AIR LEASE CORP
Form S-1/A
April 04, 2011

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As filed with the Securities and Exchange Commission on April 4, 2011

Registration No. 333-171734

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

Amendment No. 7
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	**7359**	**27-1840403**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2000 Avenue of the Stars, Suite 600N
Los Angeles, CA 90067
(310) 553-0555

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

John L. Plueger
President & Chief Operating Officer
Air Lease Corporation
2000 Avenue of the Stars, Suite 600N
Los Angeles, CA 90067
(310) 553-0555

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

Copies to:

Grant A. Levy **Executive Vice President, General Counsel & Secretary** **Air Lease Corporation** **2000 Avenue of the Stars, Suite 600N** **Los Angeles, CA 90067** **(310) 553-0555**	**Robert B. Knauss, Esq.** **Mark H. Kim, Esq.** **Munger, Tolles & Olson LLP** **355 South Grand Avenue, 35th Floor** **Los Angeles, CA 90071** **(213) 683-9100**	**Joseph A. Hall** **Davis Polk & Wardwell LLP** **450 Lexington Avenue** **New York, New York 10017** **(212) 450-4000**

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

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. o

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. o

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. o

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. o

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(2)	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Class A Common Stock, par value $0.01 per share	28,750,000	$28.00	$805,000,000	$93,461

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

(2) Includes shares of Class A Common Stock that the underwriters have the option to purchase from the registrant solely to cover over-allotments, if any.

(3) $11,610 previously paid.

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.

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The information in this prospectus is not complete and may be changed. We 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 April 4, 2011.

Prospectus

25,000,000 shares

Class A Common Stock

This is an initial public offering by Air Lease Corporation of shares of its Class A Common Stock. Air Lease Corporation is selling 25,000,000 shares of Class A Common Stock. The estimated initial public offering price is between $25.00 and $28.00 per share.

We have been approved to list our Class A Common Stock on the New York Stock Exchange under the symbol AL.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to Air Lease Corporation, before expenses	$	$

We have granted the underwriters an option for a period of 30 days from the date of this prospectus to purchase up to 3,750,000 additional shares of our Class A Common Stock at the initial public offering price, less underwriting discounts and commissions.

Investing in our Class A Common Stock involves a high degree of risk. See Risk factors beginning on page 15.

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 underwriters expect to deliver the shares of our Class A Common Stock to investors on or about , 2011.

J.P. Morgan			**Credit Suisse**
Barclays Capital	**FBR Capital Markets**	**RBC Capital Markets**	**Wells Fargo Securities**
Macquarie Capital		**Scotia Capital**	**SOCIETE GENERALE**

, 2011

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We 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 to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, Class A 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 Class A Common Stock.

Dealer prospectus delivery obligation

Until , 2011, all dealers that buy, sell or trade in our Class A 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.

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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.

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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 Class A Common Stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our Class A 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 15, 2011, we owned 46 aircraft of which nine are new aircraft and 37 are 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 15, 2011. Additionally, as of March 15, 2011, we had entered into purchase commitments to acquire an additional 153 new aircraft through 2017 and ten 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 15, 2011, the weighted average lease term remaining on our current leases was 6.1 years, and we leased the aircraft in our portfolio to 28 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 15, 2011, we

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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, 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 15, 2011, our aircraft fleet consisted of 41 narrowbody aircraft and five widebody aircraft, and the weighted average age of our aircraft fleet was 3.5 years.

Aircraft purchase commitments

As of March 15, 2011, we had committed to acquire a total of 153 new aircraft and ten used aircraft at an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately $6.8 billion for delivery as shown below.

Aircraft type	2011(1)	2012	2013	2014	2015	2016	2017	Total
Airbus A320/321-200	7	9	13	12	7			48
Airbus A330-200/300	7	4						11
Boeing B737-800	5	3	12	12	12	12	9	65
Boeing B767-300ER	3							3
Boeing B777-300ER	1							1
Embraer E175/E190	11	14						25
ATR 72-600	2	8						10
Total	36	38	25	24	19	12	9	163

(1)

Of the 36 aircraft that we will acquire in 2011, the following ten aircraft will be used aircraft: one Airbus A320-200, all five Boeing B737-800s, all three Boeing B767-300ERs and the Boeing B777-300ER.

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 and six of the Boeing 737-800 aircraft.

