusted net income provides useful information on our earnings from ongoing operations, our ability to service our long-term debt and other fixed obligations, and our ability to fund our expected growth with internally generated funds. Set forth below is additional detail as to how

we use adjusted net income as a measure of both operating performance and liquidity, as well as a discussion of the limitations of adjusted net income as an analytical tool and a reconciliation of adjusted net income to our GAAP net loss and cash flow from operating activities.

Operating Performance: Management and our board of directors adjusted use net income in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful in identifying trends in our performance. We use adjusted net income as a measure of our consolidated operating performance exclusive of income and expenses that relate to the financing, income taxes, and capitalization of the business. Also, adjusted net income assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily one-time amortization of convertible debt discounts) and stock-based compensation expense from our operating results. In addition, adjusted net income helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance. Accordingly, we believe this metric measures our financial performance based on operational factors that we can influence in the short term, namely the cost structure and expenses of the organization.

Liquidity: In addition to the uses described above, management and our board of directors use adjusted net income as an indicator of the amount of cash flow we have available to service our debt obligations, and we believe this measure can serve the same purpose for our investors.

Limitations: Adjusted net income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are as follows:

adjusted net income does not reflect (i) our cash expenditures or future requirements for capital expenditures or contractual commitments, or (ii) changes in or cash requirements for our working capital needs; and

our calculation of adjusted net income may differ from the adjusted net income or analogous calculations of other companies in our industry, limiting its usefulness as a comparative measure.

The following tables show the reconciliation of net income (loss) and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted net income:

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted net income (loss):			
Net cash provided by operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Depreciation of flight equipment	(18,130)		(19,262)
Stock-based compensation	(10,908)		(24,044)
Deferred taxes	(1,748)		8,875
Amortization of deferred debt issue costs	(2,328)		(4,883)

Amortization of convertible debt discounts				(35,798)
Changes in operating assets and liabilities:				
Lease receivables and other assets	2,286	105		8,040
Accrued interest and other payables	(1,028)	(2,392)		(22,054)
Rentals received in advance	(3,517)			(8,038)
Net income (loss)	3,176	(477)		(52,040)
Amortization of deferred debt issue costs	2,328			4,883
Amortization of convertible debt discounts				35,798
Stock-based compensation	10,908			24,044
Tax effect	(4,699)			(10,165)
Adjusted net income (loss)	\$ 11,713	\$ (477)	\$	2,520

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Reconciliation of net income (loss) to adjusted net income (loss):			
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Amortization of deferred debt issue costs	2,328		4,883
Amortization of convertible debt discounts			35,798
Stock-based compensation	10,908		24,044
Tax effect	(4,699)		(10,165)
Adjusted net income (loss)	\$ 11,713	\$ (477)	\$ 2,520

- (2) Adjusted EBITDA (defined as net loss before net interest expense, stock-based compensation expense, income tax expense (benefit), and depreciation and amortization expense) is a measure of both operating performance and liquidity that is not defined by GAAP and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted EBITDA is presented as a supplemental disclosure because management believes that it may be a useful performance measure that is used within our industry. We believe adjusted EBITDA provides useful information on our earnings from ongoing operations, our ability to service our long-term debt and other fixed obligations, and our ability to fund our expected growth with internally generated funds. Set forth below is additional detail as to how we use adjusted EBITDA as a measure of both operating performance and liquidity, as well as a discussion of the limitations of adjusted EBITDA as an analytical tool and a reconciliation of adjusted EBITDA to our GAAP net loss and cash flow from operating activities.

Operating Performance: Management and our board of directors use adjusted EBITDA in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful in identifying trends in our performance. We use adjusted EBITDA as a measure of our consolidated operating performance exclusive of income and expenses that relate to the financing, income taxes, and capitalization of the business. Also, adjusted EBITDA assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily one-time amortization of convertible debt discounts) and stock-based compensation expense from our operating results. In addition, adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance. Accordingly, we believe this metric measures our financial performance based on operational factors that we can influence in the short term, namely the cost structure and expenses of the organization.

Liquidity: In addition to the uses described above, management and our board of directors use adjusted EBITDA as an indicator of the amount of cash flow we have available to service our debt obligations, and we believe this measure can serve the same purpose for our investors.

Limitations: Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are as follows:

adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

adjusted EBITDA does not reflect changes in or cash requirements for our working capital needs;

adjusted EBITDA does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt; and

other companies in our industry may calculate these measures differently from how we calculate these measures, limiting their usefulness as comparative measures.

The following tables show the reconciliation of net income (loss) and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted EBITDA:

For the three For the period For the period

(in thousands)	months ended March 31, 2011	from Inception to March 31, 2010	from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted EBITDA:			
Net cash provided by operating activities	\$ 38,549	\$ 1,810	\$ 45,124
Depreciation of flight equipment	(18,130)		(19,262)
Stock-based compensation	(10,908)		(24,044)
Deferred taxes	(1,748)		8,875
Amortization of deferred debt issue costs	(2,328)		(4,883)
Amortization of convertible debt discounts			(35,798)
Changes in operating assets and liabilities:			
Lease receivables and other assets	2,286	105	8,040
Accrued interest and other payables	(1,028)	(2,392)	(22,054)
Rentals received in advance	(3,517)		(8,038)
Net income (loss)	3,176	(477)	(52,040)
Net interest expense	11,287		50,582
Income taxes	1,748		(8,875)
Depreciation	18,130		19,262
Stock-based compensation	10,908		24,044
Adjusted EBITDA	\$ 45,249	\$ (477)	\$ 32,973

(in thousands)	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Reconciliation of net income (loss) to adjusted EBITDA:			
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Add back:			
Net interest expense	11,287		50,582
Income taxes	1,748		(8,875)
Depreciation	18,130		19,262
Stock-based compensation	10,908		24,044
Adjusted EBITDA	\$ 45,249	\$ (477)	\$ 32,973

- (3) As of March 31, 2011, we owned 49 aircraft (of which nine were new aircraft and 40 were used aircraft) and we managed one aircraft. As of December 31, 2010, we owned 40 aircraft of which four were new aircraft and 36 were used aircraft.

Management's discussion and analysis of financial condition and results of operations

Overview

Our primary business is to acquire new and used popular and fuel-efficient commercial aircraft from aircraft manufacturers and other parties and to lease those aircraft to airlines around the world. We plan to supplement our leasing revenues by providing management services to investors and/or owners of aircraft portfolios, for which we will receive fee-based revenue. These services are expected to include leasing, re-leasing, and lease management and sales services, with the goal of helping our clients maximize lease and sale revenues. In addition to our leasing activities, and depending on market conditions, we expect to sell aircraft from our fleet to other leasing companies, financial services companies and airlines.

On April 25, 2011, we completed an initial public offering of our Class A Common Stock and listing of our shares on the New York Stock Exchange under the symbol "AL". The offering was upsized by 20% and the underwriters exercised their over-allotment option in full, resulting in the sale of an aggregate of 34,825,470 shares of Class A Common Stock. After deducting the underwriting discounts and commissions and offering expenses payable by us, we received net proceeds of approximately \$868.1 million.

On April 1, 2011, the Company executed an amendment to the Warehouse Facility that took effect in April 2011. This facility, as amended, provides us with financing of up to \$1.25 billion, modified from the original facility size of \$1.5 billion. We are able to draw on this facility, as amended, during an availability period that ends in June 2013. Prior to the amendment of the Warehouse Facility, the Warehouse Facility accrued interest during the availability period based on LIBOR plus 3.25% on drawn balances and at a rate of 1.00% on undrawn balances. Following the amendment, the Warehouse Facility accrues interest during the availability period based on LIBOR plus 2.50% on drawn balances and 0.75% on undrawn balances. Pursuant to the amendment, the advance level under the facility was increased from 65.0% of the appraised value of the pledged aircraft and 50.0% of the pledged cash to 70.0% of the appraised value of the pledged aircraft and 50.0% of the pledged cash. The outstanding drawn balance at the end of the availability period may be converted at our option to an amortizing, four-year term loan with an interest rate of LIBOR plus 3.25% for the initial three years of the term and margin step-ups during the remaining year that increase the interest to LIBOR plus 4.75%. As a result of amending the Warehouse Facility, we will record an extinguishment of debt charge of up to \$4.7 million from the write-off of deferred debt issuance costs when the amendment became effective in April 2011.

During the second quarter of 2011, we entered into commitments to acquire up to 24 additional aircraft from Airbus, Boeing and Embraer for an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$1.0 billion. Deliveries of the additional aircraft are scheduled to commence in 2012 and to continue through 2018. From Airbus, we agreed to purchase one additional Airbus A321 aircraft. From Boeing, we agreed to purchase an additional 18 Boeing 737-800 aircraft and have cancellation rights with respect to four of the additional 18 Boeing 737-800 aircraft. From Embraer, we agreed to purchase an additional five Embraer E190 aircraft.

In June 2011, the Company issued \$120 million in senior unsecured notes in a private placement to institutional investors. The notes have a five-year term and a coupon of 5.0%.

Period from Inception to March 31, 2010

The Company was launched in February 2010, and the Company was primarily engaged in start-up activities during the period from inception to March 31, 2010. Given the absence of significant operating activities during the period

from inception to March 31, 2010, narrative comparisons between the quarter ended March 31, 2011 and the period from inception to March 31, 2010 have not been included in this management's discussion and analysis.

Our fleet

We believe we have one of the world's youngest, most fuel-efficient operating lease portfolios. Our weighted average fleet age as of December 31, 2010 was 3.8 years and as of March 31, 2011 was 3.5 years. We expect that our weighted average fleet age will decrease further as we continue to take delivery of new aircraft from our order book. As of December 31, 2010, we had acquired 40 aircraft (of which four were new aircraft and 36 were used aircraft). As of March 31, 2011, our fleet had grown to 49 aircraft (of which nine were new aircraft and 40 were used aircraft) and we managed one aircraft. As of March 31, 2011, we had contracted to buy 153 new and eight used aircraft for delivery through 2017, with an estimated aggregate purchase price of \$6.6 billion. Of the 161 aircraft, 65 are Boeing 737-800s, three are Boeing 767-300ERs, 47 are Airbus A320/321s, 11 are Airbus A330-200/300s, 25 are Embraer E175/190s and ten are ATR 72-600s. We have cancellation rights with respect to six of the Airbus A320/321 aircraft.

As we move forward, we continue to evaluate opportunities to acquire attractive aircraft from other leasing companies and our airline customers, as well as opportunistic transactions with the airframe manufacturers, to achieve our target of owning approximately 100 aircraft by the end of 2011.

We acquired our existing fleet of 49 aircraft from 11 separate owners and operators of aircraft, 31 of which were subject to existing operating leases originated by seven different aircraft lessors. The individual transactions ranged in size from one to eight aircraft, and from \$21.7 million to \$223.2 million, respectively. The 31 existing operating leases were with 25 different airline customers. Of the 31 aircraft that we acquired from other aircraft lessors, none of the aircraft represented an entire portfolio (i.e., a group of aircraft characterized by risk, geography or other common features) of the respective seller lessor, and none of the seller lessors sold their aircraft as part of a plan to exit their respective aircraft leasing businesses. With respect to these transactions, we did not acquire any information technology systems, infrastructure, employees, other assets, services, financing or any other activities indicative of a business.

Debt financing

We fund our aircraft purchases with our existing cash balances, our Warehouse Facility, secured bilateral term financings and unsecured term and revolving credit facilities. As of December 31, 2010, we borrowed \$554.9 million under our Warehouse Facility, \$224.0 million in secured term debt and \$133.1 million in unsecured financing, and we had \$945.1 million available but undrawn under our Warehouse Facility and \$120.0 million in available but undrawn revolving unsecured credit facilities. As of March 31, 2011, we borrowed \$604.4 million under our Warehouse Facility, \$434.1 million in secured term debt and \$336.3 million in unsecured financing. As of March 31, 2011, we had \$230.3 million in unrestricted cash, \$895.6 million available but undrawn under our Warehouse Facility and \$57.0 million in available but undrawn revolving unsecured credit facilities. As of March 31, 2011, we had built a diverse lending group consisting of 17 banks across four general types of lending facilities with a composite interest rate of 3.29%¹. See "Liquidity and capital resources" below.

¹ This rate does not include the effect of upfront fees, undrawn fees or issuance cost amortization.

Aircraft industry and sources of revenues

Our revenues are principally derived from operating leases with scheduled and charter airlines. As of March 31, 2011 and December 31, 2010, we derived more than 90% of our revenues from airlines domiciled outside of the United States, and we anticipate that most of our revenues in the future will be generated from foreign lessees. The airline industry is cyclical, economically sensitive, and highly competitive. Airlines and related companies are affected by fuel price volatility and fuel shortages, political and economic instability, natural disasters, terrorist activities, changes in national policy, competitive pressures, labor actions, pilot shortages, insurance costs, recessions, health concerns and other political or economic events adversely affecting world or regional trading markets. Our airline customers ability to react to and cope with the volatile competitive environment in which they operate, as well as our own competitive environment, will affect our revenues and income.

Throughout 2010, we saw a marked improvement in the outlook for the profitability of the airline industry. On December 14, 2010, the International Air Transport Association (IATA) issued its fourth upward revision of the forecast profitability for the world airline industry for 2010 to a forecasted profit of \$15.1 billion as of December 2010. As of March 2011, IATA estimated world airline industry profitability to be \$16.0 billion in 2010 and expected world airline industry profitability to be \$8.6 billion in 2011.

We are optimistic about the long-term future of air transportation and, more specifically, the growing role that the leasing industry provides in facilitating the growth of commercial air transport. We have assembled a highly skilled management team and secured sufficient liquidity to position us well to benefit from a recovering market.

Liquidity and capital resources

Overview

As we grow our business, we envision funding our aircraft purchases through multiple sources, including cash raised in our prior equity offerings, any future equity offerings, cash flow from operations, the Warehouse Facility, additional unsecured debt financing through banks and the capital markets, bilateral credit facilities, and government-sponsored export guaranty and lending programs. ECA guaranteed financing programs support aircraft financing on ATR and qualified Airbus aircraft, Ex-Im Bank-guaranteed financing on Boeing aircraft, and BNDES financing on Embraer aircraft. While these government-sponsored financings have historically provided favorable funding levels at interest rates below those obtainable from traditional commercial sources, under the new Aircraft Sector Understanding (ASU), aircraft under firm contract after December 31, 2010 or scheduled for delivery after December 31, 2012 will be subject to significantly higher guarantee fees, which may make such financings less attractive to us than alternative sources of financing. Aircraft under firm contract on or before December 31, 2010 and scheduled to deliver on or before December 31, 2012 are grandfathered under the new ASU and are not subject to the higher fee structure. While we have had initial discussions with all of the ECAs, Ex-Im Bank, BNDES and SBCE for financing support of our new aircraft deliveries, we will continue to assess using credit support from the ECAs, Ex-Im Bank and SBCE for our grandfathered aircraft. It is uncertain at this time whether we will be able to obtain attractive financing terms from these government-sponsored programs for our non-grandfathered aircraft.

We have substantial cash requirements as we continue to expand our fleet through our purchase commitments. However, we believe that we have sufficient liquidity to satisfy the operating requirements of our business through the next twelve months.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the section of this prospectus titled "Risk factors," some of which are outside of our control. Macro-economic conditions could hinder our business plans, which could, in turn, adversely affect our financing strategy.

Warehouse Facility

On May 26, 2010, ALC Warehouse Borrower, LLC, one of our wholly-owned subsidiaries, entered into the Warehouse Facility, which is a non-recourse, revolving credit facility to finance the acquisition of aircraft. On April 1, 2011, the Company executed an amendment to the Warehouse Facility that took effect in April 2011. This facility, as amended, provides us with financing of up to \$1.25 billion, modified from the original facility size of \$1.5 billion. We are able to draw on this facility, as amended, during an availability period that ends in June 2013. Prior to the amendment of the Warehouse Facility, the Warehouse Facility accrued interest during the availability period based on LIBOR plus 3.25% on drawn balances and at a fixed rate of 1.00% on undrawn balances. Following the amendment, the Warehouse Facility accrues interest during the availability period based on LIBOR plus 2.50% on drawn balances and at a fixed rate of 0.75% on undrawn balances. Pursuant to the amendment, the advance level under the facility was increased from 65% of the appraised value of the aircraft pledged and 50% of the cash pledged to the Warehouse Facility to 70% of the appraised value of the aircraft pledged and 50% of the cash pledged to the Warehouse Facility. The outstanding drawn balance at the end of the availability period may be converted at our option to an amortizing, four-year term loan with an interest rate of LIBOR plus 3.25% for the initial three years of the term and margin step-ups during the remaining year that increase the interest to LIBOR plus 4.75%. As a result of amending the Warehouse Facility, we will record an extinguishment of debt charge of up to \$4.7 million from the write-off of deferred debt issuance costs when the amendment became effective in April 2011.

During the first quarter of 2011, the Company drew a net \$49.5 million under the Warehouse Facility and incrementally pledged \$86.3 million in aircraft collateral. As of March 31, 2011, the Company had borrowed \$604.4 million under the Warehouse Facility compared to \$554.9 million as of December 31, 2010. As of March 31, 2011, the Company had pledged 25 aircraft as collateral with a net book value of \$1.0 billion. As of December 31, 2010, the Company had pledged 23 aircraft as collateral with a net book value of \$930.0 million. The Company had pledged cash collateral and lessee deposits of \$61.5 million and \$48.3 million at March 31, 2011 and December 31, 2010, respectively. We intend to continue to utilize the Warehouse Facility to finance aircraft acquisitions through 2011, as this facility provides us with ample liquidity to make opportunistic acquisitions of aircraft on short notice.

Secured financing

During the first quarter of 2011, four of our wholly-owned subsidiaries entered into four separate secured term facilities aggregating \$218.5 million. The four facilities consisted of a six-year \$26.0 million facility at a fixed rate of 4.89%, a six-year \$92.0 million facility at a fixed rate of 4.57%, an eight-year \$14.5 million facility at a fixed rate of 4.58% and an eight-year \$86.0 million facility with a \$40.0 million tranche at a fixed rate of 4.34% and a \$46.0 million tranche at a floating rate of LIBOR plus 2.35%. In connection with these facilities, the Company pledged \$328.6 million in aircraft collateral.

During 2010, we entered into six secured term facilities yielding \$226.2 million, with interest rates ranging from LIBOR plus 2.55% to LIBOR plus 3.00%, and pledged \$336.8 million in aircraft collateral under these facilities.

Unsecured financing

During the first quarter of 2011, the Company entered into three bilateral revolving unsecured credit facilities aggregating \$63.0 million, each with a borrowing rate of LIBOR plus 2.00%, and increased the capacity of one existing three-year revolving unsecured credit facility from \$25.0 million to \$30.0 million. We also entered into three fixed-rate amortizing unsecured facilities aggregating \$24.0 million, which consisted of a four-year \$6.0 million facility at 4.15%, a five-year \$12.0 million facility at 4.05% and a five-year \$6.0 million facility at 3.95%.

During 2010, we entered into nine unsecured two-year and three-year revolving credit facilities, aggregating \$240.0 million. All of our unsecured revolving credit facilities bear interest at LIBOR plus 2.00% and the Company is obligated to pay 0.25% to 0.50% on the unused portion of the facilities. As of December 31, 2010, we had \$120.0 million of undrawn borrowing capacity under our unsecured revolving credit facilities. Additionally, we entered into a \$12.0 million, five-year term unsecured facility at a fixed rate of 3.90%.

Available liquidity

Available liquidity includes cash balances and undrawn balances under our Warehouse Facility and unsecured revolving credit facilities. At March 31, 2011, available liquidity was \$1.2 billion compared to available liquidity of \$1.4 billion at December 31, 2010.

Our debt financing was comprised of the following:

(dollars in thousands)	March 31, 2011	December 31, 2010
Secured debt	\$ 1,038,470	\$ 778,896
Unsecured debt	336,350	133,085
Total	\$ 1,374,820	\$ 911,981
Composite interest rate ⁽¹⁾	3.29%	3.32%

⁽¹⁾ This rate does not include the effect of upfront fees, undrawn fees or issuance cost amortization.

At March 31, 2011 and December 31, 2010, we were in compliance in all material respects with the covenants in our debt agreements, including our financial covenants concerning debt-to-equity, tangible net equity and interest coverage ratios.

Results of Operations

<i>(in thousands, except share data)</i>	For the three months ended March 31, 2011	For the period from Inception to March 31, 2010	For the period from Inception to December 31, 2010
Revenues			
Rental of flight equipment	\$ 54,612	\$	\$ 57,075
Interest and other	603		1,281
Total revenues	55,215		58,366
Expenses			
Interest	9,060		11,062
Amortization of deferred debt issue costs	2,328		4,883
Amortization of convertible debt discounts			35,798
Interest expense	11,388		51,743
Depreciation of flight equipment	18,130		19,262
Selling, general and administrative	9,865	477	24,232
Stock-based compensation	10,908		24,044
Total expenses	50,291	477	119,281
Income (loss) before taxes	4,924	(477)	(60,915)
Income tax (expense) benefit	(1,748)		8,875
Net income (loss)	\$ 3,176	\$ (477)	\$ (52,040)
Amortization of deferred debt issue costs	2,328		4,883
Amortization of convertible debt discounts			35,798
Stock-based compensation	10,908		24,044
Tax effect	(4,699)		(10,165)
Adjusted net income (loss)	\$ 11,713	\$ (477)	\$ 2,520

The following commentary should be read in conjunction with our financial statements and related notes appearing elsewhere in this prospectus.

Rental revenue

Building on our base of 40 aircraft at December 31, 2010, we acquired nine aircraft during the first quarter of 2011. As of March 31, 2011, we had acquired 49 aircraft at a total cost of \$2.2 billion. We recorded \$54.6 million in rental revenue for the three months ended March 31, 2011, which includes overhaul revenue and management fee revenue of \$1.7 million and \$0.4 million, respectively. All of the aircraft in our fleet were leased as of March 31, 2011. As of December 31, 2010, we

had acquired 40 aircraft at a total cost of \$1.6 billion. We recorded \$57.1 million in rental revenue for the period from inception to December 31, 2010. All of the aircraft in our fleet were leased as of December 31, 2010, except for one aircraft with respect to which we had entered into a binding lease commitment but for which delivery occurred during February 2011.

