

AIR LEASE CORP
Form 10-K
February 26, 2015

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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

For the transition period from _____ to _____
Commission File Number 001-35121

AIR LEASE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1840403
(I.R.S. Employer
Identification No.)

2000 Avenue of the Stars, Suite 1000N
Los Angeles, California
(Address of principal executive offices)

90067
(Zip Code)

(Registrant's telephone number, including area code): **(310) 553-0555**

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

Title of each class	Name of each exchange on which registered
Class A Common Stock	New York

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

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

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

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

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

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

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 Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

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

The aggregate market value of registrant's voting stock held by non-affiliates was approximately \$3,727,192,041 on June 30, 2014, based upon the last reported sales price on the New York Stock Exchange. As of February 25, 2015, there were 102,392,208 shares of Class A common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Designated portions of the Proxy Statement relating to registrant's 2015 Annual Meeting of Shareholders have been incorporated by reference into Part III of this report

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K and other publicly available documents may contain or incorporate statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements appear in a number of places in this Form 10-K and include statements regarding, among other matters, the state of the airline industry, our access to the capital markets, our ability to restructure leases and repossess aircraft, the structure of our leases, regulatory matters pertaining to compliance with governmental regulations and other factors affecting our financial condition or results of operations. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and "should," and variations of these words and similar expressions, are used in many cases to identify these forward-looking statements. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others, general commercial aviation industry, economic and business conditions, which will, among other things, affect demand for aircraft, availability and creditworthiness of current and prospective lessees, lease rates, availability and cost of financing and operating expenses, governmental actions and initiatives, and environmental and safety requirements, as well as the factors discussed under "Item 1A. Risk Factors," in this Annual Report on Form 10-K. We do not intend and undertake no obligation to update any forward-looking information to reflect actual results or future events or circumstances.

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PART I

ITEM 1. BUSINESS

Overview

Air Lease Corporation (the "Company", "ALC", "we", "our" or "us"), is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as The Boeing Company ("Boeing") and Airbus S.A.S. ("Airbus"), and leasing those aircraft to airlines throughout the world. In addition to our leasing activities, we sell aircraft from our operating lease portfolio to third parties, including other leasing companies, financial services companies and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee.

We currently have relationships with over 200 airlines across 70 countries. We operate our business on a global basis, providing aircraft to airline customers in every major geographical region, including markets such as Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe. Many of these 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. We expect that these markets will also present significant replacement opportunities in upcoming years as some airlines in these markets look to replace aging aircraft with new, modern technology, fuel efficient jet aircraft. An important focus of our strategy is meeting the needs of this replacement market. Airlines in some of these markets have fewer financing alternatives, enabling us to command relatively higher lease rates compared to those in more mature markets.

We mitigate the risks of owning and leasing aircraft through careful management and diversification of our leases and lessees by geography, lease term, and aircraft age and type. We believe that diversification of our operating lease portfolio reduces the risks associated with individual lessee defaults and adverse geopolitical and regional economic events. We mitigate the risks associated with cyclical variations in the airline industry by managing customer concentrations and lease maturities in our operating lease portfolio to minimize periods of concentrated lease expirations. In order to maximize residual values and minimize the risk of obsolescence, our strategy is to own an aircraft during the first third of its expected 25 year useful life.

During the year ended December 31, 2014, we took delivery of 36 aircraft from our new order pipeline and we sold 16 aircraft, ending the year with a total of 213 aircraft. We leased the aircraft in our fleet to a globally diversified customer base comprised of 77 airlines in 46 countries. The weighted average lease term remaining of our operating lease portfolio was 7.3 years and the weighted average age of our fleet was 3.5 years as of December 31, 2014. In addition, we managed 17 jet aircraft for third parties as of December 31, 2014.