As of March 15, 2011, we had future lease commitments for 35 out of 36 aircraft to be delivered in 2011, for 28 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 35 out of 36 aircraft to be delivered in 2011 are comprised of 31 binding leases and four non-binding letters of intent. Our future lease commitments for the 28 out of 38 aircraft to be delivered in 2012 are comprised of 18 binding leases and ten 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 46 aircraft in our fleet as of March 15, 2011 and anticipate growing our fleet to approximately 100 aircraft by the end of 2011. We intend to grow our fleet by purchasing the 36 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 five 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 cash we raised in our prior private placement of Class A Common Stock and Class B Non-Voting Common Stock (together, the Common Stock), expected proceeds from any exercise of outstanding warrants, cash raised in this offering and 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 becomes 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 December 31, 2010, we had borrowed $554.9 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 December 31, 2010, we had outstanding loan balances, excluding drawings under the Warehouse Facility, of $224.0 million in secured term debt and $133.1 million in unsecured financing, and had $120.0 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 have started the processes to secure 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 this 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 anticipate supplementing 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 15, 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 15, 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.

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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 invested an aggregate of approximately $90.5 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.

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 Class A 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 Class A 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.

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 600N, Los Angeles, California 90067. We expect to move into a larger office space in our current building in April 2011, at which time our principal executive office will be 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 us	25,000,000 shares
Class A Common Stock subject to over-allotment option	3,750,000 shares
Class A Common Stock to be outstanding after this offering (assuming no exercise of the over-allotment option)	88,563,810 shares
Class B Non-Voting Common Stock to be outstanding after this offering	1,829,339 shares
Total Common Stock to be outstanding after this offering (assuming no exercise of the over-allotment option)	90,393,149 shares
Directed share program	At our request, the underwriters have reserved for sale at the initial public offering price up to 1% of the shares of Class A Common Stock offered hereby for officers, employees and certain other persons associated with us. We will offer these shares of Class A Common Stock to the extent permitted under applicable regulations in the United States. The number of shares of Class A Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares of Class A Common Stock not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby. See Underwriting.
Use of proceeds	We currently intend to use the net proceeds of this offering to fund the acquisition of commercial aircraft and for general corporate purposes. 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.

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	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.
New York Stock Exchange symbol	AL
Risk factors	See Risk factors for a discussion of certain factors you should consider before deciding to invest in our Class A Common Stock.

The number of shares of our Common Stock to be outstanding following this offering is based on 65,393,149 shares of our Common Stock outstanding as of December 31, 2010 and excludes:

- 482,625 shares of Common Stock issuable upon the exercise of warrants outstanding as of December 31, 2010 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 December 31, 2010 at an exercise price of $20.00 per share; and
- 3,225,907 shares of Class A Common Stock issuable upon the vesting of restricted stock units outstanding as of December 31, 2010.

Unless otherwise noted, the information in this prospectus assumes no exercise by the underwriters of their option to purchase up to 3,750,000 additional shares of our Class A Common Stock to cover over-allotments, if any.

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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 period from Inception to December 31, 2010**
Operating data:	
Rentals of flight equipment	**$ 57,075**
Interest and other	**1,291**
Total revenues	**58,366**
Expenses	**119,281**
Loss before tax	**(60,915)**
Tax benefit	**8,875**
Net loss	**$ (52,040)**
Loss per share:	
Basic	**$ (1.32)**
Diluted	**$ (1.32)**
Weighted average shares outstanding	
Basic	**39,511,045**
Diluted	**39,511,045**
Other financial data (unaudited)	
Adjusted net income(1)	$ **2,520**
Adjusted EBITDA(2)	$ **32,973**
Balance sheet data:	
Flight equipment subject to operating leases (net of accumulated depreciation)	**$ 1,629,809**
Total assets	**2,276,282**
Total debt	**911,981**
Total liabilities	**1,051,347**
Shareholders equity	**1,224,935**
Cash flow data:	
Net cash flows from:	
Operating activities	**$ 45,124**
Investing activities	**(1,854,710)**
Financing activities	**2,138,407**
Other operating data:	
Aircraft lease portfolio at period end:	
Owned(3)	**40**

(1) Adjusted net income (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 loss and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted net income for the period from inception to December 31, 2010:

(in thousands)		**For the period from Inception to December 31, 2010**
Reconciliation of cash flows from operating activities to adjusted net income:		
Net cash provided by operating activities	$	45,124
Depreciation of flight equipment		(19,262)
Stock-based compensation		(24,044)
Deferred taxes		8,875
Amortization of deferred debt issue costs		(4,883)
Amortization of convertible debt discounts		(35,798)
Changes in operating assets and liabilities:		

Lease receivables and other assets		**8,040**
Accrued interest and other payables		**(22,054)**
Rentals received in advance		**(8,038)**
Net loss		**(52,040)**
Amortization of debt issue costs		**4,883**
Amortization of convertible debt discounts		**35,798**
Stock-based compensation		**24,044**
Tax effect		**(10,165)**
Adjusted net income	**$**	**2,520**

(in thousands)		**For the period from Inception to December 31, 2010**
Reconciliation of net loss to adjusted net income:		
Net loss	**$**	**(52,040)**
Amortization of debt issue costs		**4,883**
Amortization of convertible debt discounts		**35,798**
Stock-based compensation		**24,044**
Tax effect		**(10,165)**
Adjusted net income	**$**	**2,520**

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(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 loss and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted EBITDA for the period from inception to December 31, 2010:

(in thousands)		For the period from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted EBITDA:		
Net cash provided by operating activities	$	45,124
Depreciation of flight equipment		(19,262)
Stock-based compensation		(24,044)
Deferred taxes		8,875
Amortization of deferred debt issue costs		(4,883)
Amortization of convertible debt discounts		(35,798)
Changes in operating assets and liabilities:		
Lease receivables and other assets		8,040
Accrued interest and other payables		(22,054)
Rentals received in advance		(8,038)
Net loss		(52,040)
Net interest expense		50,582
Income taxes		(8,875)
Depreciation		19,262
Stock-based compensation		24,044
Adjusted EBITDA	$	32,973

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(in thousands)	For the period from Inception to December 31, 2010
Reconciliation of net loss to adjusted EBITDA:	
Net loss	**$ (52,040)**
Add back:	
Net interest expense	**50,582**
Income taxes	**(8,875)**
Depreciation	**19,262**
Stock-based compensation	**24,044**
Adjusted EBITDA	**$ 32,973**

(3) 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 Class A 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 Class A 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 when, if ever, we will be able to fully invest the proceeds of this offering in the acquisition of aircraft.

While we have entered into aircraft acquisition agreements that will utilize a portion of the proceeds of this offering, we cannot assure you of the quantity of aircraft that will be available to us for future acquisitions following this offering 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 following this offering. 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.

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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 15, 2011, we had commitments to acquire a total of 163 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

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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.

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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. Further, 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 will 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

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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 will pursue 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. 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 December 31, 2010, we had $912.0 million 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 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 interest rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of December 31, 2010, of approximately $9.0 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.

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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,

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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.

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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

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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.

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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 September 9, 2010, the USPTO issued a non-substantive Office Action following examination of our service mark application and we timely responded to the requests in the Office Action. It is our expectation that 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.

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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;

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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 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.

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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 airline industry incurred substantial losses from the disruption to air travel caused by this volcanic eruption, 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.

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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

There is currently no public market for our Class A Common Stock, and a market for our Class A Common Stock may not develop or be sustained, which could adversely affect the liquidity and price of our Class A Common Stock.

Prior to this offering, there has been no public market for our Class A Common Stock. Although we have been approved to list our Class A Common Stock on the New York Stock Exchange (the NYSE), an active public market for our shares may not develop or be sustained after this offering. The initial public offering price for our Class A Common Stock will be determined

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through our negotiations with the underwriters and may not be indicative of the market price of our Class A Common Stock after this offering. If you purchase shares of our Class A Common Stock, you may not be able to resell those shares at or above the initial public offering price, or at all. We cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market on the NYSE or otherwise or how liquid that market might become. An active public market for our Class A Common Stock may not develop or be sustained after this offering. If an active public market does not develop or is not sustained, it may be difficult for you to sell your shares of Class A Common Stock at a price that is attractive to you, or at all.

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.

Even if an active trading market develops, 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 initial public offering price, if at all. We cannot assure you that the market price 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 our 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 will depend in part on the research and reports that securities or industry analysts publish about us, our business and our industry. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our Company, the trading price for our stock would be negatively impacted. If we obtain securities or industry analyst coverage and 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.

Investors in this offering will suffer immediate and substantial dilution.