As aircraft are added throughout the respective periods, the full impact on rental revenue of these aircraft will be reflected in subsequent periods.

Interest expense

Interest expense of \$11.4 million for the three months ended March 31, 2011 principally consisted of \$9.1 million in interest and unutilized fees on our debt facilities and an additional \$2.3 million in amortization of our deferred debt issue costs. We expect that our interest expense will increase as our average debt balance outstanding continues to increase.

Interest expense of \$51.7 million for the period from inception to December 31, 2010 principally consisted of \$35.8 million of amortization of convertible debt discounts, \$11.0 million in unutilized fees on our debt facilities and cash interest and an additional \$4.9 million in amortization of our deferred debt issue costs. The amortization of convertible debt discounts is a one-time, equity-neutral charge. This charge was a result of our issuance of \$60.0 million of convertible notes at 6.0%, on May 7, 2010, to funds managed by Ares Management LLC and Leonard Green & Partners, L.P. and members of our management and board of directors (and their family members or affiliates) and simultaneously entering into a forward purchase arrangement with such funds managed by Ares Management LLC and Leonard Green & Partners, L.P. to purchase shares at a discounted price of \$18.00 per share. We used the proceeds of the convertible notes to finance the acquisition of an aircraft and for general corporate purposes prior to the initial closing of our private placement of Common Stock in June 2010. The convertible notes all converted to equity at \$18.00 per share on June 4, 2010, upon the initial closing of our private placement of Common Stock in June 2010.

Our overall composite interest rate has continued to improve since our inception. This is a result of our credit spreads on new debt issuances continuing to tighten, combined with a low, short-term interest rate environment.

Depreciation expense

We recorded \$18.1 million in depreciation expense of flight equipment for the three months ended March 31, 2011. We recorded depreciation expense of flight equipment for the period from inception to December 31, 2010 of \$19.3 million.

As aircraft are added throughout the respective periods, the full impact of depreciation of flight equipment acquired during each period will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded \$9.9 million in selling, general and administrative expenses for the three months ended March 31, 2011. We recorded \$24.2 million of selling, general and administrative expenses for the period from inception to December 31, 2010.

Selling, general and administrative expense represented a disproportionate share of revenues during our launch phase. As we add new aircraft to our portfolio, we expect selling, general and administrative expense to reduce as a share of our revenue.

Stock-based compensation expense

We recorded \$10.9 million of stock-based compensation expense for the three months ended March 31, 2011. Stock-based compensation expense for the period from inception to December 31, 2010 was \$24.0 million.

We granted restricted stock units and stock options during the second and third quarters of 2010. We determined the fair value of our grants on the grant date and will recognize the value of the grants as expense over the vesting period, with an offsetting increase to equity. As a result, the stock-based compensation expense recorded to date is equity-neutral.

Taxes

The effective tax rate for three months ended March 31, 2011 was 35.5% compared to 14.6% for the period from inception to December 31, 2010. Our effective tax rate for the period from inception to December 31, 2010 was reduced from the statutory rate of 35.0% primarily due to the tax treatment of the amortization of the convertible debt discounts, which is non-deductible for tax purposes.

Net income (loss)

For the quarter ended March 31, 2011, the Company reported consolidated net income of \$3.2 million, or \$0.05 per diluted share. We recorded a net loss of \$52.0 million for the period from inception to December 31, 2010. The net loss from inception is primarily attributable to the one-time amortization of convertible debt discounts and stock-based compensation expense, which as discussed above are both equity-neutral items.

Adjusted net income

We recorded adjusted net income of \$11.7 million for the three-month period ended March 31, 2011. This is the third consecutive period since inception that we recorded positive adjusted net income. We recorded adjusted net income of \$2.5 million for the period since inception to December 31, 2010.

Adjusted net income is a measure of financial and operational performance that is not defined by GAAP. See note 1 in the Summary financial information and data and in the Selected financial data for a discussion of adjusted net income as a non-GAAP measure and a reconciliation of this measure to net loss included elsewhere in this prospectus.

Contractual Obligations

Our contractual obligations as of March 31, 2011 are as follows:

<i>(dollars in thousands)</i>	2011	2012	2013	2014	2015	Thereafter	Total
Long-term debt obligations ⁽¹⁾	\$ 75,032	\$ 131,735	\$ 250,958	\$ 222,163	\$ 181,367	\$ 513,565	\$ 1,374,820
Interest payments on debt outstanding ⁽²⁾	36,489	39,661	35,451	28,079	22,662	36,050	198,392
Operating leases	59	1,441	2,325	2,395	2,467	23,241	31,928
Purchase commitments	1,489,375	1,410,712	1,034,884	1,057,055	818,378	791,475	6,601,879
Total	\$ 1,600,955	\$ 1,583,549	\$ 1,323,618	\$ 1,309,692	\$ 1,024,874	\$ 1,364,331	\$ 8,207,019

(1) Maturities of debt outstanding as of March 31, 2011, above, reflects the amortization profile of the Warehouse Facility as amended. See Note 8, Subsequent Events .

(2) Future interest payments on floating-rate debt are estimated using floating interest rates in effect at March 31, 2011.

Off-balance sheet arrangements

We have not established any unconsolidated entities for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. We have, however, from time to time established subsidiaries and created partnership arrangements or trusts for the purpose of leasing aircraft or facilitating borrowing arrangements.

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. The nature of our business exposes us to market risk arising from changes in interest rates. Changes, both increases and decreases, in our cost of borrowing, as reflected in our composite interest rate, directly impact our net income. Our lease rental stream is generally fixed over the life of our leases, whereas we have used

floating-rate debt to finance a significant portion of our aircraft acquisitions. As of March 31, 2011, we had \$1.1 billion in floating-rate debt. As of December 31, 2010, we had \$898.9 million

in floating-rate debt. If interest rates increase, we would be obligated to make higher interest payments to our lenders. If we incur significant fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If our composite rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of March 31, 2011 and December 31, 2010, of approximately \$11.4 million and \$9.0 million, each on an annualized basis, which would put downward pressure on our operating margins.

Foreign Exchange Rate Risk. The Company attempts to minimize currency and exchange risks by entering into aircraft purchase agreements and a majority of lease agreements and debt agreements with U.S. dollars as the designated payment currency. Thus, most of our revenue and expenses are denominated in U.S. dollars. As of March 31, 2011 and December 31, 2010, 5.4% and 3.7%, respectively, of our lease revenues were denominated in Euros. As our principal currency is the U.S. dollar, a continuing weakness in the U.S. dollar as compared to other major currencies should not have a significant impact on our future operating results.

Recent accounting pronouncements

In July 2010, the FASB issued an accounting standard that requires enhanced disclosures about (i) the nature of credit risk inherent in a portfolio of financing receivables, (ii) how risk is analyzed and assessed in arriving at the allowance for credit losses, and (iii) the changes and reasons for those changes in the allowance for credit losses. These increased disclosures are required to be included in our December 31, 2010 financial statements. As this new standard only requires additional disclosures about receivables, it will not affect our consolidated financial position, results of operations or cash flows.

Critical accounting policies

We believe the following critical accounting policies can have a significant impact on our results of operations, financial position and financial statement disclosures, and may require subjective and complex estimates and judgments.

Lease revenue

We lease flight equipment principally under operating leases and report rental income ratably over the life of each lease. Rentals received, but unearned, under the lease agreements are recorded in `Rentals received in advance` on our Consolidated Balance Sheet until earned. The difference between the rental income recorded and the cash received under the provisions of the lease is included in `Lease receivables`, as a component of `Other assets` on our Consolidated Balance Sheet. An allowance for doubtful accounts will be recognized for past-due rentals based on management's assessment of collectability. Our management team monitors all lessees with past due lease payments (if any) and discusses relevant operational and financial issues facing those lessees with our marketing executives in order to determine an appropriate allowance for doubtful accounts. In addition, if collection is not reasonably assured, we will not recognize rental income for amounts due under our lease contracts and will recognize revenue for such lessees on a cash basis. Should a lessee's credit quality deteriorate, we may be required to record an allowance for doubtful accounts and/or stop recognizing revenue until cash is received, both of which could have a material impact on our results of operations and financial condition.

Our aircraft lease agreements typically contain provisions which require the lessee to make additional rental payments based on either the usage of the aircraft, measured on the basis of hours or cycles flown per month (a cycle is one take-off and landing), or calendar-based time (Contingent Rentals). These payments represent contributions to the cost of major future maintenance events (Qualifying Events) associated with the aircraft and typically cover major airframe structural checks, engine overhauls, the replacement of life limited parts contained in each engine, landing gear overhauls and overhauls of the auxiliary power unit. These Contingent Rentals are generally collected monthly based on reports of usage by the lessee or collected as fixed monthly rates.

In accordance with our lease agreements, Contingent Rentals are subject to reimbursement to the lessee upon the occurrence of a Qualifying Event. The reimbursable amount is capped by the amount of Contingent Rentals received by the Company, net of previous reimbursements. The Company is only required to reimburse for Qualifying Events during the lease term. The Company is not required to reimburse for routine maintenance or additional maintenance costs incurred during a Qualifying Event. All amounts of Contingent Rentals unclaimed by the lessee at the end of the lease term are retained by the Company.

We record as rental revenue the portion of Contingent Rentals that we are virtually certain we will not reimburse to the lessee as a component of Rental of flight equipment in our Consolidated Statement of Operations. Contingent Rentals which we may be required to reimburse to the lessee are reflected in our overhaul reserve liability, as a component of Security deposits and maintenance reserves on flight equipment leases in our Consolidated Balance Sheet.

Estimating when we are virtually certain that Contingent Rental payments will not be reimbursed requires judgments to be made as to the timing and cost of future maintenance events. In order to determine virtual certainty with respect to this contingency, our Technical Asset Management department analyzes the terms of the lease, utilizes available cost estimates published by the equipment manufacturers, and thoroughly evaluates an airline's Maintenance Planning Document (MPD). The MPD describes the required inspections and the frequency of those inspections. Our Technical Asset Management department utilizes this available information, combined with their cumulative industry experience, to determine when major Qualifying Events are expected to occur for each relevant component of the aircraft, and translates this information into a determination of how much we will ultimately be required to reimburse to the lessee. We record Contingent Rental revenue as the aircraft is operated when we determine that a Qualifying Event will occur outside the non-cancellable lease term or after we have collected Contingent Rentals equal to the amount that we expect to reimburse to the lessee as the aircraft is operated.

Should such estimates be inaccurate, we may be required to reverse revenue previously recognized. In addition, if we can no longer make accurate estimates with respect to a particular lease, we will stop recognizing any Contingent Rental revenue until the end of such lease.

All of our lease agreements are triple net leases whereby the lessee is responsible for all taxes, insurance, and aircraft maintenance. In the future, we may incur repair and maintenance expenses for off-lease aircraft. We recognize overhaul expense in our Consolidated Statement of Operations for all such expenditures.

Lessee-specific modifications such as those related to modifications of the aircraft cabin are expected to be capitalized as initial direct costs and amortized over the term of the lease into rental revenue in our Consolidated Statement of Operations.

Flight equipment

Flight equipment under operating lease is stated at cost less accumulated depreciation. Purchases, major additions and modifications, and interest on deposits during the construction phase are capitalized. We generally depreciate passenger aircraft on a straight-line basis over a 25-year life from the date of manufacture to a 15% residual value. Changes in the assumption of useful lives or residual values for aircraft could have a significant impact on our results of operations and financial condition. At the time flight equipment is retired or sold, the cost and accumulated depreciation are removed from the related accounts and the difference, net of proceeds, is recorded as a gain or loss.

Our management team evaluates on a quarterly basis the need to perform an impairment test whenever facts or circumstances indicate a potential impairment has occurred. An assessment is performed whenever events or changes in circumstances indicate that the carrying amount of an aircraft may not be recoverable. Recoverability of an aircraft's carrying amount is measured by comparing the carrying amount of the aircraft to future undiscounted net cash flows expected to be generated by the aircraft. The undiscounted cash flows consist of cash flows from currently contracted leases, future projected lease rates and estimated residual or scrap values for each aircraft. We develop assumptions used in the recoverability analysis based on our knowledge of active lease contracts, current and future expectations of the global demand for a particular aircraft type, and historical experience in the aircraft leasing market and aviation industry, as well as information received from third-party industry sources. The factors considered in estimating the undiscounted cash flows are affected by changes in future periods due to changes in contracted lease rates, economic conditions, technology and airline demand for a particular aircraft type. In the event that an aircraft does not meet the recoverability test, the aircraft will be recorded at fair value in accordance with our Fair Value Policy, resulting in an impairment charge. Deterioration of future lease rates and the residual values of our aircraft could result in impairment charges which could have a significant impact on our results of operations and financial condition. To date we have not recorded any impairment charges.

We record flight equipment at fair value if we determine the carrying value may not be recoverable. We principally use the income approach to measure the fair value of aircraft. The income approach is based on the present value of cash flows from contractual lease agreements and projected future lease payments, including contingent rentals, net of expenses, which extend to the end of the aircraft's economic life in its highest and best use configuration, as well as a disposition value based on expectations of market participants. These valuations are considered Level 3 valuations, as the valuations contain significant non-observable inputs.

Share-based payments

To compensate and incentivize our employees and directors, we grant share-based compensation awards. To date, we have granted stock options and restricted stock units. All share-based payment awards granted have been equity classified awards. We account for such awards by estimating the grant date fair value of the award and amortizing that value on a straight-line basis over the relevant service period less any anticipated forfeitures. The estimation of the fair value of share-based awards requires considerable judgment, particularly

since, we were a private company until April 2011, with a short history of operations. Key estimates we make in determining the fair value of an award include the fair value of our Common Stock, the expected term of the award and the volatility of our Common Stock. To date we have principally used transaction prices from sales of our Common Stock to determine the fair value of our Common Stock. As we have a limited history, we have used the simplified averaging approach to estimating the expected term of the award. We have estimated the volatility of our Common Stock by using the average historic volatility of a peer group of companies. For future awards, we will be required to continue to make such subjective judgments, and while we intend to continue to use the approach discussed above to make key estimates, there can be no assurance that changes in such estimates will not have a significant impact to our results of operations in the future.

Income taxes

We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in the tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance for deferred tax assets when the probability of realization of the full value of the asset is less than 50%. We are currently in a net deferred tax asset position. Based on the timing of reversal of deferred tax liabilities, future anticipated taxable income based on lease and debt arrangements in place at the balance sheet date and tax planning strategies available to us, our management considers the deferred tax asset recoverable. Should events occur in the future that make the likelihood of recovery of the net deferred tax asset less than 50%, a deferred tax valuation allowance will be required that could have a significant impact on our results of operations and financial condition.

We recognize the impact of a tax position, if that position has a probability of greater than 50% that it would be sustained on audit, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that has a probability of more than 50% of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As our business develops and we file tax returns, we may take tax positions that have a probability of less than 50% of being sustained on audit which will require us to reserve for such positions. If these tax positions are audited by a taxing authority, there can be no assurance that the ultimate resolution of such tax positions will not result in further losses. Such losses could have a significant impact on our results of operations and financial condition.

Overview of the aircraft leasing industry

We obtained the market and industry information, data and forecasts in this section from a report prepared for us by AVITAS, a full-service aviation consulting firm retained by us to provide such information, data and forecasts for inclusion in this prospectus. AVITAS has consented to being named as an expert with respect to such information, data and forecasts.

Nature of airline industry

Demand for air travel has consistently grown in terms of both the number of aircraft and passenger traffic over the last 40 years. The industry has remained resilient over time, while enduring the effects of both business cycle downturns and external events. Today, air travel has penetrated most world regions, with the highest growth now coming from emerging markets and economies. The long-term outlook for an increasing number of aircraft remains robust due primarily to increased passenger traffic. AVITAS forecasts that there will be more than 24,000 aircraft in service by 2015, an increase of approximately 5,000 over today's level.

The airline industry is cyclical and generally grows along with the economy. Historically, there has been a strong positive correlation between changes in world Gross Domestic Product (GDP), measured in U.S. dollars, and changes in passenger traffic (as indicated by revenue passenger kilometers (RPK), an industry-standard measure of passengers flown where each RPK represents one kilometer traveled by a paying customer). Figure 1 illustrates that air travel can be forecast by using GDP as a predictor of passenger travel and depicts the actual levels of traffic versus the levels predicted by an AVITAS model based on world GDP.

Figure 1

Annual World Passenger Air Traffic, 1970-2010

Source: International Civil Aviation Organization.

The airline industry has demonstrated robust growth in terms of both aircraft and passenger traffic. Figure 2 shows the growth profile of both aircraft and passenger traffic over the last 40 years. Growth in passenger traffic has led to the need for additional aircraft capacity. The business cycle effects are apparent in the chart as passenger traffic (depicted by the RPK line) declines or softens within recessionary periods. However, aircraft inventory has trended upward consistently, regardless of the economic cycle, as many aircraft are delivered during downturns despite reduced passenger travel.

Figure 2

**World Passenger Traffic and Commercial Jet Aircraft
Year-End Data 1970-2010**

Source: Ascend fleet database (includes all commercial aircraft including regional jets with less than 100 seats; aircraft fleet data is actual through 2010 and passenger traffic data is estimated for 2010).

Worldwide airline industry outlook

Figure 3 shows monthly year-over-year percentage changes for passenger and cargo traffic between January 2009 and April 2011, the most recent period for which data is available. As depicted, traffic has been recovering since October 2009. In April 2011, year-over-year passenger traffic grew 7% and cargo traffic grew 16%.

Figure 3

**World Monthly Year over Year Passenger and Cargo Traffic Growth
January 2009 - April 2011**

Source: IATA.

Note: Statistics cover international scheduled air traffic; domestic traffic is not included.

Long-term passenger traffic growth is expected to be underpinned by projected growth in demand from emerging markets. Travel growth remains concentrated in the emerging markets of the Asia/Pacific region, Latin America and the Middle East while the more mature markets in the United States and Europe have slower growth rates overall. The percentage of world traffic attributable to emerging markets has been continuously increasing since the early 1990s. For example, in 1990, the Asia/Pacific region represented about 17% of the world's passenger traffic, and its share was estimated to be approximately 29% in 2010. Since 1990, China's passenger traffic has grown 15% annually on average to 337 billion RPKs in 2009. Currently, China's passenger traffic is the second highest in the world.

Figure 4 illustrates AVITAS's forecast of the growth prospects for each of the major geographic regions over the next several years. AVITAS expects to see considerably higher growth in 2011-2015 in the Asia/Pacific region, the Middle East and Latin America, as compared to North America and Europe. In fact, AVITAS forecasts that by 2015 passenger traffic in the Asia/Pacific region will surpass passenger traffic in North America.

Figure 4

**Forecast of Annual Average Passenger Traffic Growth by Major Regions
2011-2015**

Source: AVITAS forecast.

Strengthening fundamental metrics, such as increased traffic, load factors, yield, cargo growth, and capacity reduction, led IATA to significantly upgrade its forecast outlook for the worldwide airline industry throughout 2010.

Figure 5 represents the progression of IATA's forecast estimates for 2010 worldwide airline profitability from December 2009 through March 2011 and reflects IATA's final determination (released in June 2011) of net profits of \$18.0 billion for 2010.

Figure 5

**IATA Forecasted Airline Industry Profitability 2010
(in billions)**

Source: IATA.

Figure 6 represents the progression of IATA's forecast estimates for 2011 worldwide airline profitability. In March 2011, IATA downgraded its forecast for the profitability of the airline industry for 2011 to \$8.6 billion from its estimate of \$9.1 billion in December 2010. Most recently, IATA downgraded its 2011 airline industry outlook again as a result of the natural disaster in Japan, unrest in the Middle East and North Africa, and a sharp rise in oil prices. The latest figures indicate that IATA projects a \$4.0 billion profit for the airline industry in 2011.

Figure 6

**IATA Forecast Airline Industry Profitability 2011
(in billions)**

Source: IATA.

While rising oil prices present challenges for airline profitability, aircraft lessors with younger, more fuel-efficient aircraft have the opportunity to become more competitive as such aircraft become increasingly more attractive to airline customers seeking to reduce their fuel costs.

Aircraft production

Airlines order aircraft to accommodate increased passenger demand as well as to replace older airplanes with newer, more fuel-efficient, and technologically enhanced aircraft. AVITAS projects that the world fleet will increase by about 25% from approximately 19,000 aircraft in 2011 to more than 24,000 aircraft by the end of 2015. As shown in Figure 7, increased passenger demand and aircraft replacement are projected to account for approximately 70% and 30%, respectively, of new aircraft deliveries from 2011 to 2015.

Figure 7

Demand for Passenger Aircraft from 2011-2015

Source: BACK Aviation data; AVITAS forecast.

A key driver of increased passenger demand is the growth of low-cost carriers worldwide. Most of the major regions of the world have seen a proliferation of low-cost carriers. For example, the Asia/Pacific region currently has more than 50 low-cost carriers, and in the Middle East and Latin America there are at least 20 low-cost carriers. Moreover, low-cost carriers are also expanding in other regions, such as Russia. Many of these low-cost carriers have new aircraft on order for future delivery and are seeking aircraft that have reduced operational expenses and greater fuel efficiency with lower maintenance costs.

Aircraft are replaced as a result of the economic life cycle of the airplane. The average age of retirement varies by aircraft type and model, but it is generally between 25 and 30 years for most passenger aircraft. As an aircraft becomes older, it tends to have higher maintenance costs, burns more fuel than younger, more modern aircraft, and often fails to comply (without costly modifications in some cases) to newer environmental standards.

Airlines that seek to replace their aircraft are driven by numerous factors, some of which are fuel consumption, aircraft range performance, cabin amenities, and aircraft reliability. Generally,

airlines base their decision to replace aircraft on their specific operational economics and aircraft fleet strategies.