During 2014, we entered into definitive agreements with Airbus, Boeing and Avions de Transport Régional ("ATR") to purchase 97 additional aircraft. From Airbus, we agreed to purchase 60 A321neo aircraft, two A321-200 aircraft and one A320-200 aircraft. From Boeing, we agreed to purchase six Boeing 777-300ER aircraft, one 737-800 aircraft and confirmed the purchase of 20 737-8/9 MAX aircraft which were previously subject to reconfirmation. From ATR, we agreed to purchase seven ATR 72-600 aircraft. Deliveries of the aircraft are scheduled to commence in 2015 and continue through 2023. As of December 31, 2014, we had, in the aggregate, 364 aircraft on order with Boeing, Airbus and ATR for delivery through 2023, with an estimated aggregate purchase price of \$28.8 billion, making us one of the largest customers of Boeing and Airbus.

We were the first launch customer for the Airbus A330neo aircraft and A321LR aircraft. In July 2014, we entered into a non-binding memorandum of understanding with Airbus to purchase 25 A330neo aircraft. In January 2015, we entered into a non-binding memorandum of understanding

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with Airbus to purchase 30 A321LR aircraft. Deliveries of the aircraft are scheduled to commence in 2018 and continue through 2023.

As of December 31, 2014, all of our 213 aircraft were leased. Our airline customers were obligated to make \$7.5 billion in minimum future rental payments over the non-cancellable lease term. In addition, we have signed lease agreements for 99 aircraft that we ordered from the manufacturers for delivery through 2023. Under these lease agreements our airline customers are contractually obligated to make \$9.0 billion in minimum future rental payments over the non-cancellable lease term. In the aggregate, between aircraft we own in our operating lease portfolio and those that we have leased from our orderbook, our customers are contractually obligated to make \$16.5 billion in minimum future rental payments.

We finance the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activities, and debt financings. Our debt financing strategy is focused on raising unsecured debt in the global bank and capital markets, with a limited utilization of export credit or secured financing. We ended 2014 with total debt outstanding of \$6.7 billion, of which 75.2% was at a fixed rate and 82.3% of which was unsecured, with a composite cost of funds of 3.64%.

In 2014, we had total revenues of \$1.1 billion, representing an increase of \$191.8 million or 22.3% compared to 2013. This is comprised of rental revenues on our operating lease portfolio of \$991.2 million and aircraft sales, trading and other revenue of \$59.3 million. We recorded earnings before income taxes of \$394.8 million in 2014, an increase of \$101.3 million or 34.5% compared to 2013, for a pretax profit margin of 37.6%. Our operating performance is principally driven by the growth of our fleet, the terms of our leases and the interest rates on our indebtedness, supplemented by the gains of our aircraft sales and trading activities and management fees.

Operations to Date

Current Fleet

As of December 31, 2014, we owned 213 aircraft, comprised of 163 single-aisle narrowbody jet aircraft, 32 twin-aisle widebody jet aircraft and 18 turboprop aircraft, with a weighted average age of 3.5 years. As of December 31, 2013, we owned 193 aircraft, comprised of 146 single-aisle narrowbody jet aircraft, 31 twin-aisle widebody jet aircraft and 16 turboprop aircraft, with a weighted average age of 3.7 years. In addition, we also managed 17 jet aircraft for third party owners on a fee basis as of December 31, 2014.

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Geographic Diversification

Over 95% of our aircraft are operated internationally. The following table sets forth the dollar amount and percentage of our rental of flight equipment revenues attributable to the respective geographical regions based on each airline's principal place of business:

Region	December 31, 2014		December 31, 2013		December 31, 2012	
	Amount of Rental Revenue	% of Total	Amount of Rental Revenue	% of Total	Amount of Rental Revenue	% of Total
(dollars in thousands)						
Asia	\$ 409,014	41.3%	\$ 299,472	35.8%	\$ 204,675	31.7%
Europe	337,349	34.0%	300,761	36.0%	253,376	39.2%
Central America, South America and Mexico	111,583	11.3%	107,857	12.9%	84,341	13.1%
The Middle East and Africa	47,958	4.9%	55,624	6.6%	39,398	6.1%
Pacific, Australia, New Zealand	30,330	3.1%	15,436	1.8%	10,862	1.7%
U.S. and Canada	55,007	5.4%	57,366	6.9%	53,201	8.2%
Total	\$ 991,241	100.0%	\$ 836,516	100.0%	\$ 645,853	100.0%