The initial public offering price of our Class A Common Stock will be substantially higher than the pro forma net tangible book value per share issued and outstanding immediately after this offering. Our net tangible book value per share as of December 31, 2010 was approximately $18.02 and represents the amount of book value of our total tangible assets reduced by the book value of our total liabilities and divided by the number of shares of our Common Stock then issued and outstanding. Investors who purchase Class A Common Stock in this offering will pay a price per share that substantially exceeds the net tangible book value per share immediately after this offering. If you purchase Class A Common Stock in this offering, you will experience immediate and substantial dilution of $6.58 in the net tangible book value per share, based upon the initial public offering price of $26.50 per share, the mid-point of the estimated price range shown on the front cover of this prospectus. Investors who purchase Class A Common Stock in this offering will have purchased 27.7% of the shares issued and outstanding immediately after the offering, but will have paid 34.4% of the total consideration for those shares.

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 Class A 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 will incur significant legal, accounting and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We will 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 Class A 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 will be 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 will affect 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.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders ability to obtain a favorable judicial forum for disputes with the Company.

We have amended our bylaws to provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or our restated certificate of incorporation or bylaws, or (iv) any other action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions described above. This forum selection provision in our bylaws may limit our stockholders ability to obtain a favorable judicial forum for disputes with the Company. See Description of capital stock Forum selection clause in amended and restated bylaws.

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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 ph 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;
- our inability to deploy effectively the net proceeds of this offering;
- 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 estimate that our gross proceeds from the sale of 25,000,000 shares of our Class A Common Stock in this offering will be approximately $662.5 million (approximately $761.9 million if the underwriters fully exercise their option to purchase additional shares of Class A Common Stock), assuming an initial public offering price of $26.50 per share, the mid-point of the estimated price range shown on the front cover of this prospectus. After deducting the underwriting discounts and commissions of this offering, we expect to receive net proceeds of approximately $622.1 million (approximately $716.0 million if the underwriters fully exercise their option to purchase additional shares of Class A Common Stock).

We currently intend to use the net proceeds of this offering to fund the acquisition of commercial aircraft and for general corporate purposes.

Pending the use of any proceeds, we intend to invest the net proceeds of this offering in short-term interest bearing bank deposits or short-term interest bearing securities issued or guaranteed as to principal or interest by the United States or a person controlled by the government of the United States.

We will have broad discretion over the timing and manner in which we apply the net proceeds that we receive from this offering. The amount and timing of what we actually spend for the intended uses of proceeds described above may vary significantly and will depend on a number of factors, including the number and purchase price of aircraft that we acquire; the types, amounts and terms of debt and equity financing and credit support we are able to obtain; the number, pricing and duration of leases we execute with customers; our future revenues and cash generated by our operations; our operating costs; and the other factors described in this prospectus, including under the section titled Risk factors.

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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, in the future we may 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 initial public offering 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*.

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Capitalization

The following table sets forth our capitalization as of December 31, 2010, on an actual basis and on a pro forma as adjusted basis to give effect to the issuance and sale by us of 25,000,000 shares of our Class A Common Stock at an assumed initial public offering price of $26.50 per share, the mid-point of the estimated price range shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information below is illustrative only, and our capitalization following the closing of this offering will be adjusted based upon the initial public offering price for the offering of our Class A Common Stock and other terms of the offering of our Class A Common Stock determined at pricing. 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.

	As of December 31, 2010	
(dollars in thousands, except share amounts)	**Actual**	**Pro forma as adjusted(1)**
Cash and cash equivalents	$ 328,821	$ 950,884
Restricted cash	48,676	48,676
Debt financing	911,981	911,981
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, 63,563,810 shares issued and outstanding, actual; 88,563,810 shares issued and outstanding, as adjusted	636	886
Class B Non-Voting Common Stock, $0.01 par value, 1,829,339 shares issued and outstanding, actual and as adjusted	18	18
Paid-in capital	1,276,321	1,898,134
Accumulated deficit	(52,040)	(52,040)
Total shareholders equity	1,224,935	1,846,998
Total capitalization	$ 2,136,916	$ 2,758,979

(1) A $1.00 increase (decrease) in the assumed initial offering price of $26.50 per share, which is the mid-point of the estimated price range shown on the front cover of this prospectus, would increase (decrease) pro forma as adjusted total shareholders equity and total capitalization by $23.6 million, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the

underwriting discounts and commissions and estimated offering expenses payable by us.