The lengthy production cycle of aircraft can create difficulties for airlines as new planes need to be ordered years in advance of delivery – often five years or more. Historically, airlines have tended to purchase aircraft when traffic is up but since aircraft production lead times can be so long, they often take delivery of the aircraft when the economic environment has changed and traffic has declined. These patterns occur in parallel with macro economic cycles.

Aircraft values

Aircraft values are determined by market demand and market supply. Market demand is predicted based on traffic forecasts, which are driven in turn by economic cycles, together with productivity, utilization assumptions and load factor analysis. Market supply is projected by a retirement forecast based on aircraft economic life assumptions and fluctuations in the parked aircraft fleet, and the delivery forecast driven by the order/delivery pattern. The change in aircraft values is the outcome of these movements in the demand for and supply of aircraft.

Figure 8 is a depiction of AVITAS's value index for world passenger jets. The index is derived by an econometric model that compares average aircraft values for all aircraft types and vintages over time to their trend line. The trend line indicates the intrinsic value of an aircraft in a balanced market where supply and demand are equal. The percentage scale on the chart reflects the forecast of values as a percentage relative to the trend line value (which is indicated as 100%). This allows for a determination of when average aircraft values are forecast to be above or below the trend line over the short and medium term given forecast changes in the business cycle and the supply and demand for aircraft.

Figure 8

History and Forecast Value Index, World Passenger Jet, 2008-2015

Source: AVITAS forecast.

AVITAS forecasts that aircraft values will be depressed through 2011 as AVITAS believes that aircraft supply will continue to exceed the market demand for aircraft. In addition, both Boeing and Airbus are expanding production on several aircraft types in 2011 and 2012, which are expected to further dampen aircraft values through 2011. However, after 2011, passenger traffic is forecasted to recover, which is expected to lead to the absorption of the new aircraft deliveries and thereby strengthen aircraft values in the process.

There are dozens of different jet aircraft types and models in commercial airline service today ranging from 30 to 500 seats. Each of these models generally has a production run of 15 to 25 years. Because an aircraft's value generally declines with age, there are numerous value profiles for each aircraft type by its year of build.

An aircraft's value and its associated lease rates are determined by market conditions, the overall supply and demand for aircraft, and other factors, such as:

- aircraft type and age;
- number of aircraft in service today;
- number of airlines who operate the aircraft;
- production status;
- size, capacity, and capability;

number of aircraft that are currently parked or in storage (a result of either market conditions or an operator decision to park the aircraft, either temporarily or permanently); and

life cycle duration, which is the potential of the aircraft type to be replaced by a newer model.

Performance against these criteria demonstrates market liquidity of the asset and thus the ease or difficulty in placing an aircraft with another operator.

Generally, newer in-production models with strong market penetration, good geographic dispersion, and a broad base of operators tend to hold their value better than older, out-of-production types. While all aircraft are expected to lose value during negative market conditions, aircraft with positive characteristics against the criteria described above should maintain a higher value and higher lease rate over a longer period of time and with less price volatility.

Figure 9 shows aircraft types that AVITAS expects will perform relatively well from a value perspective over the next five to ten years. Note that the aircraft types shown here are based on AVITAS's opinion on the desirability of having these types in a leased aircraft portfolio that is strong on liquidity. It is not an endorsement or a guarantee that an investment in these aircraft will be profitable. Also, while assets that have strong market liquidity can minimize value volatility, they can also result in low yield returns as compared to an investment in older aircraft, which are more volatile in nature but may produce higher yields.

All of the aircraft listed in Figure 9 have demonstrated significant market strength and represent a cross-section of narrowbody, widebody, and turboprop aircraft. Many of these aircraft are favored by operating lessors given their high demand within the market and relative liquidity. While some compete with one another, many of these aircraft models and types do not have comparable replacements in terms of range and size and no such replacements are expected over the next five years (or longer). It is important to note that Airbus has announced a new engine option (A320 NEO) scheduled to enter service in 2016. The A330-200 may be replaced by a version of the A350WXB and a version of the 787, which are scheduled for delivery between 2013 and 2015. However, both of those models will be heavier than the A330-200. Thus, the A330-200 appears to have a competitive niche against aircraft of a similar size.

The Embraer 170/190 family of aircraft has gained significant prominence over the last decade as a result of the development of 70-100 seat regional jets. These popular aircraft are now used by both regional and major airlines to provide hub flow passenger traffic as well as point-to-point service between smaller and medium-sized cities. Similarly, the ATR 72-600, manufactured by French-Italian aircraft manufacturer ATR, provides large turboprop service at reduced operating economics, including low fuel burn. Deliveries of the ATR 72-600 will begin in 2011 and is a follow-on aircraft from the popular ATR 72-200/-500 models (currently used by 87 airline operators).

Figure 9

Selected aircraft statistics

Manufacturer	Aircraft type	Model	Body type	Capacity (seats)	Aircraft in		No. of airline operators	No. of aircraft on operating lease (apprx)	Production years (to date)	
					service	Backlog				
Boeing	737NG	-700	narrow	126	1041	401	77	382	14	
		-800	narrow	162	2203	1482	134	1035	14	
Airbus	A320	777	300ER	wide	365	276	217	24	130	8
		A319-100	narrow	124	1225	180	106	543	16	
		A320-200	narrow	150	2547	1770	220	1282	23	
		A321-200	narrow	185	566	240	66	221	15	
	A330	-200	wide	253	398	128	65	204	13	
ATR	ATR72	-600	turboprop	74	n/a	92	7	10	Beginning 2011	
Embraer	EJET	170	narrow	70-75	179	9	22	69	8	
		175	narrow	80-90	128	54	9	48	7	
		190	narrow	90-100	340	173	33	43	6	

Source: ACAS Business Aviation.

Notes: The statistics are from June 2011. The number of aircraft on operating lease are estimates and are for passenger aircraft only.

Role of lessors

Due to the cost of aircraft acquisitions, aircraft financing complexities and the airlines' need for fleet flexibility, the role of operating lessors has expanded significantly over the last 20 years. In the late 1960s and early 1970s, airlines generally owned all of their aircraft. Aircraft acquisitions were financed through loans that were collateralized by the aircraft themselves. Airline fleets at that time were generally small in size and limited to a few aircraft types. Further, the overall size of the airline industry was relatively small and geographically confined. As airline fleets expanded and fixed costs for maintenance and ownership grew rapidly, airlines outsourced ownership of many of their airplanes through the adoption of aircraft leases.

Growth of aircraft operating leases is expected to continue as lessors acquire aircraft from manufacturers, as well as from airlines (for example, sale-leaseback transactions). Airlines have turned to the leasing structure for an increasing share of their financing requirements as operating leases provide fleet planning flexibility, relatively low capital investment and the avoidance of balance sheet residual value risk. An operating lease allows airlines to preserve capital that can be invested in the operational costs of the airline. Airlines are diversifying their fleets to secure growth in new markets in different geographic regions. Hence, operating lessors can provide airlines with diversified aircraft types and capacities, as well as economic flexibility.

Leasing is attractive to nearly all airlines and is particularly attractive to start-up carriers, especially those in the fast-growing, low-cost carrier sectors in various geographic regions. During the recession of 2001, while many banks were reducing their involvement in aircraft financing in the capital markets, operating lessors continued to offer aircraft supply to the airlines.

Figure 10 illustrates the consistent upward trend of aircraft operating leases over the past 40 years. As of December 2010, aircraft operating leases comprised about 35% of the more than 19,000 commercial jet aircraft fleet in service. Of the more than 7,000 new aircraft that are on order backlog, it is expected that operating lessors will take delivery of more than 1,300 aircraft, which represents approximately 19% of the total order backlog for new aircraft. This figure is consistent with operating lessors' involvement with new aircraft orders over the last five years.

Of the approximately 1,300 aircraft currently on order by operating lessors, 72% are narrowbody aircraft, 24% are widebodies, and 4% are regional jets.

Figure 10

**Aircraft Operating Leases as a Percentage of Total Worldwide
Aircraft Fleet**

Source: Ascend and AVITAS estimates; in service jet aircraft in commercial service.

The operating leasing industry has shown steady growth as a percentage of in-service aircraft. This is due to continued reliance on leasing companies to fund aircraft expansion in growing markets for both outright growth and for aircraft replacements. Forecasts for aircraft deliveries over the next five years suggest that the number of aircraft on lease may grow by more than 25% from today's totals. As shown in Figure 11, extrapolating historical leasing trends indicates that the total number of aircraft on operating lease will increase from 6,800 in 2010 to 8,500 in 2015, an increase of 1,700 aircraft. This increase will be driven by both new aircraft deliveries as well as sale-leaseback transactions.

Figure 11

Aircraft Lease vs. Other Ownership - History and Extrapolation

Source: History from ACAS; AVITAS extrapolation.

Competition

The current competitive landscape for operating lessors is a large, but fragmented industry. There are over 100 aircraft lessors today but the top five lessors control more than 50% of the total number of aircraft on lease and more than 60% of current aircraft value. The two largest aircraft leasing companies are International Lease Finance Corporation and GE Capital Aviation Services.

The fragmented nature of the industry has created niches in the aircraft leasing industry within which lessors focus, including:

- a focus on specific geographic regions;
- a focus on a diversified fleet structure (narrowbody or widebody aircraft);
- a focus on securitization of aircraft assets; and
- different financial structures, that is, private or public company funding.

As a result of the recent global financial market challenges, several leasing companies have faced significant financial difficulty. Some large lessors have shed aircraft to provide needed funds. Moreover, the near future of the leasing market will also depend upon the strength and structure of the recovery of the overall airline market. Consequently, the current market situation may alter the competitive landscape and consolidation of existing players may be

inevitable. With a disrupted landscape, new leasing companies may also arise as funding and the capital markets recover.

Despite the current issues, however, the leasing market is a fundamental component of the airline business. Leasing companies will play an increasingly larger role in providing aircraft capacity as airlines grow their fleets and re-fleet with newer, more fuel-efficient aircraft. New opportunities will arise and lessors who are adequately capitalized and are both nimble and flexible in their approach will be able to take advantage of today's funding and market issues and be better equipped to pursue both current and long-term market opportunities.

Business

Overview

Air Lease Corporation is an aircraft leasing company that was launched in February 2010 by aviation industry pioneer Steven F. Udvar-Házy. We are principally engaged in purchasing commercial aircraft which we, in turn, lease to airlines around the world to generate attractive returns on equity.

As of March 31, 2011, we owned 49 aircraft of which nine were new aircraft and 40 were used aircraft. Our fleet is comprised of fuel-efficient and newer technology aircraft, consisting of narrowbody (single-aisle) aircraft, such as the Airbus A319/320/321 and the Boeing 737-700/800, and select widebody (twin-aisle) aircraft, such as the Airbus A330-200 and the Boeing 777-300ER. We manage lease revenues and take advantage of changes in market conditions by acquiring a balanced mix of aircraft types, both new and used. Our used aircraft are generally less than five years old. All of the aircraft we own were leased as of March 31, 2011. Additionally, as of March 31, 2011, we had entered into purchase commitments to acquire an additional 153 new aircraft through 2017 and eight used aircraft in 2011.

Through careful management and diversification of our leases and lessees by geography, lease term, and aircraft age and type, we mitigate the risks of owning and leasing aircraft. We believe that diversification of our leases and lessees reduces the risks associated with individual lessee defaults and adverse geopolitical and regional economic events. We manage lease expirations in our fleet portfolio over varying time periods in order to minimize periods of concentrated lease expirations and mitigate the risks associated with cyclical variations in the airline industry. We target to place new aircraft under leases with a minimum term of six years for narrowbody aircraft and nine years for widebody aircraft. As of March 31, 2011, the weighted average lease term remaining on our current leases was 5.9 years, and we leased the aircraft in our portfolio to 30 airlines in 17 countries.

We lease our aircraft to airlines pursuant to net operating leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term, which includes fuel, crews, airport and navigation charges, and insurance. The cost of an aircraft typically is not fully recovered over the term of the initial lease. Therefore, upon expiration or early termination of a lease, we retain the benefit and assume the risk of the rent at which we can re-lease the aircraft and its equipment or the price at which we can sell the aircraft and its equipment. We believe net operating leases offer airlines greater fleet and financial flexibility and ability to diversify as compared to outright ownership because of the relatively small initial capital outlay necessary to obtain use of the aircraft, the airlines' ability to match aircraft use with their current and future operating requirements, financing leverage for the airline operator and the elimination of residual value risk. This allows the airline to preserve capital that it can invest in other aspects of its operations.

We believe we have entered the aircraft leasing industry at an opportune time, as we expect both airlines' use of net operating leases and the demand for air travel to grow in the near future. We also believe that airlines' desire to enjoy the operational and financial benefits that can be derived from net operating leases will drive growth in aircraft leasing. During the past 20 years, the world's airlines have leased a growing share of their aircraft instead of owning them outright. According to AVITAS, as of December 2010, aircraft operating leases comprised approximately 35% of the more than 19,000 commercial jet aircraft fleet in service and are

forecasted to grow by more than 25% over the next five years. Even as airlines' reliance on leasing has grown, the demand for air travel has also increased, experiencing fairly consistent growth during the past 40 years. Air travel has penetrated most world regions, with the highest growth expected to take place in emerging markets and economies. AVITAS forecasts an annual growth rate of 5.9% in air passenger demand from 2011 to 2015 and projects the world fleet to increase by more than 25% during this same period.

We operate our business on a global basis, providing aircraft to airline customers in every major geographical region, including emerging and high-growth markets such as Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe. According to AVITAS, many of these emerging markets are experiencing increased demand for passenger airline travel and have lower market saturation than more mature markets such as North America and Western Europe. In addition, airlines in some of these emerging markets have fewer financing alternatives, enabling us to command relatively higher lease rates compared to lease rates in more mature markets. With our well-established industry contacts and access to capital, we believe we will be able to continue successfully implementing our business strategy worldwide. As of March 31, 2011, we have entered into leases and future lease commitments with airlines in Australia, Brazil, Bulgaria, Canada, China, France, Germany, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kenya, Malaysia, Mexico, Mongolia, the Netherlands, New Zealand, Norway, Russia, South Africa, South Korea, Spain, Sri Lanka, Trinidad & Tobago, Turkey, United Arab Emirates, the United States and Vietnam.

While our primary business is to own and lease aircraft, we also plan to provide fleet management and remarketing services to third parties for a fee. These services are similar to those we perform with respect to our fleet, including leasing, re-leasing, lease management and sales services.

We believe we have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions under a variety of market conditions. We are led by a highly experienced management team that includes Steven F. Udvar-Házy, our Chairman and Chief Executive Officer, John L. Plueger, our President and Chief Operating Officer, Grant A. Levy, our Executive Vice President, General Counsel and Secretary, Marc H. Baer, our Executive Vice President, Marketing, Alex A. Khatibi, our Executive Vice President, Jie Chen, our Executive Vice President and Managing Director of Asia, James C. Clarke, our Senior Vice President and Chief Financial Officer, Gregory B. Willis, our Vice President, Finance, and Chief Accounting Officer, and John D. Poerschke, our Senior Vice President of Aircraft Procurement and Specifications. On average, our senior management team has over 23 years of experience in the aviation industry.

Through their extensive industry experience, the members of our management team have built and maintained long-standing client relationships with more than 200 airlines in over 70 countries.

We believe that aircraft leasing is a relationship-driven business and that our management team's relationships with and access to key decision makers at airlines around the world, combined with our experience, provide us with the ability to understand the needs of various airlines and tailor our fleet and leases to their needs. Also, we believe our relationships with airframe and engine manufacturers allow us to procure new aircraft on favorable terms and assist manufacturers with their airframe and engine designs to better meet the needs of our airline customers.

Operations to date**Current fleet**

As of March 31, 2011, our aircraft fleet consisted of 43 narrowbody aircraft and six widebody aircraft, and the weighted average age of our aircraft fleet was 3.5 years.

The following table shows the scheduled lease terminations (for the minimum noncancelable period, which does not include contractual unexercised lease extension options) by aircraft type for our operating lease portfolio as of March 31, 2011:

Aircraft type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Airbus A319-100	1		3		1	1	1							7
Airbus A320-200		2	3		1	1	2				1		2	12
Airbus A321-200						1	1							2
Airbus A330-200						1						1		2
Boeing B737-700	1	1				1			1		1			5
Boeing B737-800	1	1	3	3	4	1	3	1						17
Boeing B777-300ER								1	2		1			4
Total	3	4	9	3	6	6	7	2	3	3	3	1	2	49

A lease covering one of our three aircraft with lease expirations in 2011 is subject to a future lease with another airline customer.

Aircraft purchase commitments

As of March 31, 2011, we had committed to acquire a total of 153 new aircraft and eight used aircraft at an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$6.6 billion for delivery as shown below. The recorded basis of aircraft may be adjusted upon delivery to reflect credits given by the manufacturers in connection with the leasing of aircraft or changes in budgeted buyer furnished equipment required by a specific airline customer.

Aircraft type	2011(1)	2012	2013	2014	2015	2016	2017	Total(2)
Airbus A320/321-200	6	9	13	12	7			47
Airbus A330-200/300	7	4						11
Boeing B737-800	5	3	12	12	12	12	9	65
Boeing B767-300ER	3							3

Embraer E175/E190	11	14						25
ATR 72-600	2	8						10
Total(2)	34	38	25	24	19	12	9	161

- (1) Of the 34 aircraft that we will acquire in the remainder of 2011, the following eight aircraft will be used aircraft: all five Boeing B737-800s and all three Boeing B767-300ERs.
- (2) During the second quarter of 2011, we entered into commitments to acquire up to 24 additional aircraft from Airbus, Boeing and Embraer for an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$1.0 billion. Deliveries of the additional aircraft are scheduled to commence in 2012 and to continue through 2018. From Airbus, we agreed to purchase one additional Airbus A321 aircraft. From Boeing, we agreed to purchase an additional 18 Boeing 737-800 aircraft and have cancellation rights with respect to four of the additional 18 Boeing 737-800 aircraft. From Embraer, we agreed to purchase an additional five Embraer E190 aircraft.

Our new aircraft are being purchased pursuant to binding purchase agreements with each of Airbus, Boeing, Embraer and ATR, or through sale-leaseback transactions with other airline customers. These agreements establish the pricing formulas (which include certain price adjustments based upon inflation and other factors) and various other terms with respect to the

purchase of aircraft. Under certain circumstances, we have the right to alter the mix of aircraft types that we ultimately acquire. We also have cancellation rights with respect to six of the Airbus A320/321 aircraft.

We had 49 aircraft in our fleet as of March 31, 2011 and anticipate growing our fleet to approximately 100 aircraft by the end of 2011. We intend to grow our fleet by purchasing the 34 aircraft for which we have purchase commitments in 2011 as well as acquiring 15 to 20 aircraft through additional purchases from aircraft manufacturers, other lessors and airlines.

Lease placements

As of March 31, 2011, we had arranged future lease commitments for 33 out of 34 aircraft to be delivered in 2011 (subsequent to March 31, 2011, we placed 100% of the aircraft delivering in 2011), for 32 out of 38 aircraft to be delivered in 2012, for nine out of 25 aircraft to be delivered in 2013, and for one out of 24 aircraft to be delivered in 2014. Our future lease commitments for the 33 out of 34 aircraft to be delivered in 2011 are comprised of 31 binding leases and two non-binding letters of intent. Our future lease commitments for the 32 out of 38 aircraft to be delivered in 2012 are comprised of 25 binding leases and seven letters of intent. Our future lease commitments for the aircraft to be delivered in 2013 and 2014 are comprised of non-binding letters of intent. While our management's historical experience is that non-binding letters of intent for aircraft leases generally lead to binding contracts, we cannot assure you that we will ultimately execute binding agreements for all or any of the letters of intent. While we actively seek lease placements for the aircraft that are scheduled to be delivered through 2017, in making our lease placement decisions, we also take into consideration the anticipated growth in the aircraft leasing market and anticipated improvements in lease rates, which could lead us to determine that entering into particular lease arrangements at a later date would be more beneficial to us.

Geographic diversification

The following table sets forth the number of aircraft we leased in the indicated regions as of March 31, 2011:

Region	Number of aircraft	% of total
Europe	20	40.8%
Asia/Pacific	15	30.6
Central America, South America and Mexico	5	10.2
U.S. and Canada	6	12.2
The Middle East and Africa	3	6.2
Total	49	100.0%

The following table sets forth our existing lessees by region as of March 31, 2011:

Region	Existing lessees
Europe	Aer Lingus, Air Astana, Air Austral, Air Berlin, Air France, KLM, Norwegian, Sunwing and Transavia
Asia/Pacific	AirAsia, Air Macau, Air New Zealand, GoAir, Hainan, Kingfisher, Shanghai, Sichuan, SpiceJet and Virgin Blue
Central America, South America and Mexico	Aeromexico, Interjet, TAM and Volaris
U.S. and Canada	Air Canada, Southwest, Spirit and WestJet
The Middle East and Africa	Air Arabia, Etihad and South African Airways

The following table sets forth the dollar amount and percentage of our rental of flight equipment revenues attributable to the indicated regions based on each airline's principal place of business for the quarter ended March 31, 2011 and the period from inception to December 31, 2010:

Region	For the three months ended March 31, 2011		For the period from inception to December 31, 2010	
	Amount of rental revenue (dollars in thousands)	% of total	Amount of rental revenue (dollars in thousands)	% of total
Europe	\$25,199	46.1%	\$31,157	54.6%
Asia/Pacific	14,551	26.6	11,933	20.9
Central America, South America and Mexico	4,341	8.0	4,953	8.7
U.S. and Canada	7,578	13.9	6,309	11.0
The Middle East and Africa	2,943	5.4	2,723	4.8
Total	\$54,612	100.0%	\$57,075	100.0%

Over 90% of our aircraft are operated internationally based on net book value. The following table sets forth the percentage of the net book value of our aircraft portfolio operating in the indicated regions as of March 31, 2011 and December 31, 2010:

December 31, 2010

Region	March 31, 2011 % of net book value	% of net book value
Europe	48.0%	42.3%
Asia/Pacific	26.6	26.1
Central America, South America and Mexico	7.6	10.0
U.S. and Canada	13.3	15.6
The Middle East and Africa	4.5	6.0
Total	100.0%	100.0%

As our aircraft portfolio grows, we anticipate that a growing percentage of our aircraft will be located in the Asia/Pacific, the Central America, South America and Mexico, and the Middle East and Africa regions.