The following table sets forth the regional concentration of our owned aircraft portfolio based on net book value as of December 31, 2014 and 2013:

Region	December 31, 2014		December 31, 2013	
	Net Book Value	% of Total	Net Book Value	% of Total
(dollars in thousands)				
Asia	\$ 3,838,523	42.9%	\$ 3,165,367	41.6%
Europe	2,953,232	33.0%	2,656,816	34.9%
Central America, South America and Mexico	778,991	8.7%	829,930	10.9%
The Middle East and Africa	498,896	5.6%	372,618	4.9%
Pacific, Australia, New Zealand	471,630	5.2%	151,751	2.0%
U.S. and Canada	412,532	4.6%	436,653	5.7%
Total	\$ 8,953,804	100.0%	\$ 7,613,135	100.0%

At December 31, 2014, 2013 and 2012, we owned and managed leased aircraft to customers in the following regions:

Region	December 31, 2014		December 31, 2013		December 31, 2012	
	Number of Customers(1)	% of Total	Number of Customers(1)	% of Total	Number of Customers(1)	% of Total
Asia	29	36.3%	29	36.7%	26	37.7%
Europe	24	30.0%	21	26.6%	17	24.6%
Central America, South America and Mexico	10	12.5%	12	15.2%	9	13.0%
The Middle East and Africa	7	8.8%	7	8.9%	8	11.6%
Pacific, Australia, New Zealand	2	2.4%	2	2.5%	2	3.0%
U.S. and Canada	8	10.0%	8	10.1%	7	10.1%
Total	80	100.0%	79	100.0%	69	100.0%

(1)

A customer is an airline with its own operating certificate.

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In 2014, rental of flight equipment revenue attributable to China was \$218.6 million or 22.1%, and represented our only country concentration in excess of 10%. In 2013, rental of flight equipment revenue attributable to China was \$129.8 million or 15.5%, and represented our only country concentration in excess of 10%. In 2012, three countries represented at least 10% of our rental revenue. Rental of flight equipment revenue attributable to China, Italy and France was \$75.5 million or 11.7%, \$71.0 million or 11.0% and \$67.4 million or 10.4%, respectively.

In 2014 and 2013, no individual airline represented at least 10% of our rental of flight equipment revenue. In 2012, one airline represented at least 10% of our rental of flight equipment revenue. For the year ended December 31, 2012, Alitalia attributed for \$71.0 million of 11.0% of our rental flight equipment revenue.

Aircraft Acquisition Strategy

We seek to acquire the most highly in demand and widely distributed, modern technology, fuel efficient narrowbody and widebody commercial jet transport aircraft. Our strategy is to order new aircraft directly from the manufacturers. When placing new aircraft orders with the manufacturers, we strategically target the replacement of aging aircraft with modern technology aircraft. Additionally, we look to supplement our order pipeline with opportunistic purchases of aircraft in the secondary market and participate in sale-leaseback transactions with airlines.

Prior to ordering aircraft, we evaluate the market for specific types of aircraft. We consider the overall demand for the aircraft in the marketplace based on our deep knowledge of the aviation industry and our customer relationships. It is important to assess the airplane's economic viability, the operating performance characteristics, engine variant options, intended utilization by our customers, and which aircraft types it will replace or compete with in the global market. Additionally, we study the effects of global airline passenger traffic growth in order to determine the likely demand for our new aircraft.

For new aircraft deliveries, we source many components separately, which include seats, safety equipment, avionics, galleys, cabin finishes, engines and other equipment. Often times we are able to achieve lower pricing through direct bulk purchase contracts with the component manufacturers than would be achievable if the airframe manufacturers sourced the components for the airplane. Manufacturers such as Boeing and Airbus install this buyer furnished equipment in our aircraft during the final assembly process at their facilities. With this purchasing strategy, we are able to meet specific customer configuration requirements and lower the total acquisition cost of the aircraft.