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Dilution

If you invest in our Class A Common Stock, your interest will be diluted to the extent of the difference between the price per share you pay and our net tangible book value per share immediately after this offering. Our pro forma net tangible book value per share represents the amount of book value of our total tangible assets reduced by the book value of our total liabilities and divided by the pro forma number of shares of Common Stock outstanding after this offering. The pro forma financial information set forth below reflects adjustments to the net tangible book value of our Common Stock to give effect to this offering. For a description of these adjustments, see Capitalization.

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our Class A Common Stock in this offering and the pro forma net tangible book value per share of our Common Stock as adjusted for the expected sale of 25,000,000 shares of our Class A Common Stock by us in this offering at an assumed initial public offering price of $26.50 per share, the mid-point of the estimated price range shown on the front cover of this prospectus, and for our receipt of the estimated net proceeds of that sale after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Our net tangible book value as of December 31, 2010, excluding deferred debt issue costs of $46.4 million, was approximately $1.2 billion, or $18.02 per share of our Common Stock. Based on the foregoing, our pro forma as adjusted net tangible book value as of the completion of this offering would be approximately $1.8 billion, or $19.92 per share of our Common Stock. This amount represents an immediate increase in net tangible book value of $1.90 per share to our stockholders as of December 31, 2010, and an immediate dilution in net tangible book value of $6.58 per share of our Class A Common Stock to purchasers in this offering. The following table illustrates this per share dilution:

Per share offering price in this offering before any transaction costs		$ 26.50
Net tangible book value of each share of our Common Stock as of December 31, 2010	$ 18.02	
Increase in net tangible book value of each share of our Common Stock attributable to new investors	$ 1.90	
Pro forma as adjusted net tangible book value of each share of our Common Stock assuming the completion of this offering		$ 19.92
Dilution in pro forma net tangible book value of each share of our Class A Common Stock to new investors		$ 6.58

A $1.00 increase (decrease) in the assumed initial public offering price of $26.50 per share, which is the mid-point of the estimated price range shown on the front cover of this prospectus, would increase (decrease) pro forma as adjusted net tangible book value by $23.6 million, pro forma as adjusted net tangible book value per share by $0.26 per share, and dilution in the pro forma net tangible book value per share to new investors by $0.74 per share, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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If the underwriters exercise in full their over-allotment option to purchase or place an additional 3,750,000 shares, dilution in the pro forma net tangible book value per share to new investors would be approximately $6.38 based on the assumptions set forth above.

The following table summarizes, as of December 31, 2010, on the pro forma basis, as adjusted, described above, the differences between existing stockholders and new investors with respect to the number of shares of our Common Stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares purchased		Total consideration		Average price
	Number	Percentage	Amount	Percentage	per share
Existing stockholders	65,393,149	72.3%	$ 1,263,224,092	65.6%	$ 19.32
New investors in this offering	25,000,000	27.7%	$ 662,500,000	34.4%	$ 26.50
Total	90,393,149	100.0%	$ 1,925,724,092	100.0%	$ 21.30

The foregoing tables and calculations are based on 65,393,149 shares of our Common Stock outstanding as of December 31, 2010 and exclude:

- 482,625 shares of Common Stock issuable upon the exercise of warrants outstanding as of December 31, 2010 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 December 31, 2010 at an exercise price of $20.00 per share; and
- 3,225,907 shares of Class A Common Stock issuable upon the vesting of restricted stock units outstanding as of December 31, 2010.

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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 period from Inception to December 31, 2010
Operating data:	
Rentals of flight equipment	**$ 57,075**
Interest and other	**1,291**
Total revenues	**58,366**
Expenses	**119,281**
Loss before tax	**(60,915)**
Tax benefit	**8,875**
Net loss	**$ (52,040)**
Loss per share:	
Basic	**$ (1.32)**
Diluted	**$ (1.32)**
Weighted average shares outstanding	
Basic	**39,511,045**
Diluted	**39,511,045**
Other financial data (unaudited)	
Adjusted net income(1)	$ **2,520**
Adjusted EBITDA(2)	$ **32,973**
Balance sheet data:	
Flight equipment subject to operating leases (net of accumulated depreciation)	**$ 1,629,809**
Total assets	**2,276,282**
Total debt	**911,981**
Total liabilities	**1,051,347**
Shareholders equity	**1,224,935**
Cash flow data:	
Net cash flows from:	
Operating activities	**$ 45,124**
Investing activities	**(1,854,710)**
Financing activities	**2,138,407**
Other operating data:	