The following table sets forth the revenue attributable to individual countries representing at least 10% of our rental of flight equipment revenue for the quarter ended March 31, 2011, based on each airline's principal place of business.

Country	Amount of rental revenue (dollars in thousands)	% of total
France	\$ 11,682	21.4%
Germany	\$ 7,604	13.9%
China	\$ 6,828	12.5%
Canada	\$ 5,812	10.6%

The following table sets forth the revenue attributable to individual countries representing at least 10% of our rental of flight equipment revenue for the year period from inception to December 31, 2010, based on each airline's principal place of business.

Country	Amount of rental revenue (dollars in thousands)	% of total
Germany	\$ 15,153	26.5%
France	\$ 8,598	15.1%
China	\$ 6,091	10.7%

The following table sets forth the revenue attributable to individual airlines representing at least 10% of our rental of flight equipment revenue for the quarter ended March 31, 2011, based on each airline's principal place of business.

Customer(1)	Amount of rental revenue (dollars in thousands)	% of total
Air France	\$ 8,161	14.9%
Air Berlin	\$ 7,604	13.9%

(1) A customer is an airline with its own operating certificate.

The following table sets forth the revenue attributable to individual airlines representing at least 10% of our rental of flight equipment revenue for the period from inception to December 31, 2010, based on each airline's principal place of business.

Customer(1)	Amount of rental revenue (dollars in thousands)	% of total
Air Berlin	\$15,153	26.5%
Air France	\$ 8,598	15.1%

(1) A customer is an airline with its own operating certificate.

Our business and growth strategies

We believe that we entered the aircraft leasing industry at an opportune time, as both airlines' use of net operating leases and the demand for air travel are expected to grow in the near future, consistent with a trend of growth in air travel over the last 40 years, as forecasted by AVITAS. Accordingly, we are pursuing the following business and growth strategies:

Capitalize on attractive market opportunities to grow our modern fleet of aircraft. We plan to continue acquiring aircraft and expect that a significant portion of these acquisitions will be subject to existing or new leases that produce immediate positive cash flows. We seek aircraft that produce attractive returns on equity while maintaining diversified lease portfolio characteristics in terms of aircraft type, aircraft age, lease term and geographic location of our lessees. We intend to continue to take advantage of the current economic environment to make opportunistic purchases of aircraft and aircraft portfolios. We plan to expand our fleet with a mix of narrowbody and widebody commercial aircraft that we expect to have long useful lives and that are currently in widespread use by airlines, with a greater focus on acquiring narrowbody aircraft. Based on our ongoing discussions with airlines, we believe narrowbody and certain widebody aircraft will continue to experience strong global airline demand. We have also entered into commitments to purchase select fuel-efficient regional jets and turboprop aircraft, such as the Embraer E175/E190 and ATR 72-600 aircraft types. We believe market demand for these types of aircraft will grow as they are well suited for direct service between smaller and medium-sized cities and between such cities and major hub cities.

Continue to develop and grow our long-standing relationships and cultivate new relationships. We believe our management team's experience in the aircraft leasing industry provides us immediate access to key decision makers at airframe and engine manufacturers and major airlines around the world, thereby enabling us to make prompt acquisitions of new

aircraft, enter into new leases, and anticipate airlines' longer-term needs so as to tailor our fleet and leases to their specific needs. Additionally, we believe our relationships with airframe and engine manufacturers allow us to influence their airframe and engine designs to better meet the needs of our airline customers. In our view, the aircraft leasing industry continues to be relationship-driven, and airframe and engine manufacturers and our airline customers will place a high value on the expertise and experience of our management team. This will help us develop new relationships, while we use our long-standing contacts to grow our business. We believe these relationships will help to establish us as a leader in the aircraft leasing industry over time.

Emphasize marketing in high-growth areas of the world. As our portfolio grows, we anticipate that a growing percentage of our aircraft will be located in Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe, although we will continue to enter into select leasing transactions in North America and Western Europe. We expect aircraft demand to increase in emerging markets over the next several years, as forecasted by AVITAS. We believe a developing infrastructure supporting direct air travel to more destinations within emerging market regions, combined with economic and population growth, an expected increase in the number of low-cost carriers, expansion of existing low-cost carriers, deregulation in air travel, and a significant increase in such areas' middle class populations, will lead to growth in passenger air travel in these regions.

Enter into strategic ventures. We may, on occasion, enter into strategic ventures with third parties in order to take advantage of favorable financing or other opportunities, to share capital and/or operating risk, and/or to earn fleet management fees. Given our broad experience in acquiring, leasing, financing and managing aircraft, we believe that third parties seeking to invest in the aircraft leasing industry will view us as an attractive partner. Other than one arrangement whereby we manage one aircraft owned by a third party that is leased to one of our customers, we currently do not participate in, or have any binding commitments to enter into, any strategic ventures with any third parties.

Actively manage our lease portfolio to optimize returns and minimize risk through diversification. In actively managing our aircraft portfolio, we seek to optimize returns and minimize risks by appropriately and prudently diversifying the types of aircraft we acquire, maintaining a low average fleet age, spreading out over a number of years the termination dates for our leases, achieving geographic diversification, and minimizing our exposure to customer concentration. Our acquisition of desirable aircraft types with a low average fleet age helps to maximize the mobility of our assets across global markets, which allows us to achieve a high rate of lease placements on attractive lease terms. Through the implementation of our diversification strategies, we believe that we are in a position to reduce our exposure to industry fluctuations over a particular period of time, economic fluctuations in a particular regional market, changes in customer preferences for particular aircraft, and the credit risk posed by a particular customer.

Our financing strategies

In addition to our business and growth strategies described above, the successful implementation of our financing strategies is critical to the success and growth of our business.

As we grow our business, we envision funding our aircraft purchases through multiple sources, including the \$1.3 billion of gross cash proceeds we raised in our prior private placement of Common Stock, the \$922.9 million of gross cash proceeds we raised in our initial public offering,

expected proceeds from any exercise of outstanding warrants, cash raised in potential future equity offerings, future earnings and cash flow from operations, existing debt facilities, potential future debt financing and government-sponsored export guaranty and lending programs. We intend to employ multiple debt and equity strategies to attain financial flexibility to fund our aircraft purchases on the best terms available.

In May 2010, we entered into the Warehouse Facility to finance the acquisition of aircraft. The Warehouse Facility was subsequently modified by an amendment that became effective in April 2011. This credit facility, as amended, provides us with secured financing of up to \$1.25 billion, modified from the original facility size of \$1.5 billion. We are able to draw on this facility, as amended, during an availability period that ends in June 2013. Prior to the amendment of the Warehouse Facility, the Warehouse Facility accrued interest during the availability period based on LIBOR plus 3.25% on drawn balances and at a fixed rate of 1.00% on undrawn balances. Following the amendment, the Warehouse Facility accrues interest during the availability period based on LIBOR plus 2.50% on drawn balances and at a fixed rate of 0.75% on undrawn balances. The outstanding drawn balance at the end of the availability period may be converted at our option to an amortizing, four-year term loan with an increasing interest rate over the term period.

We were required to pledge \$200.0 million in aircraft collateral as a precondition to borrowing under the Warehouse Facility. As of March 31, 2011, we had borrowed \$604.4 million under the Warehouse Facility and pledged a total of 25 aircraft as collateral with a net book value of \$1.0 billion. As of March 31, 2011, we have also pledged \$61.5 million in cash collateral and lessee deposits. We intend to continue to utilize the Warehouse Facility to finance aircraft acquisitions in 2011, as this facility provides us with ample liquidity to make opportunistic acquisitions of aircraft on short notice.

In addition, we fund some aircraft purchases through secured bilateral term financings and unsecured term and revolving credit facilities. As of March 31, 2011, we had outstanding loan balances, excluding drawings under the Warehouse Facility, of \$434.1 million in secured term debt and \$336.3 million in unsecured financing, and had \$57.0 million in available but undrawn revolving unsecured credit facilities. We will also use cash on hand to purchase aircraft and may use such acquired aircraft to secure new debt financing. Over time, we expect to access the public debt capital markets, subject to market conditions.

Furthermore, we may seek to further diversify our funding sources through government-guaranteed debt. We have had initial discussions with each of the export credit agencies which sponsor exports of Airbus, Boeing, Embraer and ATR aircraft. The formal processes with these agencies generally take three to six months to obtain ratings and final approvals to obtain either sovereign guarantees or direct funding in the case of BNDES (financing Embraer aircraft). We may proceed to obtain ratings and approvals from the ECAs and SBCE/BNDES in 2011, but it is unclear as to timing and type of rating that may be achieved. If we are successful in obtaining favorable ratings in 2011, we could use these programs to finance a portion of our Airbus, Boeing, Embraer and ATR deliveries in 2011 and 2012. As we are not acquiring new Boeing aircraft until 2012, we have only had informal discussions to date with Ex-Im Bank. The exact amount of support in each case is difficult to predict because the ECAs may require risk mitigations from us, including a reduction in the loan advance level in arriving at the final risk rating. Moreover, while these government-sponsored financings have historically provided favorable funding levels at interest rates below those obtainable from traditional commercial sources, under the new ASU, aircraft under firm contract after December 31, 2010 or scheduled for delivery after December 31, 2012 will be

subject to significantly higher guarantee fees, which may make financings beyond 2012 less attractive to us than alternative sources of financing. Aircraft under firm contract on or before December 31, 2010 and scheduled to deliver on or before December 31, 2012 are grandfathered under the new ASU and are not subject to the higher fee structure. While we may pursue credit support from the ECAs, Ex-Im Bank and SBCE for our grandfathered aircraft, it is uncertain at this time whether we would be able to obtain attractive financing terms from these government-sponsored programs for our non-grandfathered aircraft.

In an effort to sustain our long-term financial health and limit our exposure to unforeseen dislocations in the capital markets, we intend to maintain a debt-to-equity ratio (excluding deferred tax liabilities for calculation purposes) generally within a range of 2-to-1 to 3-to-1. Due to the seasonality of aircraft deliveries, we expect this ratio to fluctuate within that range during the course of a typical fiscal year, although on occasion we may fall outside this range. In addition, we may from time to time enter into interest rate hedging arrangements to limit our exposure to increases in interest rates on our floating-rate debt.

We believe that the implementation of our financing strategies will help us maintain a prudent amount of leverage, while also maintaining financial flexibility to seize attractive market opportunities.

Our competitive strengths

We believe that the following strengths assist us in executing our business and growth strategies and provide us with an advantage over many of our competitors:

Highly experienced management team with diversified aviation and technical experience. Our senior management team, with an average of over 23 years of experience in the aviation industry, has significant experience in all aspects of the aviation and aircraft leasing industries, including the implementation of innovative lease structures, strategic planning, risk diversification, fleet restructuring, aircraft purchasing and financing strategies, and general transactional capabilities. We have separate Sales, Marketing and Commercial Affairs; Finance and Accounting; Legal; Commercial Contracts; Aircraft Procurement and Specifications; and Technical Asset Management departments that are involved in our leasing, sales and purchasing business. Our Technical Asset Management department has in-depth knowledge of aircraft, engines, avionics and the various regulations governing the maintenance of aircraft. This department monitors the fleet while on lease to our airline customers, handles the transfer of the aircraft from one operator to the next and monitors operator compliance with its technical and maintenance obligations under our leases.

Available deployable capital to capture attractive market opportunities. With the net proceeds from our initial public offering, cash on hand, the financing available under the Warehouse Facility and multiple unsecured lines of credit, we have significant purchasing power that we can quickly deploy to acquire additional aircraft. In addition, we may supplement our access to capital with debt guaranteed by government agencies such as Ex-Im Bank and the ECAs and loans from BNDES for qualifying aircraft purchases and other debt financing arrangements. Our access to capital provides us with the flexibility to complete attractive aircraft purchases.

Strong aircraft delivery pipeline. Through our strategic and opportunistic approaches to acquiring aircraft and our strong relationship with airframe manufacturers, as of March 31, 2011, we entered into commitments to acquire 153 new aircraft over the next seven years. We

believe that our access to this strong aircraft delivery pipeline over this period gives us the ability to provide airline customers with a comprehensive, multi-year solution to their aircraft leasing and fleet needs. This ability represents a significant competitive advantage in developing, renewing and expanding customer relationships as we have new aircraft available for delivery during periods far earlier than most of our airline customers can obtain new aircraft directly from airframe and engine manufacturers.

Young, modern and efficient aircraft fleet. Our aircraft portfolio primarily consists of modern, fuel-efficient narrowbody aircraft. As of March 31, 2011, the weighted average age of the aircraft in our current portfolio was 3.5 years. We believe we have one of the world's youngest operating lease portfolios. Younger aircraft are more desirable than older aircraft because of their fuel efficiency, lower maintenance costs, and longer remaining useful lives. Furthermore, younger aircraft are more likely to be in compliance with newer environmental standards or are more easily brought up to environmental compliance without costly modifications. We believe our aircraft, and the additional aircraft that we will acquire, are in high demand among our airline customers and are readily deployable to various markets throughout the world. We expect that our fleet of young, high-demand aircraft will enable us to provide stable and growing cash flows to our stockholders over the long term.

Long-standing relationships with a global, diversified customer base. Our management team is well-known in the aviation industry and we are able to benefit from the long-standing relationships that Messrs. Udvar-Házy and Plueger and other key members of management have with more than 200 airlines in over 70 countries.

Strong manufacturer relationships. The supply of commercial passenger aircraft is dominated by a few airframe manufacturers, including Boeing, Airbus, ATR, Embraer and Bombardier. Through our management team's active and long-standing participation in the aviation industry, we have developed strategic relationships with many of the manufacturers and suppliers of aircraft and aircraft parts, which enables us to leverage competitive acquisition and delivery terms and to influence new aircraft design.

Our management team's and our board of directors' significant investment in us aligns the interests of management and our board with those of our other stockholders. Members of our management team (and their families or affiliates) and members of our board of directors have invested an aggregate of approximately \$91 million in shares of our Class A Common Stock. We believe that our management team's and our board of directors' significant combined ownership stake in our Class A Common Stock, along with additional equity incentive grants, closely aligns our management team's and our board of directors' interests with those of our other stockholders.

Despite these competitive strengths, we face a high degree of risk that could adversely affect our financial results and growth prospects, including risks related to our liquidity plans, our ability to purchase, finance, lease and re-lease our aircraft profitably, interest rates, supply and demand cycles in the aviation industry, the financial strength of our lessees, macroeconomic conditions and emerging market conditions. See the section titled "Risk factors."

Business model

We use our management team's extensive experience in the aircraft leasing industry and relationships with airline customers and manufacturers to maintain and further grow relationships with both suppliers of aircraft and current and potential lessees. Our Sales,

Marketing and Commercial Affairs; Finance and Accounting; Legal; Commercial Contracts; Aircraft Procurement and Specifications; and Technical Asset Management departments source and manage our aircraft through close relationships with airline customers and manufacturers.

Our business model emphasizes a relationship-based approach to identify potential aircraft acquisitions, perform technical reviews of the relevant maintenance records, carefully pair aircraft with appropriate lessees, structure leases to address our airline customers' needs, and monitor our aircraft and our lessees throughout the lease terms. We believe we can execute this business model at each critical juncture along the aircraft lifecycle of acquiring, inspecting, leasing, monitoring and re-leasing or disposing of an aircraft in a competitively advantageous manner that will enable us to execute our business strategy and drive profitability.

Aircraft acquisition strategy

After determining the needs of our lessees or prospective airline customers, we evaluate each potential acquisition to determine if it supports our primary objective of generating profits while maintaining desired fleet characteristics. Our rigorous due diligence process takes into account:

- the needs of our airline customers at the time of acquisition and their anticipated needs at the end of typical leasing cycles;

- an aircraft's fit within our diversified fleet based on its type, price, age, market value, specifications and configuration, condition and maintenance history, operating efficiency and potential for future redeployment;

- an aircraft model's reliability, long-term utility for airline customers, and appeal to a large segment of the industry;

- jurisdiction of the lessee or potential lessee; and

- legal and tax implications.

For used aircraft, we perform detailed technical reviews of both the physical aircraft and its maintenance history to minimize our risk of acquiring an aircraft with defects or other service issues. In the case of new aircraft, we work directly with the manufacturers to outfit and configure the aircraft with our airline customers' needs in mind. Our inspection of new aircraft is focused on ensuring that our customers' required specifications and modifications have been met.

We pursue acquisitions of additional aircraft through our relationships with aircraft operators, manufacturers, financial institutions, private investors and third-party lessors. We may also acquire aircraft for lease directly from manufacturers in the secondary market or pursuant to sale-leaseback transactions with aircraft operators. For new aircraft deliveries, we will often separately source many components, including seats, safety equipment, avionics, galleys, cabin finishes, engines and other equipment, from the same providers used by aircraft manufacturers at a lower cost. Manufacturers such as Boeing and Airbus will install this buyer furnished equipment in our aircraft during the final assembly process at their facilities. Through this use of our purchasing strategy, we are better able to modify the aircraft to meet our customer's configuration requirements and enhance lease and residual values.

Leasing process

Our management team identifies all prospective lessees based upon industry knowledge and long-standing industry relationships. We seek to meet the specific needs of our airline customers

by working closely with potential lessees and, where appropriate, developing innovative lease structures specifically tailored to address those needs. While we structure aircraft leases with our airline customers' needs in mind, we, nevertheless, anticipate that most of our leases will share some common characteristics, including the following:

most of our leases will be for fixed terms, although, where mutually beneficial, we may provide for purchase options or termination or extension rights;

most of our leases will require monthly payment in advance;

most of our leases will generally provide that the lessee's payment obligations are absolute and unconditional;

our lessees will typically be required to make payment without deduction on account of any amounts that we may owe to the lessee or any claims that the lessee may have against us;

most of our leases will also require lessees to gross up lease payments to cover tax withholdings or other tax obligations, other than withholdings that arise out of transfers of the aircraft to or by us or due to our corporate structure; and

our leases will also generally require that our lessees indemnify us for certain other tax liabilities relating to the leases and the aircraft, including, in most cases, value-added tax and stamp duties.

We may, in connection with the lease of used aircraft, agree to contribute specific additional amounts to the cost of certain first major overhauls or modifications, which usually reflect the usage of the aircraft prior to the commencement of the lease, and which are covered by the prior operator's usage fees. We may be obligated under the leases to make reimbursements to lessees for expenses incurred for certain planned major maintenance. We also, on occasion, may contribute towards aircraft modifications (e.g., winglets and new interiors).

The lessee is responsible for compliance with applicable laws and regulations with respect to the aircraft. We require our lessees to comply with the standards of either the U.S. Federal Aviation Administration (FAA) or its equivalent in foreign jurisdictions. Generally, we receive a cash deposit as security for the lessee's performance of obligations under the lease and the condition of the aircraft upon return. In addition, most leases contain extensive provisions regarding our remedies and rights in the event of a default by a lessee. The lessee generally is required to continue to make lease payments under all circumstances, including periods during which the aircraft is not in operation due to maintenance or grounding.

Some foreign countries have currency and exchange laws regulating the international transfer of currencies. When necessary, we require, as a condition to any foreign transaction, that the lessee or purchaser in a foreign country obtains the necessary approvals of the appropriate government agency, finance ministry or central bank for the remittance of all funds contractually owed in U.S. dollars. We attempt to minimize our currency and exchange risks by negotiating the designated payment currency in our leases to be U.S. dollars, although, where appropriate, we may agree to leases with payments denominated in other currencies. All guarantees obtained to support various lease agreements are denominated for payment in the same currency as the lease.

To meet the needs of certain of our airline customers, a relatively small number of our leases may designate the payment currency to be Euros. As the Euro to U.S. dollar exchange rate fluctuates, airlines' interest in entering into Euro-denominated lease agreements will change. After we agree to the rental payment currency with an airline, the negotiated currency typically remains for the term of the

lease. We occasionally may enter into contracts to mitigate our foreign currency risk, but we expect that the economic risk arising from foreign currency denominated leases will be immaterial to us.

Management obtains and reviews relevant business materials from all prospective lessees and purchasers before entering into a lease or extending credit. Under certain circumstances, the lessee may be required to obtain guarantees or other financial support from an acceptable financial institution or other third parties. During the life of the lease, situations may lead us to restructure leases with our lessees. When we repossess an aircraft leased in a foreign country, we generally expect to export the aircraft from the lessee's jurisdiction. In some very limited situations, the lessees may not fully cooperate in returning the aircraft. In those cases, we will take legal action in the appropriate jurisdictions, a process that we expect would ultimately delay the return and export of the aircraft. In addition, in connection with the repossession of an aircraft, we may be required to pay outstanding mechanics' liens, airport charges, and navigation fees and other amounts secured by liens on the repossessed aircraft. These charges could relate to other aircraft that we do not own but were operated by the lessee.

Monitoring

During the term of a lease, we monitor both the maintenance of the aircraft and the operating performance and the financial health of the lessee. Our net operating leases generally require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term. We closely monitor each leased aircraft to ensure all routine maintenance requirements are timely performed. Where an aircraft requires major, non-routine maintenance, we often are closely involved in overseeing the maintenance and partnering with the lessee while the work is performed to ensure all governmental and/or manufacturer standards are met.

We also closely follow the operating and financial performance of our lessees so that we can identify early on those lessees that may be experiencing operating and financial difficulties. This assists us in assessing the lessee's ability to fulfill its obligations under the lease for the remainder of the term and, where appropriate, restructure the lease prior to the lessee's insolvency or the initiation of bankruptcy or similar proceedings, at which time we would have less control over, and would most likely incur greater costs in connection with, the restructuring of the lease or the repossession of the aircraft. To accomplish this objective, we maintain a high level of communication with the lessee and closely and frequently evaluate the state of the market in which the lessee operates, including the impact of changes in passenger air travel and preferences, new government regulations, regional catastrophes and other unforeseen shocks to the relevant market.