Aircraft Leasing Strategy

The airline industry is a complex industry with constantly evolving competition, code shares (where two or more airlines share the same flight), alliances and passenger traffic patterns. This requires frequent updating and flexibility within an airline's fleet. The operating lease allows airlines to effectively adapt and manage their fleets through varying market conditions without bearing the full financial risk associated with these capital intensive assets which have an expected 25 year useful life. This fleet flexibility enables airlines to more effectively operate and compete in their respective markets. We work closely with our airline customers throughout the world to help optimize their long-term aircraft fleet strategies.

We work to mitigate the risks of owning and leasing aircraft through careful management of our fleet, including managing customer concentrations by geography and region, staggering lease maturities, balancing aircraft type exposures, and maintaining a young fleet age. We believe that diversification of our operating lease portfolio reduces the risks associated with individual customer defaults and the impact of adverse geopolitical and regional economic events. We work to mitigate the risks associated with cyclical variations in the airline industry by entering into long term leases and staggering our lease

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maturities. In order to maximize residual values and minimize the risk of obsolescence, our strategy is generally to own an aircraft for approximately the first third of its expected 25 year useful life.

Our management team identifies prospective airline customers based upon industry knowledge and long-standing relationships. Prior to leasing an aircraft, we evaluate the competitive positioning of the airline, the strength and quality of the management team, and the financial performance of the airline. Management obtains and reviews relevant business materials from all prospective customers before entering into a lease agreement. Under certain circumstances, the customer may be required to obtain guarantees or other financial support from a financial institution. We work closely with our existing customers and potential lessees to develop customized lease structures that address their specific needs. We typically enter into a lease agreement 18 to 36 months in advance of the delivery of a new aircraft from our order pipeline. Once the aircraft has been delivered and operated by the airline, we look to remarket the aircraft and sign a follow-on lease six to 12 months ahead of the scheduled expiry of the initial lease term. Our leases typically contain the following key provisions:

our leases are primarily structured as operating leases, whereby we retain the residual rights to the aircraft;

our leases are triple net leases, whereby the lessee is responsible for all operating costs including taxes, insurance, and aircraft maintenance;

our leases typically require all payments be made in U.S. dollars;

our leases are typically for fixed rates and terms;

our leases typically require cash security deposits and maintenance reserve payments; and

our leases contain provisions which require payment whether or not the aircraft is operated, irrespective of the circumstances.

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

Some foreign countries have currency and exchange laws regulating the international transfer of currencies. When necessary, we may require, as a condition to any foreign transaction, that the lessee or purchaser in a foreign country obtain the necessary approvals of the appropriate government agency, finance ministry or central bank for the remittance of all funds contractually owed in U.S. dollars. We attempt to minimize our currency and exchange risks by negotiating the designated payment currency in our leases to be U.S. dollars. To meet the needs of certain of our airline customers, we have agreed to accept certain of our lease payments in a foreign currency. After we agree to the rental payment currency with an airline, the negotiated currency typically remains for the term of the lease. We may enter into contracts to mitigate our foreign currency risk, but we expect that the economic risk arising from foreign currency denominated leases will be insignificant to us.

We may, in connection with the lease of used aircraft, agree to contribute specific additional amounts to the cost of certain first major overhauls or modifications, which usually reflect the usage of the aircraft prior to the commencement of the lease, and which are typically covered by the prior operator's usage fees. We may be obligated under the leases to make reimbursements of maintenance

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reserves previously received to lessees for expenses incurred for certain planned major maintenance. We also, on occasion, may contribute towards aircraft modifications and recover any such costs over the life of the lease.

Monitoring

During the lease term, we closely follow the operating and financial performance of our lessees. We maintain a high level of communication with the lessee and frequently evaluate the state of the market in which the lessee operates, including the impact of changes in passenger air travel and preferences, emerging competition, new government regulations, regional catastrophes and other unforeseen shocks that are relevant to the airline's market. This enables us to identify lessees that may be experiencing operating and financial difficulties. This identification assists us in assessing the lessee's ability to fulfill its obligations under the lease. This monitoring also identifies candidates, where appropriate, to restructure the lease prior to the lessee's insolvency or the initiation of bankruptcy or similar proceedings. Once an insolvency or bankruptcy occurs we typically have less control over, and would most likely incur greater costs in connection with, the restructuring of the lease or the repossession of the aircraft.