Aircraft lease portfolio at period end:	
Owned(3)	**40**

(1) Adjusted net income (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 loss and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted net income for the period from inception to December 31, 2010:

(in thousands)		**For the period from Inception to December 31, 2010**
Reconciliation of cash flows from operating activities to adjusted net income:		
Net cash provided by operating activities	**$**	**45,124**
Depreciation of flight equipment		**(19,262)**
Stock-based compensation		**(24,044)**
Deferred taxes		**8,875**
Amortization of deferred debt issue costs		**(4,883)**
Amortization of convertible debt discounts		**(35,798)**
Changes in operating assets and liabilities:		

Lease receivables and other assets		8,040
Accrued interest and other payables		(22,054)
Rentals received in advance		(8,038)
Net loss		(52,040)
Amortization of debt issue costs		4,883
Amortization of convertible debt discounts		35,798
Stock-based compensation		24,044
Tax effect		(10,165)
Adjusted net income	$	2,520

(in thousands)		**For the period from Inception to December 31, 2010**
Reconciliation of net loss to adjusted net income:		
Net loss	$	(52,040)
Amortization of debt issue costs		4,883
Amortization of convertible debt discounts		35,798
Stock-based compensation		24,044
Tax effect		(10,165)
Adjusted net income	$	2,520

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(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 loss and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted EBITDA for the period from inception to December 31, 2010:

(in thousands)		For the period from Inception to December 31, 2010
Reconciliation of cash flows from operating activities to adjusted EBITDA:		
Net cash provided by operating activities	$	45,124
Depreciation of flight equipment		(19,262)
Stock-based compensation		(24,044)
Deferred taxes		8,875
Amortization of deferred debt issue costs		(4,883)
Amortization of convertible debt discounts		(35,798)
Changes in operating assets and liabilities:		
Lease receivables and other assets		8,040
Accrued interest and other payables		(22,054)
Rentals received in advance		(8,038)
Net loss		(52,040)
Net interest expense		50,582
Income taxes		(8,875)
Depreciation		19,262
Stock-based compensation		24,044
Adjusted EBITDA	$	32,973

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(in thousands)	For the period from Inception to December 31, 2010
Reconciliation of net loss to adjusted EBITDA:	
Net loss	**$ (52,040)**
Add back:	
Net interest expense	**50,582**
Income taxes	**(8,875)**
Depreciation	**19,262**
Stock-based compensation	**24,044**
Adjusted EBITDA	**$ 32,973**

(3) As of December 31, 2010, we owned 40 aircraft of which four were new aircraft and 36 were used aircraft.

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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.

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. We expect that our weighted average fleet age will decrease further as we begin taking delivery of new aircraft from our order book. As of September 30, 2010, we had acquired 28 aircraft. As of December 31, 2010, our fleet had grown to 40 aircraft (of which four were new aircraft and 36 were used aircraft) and we had contracted to buy 148 new and used aircraft for delivery through 2017 with an estimated aggregate purchase price of $6.2 billion. Of the 148 aircraft, 65 are Boeing 737-800s, one is a Boeing 777-300ER, 51 are Airbus A320/321s, six are Airbus A330-200/300s, 15 are Embraer E190s and ten are ATR 72-600s. We have cancellation rights with respect to six of the Airbus A320/321 aircraft and six of the Boeing 737-800 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 40 aircraft from 11 separate owners and operators of aircraft, 28 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 28 existing operating leases were with 22 different airline customers. Of the 28 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 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. See Liquidity and capital resources below.

Aircraft industry and sources of revenues

Our revenues are principally derived from operating leases with scheduled and charter airlines. As of 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 offering, this offering and in 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, including ECA-guaranteed 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 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 will pursue credit support from the ECAs, Ex-Im Bank and SBCE for our grandfathered aircraft and have commenced discussions with all of the ECAs, Ex-Im Bank, BNDES and SBCE for financing support of our new aircraft deliveries, 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 our available liquidity, which includes cash balances and undrawn balances under our Warehouse Facility and unsecured revolving credit facilities of $1.4 billion as of December 31, 2010, will be sufficient to satisfy the operating requirements of our business through the end of 2011.

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 takes effect on the next settlement date 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 becomes effective in April 2011.