Re-leasing or disposition of aircraft

Our lease agreements are generally structured to require lessees to notify us nine to twelve months in advance of the lease's expiration if a lessee desires to renew or extend the lease. Requiring lessees to provide us with such advance notice provides our management team with an extended period of time to consider a broad set of alternatives with respect to the aircraft, including assessing general market and competitive conditions and preparing to re-lease or sell the aircraft. If a lessee fails to provide us with notice, the lease will automatically expire at the end of the term, and the lessee will be required to return the aircraft pursuant to the conditions in the lease. Our leases contain detailed provisions regarding the required condition of the aircraft and its components upon redelivery at the end of the lease term.

Insurance

We require our lessees to carry those types of insurance that are customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance covering risks such as hijacking, terrorism (but excluding coverage for weapons of mass destruction and nuclear events), confiscation, expropriation, seizure and nationalization. We generally require a certificate of insurance from the lessee's insurance broker prior to delivery of an aircraft. Generally, all certificates of insurance contain a breach of warranty endorsement so that our interests are not prejudiced by any act or omission of the lessee. Lease agreements generally require hull and liability limits to be in U.S. dollars, which are shown on the certificate of insurance.

Insurance premiums are to be paid by the lessee, with coverage acknowledged by the broker or carrier. The territorial coverage, in each case, should be suitable for the lessee's area of operations. We generally require that the certificates of insurance contain, among other provisions, a provision prohibiting cancellation or material change without at least 30 days' advance written notice to the insurance broker (who would be obligated to give us prompt notice), except in the case of hull war insurance policies, which customarily only provide seven days' advance written notice for cancellation and may be subject to shorter notice under certain market conditions. Furthermore, the insurance is primary and not contributory, and we require that all insurance carriers be required to waive rights of subrogation against us.

The stipulated loss value schedule under aircraft hull insurance policies is on an agreed-value basis acceptable to us and usually exceeds the book value of the aircraft. In cases where we believe that the agreed value stated in the lease is not sufficient, we make arrangements to cover such deficiency, which would include the purchase of additional Total Loss Only coverage for the deficiency.

Aircraft hull policies generally contain standard clauses covering aircraft engines. The lessee is required to pay all deductibles. Furthermore, the hull war policies generally contain full war risk endorsements, including, but not limited to, confiscation (where available), seizure, hijacking and similar forms of retention or terrorist acts.

The comprehensive liability insurance listed on certificates of insurance generally include provisions for bodily injury, property damage, passenger liability, cargo liability and such other provisions reasonably necessary in commercial passenger and cargo airline operations. We expect that such certificates of insurance list combined comprehensive single liability limits of not less than \$500.0 million for Airbus and Boeing aircraft and \$200.0 million for Embraer, ATR and Bombardier aircraft. As a result of the terrorist attacks on September 11, 2001, the insurance market unilaterally imposed a sublimit on each operator's policy for third-party war risk liability in the amount of \$50.0 million. We require each lessee to purchase higher limits of third-party war risk liability or obtain an indemnity from its respective government.

In late 2005, the international aviation insurance market unilaterally introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, bio-hazardous materials and electromagnetic pulsing. Exclusions for the same type of perils could be introduced into liability policies.

Separately, we purchase contingent liability insurance and contingent hull insurance on all aircraft in our fleet and maintain other insurance covering the specific needs of our business operations. We believe our insurance is adequate both as to coverages and amounts.

We cannot assure stockholders that our lessees will be adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular

claim will be paid, or that lessees will be able to obtain adequate insurance coverage at commercially reasonable rates in the future.

We maintain key man life insurance policies on Messrs. Udvar-Házy and Plueger. Each policy is in the amount of \$2.0 million, with the proceeds payable to us and permitted to be used for general corporate purposes.

Competition

The leasing, remarketing and sale of aircraft is highly competitive. We face competition from aircraft manufacturers, banks, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for leasing transactions is based on a number of factors, including delivery dates, lease rates, terms of lease, other lease provisions, aircraft condition and the availability in the marketplace of the types of aircraft required to meet the needs of airline customers. We believe we are a strong competitor in all of these areas.

Government regulation

The air transportation industry is highly regulated. We do not operate aircraft, and thus may not be directly subject to many industry laws and regulations, such as regulations of the U.S. Department of State (the DOS), the U.S. Department of Transportation, or their counterpart organizations in foreign countries regarding the operation of aircraft for public transportation of passengers and property. As discussed below, however, we are subject to government regulation in a number of respects. In addition, our lessees are subject to extensive regulation under the laws of the jurisdictions in which they are registered or operate. These laws govern, among other things, the registration, operation, maintenance and condition of the aircraft.

We are required to register, and have registered, the aircraft which we acquire and lease to U.S. carriers and to a number of foreign carriers where, by agreement, the aircraft are to be registered in the United States, with the FAA, or in other countries, with such countries' aviation authorities as applicable. Each aircraft registered to fly must have a Certificate of Airworthiness, which is a certificate demonstrating the aircraft's compliance with applicable government rules and regulations and that the aircraft is considered airworthy, or a ferry flight permit, which is an authorization to operate an aircraft on a specific route. Our lessees are obligated to maintain the Certificates of Airworthiness for the aircraft they lease and, to our knowledge, all of our lessees have complied with this requirement. When an aircraft is not on lease, we maintain the certificate or obtain a certificate in a new jurisdiction.

Our involvement with the civil aviation authorities of foreign jurisdictions consists largely of requests to register and deregister our aircraft on those countries' registries.

We are also subject to the regulatory authority of the DOS and the U.S. Department of Commerce (the DOC) to the extent such authority relates to the export of aircraft for lease and sale to foreign entities and the export of parts to be installed on our aircraft. In some cases, we are required to obtain export licenses for parts installed in aircraft exported to foreign countries.

The DOC and the U.S. Department of the Treasury (through its Office of Foreign Assets Control) impose restrictions on the operation of U.S.-made goods, such as aircraft and engines, in sanctioned countries, as well as on the ability of U.S. companies to conduct business with entities in those countries.

The U.S. Patriot Act of 2001 (the Patriot Act) prohibits financial transactions by U.S. persons, including U.S. individuals, entities and charitable organizations, with individuals and organizations designated as terrorists and terrorist supporters by the U.S. Secretary of State or the U.S. Secretary of the Treasury. We comply with the provisions of the Patriot Act and closely monitor our activities with foreign entities.

A bureau of the U.S. Department of Homeland Security, U.S. Customs and Border Protection, enforces regulations related to the import of aircraft into the United States for maintenance or lease and the importation of parts into the United States for installation. We monitor our imports for compliance with U.S. Customs and Border Protection regulations.

The U.S. Bureau of Export Enforcement enforces regulations related to the export of aircraft to other jurisdictions and the export of parts for installation in other jurisdictions. We monitor our exports for compliance with the U.S. Bureau of Export Enforcement regulations.

Jurisdictions in which aircraft are registered as well as jurisdictions in which they operate may impose regulations relating to noise and emission standards. In addition, most countries aviation laws require aircraft to be maintained under an approved maintenance program with defined procedures and intervals for inspection, maintenance and repair. To the extent that aircraft are not subject to a lease or a lessee is not in compliance, we are required to comply with such requirements, possibly at our own expense.

We believe we are in compliance in all material respects with all applicable governmental regulations.

Employees

As of June 30, 2011, we had 41 full-time employees. None of our employees are represented by a union or collective bargaining agreements. We believe our relationship with our employees to be positive, which is a key component of our operating strategy. We strive to maintain excellent employee relations. We provide certain employee benefits, including retirement, health, life, disability and accident insurance plans.

Facilities

We lease our principal executive office at 2000 Avenue of the Stars, Suite 1000N, Los Angeles, California 90067. We do not own any real estate.

Legal proceedings

From time to time, we may be involved in litigation and claims incidental to the conduct of our business in the ordinary course. Our industry is also subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We are not presently a party to any enforcement proceedings, litigation related to regulatory compliance matters, or any other type of litigation matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

Initial Public Offering

In April 2011, we completed an initial public offering of our Class A Common Stock in which we sold an aggregate of 34,825,470 shares of Class A Common Stock, including 4,542,450 shares of Class A Common Stock sold to the underwriters pursuant to an over-allotment option. J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC acted as joint book-running managers of the initial public offering and as representatives of the other

book-runners and co-managers. The shares in the initial public offering were sold at the initial public offering price of \$26.50, less underwriting discounts and commissions of \$1.4575 per share. After deducting the underwriting discounts and commissions and offering expenses payable by us, we received net proceeds of approximately \$868.1 million. We intend to use the net proceeds of our initial public offering to fund the acquisition of commercial aircraft and for general corporate purposes.

Management

Our executive officers and directors

Set forth below is information concerning our current executive officers and directors as of March 31, 2011, except for their ages which are as of July 11, 2011. The business address of all of our executive officers and directors is 2000 Avenue of the Stars, Suite 1000N, Los Angeles, California 90067.

Name	Age	Position
Steven F. Udvar-Házy	65	Chairman and Chief Executive Officer
John L. Plueger	56	President, Chief Operating Officer and Director
Grant A. Levy	48	Executive Vice President, General Counsel and Secretary
Marc H. Baer	46	Executive Vice President, Marketing
Alex A. Khatibi	50	Executive Vice President
Jie Chen	47	Executive Vice President and Managing Director of Asia
James C. Clarke	53	Senior Vice President and Chief Financial Officer
Gregory B. Willis	32	Vice President, Finance, and Chief Accounting Officer
John D. Poerschke	49	Senior Vice President of Aircraft Procurement and Specifications
John G. Danhaki	55	Director
Matthew J. Hart	59	Director
Robert A. Milton	50	Director
Michel M.R.G. Péretié	57	Director
Antony P. Ressler	50	Director
Wilbur L. Ross, Jr.	73	Director
Ian M. Saines	49	Director
Dr. Ronald D. Sugar	62	Director

Backgrounds of our current executive officers and directors

Set forth below is information concerning our current executive officers and directors identified above.

Steven F. Udvar-Házy has served as our Chairman and Chief Executive Officer since our launch in February 2010. Mr. Udvar-Házy brings more than 40 years of aviation industry experience to us, the last 37 of which were with International Lease Finance Corporation (ILFC). In 1973, Mr. Udvar-Házy co-founded the aircraft leasing business that became ILFC. As Chairman and Chief Executive Officer, Mr. Udvar-Házy led ILFC from its inception in 1973, through its initial public offering in 1983 and subsequent sale to American International Group, Inc. for \$1.3 billion in 1990, and ultimately to its becoming the largest aircraft leasing company (by fleet value) in the world, with a fleet of over 1,000 jet aircraft as of December 31, 2009. Under Mr. Udvar-Házy's leadership as Chairman and Chief Executive Officer, ILFC was able to increase its profitability. Even during the recent challenging economic environment, ILFC's income before tax increased from \$1.1 billion in 2008 to \$1.4 billion in 2009, the last year of his tenure as Chief Executive Officer. Mr. Udvar-Házy retired from ILFC in February 2010 with a view to exploring other opportunities in the aviation industry. For the past 24 years, Mr. Udvar-Házy has been a

member of the board of directors of Skywest, Inc. and currently serves as that board's lead independent director. Mr. Udvar-Házy is an FAA Airline Transport Pilot with type ratings on multiple jet aircraft and has over 30 years of experience flying jet aircraft. He received a Bachelor of Arts degree in economics from UCLA, and has been awarded several honorary doctorate degrees.

John L. Plueger has served as our President and Chief Operating Officer since March 2010 and as one of our directors since April 2010. Mr. Plueger brings more than 23 years of aviation industry and aircraft leasing experience to us, all of which were with ILFC. Mr. Plueger was elected to ILFC's board of directors in January 2002 and most recently served as ILFC's acting Chief Executive Officer from February 2010 to March 2010. As ILFC's President and Chief Operating Officer since 2002, Mr. Plueger was responsible for organizing ILFC's worldwide sales and marketing efforts, maintaining its relationships with the major airframe and engine manufacturers, and overseeing all corporate support for those activities. Mr. Plueger also had primary responsibility for implementation of ILFC's leasing business in Asia. Mr. Plueger's professional experience also includes testifying before the U.S. House of Representatives as an aircraft leasing industry expert witness as well as responding to European Commission formal inquiries concerning aerospace industry related mergers and acquisitions. Mr. Plueger is a Certified Public Accountant and is an FAA Airline Transport Pilot with type ratings on multiple jet aircraft and single-/multi-engine and instrument instructor ratings. He received a Bachelor of Arts degree from UCLA and is a Certified Director from the UCLA Anderson Graduate School of Management's Corporate Director Certification Program. Mr. Plueger is a member of the board of directors of the Smithsonian National Air and Space Museum, and also serves on the board of directors of the Wings Club and several other charitable boards.

Grant A. Levy has served as our Executive Vice President, General Counsel and Secretary since April 2010. Mr. Levy brings more than 18 years of aviation industry experience to us, all of which were with us and at ILFC in various positions in the Legal and Marketing Departments. Mr. Levy most recently served as ILFC's Senior Vice President in the Marketing Department from 2002 until his departure in April 2010. While in the Marketing Department at ILFC, Mr. Levy led its sales team, handled its lease relationships with over 30 airlines in Europe, North America and New Zealand and arranged for ILFC to provide residual value guaranties. Prior to joining the Marketing Department, Mr. Levy was a senior member of ILFC's Legal Department where he led the negotiation of lease, sales, residual value guaranty, fleet management and other transactions. Mr. Levy received his Bachelor of Arts degree from Pomona College and his Juris Doctor (cum laude) from Boston College Law School.

Marc H. Baer has served as our Executive Vice President, Marketing since April 2010. Mr. Baer brings more than 13 years of aviation industry experience to us, all of which were with us and at ILFC in the Legal and Marketing Departments. Mr. Baer most recently served as a Senior Vice President of ILFC from April 2007 until his departure in April 2010. While in the Legal Department at ILFC, Mr. Baer led the legal negotiations in a wide range of transactions, including lease agreements, sales and residual value guarantees. Beginning in September 2002, Mr. Baer began working full time in ILFC's Marketing Department, where he was responsible for developing relationships and negotiating transactions with over 25 airlines, including Virgin Atlantic Airways Ltd., Air Seychelles and Air France, ILFC's largest customer with over 60 aircraft. While at ILFC, Mr. Baer managed a portfolio of more than 125 aircraft and was responsible for closing the industry's first operating lease for the new 787 aircraft from Boeing. Mr. Baer is bilingual and has dual French-American citizenship. He holds a Bachelor of Arts degree from Stanford University and a Juris Doctor from Loyola Law School.

Alex A. Khatibi has served as our Executive Vice President since April 2010. Mr. Khatibi brings more than 23 years of aviation industry experience to us, the last 14 of which were with ILFC. Mr. Khatibi was Managing Director of ILFC's Middle East business and managed a portfolio of global lessees including the Middle East, Greece, Poland, Hungary, Brazil, Italy, Netherlands, Germany, United Kingdom and Russia/CIS. Within these regions, Mr. Khatibi was responsible for developing and evaluating emerging markets, leading lease negotiations and planning and executing aircraft placement strategies. Mr. Khatibi began his employment in ILFC's Technical Department in September 1995 and was responsible for the technical aspects of operating/finance lease agreements. Prior to joining ILFC, Mr. Khatibi held Engineering and Technical management positions at Continental Airlines. Mr. Khatibi is a graduate of Embry-Riddle Aeronautical University where he received a Bachelor of Science degree in Engineering and completed Technical Management studies. Mr. Khatibi also holds an FAA Airframe & Powerplant license, certified to approve aircraft airworthiness and return to service.

Jie Chen has served as our Executive Vice President and Managing Director of Asia since August 2010. Mr. Chen brings more than 19 years of aviation industry experience to us, the last 18 of which were with ILFC in various positions in the Sales and Marketing Department. Mr. Chen joined ILFC in 1992 as a Director of Marketing, Asia and he most recently served as ILFC's Senior Vice President and Managing Director, Asia from 2002 until his departure in July 2010. While in the Sales and Marketing Department at ILFC, Mr. Chen oversaw the expansion of ILFC's leasing business in Asia from 5% to 30% of ILFC's total worldwide revenue. Mr. Chen was also responsible for developing new leasing markets in China, Vietnam, Malaysia, Thailand, Taiwan, Japan and Macau. Under Mr. Chen's leadership, ILFC's leasing business in Asia grew to 30% of total profits for ILFC. Prior to joining ILFC, Mr. Chen was a project manager in the leasing division at China International Trust & Investment Corporation. He holds a Bachelor of Arts degree from the Renmin University of China and a Master Degree of Science in management from the State University of New York.

James C. Clarke has served as our Senior Vice President and Chief Financial Officer since April 2010. Mr. Clarke has more than 23 years of experience in asset finance and leasing, structured finance for the airline sector and airline operating experience as Chief Financial Officer. From 2008 to 2010, Mr. Clarke served as founding partner of Three Capital Partners, LLC, an aviation advisory and asset-management firm. From September 2005 to August 2008, Mr. Clarke served as managing director at SkyWorks Capital, LLC, a firm providing transaction and advisory services on asset-based financings, financial restructurings and debt and equity offerings to global aviation clients. He held Chief Financial Officer positions at both Aloha Airlines, Inc. and Air Wisconsin Airlines Corporation, with broad management responsibilities for financial accounting and external reporting and all financing activities. Mr. Clarke was a key member of restructuring efforts at Aloha Airlines, Inc. during its first Chapter 11 bankruptcy proceedings. He also led the structured-debt, enhanced equipment trust certificate effort at Merrill Lynch & Co., Inc. He was the Senior Vice President, Risk Management for GE Capital Aviation Services, and a Vice President at its predecessor company, GPA Group PLC, with transactional responsibility for U.S. and Japanese tax-structured financings. Mr. Clarke began his career in aviation in the treasury function at both American Airlines, Inc. and United Airlines, Inc., as a staff specialist in corporate finance. He received his Bachelor of Arts degree from Stanford University, Juris Doctor from IIT Chicago-Kent College of Law and Master of Business Administration from the University of Chicago Graduate School of Business.

Gregory B. Willis has served as our Vice President, Finance, and Chief Accounting Officer since March 2010. Mr. Willis brings more than three years of aviation industry experience to us. From

2007 to 2010, Mr. Willis served as the Director of Accounting Policy at ILFC. Prior to ILFC, Mr. Willis served as the Vice President of Alternative Investments at Mellon Financial Corporation from 2005 to 2007, where he was responsible for administering the accounting and tax functions for private equity and distressed debt funds. Mr. Willis began his career as an auditor for PricewaterhouseCoopers LLP, where he spent more than five years in various audit-related roles in their financial services practice, including as an audit manager. Mr. Willis is a Certified Public Accountant, licensed in the state of California, and is a member of the American Institute of Certified Public Accountants. Mr. Willis received a Bachelor of Arts degree from the University of California at Davis.

John D. Poerschke has served as our Senior Vice President of Aircraft Procurement and Specifications since March 2010. Mr. Poerschke brings more than 24 years of aviation industry experience to us, the last 15 years of which were at ILFC. While at ILFC, Mr. Poerschke managed both the development of the technical aircraft configurations and procurement of the buyer furnished equipment for many of ILFC's Boeing and Airbus aircraft. Mr. Poerschke brings an extensive network of aviation supplier relationships with him to us. Prior to joining ILFC, Mr. Poerschke held jobs of increasing management responsibility in the engineering, fleet planning and procurement departments of Continental Airlines, Inc., US Airways Group Inc. and Boeing. Mr. Poerschke received a Bachelor of Science degree from USC and he is a FAA-rated pilot.

John G. Danhagl has served as one of our directors since May 2010. He is a Managing Partner at Leonard Green & Partners, L.P., which he joined in 1995. Prior to joining Leonard Green & Partners, L.P., Mr. Danhagl was a Managing Director in the Los Angeles office of Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), which he joined in 1990, and where he worked extensively with Leonard Green & Partners, L.P. as its lead investment banker. Prior to joining DLJ, Mr. Danhagl was a Vice President in corporate finance at Drexel Burnham Lambert Incorporated from 1985 to 1990. Mr. Danhagl presently serves on the board of directors of Arden Group, Inc., HITS, Inc., IMS Health, Inc., J. Crew Group, Inc., Leslie's Poolmart, Inc., Lextron, Inc., The Neiman Marcus Group, Inc., Petco Animal Supplies, Inc. and The Tire Rack, Inc. He has previously served on the board of directors of AsianMedia Group, LLC, Big 5 Sporting Goods Corporation, Communications and Power Industries, Inc., Diamond Triumph Auto Glass, Inc., Liberty Group Publishing, Inc., MEMC Electronic Materials, Inc., Phoenix Scientific, Inc., Rite Aid Corporation, Sagittarius Brands, Inc. and VCA Antech, Inc. Mr. Danhagl graduated from the University of California at Berkeley in 1980 and received a Master of Business Administration from Harvard Business School in 1985.

Matthew J. Hart has served as one of our directors since May 2010. Mr. Hart served as President and Chief Operating Officer of Hilton Hotels Corporation from May 2004 until the buyout of Hilton by the Blackstone Group in October 2007. Mr. Hart also served as Executive Vice President and Chief Financial Officer of Hilton from 1996 to 2004. Prior to joining Hilton, Mr. Hart served as the Senior Vice President and Treasurer of The Walt Disney Company, Executive Vice President and Chief Financial Officer for Host Marriott Corp., Senior Vice President and Treasurer for Marriott Corporation and Vice President, Corporate Lending, for Bankers Trust Company. Mr. Hart received his Bachelor of Arts in Economics and Sociology from Vanderbilt University in 1974 and earned a Master of Business Administration in Finance and Marketing from Columbia University in 1976. Mr. Hart currently serves on the board of directors of US Airways and Great American Group, Inc. and is the Chairman of Heal the Bay, a non-profit organization.

Robert A. Milton has served as one of our directors since April 2010. Mr. Milton is our lead independent director. Mr. Milton has been the Chairman, President and Chief Executive Officer

of ACE Aviation Holdings, Inc. (ACE) since 2004. ACE was the parent holding company under which the reorganized Air Canada and separate legal entities such as Aeroplan LP and Air Canada Jazz were held. Mr. Milton was also the Chairman of Air Canada until December 2007. He held the position of President and Chief Executive Officer of Air Canada from August 1999 until December 2004. From 2003 to 2004, Mr. Milton led Air Canada's restructuring which has positioned the airline to compete effectively in the new airline environment. Prior to joining Air Canada, Mr. Milton was a founding partner in Air Eagle Holdings Inc. and an independent commercial aviation consultant to British Aerospace Limited. He started his career at Air Canada in 1992 on a consulting basis and assumed increasingly responsible positions in cargo operations, scheduling, product design, advertising, inflight service and marketing until his appointment as Executive Vice President and Chief Operating Officer in 1996. Mr. Milton served as Chair of the International Air Transport Association's Board of Governors from 2005 to 2006. He is one of the past Chairmen of the Georgia Tech Advisory Board and currently serves as a Trustee of the Georgia Tech Foundation. Mr. Milton received his Bachelor of Science degree in Industrial Management from the Georgia Institute of Technology in 1983.

Michel M.R.G. Péretié has served as one of our directors since June 2010. Mr. Péretié was appointed Chief Executive Officer of Société Générale Corporate & Investment Banking in 2008. Mr. Péretié began his career at Banque Paribas in 1980 where he created and developed its derivatives group (equity, fixed income, foreign exchange). In 1996, he became Global Head of Equity Derivatives, Swaps, Credit Derivatives and FX based in London. In 1999, he was named Global Head of Fixed Income of the newly formed BNP-Paribas. He joined Bear Stearns in 2000 as Senior Managing Director and Head of Fixed Income and Derivatives for Europe and Asia. In 2004, he was appointed Chairman of Bear Stearns International and became CEO of Bear Stearns for Europe and Asia in 2006. He served as a member of the Board of Bear Stearns & Co. from January 2007 to June 2008. Mr. Péretié graduated from the Institute of Business Administration of Sorbonne University, Paris.

Antony P. Ressler has served as one of our directors since May 2010. Mr. Ressler co-founded Ares Management LLC in 1997, a global investment management firm with a focus on alternative assets (i.e., leveraged loans, high yield bonds, distressed debt, private/mezzanine debt and private equity) managed through a variety of funds and investment vehicles which, as of December 31, 2010, had approximately \$39 billion of committed capital under management. Ares Management LLC has approximately 350 employees and is based in Los Angeles with offices across the United States, Europe and Asia. Mr. Ressler also co-founded Apollo Management, L.P. in 1990, a private investment firm based in New York. Prior to 1990, Mr. Ressler served as a Senior Vice President in the High Yield Bond Department of Drexel Burnham Lambert Incorporated, with responsibility for the New Issue/Syndicate Desk. Mr. Ressler also serves on the board of directors of Ares Capital Corporation, a publicly traded business development company and on the boards of private companies owned or controlled by Ares Management LLC or its affiliated funds. In the non-profit sector, Mr. Ressler serves as a member of the Board of Trustees of the Cedars-Sinai Medical Center, the Center for Early Education and the Los Angeles County Museum of Art and as the Chairman of the Alliance for College-Ready Public Schools, a high-performing group of 16 charter high schools and middle schools based in Los Angeles. Mr. Ressler is also one of the founding members of the board of the Painted Turtle Camp, a southern California based organization (affiliated with Paul Newman's Hole in the Wall Association). Mr. Ressler received his Bachelor of Science degree in Foreign Service from Georgetown University's School of Foreign Service and received his Master of Business Administration from Columbia University's Graduate School of Business.

Wilbur L. Ross, Jr. has served as one of our directors since November 2010. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the managing member of the general partner of WL Ross Group, L.P., which in turn is the managing member of the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., WLR Recovery Fund III L.P., WLR Recovery Fund IV L.P., Asia Recovery Fund L.P., Asia Recovery Co-Investment Fund L.P., Absolute Recovery Hedge Fund L.P., India Asset Recovery Fund and Japan Real Estate Recovery Fund, the Chairman of the Investment Committee of the Taiyo Fund and the Chairman of Invesco Private Capital, each of which is a private investment fund. Mr. Ross is also Chairman of International Coal Group, Inc., International Textile Group, Inc., a global, diversified textile provider that produces automotive safety, apparel, government uniform, technical and specialty textiles, Nano-Tex, Inc., a fabric innovations company located in the United States, IPE-Ross Management Ltd., an investment partnership investing in middle market European buyouts, and International Auto Components Group SL, a joint venture company with interests in automotive interior plastics. Mr. Ross is also an executive officer of Invesco Private Equity, American Home Mortgage Services, Inc. and Plascar Participacoes SA. Mr. Ross is a board member of ArcelorMittal N.V., Assured Guaranty Ltd., a provider of financial guaranty and credit enhancement products, Compagnie Européenne de Wagons SARL in Luxembourg, Insuratex, Ltd., an insurance company in Bermuda, Plascar Participacoes SA, Phoenix International Insurance Company, The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry, IAC Acquisition Corporation Limited, IAC Group SARL, and Masters Capital Nanotechnology Fund. Mr. Ross is also a member of the Business Roundtable. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was previously a director of Mittal Steel Co. N.V. from April 2005 to June 2006, a director of International Steel Group from February 2002 to April 2005, a director of Montpelier RE Holdings Ltd. from 2006 to March 2010, and a director of Syms Corp. from 2000 through 2007. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board and currently is a board member of Whitney Museum of American Art, the Japan Society, and the Yale University School of Management, the Harvard Business School Club of New York, the Palm Beach Civic Association, the Palm Beach Preservation Foundation and the Partnership for New York City. He holds an A.B. from Yale University and an M.B.A., with distinction, from Harvard University.

Ian M. Saines has served as one of our directors since June 2010. Mr. Saines is Group Executive of the Institutional Banking and Markets division of Commonwealth Bank, which he joined in 2004. He is responsible for managing Commonwealth Bank's relationships with major corporate, institutional and government clients and providing a full range of capital raising, transactional and risk management products and services. Prior to joining Commonwealth Bank, Mr. Saines was a Management Committee member of Zurich Capital Markets Asia, the investment banking arm of the Zurich Financial Services Group. Between 1985 and 1999, Mr. Saines held various leadership positions at Bankers Trust Australia Limited and headed the investment bank's Global Metals and Mining Industry Group. Prior to joining Bankers Trust Australia Limited, Mr. Saines was employed by the Reserve Bank of Australia. Mr. Saines was formerly a board member of Father Chris Riley's Youth Off The Streets, a not-for-profit organization providing support to chronically homeless and abused youth in Australian society. He is currently a director of the Australian Financial Markets Association. Mr. Saines is a Fellow of the Australian Institute of Company Directors, and a Certified Finance and Treasury Professional. Mr. Saines has a first class honours degree in economics from the University of New South Wales.

Dr. Ronald D. Sugar has served as one of our directors since April 2010. Dr. Sugar is Chairman Emeritus of Northrop Grumman Corporation. He served as Chairman of the Board and Chief

Executive Officer from 2003 until his retirement in 2010. During Dr. Sugar's tenure, Northrop Grumman grew to become the nation's second largest defense contractor with 125,000 employees and \$35 billion annual revenue. Prior to joining Northrop Grumman, Dr. Sugar held executive positions in the aerospace, defense, and automotive industries, including Chief Financial Officer of TRW Inc., Executive Vice President of TRW Automotive Electronics, President and Chief Operating Officer of TRW Aerospace, and President, Chief Operating Officer and Director of Litton Industries. In 2001, he became President and Chief Operating Officer of Northrop following its acquisition of Litton. He is a director of Amgen Inc., Apple Inc. and Chevron Corporation, a trustee of USC, a Director of the Los Angeles Philharmonic, a visitor of the UCLA Anderson School of Management, a Director of the World Affairs Council of Los Angeles, a National Trustee of the Boys and Girls Clubs of America, a past Chairman of the Aerospace Industries Association, and a member of the National Academy of Engineering. Dr. Sugar received a Bachelor of Science degree in Engineering (summa cum laude) from UCLA, where he also received the master's and doctorate degrees in the same field, and was subsequently honored as UCLA Alumnus of the Year.

Board of directors

Our board of directors is composed of ten members. Our directors serve until their successors are duly elected and qualified at the stockholders' annual meeting each year. There is no cumulative voting in the election of directors. Certain information regarding our directors is set forth below.

There are no family relationships among any of our directors or executive officers.

Director independence

Pursuant to the listing standards of the NYSE, a director employed by us cannot be deemed to be an independent director, and each other director will qualify as independent, only if our board of directors affirmatively determines that he has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. Ownership of a significant amount of our stock, by itself, does not constitute a material relationship. Accordingly, our board of directors has affirmatively determined that each of Messrs. Danhaki, Hart, Milton, Péretié, Ressler, Ross and Saines and Dr. Sugar is independent in accordance with the rules of the NYSE. Mr. Milton is our lead independent director.

Committees of the board

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees is comprised solely of independent directors under the NYSE listing standards.

Audit committee

Our audit committee consists of Messrs. Hart, Milton and Ross. Mr. Hart is the Chairman of the audit committee.

Our audit committee's duties include, but are not limited to, monitoring (1) the integrity of the financial statements of the Company, (2) the independent auditor's qualifications and independence, (3) the performance of our internal audit function and independent auditors, (4) our compliance with legal and regulatory requirements and (5) our overall risk profile.

Our audit committee must at all times be composed exclusively of independent directors who are financially literate as defined under the NYSE listing standards. The audit committee must have at least one member who has past employment experience in finance or accounting,

requisite professional certification in accounting or other comparable experience or background that results in the individual's financial sophistication, and who qualifies as an audit committee financial expert, as defined under the rules and regulations of the SEC.

Nominating and corporate governance committee

Our nominating and corporate governance committee consists of Messrs. Milton and Hart and Dr. Sugar. Mr. Milton is the Chairman of the nominating and corporate governance committee.

Our nominating and corporate governance committee monitors the implementation of sound corporate governance principles and practices and will, among other things: (1) identify individuals believed to be qualified to become a member of our board of directors and select or recommend candidates for all directorships to be filled, (2) annually review and recommend changes, as appropriate, to our corporate governance guidelines and (3) oversee the evaluation of our board of directors. Our nominating and corporate governance committee also reviews and approves all related party transactions in accordance with our policies with respect to such matters.

Compensation committee

Our compensation committee consists of Dr. Sugar and Messrs. Danhaki and Ressler. Dr. Sugar is the Chairman of the compensation committee.

Our compensation committee has overall responsibility for approving and evaluating all of our compensation plans, policies and programs as they affect the executive officers, including the Chief Executive Officer, as well as overseeing the evaluation of management and succession planning for executive officer positions.

Compensation committee interlocks and insider participation

None of the members of our compensation committee has at any time been one of our officers or employees. None of our executive officers serves, or in the past year has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers who serve on our board of directors or compensation committee.

Corporate governance policies and code of conduct

Code of business conduct and ethics

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors, employees and officers. Among other things, the Code of Business Conduct and Ethics is intended to ensure fair and accurate financial reporting, to promote ethical conduct and compliance with applicable laws and regulations, to provide guidance with respect to the handling of ethical issues, to foster a culture of honesty and accountability and to deter wrongdoing. It also requires disclosure to us of any situation, transaction or relationship that may give rise to any actual or potential conflict of interest. Such conflicts must be avoided unless approved by our nominating and corporate governance committee. The Code of Business Conduct and Ethics prohibits our employees, officers and directors from taking, or directing a third party to take, a business opportunity that is discovered through the use of our property. A

copy of our Code of Business Conduct and Ethics is available on our website at www.airleasecorp.com.

Corporate governance guidelines

Our board of directors has adopted Corporate Governance Guidelines to assist the board in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. The Guidelines are intended to serve as a flexible framework for the conduct of the board's business and not as a set of legally binding obligations. The Guidelines describe the board of directors' responsibilities, the qualification criteria for serving on our board, and standards for the conduct of board meetings and establishing and maintaining committees of the board. The Guidelines also confirm that the directors will have full and free access to officers and employees of the Company and have authority to retain independent advisors as necessary and appropriate in carrying out their activities. In addition, the Guidelines establish frameworks for director compensation, director orientation and continuing education, and an annual evaluation of the board and its committees and of the Guidelines. Finally, the Guidelines charge the compensation committee with oversight of management evaluation and succession and detail the Company's policies regarding confidentiality and communications between our board and the press and media on matters pertaining to the Company. Our Corporate Governance Guidelines are available on our website at www.airleasecorp.com.

Audit and non-audit services pre-approval policy

Our audit committee has approved and adopted an Audit and Non-Audit Services Pre-Approval Policy which sets forth the procedures and conditions pursuant to which services to be performed by our independent auditor are to be pre-approved. The policy provides that the audit committee will annually consider for approval, and approve as it deems appropriate and consistent with the policy and applicable law, a schedule listing proposed engagements and specified audit and non-audit services expected to be provided by the independent auditor commencing during the upcoming year. As stated in the policy, in determining whether to pre-approve services, the audit committee may consider, among other factors: (i) whether the services are consistent with applicable rules on auditor independence; (ii) whether the independent auditor is best positioned to provide the services in an effective and efficient manner, taking into consideration its familiarity with our business, people, culture, accounting systems, risk profile and other factors; and (iii) whether the services might enhance our ability to manage or control risk or improve audit quality. Under the policy, the audit committee may delegate preapproval authority to one or more of its members. The policy contemplates that our Chief Financial Officer, or his designee, will provide a quarterly report to the audit committee listing services performed by and fees paid to the independent auditor during the current fiscal year and the previous quarter, including a reconciliation of the actual fees of the independent auditors compared to the budget for such services as approved by the audit committee.

Insider trading policy

Our board of directors has adopted an Insider Trading Policy that applies to all of our directors, officers and employees. The Insider Trading Policy prohibits a participant from buying or selling shares of capital stock when he or she has material nonpublic information. Material nonpublic information generally means information that is not generally known or available to the public

and that a reasonable investor would consider important in making an investment decision to buy, hold, or sell securities. Anyone who fails to comply with the Insider Trading Policy will be subject to appropriate disciplinary action, up to and including termination of employment.

Whistleblower policy

Our board of directors has adopted a Whistleblower Policy. The Whistleblower Policy is intended to encourage our directors, officers and employees to further our goal of fostering a culture of legal and ethical compliance. The policy sets forth procedures for (i) raising questions and concerns about potential misconduct, including potential violations of law, regulation or our policies, questionable or unethical accounting, internal accounting controls or auditing matters and (ii) reporting potential misconduct, unless supplanted by other applicable law. The policy strictly prohibits anyone from taking or threatening disciplinary or other retaliatory action, including discharge, demotion, suspension, harassment or any other discrimination, against an individual for, in good faith, raising questions or concerns about, or reporting, potential misconduct, including a potential violation of the law, regulation, or our policies. The policy also includes procedures for maintaining the confidentiality of information communicated under the policy.

Executive compensation

Compensation discussion and analysis

Executive summary

Our Company's executive compensation program has been designed to attract the most talented executives in the aircraft leasing business to join us in our start-up venture, and to reward these individuals for the successful launch of our business. The compensation committee believes that the program has been very successful in accomplishing these objectives. The combination of a highly competitive base salary and bonus, equity incentive awards, and the potential for even greater rewards as a stockholder, has helped us assemble a formidable management team and focus them on growing the value of our Company over the long term. We believe having an experienced and motivated senior management team is essential to the success of our Company and provides us and our stockholders with an important competitive advantage.

The following section contains a discussion of the objectives and elements of our executive compensation program in 2010, as well as information regarding the compensation of our Named Executive Officers, who are our principal executive officer, Mr. Udvar-Házy, our three other most highly compensated executive officers who were serving as executive officers at the end of 2010, Messrs. Plueger, Levy and Chen, and our principal financial officer, Mr. Clarke.

Compensation program overview and objectives

Our Company was launched in February 2010. Our executive compensation program is designed to address some of the unique challenges associated with being a young company that requires a small number of extraordinary and talented individuals with industry experience to manage and lead an asset-intensive business. The primary objective of our executive compensation program is to attract, retain and motivate the highest caliber executives in the aircraft leasing industry by offering a comprehensive compensation program that is attractive enough to entice successful senior executives to work for a company with a limited operating history. This compensation program includes fixed compensation elements that are very competitive in the marketplace, combined with performance-based elements that are designed to reward our Named Executive Officers for achieving results that derive value for our stockholders.

Our Company does not benchmark our compensation program against that of other companies because we operate within an industry with a small number of competitors and few that would be suitable as comparative companies. Most of our competitors are private or foreign companies or are captive subsidiaries of public companies, and are therefore unsuitable as benchmarks for compensation design for our Company. Rather, we utilize the collective knowledge and experience of our board members and our senior executives, some of whom are pioneers in our industry, as well as the advice of an independent compensation consultant, to make appropriate determinations regarding compensation. Furthermore, as a young company, we believe it is important to make compensation decisions based on our own short-term and long-term goals. Instead of making decisions based on how our Company's compensation practices compare to those of our peers, we consider the amount and form of compensation that will best enable us to attract and retain the most talented executives and to focus them on the growth and long-term success of our business.

This Compensation discussion and analysis should be read together with the compensation tables that follow, which disclose the compensation awarded to, earned by or paid to the Named Executive Officers in or with respect to 2010.

How we determine compensation

Role of the Compensation Committee. The compensation committee, which is currently comprised of Dr. Ronald D. Sugar, who serves as Chairman of the committee, and Messrs. John G. Danhaki and Antony P. Ressler, oversees the design, administration and evaluation of our overall executive compensation program. The compensation committee also approves the total compensation for each Named Executive Officer. Each member of the compensation committee must be an independent, non-employee director, as those terms are defined in SEC, NYSE and IRS rules. Among other things, the compensation committee will at least annually:

Review and adjust each Named Executive Officer's compensation in order to ensure an appropriate mix of cash and equity, and an appropriate balance of fixed and at-risk compensation, in light of, among other factors, each individual's particular role and responsibilities, personal motivations, stock ownership exposure and wealth accumulation.

Approve specific performance targets and individual goals for each Named Executive Officer with respect to the at-risk portions of his compensation.

Consult with the compensation committee's independent consultant to help ensure that the total compensation paid to each Named Executive Officer is appropriate in light of our Company's compensation objectives, tax and accounting considerations and compensation best practices.

Approve incentive award payouts based on performance actually achieved.

Approve bonus payments based on after-the-fact evaluations of Company and individual performance. We regard retrospective evaluation as appropriate for our current compensation program because, as a young company, we have a limited ability to forecast performance, we need to consider qualitative milestones as we grow, and for purposes of 2010 bonuses, we lacked appropriate baselines to support performance benchmarking. Commencing with bonuses for 2011, our Company and the compensation committee plan to apply quantitative factors as well as qualitative milestones in the determination of bonus payments.

Role of Management. The compensation committee recommends to the independent directors of the board for their approval, and without management input, the overall compensation of our Chairman and Chief Executive Officer. In addition, the committee determines the overall compensation of our President and Chief Operating Officer with input from our Chief Executive Officer. Finally, the committee determines the overall compensation of our other Named Executive Officers with input from our Chief Executive Officer and Chief Operating Officer. None of our Named Executive Officers is present when his compensation is discussed by the compensation committee. Our management administers all compensation and benefits programs, subject to the oversight of the compensation committee. This delegation to management is strictly limited to implementation of the programs, and does not include any discretion to make material decisions regarding the overall executive compensation program.

Role of Independent Consultant. The compensation committee has engaged Exequity as an independent consultant to provide advice with respect to compensation decisions for our Company's executive officers. The independent consultant assists in evaluating our

compensation objectives, obtaining market information, and designing various aspects of our compensation program. The independent consultant attends meetings of the compensation committee by invitation, and compensation committee members have direct access to the independent consultant without management involvement. The compensation committee has the sole authority to hire and fire the independent consultant. In order to help ensure impartiality and objectivity, the compensation committee requires that the independent consultant provide services only to the committee and not to management, absent compensation committee approval. The compensation committee has not approved the consultant's engagement in any separate work for our management or employees.

Risk Management. We believe that the best way to ensure personal commitment to our Company's long-term goals is to ensure that our Named Executive Officers and other employees' financial rewards as stockholders will, over the long term, far outweigh any cash compensation they earn as employees. In this regard, the interests of our Named Executive Officers and our stockholders are strongly aligned. Our Named Executive Officers as a group beneficially own 6.23% of our Company's Common Stock, and each Named Executive Officer has made a meaningful personal investment in our Company's stock.

In addition, our executive compensation program has been designed to discourage executives from taking unnecessary risks that could threaten the long-term interests of our young company. As described in more detail below, a significant portion of our Company's incentive-based compensation is tied to an increase in our Company's book value, and not to metrics that may encourage risk-taking behavior focused on short-term results. Similarly, we have mitigated potential risk by subjecting all of our equity-based awards to time-based vesting conditions and most of our restricted stock units (RSUs) to performance-based vesting conditions, and by capping incentive opportunities such as annual bonuses. We also believe that our executives' significant equity ownership in our Company aligns their long-term interests with those of our stockholders.

Our board of directors has adopted stock ownership guidelines for our executive officers at the level of Executive Vice President or higher. Our Chief Executive Officer is required to own Class A Common Stock equivalents with an aggregate market value equal to six times his annual rate of salary, our Chief Operating Officer is required to own Class A Common Stock equivalents with an aggregate market value equal to three times his annual rate of salary, and each of our other executive officers subject to these guidelines is required to own Class A Common Stock equivalents with an aggregate market value equal to at least his annual rate of salary. Class A Common Stock equivalents are shares of Class A Common Stock owned personally by an executive officer and shares of Class A Common Stock underlying unvested RSUs that are subject to time-vesting only. Each executive officer subject to these guidelines has five years from the time he becomes subject to the guidelines to achieve the required level of ownership. The market value of the Class A Common Stock equivalents will be determined in accordance with a reasonable methodology established from time to time by our compensation committee.