As of December 31, 2010, we had borrowed approximately $554.9 million under the Warehouse Facility and pledged a total of 23 aircraft as collateral with a net book value of $930.0 million. The pledged aircraft collateral amount includes $200.0 million of aircraft collateral that we pledged as a precondition to borrowing under this facility. We had also pledged cash collateral of $48.3 million as of December 31, 2010. 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.

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Secured financing

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 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 December 31, 2010, available liquidity was $1.4 billion.

Our debt financing was comprised of the following:

(dollars in thousands)		**December 31, 2010**
Secured debt	$	778,896
Unsecured debt		133,085
Total	$	911,981
Composite interest rate*		3.32%

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

At 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.

Recent initiatives

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. Additionally, we 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%. Finally, during the first quarter of 2011, the Company drew a net

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$49.5 million under the Warehouse Facility and incrementally pledged $86.3 million in aircraft collateral. As of March 31, 2011, we had borrowed approximately $604.4 million under the Warehouse Facility.

On April 1, 2011, the Company executed an amendment to the Warehouse Facility that takes effect on the next settlement date 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 65.0% of the appraised value of the aircraft pledged and 50.0% of the cash pledged to the Warehouse Facility to 70.0% of the appraised value of the aircraft pledged and 50.0% 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 becomes effective in April 2011.

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Results of operations

(in thousands, except share data)	For the period from Inception to December 31, 2010	For the three months ended December 31, 2010	For the three months ended September 30, 2010
Revenues			
Rental of flight equipment	$ 57,075	$ 36,730	$ 19,110
Interest and other	1,291	175	642
Total revenues	58,366	36,905	19,752
Expenses			
Interest	11,062	5,353	3,871
Amortization of deferred debt issuance cost	4,883	2,073	1,935
Amortization of convertible debt discounts	35,798		
Interest expense	51,743	7,426	5,806
Depreciation of flight equipment	19,262	12,634	6,301
Selling, general and administrative	24,232	10,055	7,941
Stock-based compensation	24,044	10,848	10,941
Total expenses	119,281	40,963	30,989
Loss before taxes	(60,915)	(4,058)	(11,237)
Income tax benefit	8,875	1,383	3,490
Net loss	$ (52,040)	$ (2,675)	$ (7,747)
Amortization of debt issue costs	4,883	2,073	1,935
Amortization of convertible debt discounts	35,798		
Stock-based compensation	24,044	10,848	10,941
Tax effect	(10,165)	(4,540)	(4,534)
Adjusted net income	$ 2,520	$ 5,706	$ 595

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

Rental revenue

Our financial results for the three months ended December 31, 2010 reflect our second full quarter of operations since the completion of our prior $1.3 billion private placement of Common Stock and the closing of our Warehouse Facility. Building on our base of 28 aircraft at September 30, 2010, we acquired 12 aircraft during the period. As of December 31, 2010, we

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had acquired 40 aircraft at a total cost of $1.6 billion. We recorded $36.7 million in rental revenue for the three months ended December 31, 2010 and $57.1 million in rental revenue from inception. 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.

Our financial results for the three months ended September 30, 2010 reflected our first full quarter of operations since the completion of our prior $1.3 billion private placement of Common Stock and the closing of our Warehouse Facility. Building on our base of eight aircraft at June 30, 2010, we acquired 20 aircraft during the period. As of September 30, 2010, we had acquired 28 aircraft at a total cost of $980.1 million. We recorded $19.1 million in rental revenue for the three months ended September 30, 2010. All of the aircraft in our fleet were subject to signed leases as of September 30, 2010.

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 $7.4 million for the three months ended December 31, 2010 principally consisted of $5.3 million in unutilized fees on our debt facilities and cash interest and an additional $2.1 million in amortization of our deferred debt issue costs. 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.

Interest expense of $5.8 million for the three months ended September 30, 2010 principally consisted of $3.9 million in unutilized fees on our debt facilities and cash interest and an additional $1.9 million in amortization of our deferred debt issue costs.

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 $12.6 million in depreciation expense of flight equipment for the three months ended December 31, 2010. We recorded depreciation expense of flight equipment for the period from inception to December 31, 2010 of $19.3 million.

We recorded $6.3 million in depreciation expense of flight equipment for the three months ended September 30, 2010.

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 $10.1 million in selling, general and administrative expenses for the three months ended December 31, 2010. We recorded $24.2 million of selling, general and administrative expenses for the period from inception to December 31, 2010.

We recorded $7.9 million in selling, general and administrative expenses for the three months ended September 30, 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 $10.8 million of stock-based compensation expense for the three months ended December 31, 2010. Stock-based compensation expense for the period from inception to December 31, 2010 was $24.0 million.

We recorded $10.9 million of stock-based compensation expense for the three months ended September 30, 2010.

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 the period since inception was 14.6%. Our effective tax rate 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 loss

We recorded a net loss of $2.7 million for the three months ended December 31, 2010. The net loss for the period is primarily due to the depreciation of flight equipment and the amortization of stock-based compensation expense, which as discussed above is an equity-neutral charge. 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.

We recorded a net loss of $7.7 million for the three months ended September 30, 2010. The net loss for the period is primarily due to the amortization of stock-based compensation expense, which as discussed above is an equity-neutral charge.

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Adjusted net income

We recorded adjusted net income of $5.7 million for the three-month period ended December 31, 2010. This is the second 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. The difference in adjusted net income for the three-month period ended December 31, 2010 and the period since inception was primarily due to selling, general and administrative expenses, which as noted above represents a disproportionate share of revenues during our launch phase.

We recorded adjusted net income of $595,000 for the three-month period ended September 30, 2010. This was the first period since inception that we recorded positive adjusted net income.

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 December 31, 2010 are as follows:

(dollars in thousands)	2011	2012	2013	2014	2015	Thereafter	Total
Long-term debt obligations	$ 29,605	$ 128,494	$ 192,007	$ 129,457	$ 145,435	$ 286,983	$ 911,981
Interest payments on debt outstanding(a)	39,479	28,908	24,770	18,814	14,223	10,535	136,729
Operating leases	217	1,441	2,325	2,395	2,467	23,389	32,234
Purchase commitments	1,172,086	1,259,316	1,089,748	1,057,055	818,378	791,475	6,188,058
Total	$ 1,241,387	$ 1,418,159	$ 1,308,850	$ 1,207,721	$ 980,503	$ 1,112,382	$ 7,269,002

(a) Future interest payments on floating-rate debt are estimated using floating interest rates in effect at December 31, 2010.

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 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 December 31, 2010, of approximately $9.0 million 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 December 31, 2010, 3.7% 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.

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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.

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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

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since to date we have been a private company 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 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.

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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.

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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).

Worldwide airline industry outlook

Figure 3 shows monthly year-over-year percentage changes for passenger and cargo traffic between January 2009 and December 2010, the most recent period for which data is available. As depicted, traffic has been recovering since October 2009, and as of December 2010, the data shows growth rates for passengers and cargo of 5% to 10%.

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Figure 3

World Monthly Year over Year Passenger and Cargo Traffic Growth
January 2009 - December 2010

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 five years. AVITAS expects to see considerably higher growth in 2010-2015 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.

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Figure 4

**Forecast of Annual Average Passenger Traffic Growth by Major Regions
2010-2015**

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 to their latest March 2011 estimate for 2010 net profits.

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Figure 5

IATA Forecast 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 the $9.1 billion that it had estimated in December 2010. IATA s downgrade in its 2011 airline industry outlook was primarily driven by an upward revision of its 2011 average oil price assumption, which reflects the effects of the recent political unrest in the Middle East on oil prices.

Figure 6

IATA Forecast Airline Industry Profitability 2011
(in billions)

Source: IATA.

According to IATA, the difference between its March 2011 estimate for 2010 worldwide airline industry profitability of $16.0 billion and its March 2011 forecast for 2011 worldwide airline industry profitability of $8.6 billion can be attributed to the expectation that the rise in operating costs for airlines, including the current and projected rise in oil prices, will outpace increased revenues generated by the forecasted growth in the global economy. 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.

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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 2010 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 80% and 20%, respectively, of new aircraft deliveries from 2010 to 2015.

Figure 7

Demand for Passenger Aircraft from 2010-2015

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,

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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.

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Figure 8

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

Source: AVITAS forecast.

AVITAS forecasts that aircraft values will be depressed until 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;

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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. The ATR 72-600 will begin deliveries in 2011 and is a follow-on aircraft from the popular ATR 72-200/-500 models (currently used by 87 airline operators).

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Figure 9

Selected aircraft statistics

Aircraft