Employment Agreements. Due to the importance of their services to, and their leadership of, our Company, we have entered into employment agreements with our Chairman and Chief Executive Officer, Mr. Udvar-Házy, and our President and Chief Operating Officer, Mr. Plueger, which are described below under Employment agreements and arrangements and potential payments upon termination or change in control. We have no current plans to enter into employment agreements with any of our other Named Executive Officers.

Elements of the executive compensation program

Base Salary. Base salary is the main fixed component of our executive compensation program, and it is aimed primarily at attracting and retaining the best possible executive talent. The relative levels of base salary for our Named Executive Officers are based on the particular responsibilities and expectations associated with each executive's position. The base salaries of Messrs. Udvar-Házy and Plueger are determined in accordance with their employment agreements, and the base salaries of the other Named Executive Officers are determined by the compensation committee, with the input of Messrs. Udvar-Házy and Plueger and taking into consideration the objectives and philosophies of our overall executive compensation program.

Annual Bonus. Our Company provides annual bonus opportunities in order to foster executive accountability and reward executives for achieving business goals. The compensation committee makes bonus determinations based primarily on several subjective factors, including (i) the particular executive's specific roles, responsibilities and performance, (ii) the overall business environment, (iii) our Company's performance and (iv) competitive considerations in the market for comparable opportunities. In determining annual bonuses for 2010, the compensation committee considered the totality of the mix of the foregoing subjective factors for each Named Executive Officer, and in particular, placed a heavy emphasis on each particular executive's role in the successful launch of our Company, our equity- and debt-raising activities, and the purchase and leasing of our initial portfolio of aircraft. In light of our Company's recent launch, however, the compensation committee did not consider financial performance targets for our Company as a factor when determining 2010 annual bonuses. The compensation committee plans to consider quantitative as well as qualitative milestones of Company performance, in addition to individual performance factors, in the determination of bonus payments commencing with 2011 bonuses.

Under his employment agreement, Mr. Udvar-Házy's target annual bonus amount is equal to 100% of his base salary actually paid, with a maximum bonus equal to 200% of his base salary actually paid. The amount of Mr. Udvar-Házy's annual bonus is determined on the basis of our Company's attainment of objective financial performance metrics, or a combination of our Company's attainment of such financial performance metrics and Mr. Udvar-Házy's attainment of individual objectives, in each case as determined and approved by the compensation committee. In 2010, Mr. Udvar-Házy was entitled to a guaranteed bonus of no less than \$1.6 million. Mr. Plueger's target annual bonus amount under his employment agreement is equal to 80% of his base salary actually paid, with a maximum bonus equal to 120% of his base salary actually paid. Mr. Levy was eligible for an annual bonus based on a target opportunity of \$700,000. Messrs. Chen and Clarke were eligible for annual bonuses based on target and maximum opportunities of 100% and 50%, respectively, of each executive's respective base salary. In most cases, the compensation committee retains the discretion to reduce the amount of each executive's annual bonus, even if his maximum opportunity has been achieved.

For 2010, our compensation committee awarded Messrs. Plueger, Levy, Chen and Clarke annual bonuses of \$1.25 million, \$700,000, \$750,000, and \$120,000, respectively. Our compensation committee recommended, and our board of directors approved, an annual bonus of \$1.8 million for Mr. Udvar-Házy with respect to 2010. The compensation committee determined the annual bonuses for our Named Executive Officers on February 15, 2011. By that date, our compensation committee (with respect to Mr. Udvar-Házy) and our management (with respect to all other Named Executive Officers) had had an opportunity to review the achievements of the Company

for the period from our inception through December 31, 2010, and to formulate recommendations for the annual bonuses for these Named Executive Officers.

Retention Bonuses. Most of our Named Executive Officers are eligible for retention incentives that vest upon completion of three years' service with our Company and are forfeited if the executive's employment is terminated prior to vesting. The purpose of these bonuses is to promote stability among our leadership team during our critical start-up period. Each of Messrs. Udvar-Házy, Plueger, and Chen is eligible for a retention bonus equal to 10% of his then current base salary. Mr. Levy is eligible for a retention bonus equal to \$85,000.

Amended and Restated Deferred Bonus Plan. The purpose of our Amended and Restated Deferred Bonus Plan is to provide retention incentives that are time-vested and based on amounts already earned, thereby providing a balance against our retention incentives that are tied to uncertain, future performance. Under the plan, our employees have an opportunity to receive a cash bonus in an amount equal to a percentage of the aggregate amount of base salary and cash bonus compensation paid in a particular year. The deferred bonus will generally vest upon the second anniversary of the end of the year with respect to which the award was made, provided that the employee is still employed by us on a full-time basis on that date, and will be paid as soon as practicable thereafter. Once vested, the deferred bonus is not subject to reduction by our compensation committee. Messrs. Udvar-Házy and Plueger are each eligible to participate in our Amended and Restated Deferred Bonus Plan, and in accordance with their employment agreements, will receive a bonus equal to 9.0% of the aggregate amount of his base salary and bonus compensation paid in a particular calendar year. Bonuses for our other Named Executive Officers and employees will be determined annually by the Chairman and Chief Executive Officer and the President and Chief Operating Officer as administrators under the plan, in accordance with the terms of the plan and a schedule approved by the compensation committee or board of directors. Awards to the Chairman and Chief Executive Officer and the President and Chief Operating Officer are administered by our compensation committee or board of directors. In accordance with their employment agreements, Messrs. Udvar-Házy and Plueger each received a deferred bonus of 9.0% with respect to 2010, while Messrs. Levy, Chen and Clarke received deferred bonuses of 8.5%, 8.5% and 7.0%, respectively, for 2010.

Long-Term Incentive Awards. Consistent with our executive compensation objectives, the compensation committee believes that an important aspect of attracting and retaining exceptionally talented executives and aligning their interests with those of our stockholders is to provide equity-based incentive compensation. In approving the initial grants of equity incentives to our employees, our board of directors and compensation committee considered an overall value for each executive officer, and sought to establish a mix of approximately 50% RSUs and 50% options to purchase shares of our Class A Common Stock. The compensation committee believes this mix creates a balanced incentive because the RSUs provide the executives with additional stock ownership, which aligns the long-term interests of our senior executives and stockholders, while the options provide them with an incentive to achieve performance that leads to appreciation in our stock price. All awards have been made under our Amended and Restated Air Lease Corporation 2010 Equity Incentive Plan (the "2010 ALC Equity Incentive Plan").

The RSUs are subject to time vesting and performance conditions. The RSUs generally vest in four equal installments over a four-year period, but only if there have been specified increases in our Company's per share book value, as determined in accordance with GAAP. The cumulative

required increase in value is 2.00% in the first year, 5.06% in the second year, 9.26% in the third year and 13.63% in the fourth year. If a specified cumulative increase is attained in years two, three or four, any unvested installments from prior years will also vest.

Messrs. Udvar-Házy, Plueger and Chen received equity awards as described below under *Specific Purpose Awards*. Mr. Levy received 150,000 RSUs and 150,000 options to purchase shares of our Class A Common Stock at an exercise price of \$20 per share, and Mr. Clarke received 15,000 RSUs and 15,000 options to purchase shares of our Class A Common Stock at an exercise price of \$20 per share.

Our Company's book value is considered to be an appropriate performance metric because it relates directly to our goal of encouraging long-term growth that benefits the stockholders' equity in our Company. In addition, other typical performance measures like revenues and earnings were not appropriate at the time that we made our equity incentive grants, as it is difficult for a young company to provide meaningful forecasts of these measures to serve as baselines for measuring performance.

The options to purchase shares of Class A Common Stock are generally subject to ratable time vesting over three years. The exercise price of the options is determined by the compensation committee, but may never be less than the fair market value of our Class A Common Stock on the date of grant. The compensation committee believes that the options are inherently performance-based because they have no intrinsic value on the date of grant and will only deliver meaningful value when stockholders also realize value.

Specific Purpose Awards. In July 2010, the Company completed a \$1.3 billion private placement of its Common Stock. In order to provide Messrs. Udvar-Házy and Plueger with an additional incentive to complete this transaction, our board of directors agreed to grant them RSUs and options to acquire additional shares of Class A Common Stock at an exercise price of \$20 per share. The number of RSUs and the number of shares subject to the options were determined based on an escalating scale that incentivized Messrs. Udvar-Házy and Plueger to help raise the largest amount of capital possible from the offering. In accordance with the scale, Mr. Udvar-Házy was entitled to receive 1,812,402 RSUs and options to purchase 1,812,402 shares of Class A Common Stock, while Mr. Plueger was entitled to receive 735,586 RSUs and options to purchase 735,586 shares of Class A Common Stock. Mr. Udvar-Házy instead received an aggregate of 1,750,426 RSUs and options to purchase 1,751,352 shares of Class A Common Stock, while Mr. Plueger received an aggregate of 710,431 RSUs and options to purchase 710,806 shares of Class A Common Stock. Messrs. Udvar-Házy and Plueger waived the additional RSUs and options to which they were entitled in order to permit certain grants of RSUs and options to Mr. Chen. As an additional incentive in connection with the equity offering described above, Mr. Udvar-Házy also earned a \$500,000 success bonus.

Consistent with the philosophy of rewarding our executives for achieving specific business objectives, each of Messrs. Udvar-Házy, Plueger, Chen and Clarke were eligible for and received a cash bonus equal to 10% of his then current annual base salary, and Mr. Levy was eligible for and received a cash bonus of \$70,000, upon completion of our initial public offering.

We regard Mr. Chen as playing a key role in the potential expansion of our business in the Asian market. In recognition of the importance of the Asian market to our business and his role relative to that market, the compensation committee approved Mr. Chen's eligibility for a cash signing bonus in the amount of \$1.3 million, half of which will vest and be payable on July 15, 2011 and the other half of which will vest and be payable on July 15, 2012, as well as performance bonuses of \$80,000, \$250,000, \$370,000 and \$450,000, which will vest and be payable in July 2011, July 2012, July 2013 and July 2014, based upon the achievement of performance targets to be established by our Chief Executive Officer and approved by the compensation committee. Mr. Chen's performance target for the performance bonus payable in July 2011 requires the lease placement of a specified number of aircraft in the Asian market. This performance target is a key component of our long-term strategic plan for the Asian market. The specific performance target reflects a confidential composite set of internal fleet development, revenue and profit targets. The compensation committee believes this performance target to be challenging but achievable.

In addition, in August 2010 and April 2011, the Company made grants of performance-based RSUs and options to purchase shares of Class A Common Stock to Mr. Chen. These grants aggregate to 300,000 RSUs and 300,000 options. Taken together, these RSUs and options are subject to the same time vesting (in the case of the RSUs and options) and performance conditions (in the case of the RSUs) as are applicable to the corresponding awards made to the other Named Executive Officers described above. The 150,000 options granted in August 2010 have an exercise price of \$20 per share and vest 66-2/3% on June 30, 2011 and 33-1/3% on June 30, 2012. The 150,000 options granted in April 2011 have an exercise price of \$28.80 per share and vest 33-1/3% on June 30, 2012 and 66-2/3% on June 30, 2013. Due to the higher exercise price of the 150,000 options granted to Mr. Chen in April 2011 as compared with the corresponding options granted to the other Named Executive Officers, Mr. Chen was also granted in April 2011 an additional 45,833 RSUs that have no performance conditions but that are subject to the same time vesting as Mr. Chen's 150,000 options granted on the same date.

Retirement Programs. We maintain a 401(k) savings plan for our employees and, under the terms of the plan, will make matching contributions in amounts equal to 116% of up to 6% of the contributions made by each of Messrs. Udvar-Házy, Plueger, Levy and Chen and matching contributions in amounts equal to 331/3% of up to 6% of the contributions made by Mr. Clarke. No matching contributions were made for the Named Executive Officers for 2010.

Benefits and Perquisites. Our Named Executive Officers generally receive the same healthcare benefits as our other employees. Mr. Udvar-Házy has additional benefits under his employment agreement, including our payment of premiums for a \$5.0 million term life insurance policy payable to his beneficiaries. Similarly, we pay Mr. Plueger's premiums for a \$2.0 million term life insurance policy payable to his beneficiaries. In addition, we pay the premiums for Messrs. Udvar-Házy, Plueger, Levy, Chen and Clarke under our group term life insurance program, in which all of our employees participate.

Severance and change in control provisions

Messrs. Udvar-Házy and Plueger are each entitled to certain payments and benefits if his employment is terminated in certain circumstances, as set forth in their employment agreements. The details of these provisions are discussed in the section titled "Employment agreements and arrangements and potential payments upon termination or change in control." The compensation committee believes that providing our senior executive officers with income protection in the event of an involuntary termination is appropriate as it is an important aspect

of attracting highly talented executives, avoids costly and potentially protracted separation negotiations and mitigates the risks our executives face in leaving their positions to join our Company. Each of Messrs. Udvar-Házy and Plueger is subject to noncompetition and nonsolicitation restrictions while employed by our Company and nonsolicitation restrictions for one year following his termination. Each of them is also subject to an ongoing confidentiality obligation.

As described below under Amended and Restated Air Lease Corporation 2010 Equity Incentive Plan Change in control, under the terms of our plan, all outstanding options shall become fully exercisable and vested upon the occurrence of a change in control, as defined under the plan, and our compensation committee may determine the level of achievement with respect to any performance-based RSUs through the date of the change in control.

Tax considerations

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the Code), generally disallows a federal income tax deduction for public companies for compensation in excess of \$1.0 million paid for any fiscal year to the chief executive officer and the three other most highly compensated executive officers (other than the chief financial officer) unless the compensation qualifies as performance-based. Because we are a newly public company, however, compensation paid under the plans and agreements described in this prospectus will generally be exempt from the application of Section 162(m) for the period (the 162(m) Transition Period) ending with the first meeting of stockholders to elect directors after the close of the third calendar year following the year in which our contemplated initial public offering occurs. To the extent Section 162(m) does apply to any compensation paid by our Company, depending on the relevant circumstances at the time, the compensation committee may determine to award compensation that may not be deductible. In making this determination, the compensation committee balances the purposes and needs of our executive compensation program against potential tax cost.

Section 409A of the Code imposes an excise tax on the recipient of certain non-qualified deferred compensation. The compensation committee attempts to structure all executive compensation to comply with, or be exempt from, Section 409A.

Executive compensation tables**Summary compensation table**

The following table summarizes compensation paid to or earned by our Named Executive Officers during the fiscal year ended December 31, 2010. Our Named Executive Officers are our principal executive officer, Mr. Udvar-Házy; our three other most highly compensated executive officers, Messrs. Plueger, Levy and Chen, as determined by their total compensation set forth in the table below; and our principal financial officer, Mr. Clarke.

Name and principal position	Year	Salary (\$)	Bonus (\$)(1)	Stock awards* (\$)(2)	Option awards* (\$)(2)	All other compensation (\$)(3)	Total (\$)
Steven F. Udvar-Házy <i>Chairman and Chief Executive Officer</i>	2010	\$ 1,622,727	\$ 2,300,000	\$ 35,008,520	\$ 18,807,128	\$ 29,682	\$ 57,768,057
John L. Plueger <i>President and Chief Operating Officer</i>	2010	\$ 1,125,000	\$ 1,250,000	\$ 14,208,620	\$ 7,600,283	\$ 5,861	\$ 24,189,764
Grant A. Levy <i>Executive Vice President, General Counsel and Secretary</i>	2010	\$ 506,439	\$ 700,000	\$ 3,000,000	\$ 1,236,530	\$ 3,262	\$ 5,446,231
Jie Chen <i>Executive Vice President and Managing Director of Asia</i>	2010	\$ 343,750	\$ 750,000	\$ 3,000,000	\$ 1,116,204	\$ 1,817	\$ 5,211,771
James C. Clarke <i>Senior Vice President and Chief Financial Officer</i>	2010	\$ 149,352	\$ 120,000	\$ 300,000	\$ 123,653	\$ 62,563	\$ 755,568

* Stock awards consist of RSUs relating to shares of our Class A Common Stock. Option awards are options to purchase our Class A Common Stock.

(1) *Bonus*: The amount for Mr. Udvar-Házy represents his annual bonus for 2010, and a \$500,000 success bonus, described above under Compensation discussion and analysis Elements of the executive compensation program *Specific Purpose Awards*. All other figures represent annual bonuses for 2010.

(2) *Stock Awards and Option Awards:* These amounts represent the aggregate grant date fair value of awards of RSUs and options to purchase shares of our Class A Common Stock granted to our Named Executive Officers in 2010, computed in accordance with GAAP. Assumptions used in the calculations of these amounts, which do not correspond to the actual value that may be realized by the Named Executive Officer, are included in Note 12 Equity Based Compensation to the financial statements included in this prospectus.

(3) *All Other Compensation:* The amounts shown in this column reflect the following items:

Premium Payments: In 2010, we paid premiums on term life insurance policies for Messrs. Udvar-Házy, Plueger, Levy, Chen and Clarke, in the aggregate amounts of \$29,682, \$5,861, \$3,262, \$1,817, and \$2,563, respectively.

Relocation Assistance: In connection with Mr. Clarke's hiring and relocation from Connecticut to Los Angeles, California, we paid Mr. Clarke an allowance of \$60,000 for certain relocation and transitional costs.

Grants of plan-based awards

The following table sets forth information concerning grants of plan-based awards made to our Named Executive Officers during the fiscal year ended December 31, 2010.

Name	Grant date(s) (1)	Type of award	Estimated	Exercise	Grant date
			future payouts under equity incentive plan awards (#)	or base price of option awards (\$/sh)(2)	fair value of stock and option awards (\$)(3)
Mr. Udvar-Házy	6/4/2010	Options	1,750,000	\$ 20.00	\$ 18,795,960
	6/4/2010	RSUs	1,750,000		\$ 35,000,000
	8/11/2010	Options	1,352	\$ 20.00	\$ 11,168
	8/11/2010	RSUs	426		\$ 8,520
Mr. Plueger	6/4/2010	Options	700,000	\$ 20.00	\$ 7,518,384
	6/4/2010	RSUs	700,000		\$ 14,000,000
	8/11/2010	Options	10,806	\$ 20.00	\$ 81,899
	8/11/2010	RSUs	10,431		\$ 208,620
Mr. Levy	7/14/2010	Options	150,000	\$ 20.00	\$ 1,236,530
	7/14/2010	RSUs	150,000		\$ 3,000,000
Mr. Chen	8/11/2010	Options	150,000	\$ 20.00	\$ 1,116,204
	8/11/2010	RSUs	150,000		\$ 3,000,000
Mr. Clarke	7/14/2010	Options	15,000	\$ 20.00	\$ 123,653
	7/14/2010	RSUs	15,000		\$ 300,000

(1) *Grant Date:* The grant date for each award is the effective date of grant approved by the compensation committee of our board of directors.

(2) *Exercise or base price of option awards:* The exercise price for each award is equal to the fair market value of our Class A Common Stock as of the date of grant, as determined by our board of directors and our compensation committee.

- (3) *Grant date fair value of stock and option awards:* The grant date fair value for each award is computed in accordance with GAAP. Assumptions used in the calculations of these amounts, which do not correspond to the actual value that may be realized by the Named Executive Officers, are included in Note 12 Equity Based Compensation to the financial statements included in this prospectus.

Outstanding equity awards at fiscal year-end

The following table sets forth information concerning option awards and stock awards for our Named Executive Officers outstanding as of the end of the fiscal year ended December 31, 2010.

Name	Grant date	Option awards*			Stock awards* Equity	
		Equity incentive plan awards: number of securities underlying unexercised options (#)(1)	Option exercise price (\$)	Option expiration date	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)(2)	incentive plan awards: market value or payout value of unearned shares, units or other rights that have not vested \$(3)
Mr. Udvar-Házy	6/4/2010	1,750,000	\$ 20.00	6/4/2020		
	6/4/2010				1,750,000	\$ 35,000,000
	8/11/2010	1,352	\$ 20.00	8/11/2020		
	8/11/2010				426	\$ 8,520
Mr. Plueger	6/4/2010	700,000	\$ 20.00	6/4/2020		
	6/4/2010				700,000	\$ 14,000,000
	8/11/2010	10,806	\$ 20.00	8/11/2020		
	8/11/2010				10,431	\$ 208,620
Mr. Levy	7/14/2010	150,000	\$ 20.00	7/14/2020		
	7/14/2010				150,000	\$ 3,000,000
Mr. Chen	8/11/2010	150,000	\$ 20.00	8/11/2020		
	8/11/2010				150,000	\$ 3,000,000
Mr. Clarke	7/14/2010	15,000	\$ 20.00	7/14/2020		
	7/14/2010				15,000	\$ 300,000

* Shares underlying the Option Awards and Stock Awards are shares of Class A Common Stock.

(1) *Number of securities underlying unexercised unearned options:* Option Awards under our 2010 ALC Equity Incentive Plan generally vest in equal installments over a three-year period. The options granted to Messrs. Udvar-Házy and Plueger on June 4, 2010 vest in equal installments on each of June 4, 2011, June 4, 2012 and June 4, 2013. All of the options granted to Messrs. Levy and Clarke and the options granted to Messrs. Udvar-Házy and Plueger on August 11, 2010 vest in equal installments on June 30, 2011, June 30, 2012 and June 30, 2013. The options granted to Mr. Chen vest 662/3% on June 30, 2011 and 331/3% on June 30, 2012.

(2) *Number of unearned shares, units or other rights that have not vested:* The RSUs granted to Messrs. Udvar-Házy, Plueger, Levy and Clarke vest in cumulative installments as follows:

The first tranche of 25% will vest on June 30, 2011, provided that our Company has attained at least 2% growth in book value per share over the book value as of June 30, 2010, as determined in accordance with GAAP;

The second tranche of 25% will vest, and any unvested portion of the first tranche will vest, on June 30, 2012, provided that our Company has attained at least 5.06% growth in book value per share over the book value as of June 30, 2010;

The third tranche of 25% will vest, and any unvested portion of the first and second tranches will vest, on June 30, 2013, provided that our Company has attained at least 9.26% growth in book value per share over the book value as of June 30, 2010; and

The fourth tranche of 25% will vest, and any unvested portion of the first, second and third tranches will vest, on June 30, 2014, or on any date thereafter up to and including June 30, 2015, provided that our Company has attained at least 13.63% growth in book value per share over the book value as of June 30, 2010.

The RSUs granted to Mr. Chen vest as follows:

The first tranche of 50% will vest on June 30, 2011, provided that our Company has attained at least 2% growth in book value per share over the book value as of June 30, 2010, as determined in accordance with GAAP;

The second tranche of 50% will vest, and any unvested portion of the first tranche will vest, on June 30, 2012, provided that our Company has attained at least 5.06% growth in book value per share over the book value as of June 30, 2010;

Any unvested portion of the first and second tranches will vest on June 30, 2013, provided that our Company has attained at least 9.26% growth in book value per share over book value as of June 30, 2010; and

Any unvested portion of the first and second tranches will vest on June 30, 2014, or any date thereafter up to and including June 30, 2015, provided that our Company has attained at least 13.63% growth in book value per share over the book value as of June 30, 2010.

- (3) *Market Value of Unearned Shares, Units or Other Rights That Have Not Vested:* The market value shown is based on the price of our Class A Common Stock on the relevant date of grant, which was \$20.00 per share.

Employment agreements and arrangements and potential payments upon termination or change in control

The discussion below summarizes the terms of employment for our Named Executive Officers. As described in the discussion and tables below, Messrs. Udvar-Házy's and Plueger's employment agreements and certain of our employee benefits plans, including our 2010 ALC Equity Incentive Plan and our Named Executive Officers' award agreements under the plan, provide for payments and other benefits to our Named Executive Officers if their employment with us is terminated under certain circumstances or if we experience a change in control.

Employment agreements and arrangements

Employment Agreement with Mr. Udvar-Házy. The employment agreement between our Company and Mr. Udvar-Házy is effective as of February 5, 2010 and was amended as of August 11, 2010. The agreement has a term through June 30, 2013. Mr. Udvar-Házy's base salary is \$1.8 million, subject to potential annual increases at the discretion of our compensation committee. As described above under Compensation discussion and analysis Elements of the executive compensation program, he is eligible for annual and other bonuses, has additional benefits (including our payment of premiums for a \$5.0 million term life insurance policy payable to his beneficiaries and employer matching contributions for our 401(k) savings plan), and was entitled to certain equity awards. Mr. Udvar-Házy is subject to noncompetition and nonsolicitation restrictions while employed by us and nonsolicitation restrictions for one year following a termination of his employment. He is also subject to an ongoing confidentiality obligation.

If Mr. Udvar-Házy's employment is terminated by us without cause or by him for good reason, as defined in his employment agreement, he will be entitled to receive: (i) accrued but unpaid salary and benefits, expense reimbursement, and any earned but unpaid annual bonus with respect to the last calendar year completed during his employment, (ii) a prorated annual bonus and accelerated vesting and payment of a deferred bonus under our Amended and Restated Deferred Bonus Plan, with respect to the calendar year in which such termination occurs, (iii) salary continuation, continued payment of the target annual bonus amount, continued health coverage, and continued payment by us of the premiums for his term life insurance policy, until the later of June 30, 2013 and the second anniversary of the date of such termination, and (iv) accelerated vesting and payment of any unpaid deferred bonuses under our Amended and Restated Deferred Bonus Plan attributable to years prior to the year of such termination. In addition, upon such a termination, Mr. Udvar-Házy's options shall fully vest and the time-vesting of his RSUs shall accelerate in full. However, the RSUs would remain subject to any performance-based vesting conditions to the extent not achieved prior to such termination, and, for this purpose, would remain outstanding until the end of the applicable performance period. The amounts and benefits described in clauses (ii), (iii) and (iv) of this paragraph will be

subject to Mr. Udvar-Házy's execution of a release of claims against our Company and certain related parties, and the amounts and benefits described in clauses (iii) and (iv) will be subject to his compliance with his confidentiality and nonsolicitation covenants.

If Mr. Udvar-Házy's employment is terminated due to disability or death, he, his estate or his beneficiaries will be entitled to receive the compensation described in clauses (i), (ii) and (iv) of the preceding paragraph. In addition, upon such a termination, Mr. Udvar-Házy's options shall fully vest and the time-vesting of his RSUs shall accelerate in full. However, the RSUs would remain subject to any performance-based vesting conditions to the extent not achieved prior to such termination, and, for this purpose, would remain outstanding until the end of the applicable performance period.

If Mr. Udvar-Házy's employment is terminated for cause, or he terminates his employment without good reason, he will receive accrued but unpaid salary and benefits, expense reimbursement, and any earned but unpaid annual bonus with respect to the last calendar year completed during his employment. Any options or RSUs not vested as of the date of termination will be forfeited.

Mr. Udvar-Házy will have no obligation to mitigate damages in the event of a termination of his employment, and no payments under his employment agreement will be subject to offset in the event that he does mitigate.

Employment Agreement with Mr. Plueger. The employment agreement between our Company and Mr. Plueger was effective as of March 29, 2010 and was amended as of August 11, 2010. The agreement has a term through June 30, 2013. Mr. Plueger's base salary is \$1.5 million, subject to potential annual increases at the discretion of our compensation committee. As described above under "Compensation discussion and analysis" Elements of the executive compensation program, he is eligible for annual and other bonuses, has additional benefits (including our payment of premiums for a \$2.0 million term life insurance policy payable to his beneficiaries and employer matching contributions for our 401(k) savings plan), and was entitled to certain equity awards. Mr. Plueger is subject to noncompetition and nonsolicitation restrictions while employed by us and nonsolicitation restrictions for one year following a termination of his employment. He is also subject to an ongoing confidentiality obligation. The terms of Mr. Plueger's employment agreement relating to a termination of his employment are substantially similar to the terms of the employment agreement with Mr. Udvar-Házy described above.

Cause is generally defined in each of Messrs. Udvar-Házy's and Plueger's employment agreements as (i) conviction of, or a plea of guilty or nolo contendere to, a felony, a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving our Company; (ii) engagement during the performance of his duties, or otherwise to the detriment of our Company, in willful misconduct, willful or gross neglect, fraud, misappropriation, or embezzlement; (iii) repeated failure to adhere to the directions of the board of directors, to adhere to our Company's policies and practices or to devote substantially all of his business time and efforts to our Company; (iv) willful failure to substantially perform his duties properly assigned to him (other than any such failure resulting from his disability); (v) breach of any of the confidentiality, noncompetition, and nonsolicitation covenants in his employment agreement; and (vi) breach in any material respect of the terms and provisions of his employment agreement. Each of Messrs. Udvar-Házy's and Plueger's employment agreements provides him with notice and a 30-day cure period in the event of a termination of his employment pursuant to clause (iii), (iv), (v) or (vi), and if cured, the event or condition at issue

will not constitute cause. Good reason under each employment agreement includes the material reduction of the executive's authority, duties and responsibilities, or the assignment to him of duties materially inconsistent with his position or positions with our Company, a reduction in his annual salary, or the relocation of his office more than 35 miles from the principal offices of our Company. The executive must provide us with notice and a 30-day cure period, and if cured, the event or condition at issue will not constitute good reason.

Employment Terms for Mr. Levy. Mr. Levy's base salary for 2010 was \$700,000, and has been increased to \$750,000 for 2011 by our compensation committee, consistent with prior discussions between the Company and Mr. Levy that occurred at or around the commencement of Mr. Levy's employment. As described above under Compensation discussion and analysis Elements of the executive compensation program, Mr. Levy is eligible for annual and other bonuses, as well certain benefits.

Employment Terms for Mr. Chen. Mr. Chen's base salary for 2010 was \$750,000, subject to a 10% increase for 2011 and, in the discretion of our compensation committee, potential annual increases of up to 10% thereafter for satisfactory performance. Our compensation committee has increased Mr. Chen's base salary by 10% to \$825,000 for 2011, in accordance with the previously scheduled increase in his base salary. As described above under

Compensation discussion and analysis Elements of the executive compensation program, Mr. Chen is eligible for annual and other bonuses, as well as certain benefits.

Employment Terms for Mr. Clarke. Mr. Clarke's base salary was at an annual rate of \$210,000 from April 16, 2010 through October 16, 2010, is \$240,000 from October 17, 2010 through April 16, 2011, and \$270,000 from April 17, 2011 through October 17, 2011, and will be at rates thereafter in the discretion of our compensation committee. Mr. Clarke is eligible for, and has been awarded, a 2010 bonus equal to 50% of his base salary on December 31, 2010, payable upon the issuance of our audited financial statements for the period ending December 31, 2010. Thereafter, his annual bonuses are at the discretion of our compensation committee. As described above under Compensation discussion and analysis Elements of the executive compensation program, Mr. Clarke is also eligible for other bonuses and certain benefits. We provided Mr. Clarke with an allowance of \$60,000 in connection with his relocation to Los Angeles, California.

Employment Termination and Change in Control Provisions under Named Executive Officers Equity Award Agreements. Under the terms of their equity award agreements, each of Messrs. Levy, Chen and Clarke will forfeit any unvested RSUs if his employment with our Company is terminated for any reason. Each will forfeit all of his options if his employment is terminated for cause, as defined under our 2010 ALC Equity Incentive Plan. In the event of a termination due to death or disability (as defined under our plan), each of Messrs. Levy's, Chen's and Clarke's options will vest in full. In the event of a termination for any reason other than death, disability or cause, each Named Executive Officer will forfeit any unvested options. Under the terms of our 2010 ALC Equity Incentive Plan and except as otherwise provided by our compensation committee, all outstanding options shall become fully exercisable and vested, and all time-vesting RSUs shall vest, upon the occurrence of a change in control, as defined under the plan. With respect to performance-based RSUs, our compensation committee may exercise its discretion to provide that all incomplete performance periods in effect on the date of the change in control shall end on such date, determine the extent to which performance goals with respect to each such performance period have been met, and cause to be paid to each Named Executive Officer

partial or full awards with respect to performance goals for each such performance period, based on the committee's determination of the degree of attainment of such goals.

Employment Termination Provisions for Named Executive Officers - Deferred Bonus Awards. Pursuant to the terms of his award agreement, the vesting of the deferred bonus granted to each of Messrs. Levy, Chen and Clarke under our Amended and Restated Deferred Bonus Plan will accelerate, and payment will be made as soon as practicable thereafter, if his employment terminates due to death or disability. The vesting of deferred bonuses granted to Messrs. Udvar-Házy and Plueger will accelerate, and such bonuses will be paid, upon certain terminations of their employment, as described above in *Employment Agreement with Mr. Udvar-Házy* and *Employment Agreement with Mr. Plueger*.

Non-Binding Severance Guidelines. On February 15, 2011, our compensation committee reviewed and approved non-binding guidelines concerning severance and other benefits in the event of an involuntary termination of employment, or a termination without cause or for good reason following a change in control of our Company. The guidelines cover officers at the level of Vice President and higher other than Messrs. Udvar-Házy and Plueger, and address potential cash severance, accelerated vesting and payment of certain bonuses, and other potential benefits that may be granted in the committee's discretion. The guidelines suggest as severance a multiple of an eligible officer's base salary and target bonus in the case of a termination of employment without cause or for good reason within 24 months following a change in control, and a multiple of an eligible officer's base salary and the average of the officer's three most recent annual bonuses in the case of a termination of employment without cause other than following a change in control. For executive vice presidents, these multiples are 2x and 1x, respectively, while for senior vice presidents and vice presidents, these multiples are 1x and 0.5x, respectively. In addition, with respect to a termination without cause or for good reason following a change in control, the guidelines indicate that an officer would be eligible for payment of a prorated annual target bonus, acceleration and payment in full of his initial three-year retention bonus, and acceleration and payment in full of his bonus under the Amended and Restated Deferred Bonus Plan. With respect to a termination without cause other than following a change in control, an officer would forfeit his annual bonus and deferred bonus, but the guidelines suggest that an officer may receive a prorated payout of his initial three-year retention bonus.

Potential payments upon termination or change in control

The following tables describe and quantify payments and benefits to which our Named Executive Officers would have been entitled under various employment termination and change-in-control scenarios, assuming they occurred on December 31, 2010. Certain of the amounts identified below are only estimates. Some amounts in the tables and footnotes have been rounded up to the nearest whole number.

Regardless of the termination scenario, each of our Named Executive Officers will receive earned but unpaid base salary through the date of termination of his employment.

Post-employment and change in control payments Mr. Udvar-Házy

Executive payments and benefits upon termination	Voluntary termination without good reason/ involuntary termination for cause	Involuntary termination without cause/for good reason	Termination due to death or disability	Change in control without a termination of employment
Compensation severance	\$ 1,800,000(a)	\$ 9,900,000(b)	\$ 1,800,000(a)	\$
Amended and restated deferred bonus plan	\$	\$ 191,045(c)	\$ 191,045(c)	\$
Acceleration of equity awards				
RSUs	\$	\$	\$	\$ (d)
Options	\$	\$ 18,807,128	\$ 18,807,128	\$ 18,807,128
Benefits and perquisites				
Term life insurance	\$	\$ 127,177(e)	\$ (f)	\$
Benefits	\$	\$ 106,288(g)	\$	\$
Total	\$ 1,800,000	\$ 29,131,638	\$ 20,798,173	\$ 18,807,128

(a) Represents the amount of Mr. Udvar-Házy's annual bonus for 2010.

(b) Represents the aggregate of Mr. Udvar-Házy's annual bonus for 2010, salary continuation at an annual rate of \$1.8 million, and payments in 2011 and 2012 of amounts equal to the target annual bonus.

(c) Represents 9.0% of the sum of Mr. Udvar-Házy's actual salary paid and success bonus paid of \$500,000.

(d) Assumes that the compensation committee does not treat performance conditions for RSUs as met in the event that a change in control occurs on December 31, 2010.

(e) Represents the premium payments on the group term and supplementary life insurance policies for Mr. Udvar-Házy that the Company would continue to pay.

(f) The total amount payable under the group term and supplementary life insurance policies for Mr. Udvar-Házy is \$5.3 million.

(g) Represents health, dental and vision insurance premiums that would be paid by the Company for continued coverage, based on rates as of December 31, 2010.

Post-employment and change in control payments Mr. Plueger

Executive payments and benefits upon termination	Voluntary termination without good reason/ involuntary termination for cause	Involuntary termination without cause/for good reason	Termination due to death or disability	Change in control without a termination of employment
Compensation severance	\$ 1,250,000(a)	\$ 7,400,000(b)	\$ 1,250,000(a)	\$
Amended and restated deferred bonus plan	\$	\$ 101,250(c)	\$ 101,250(c)	\$
Acceleration of equity awards				
RSUs	\$	\$	\$	\$ (d)
Options	\$	\$ 7,600,283	\$ 7,600,283	\$ 7,600,283
Benefits and perquisites				
Term life insurance	\$	\$ 29,215(e)	\$ (f)	\$
Benefits	\$	\$ 84,088(g)	\$	\$
Total	\$ 1,250,000	\$ 15,214,836	\$ 8,951,533	\$ 7,600,283

(a) Represents the amount of Mr. Plueger's annual bonus for 2010.

- (b) Represents the aggregate of Mr. Plueger's annual bonus for 2010, salary continuation at an annual rate of \$1.5 million through June 30, 2013, and payments in 2011 and 2012 of amounts equal to the target annual bonus.
- (c) Represents 9.0% of Mr. Plueger's actual salary paid for 2010.
- (d) Assumes that the compensation committee does not treat performance conditions for RSUs as met in the event that a change in control occurs on December 31, 2010.
- (e) Represents the premium payments on the group term and supplementary life insurance policies for Mr. Plueger that the Company would continue to pay.
- (f) The total amount payable under the group term and supplementary life insurance policies for Mr. Plueger is \$2.3 million.
- (g) Represents health, dental and vision insurance premiums that would be paid by the Company for continued coverage, based on rates as of December 31, 2010.

Post-employment and change in control payments Mr. Levy

Executive payments and benefits upon termination	Voluntary termination without good reason/ involuntary termination for cause	Involuntary termination without cause/for good reason	Termination due to death or disability	Change in control without a termination of employment
Compensation severance	\$	\$	\$	\$
Amended and restated deferred bonus plan	\$	\$	\$ 43,047(a)	\$
Acceleration of vesting of equity awards				
RSUs	\$	\$	\$	\$ (b)
Options	\$	\$	\$ 1,236,530	\$ 1,236,530
Benefits and perquisites				
Term life insurance	\$	\$	\$ (c)	\$
Benefits	\$	\$	\$	\$
Total	\$	\$	\$ 1,279,577	\$ 1,236,530

- (a) Represents 8.5% of Mr. Levy's actual salary paid for 2010.

- (b) Assumes that the compensation committee does not treat performance conditions for RSUs as met in the event of a change in control on December 31, 2010.
- (c) The total amount payable under the group term life insurance policy for Mr. Levy is \$300,000.

Post-employment and change in control payments Mr. Chen

Executive payments and benefits upon termination	Voluntary termination without good reason/ involuntary termination for cause	Involuntary termination without cause/for good reason	Termination due to death or disability	Change in control without a termination of employment
Compensation severance	\$	\$	\$	\$
Amended and restated deferred bonus plan	\$	\$	\$ 29,219(a)	\$
Acceleration of vesting of equity awards				
RSUs	\$	\$	\$	\$ (b)
Options	\$	\$	\$ 1,116,204	\$ 1,116,204
Benefits and perquisites				
Term life insurance	\$	\$	\$ (c)	\$
Benefits	\$	\$	\$	\$
Total	\$	\$	\$ 1,145,423	\$ 1,116,204

(a) Represents 8.5% of Mr. Chen's actual salary paid for 2010.

(b) Assumes that the compensation committee does not treat performance conditions for RSUs as met in the event of a change in control on December 31, 2010.

(c) The total amount payable under the group term life insurance policy for Mr. Chen is \$300,000.

Post-employment and change in control payments Mr. Clarke

Executive payments and benefits upon termination	Voluntary termination without good reason/ involuntary termination for cause	Involuntary termination without cause/for	Termination due to death or disability	Change in control without a termination of employment
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Compensation severance	\$	\$	\$	\$
Amended and restated deferred bonus plan	\$	\$	\$ 10,455(a)	\$
Acceleration of vesting of equity awards				
RSUs	\$	\$	\$	\$ (b)
Options	\$	\$	\$ 123,653	\$ 123,653
Benefits and perquisites				
Term life insurance	\$	\$	\$ (c)	\$
Benefits	\$	\$	\$	\$
Total	\$	\$	\$ 134,108	\$ 123,653

(a) Represents 7.0% of Mr. Clarke's actual salary paid for 2010.

(b) Assumes that the compensation committee does not treat performance conditions for RSUs as met in the event of a change in control on December 31, 2010.

(c) The total amount payable under the group term life insurance policy for Mr. Clarke is \$300,000.

Director compensation

Our board of directors sets non-employee director compensation based on recommendations from the compensation committee. Messrs. Udvar-Házy and Plueger do not receive separate compensation for their service on our board of directors, nor will any of our other officers who may serve as directors in the future.

With respect to 2010, we provided the non-employee members of our board with an annual retainer in the amount of \$100,000 payable in quarterly installments. In addition, the chairs of our compensation committee and nominating and corporate governance committee each received an additional annual retainer of \$10,000. The chair of our audit committee received an additional annual retainer of \$15,000. Each director also received \$1,500 per board or committee meeting attended in person and \$750 per board or committee meeting attended telephonically. The differences between the various committee chair retainers reflected the board's judgment of each committee's respective workload. We reimbursed directors for travel and lodging expenses incurred in connection with their attendance at meetings. As a matter of policy, each director could elect to have his or her retainer paid in cash or shares of our Common Stock, or a combination thereof. However, to date we have paid our directors in cash only, in part because of capacity constraints under our 2010 ALC Equity Incentive Plan.

In 2011, we will pay our non-employee directors an annual cash retainer in the amount of \$80,000. In addition, the chairs of our compensation committee and nominating and corporate governance committee each will receive an additional annual retainer of \$20,000, while the other members of our compensation committee and nominating and corporate governance committee each will receive an additional annual retainer of \$10,000. The chair of our audit committee will receive an additional annual retainer of \$35,000, while the other members of the audit committee each will receive an additional annual retainer of \$15,000. Our lead independent director will receive an additional annual retainer of \$25,000. Finally, each current non-employee director and each non-employee director who joins our board in the future has received or will receive an initial grant of RSUs to be settled in shares of Class A Common Stock. Our current non-employee directors received their initial grants upon the consummation of our initial public offering, and the number of RSUs awarded equaled \$120,000, divided by the initial public offering price. The aggregate value of initial awards of RSUs to non-employee directors who join our board in the future will equal \$120,000, based on the closing price of our Class A Common Stock on the date of grant. Following such initial grants, each non-employee director will receive an annual award of RSUs to be settled in shares of Class A Common Stock with an aggregate value equal to \$80,000, based on the closing price of our Class A Common Stock on the date of grant. All RSUs awarded to our non-employee directors will vest in full on the first anniversary of the grant date, and if the board service of such a director terminates for any reason, the RSUs will vest on a daily prorated basis according to the number of days between the grant date and the termination of service, divided by 365.

Our board of directors has adopted stock ownership guidelines for all non-employee directors. Each non-employee director has five years from the time he becomes subject to these guidelines to achieve ownership of Class A Common Stock equivalents with an aggregate market value equal to three times the amount of the then current cash retainer fee for service on our board of directors. For a non-employee director, Class A Common Stock equivalents are shares of Class A Common Stock personally owned by the director, and shares of Class A Common Stock underlying vested RSUs awarded to a director and unvested RSUs awarded to a director that are subject to time-based vesting only. The market value of the Class A Common Stock equivalents

shall be determined in accordance with a reasonable methodology established from time to time by our compensation committee.

Director compensation

The following table sets forth compensation paid to or earned by the individuals who served as non-employee directors of our Company during the fiscal year ended December 31, 2010.

Name	Fees earned or paid in cash (\$)(1)
Mr. Danhaki	\$