During the life of the lease, situations may lead us to restructure leases with our lessees. When we repossess an aircraft leased in a foreign country, we generally expect to export the aircraft from the lessee's jurisdiction. In some very limited situations, the lessees may not fully cooperate in returning the aircraft. In those cases, we will take legal action in the appropriate jurisdictions, a process that could ultimately delay the return and export of the aircraft. In addition, in connection with the repossession of an aircraft, we may be required to pay outstanding mechanics' liens, airport charges, and navigation fees and other amounts secured by liens on the repossessed aircraft. These charges could relate to other aircraft that we do not own but were operated by the lessee.

Remarketing

Our lease agreements are generally structured to require lessees to notify us nine to 12 months in advance of the lease's expiration if a lessee desires to renew or extend the lease. Requiring lessees to provide us with such advance notice provides our management team with an extended period of time to consider a broad set of alternatives with respect to the aircraft, including assessing general market and competitive conditions and preparing to remarket or sell the aircraft. If a lessee fails to provide us with notice, the lease will automatically expire at the end of the term, and the lessee will be required to return the aircraft pursuant to the conditions in the lease. Our leases contain detailed provisions regarding the required condition of the aircraft and its components upon redelivery at the end of the lease term.

Aircraft Sales & Trading Strategy

Our strategy is to maintain a portfolio of young aircraft with a widely diversified customer base. In order to achieve this profile, we primarily order new planes directly from the manufacturers, place them on long term leases, and sell the aircraft when they near the end of the first third of their expected 25 year economic useful lives. We typically sell aircraft that are currently operated by an airline with multiple years of lease term remaining on the contract, in order to achieve the maximum disposition value of the aircraft. Buyers of the aircraft may include leasing companies, financial institutions and airlines. We also buy and sell aircraft on an opportunistic basis for trading profits. Additionally, we may provide management services of the aircraft asset to the buyer for a fee.

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Aircraft Management Strategy

We supplement our core business model by providing fleet management services to third party investors and owners of aircraft portfolios for a management fee. This allows us to better serve our airline customers and expand our existing airline customer base by providing additional leasing opportunities beyond our own aircraft portfolio, new order pipeline and customer or regional concentration limits.

Financing Strategy

We finance the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activity, and debt financings. We have structured the Company to have investment grade credit metrics and our debt financing strategy has focused on funding our business on an unsecured basis. Unsecured financing provides us with operational flexibility when selling or transitioning aircraft from one airline to another. We may, to a limited extent, utilize export credit financing in support of our new aircraft deliveries.

Insurance

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

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

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

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

The comprehensive liability insurance listed on certificates of insurance generally include provisions for bodily injury, property damage, passenger liability, cargo liability and such other provisions reasonably necessary in commercial passenger and cargo airline operations. We expect that such certificates of insurance list combined comprehensive single liability limits of not less than \$500.0 million for Airbus and Boeing aircraft and \$200.0 million for Embraer S.A. ("Embraer") and ATR aircraft. As a standard in the industry, airline operator's policies contain a sublimit for third-party

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war risk liability in the amount of \$50.0 million. We require each lessee to purchase higher limits of third-party war risk liability or obtain an indemnity from its respective government.

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

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

We cannot assure investors that our lessees will be adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, or that lessees will be able to obtain adequate insurance coverage at commercially reasonable rates in the future.

Competition

The leasing, remarketing and sale of aircraft is highly competitive. We face competition from aircraft manufacturers, banks, financial institutions, other leasing companies, aircraft brokers and airlines. Some of our competitors may have greater operating and financial resources and access to lower capital costs than we have. Competition for leasing transactions is based on a number of factors, including delivery dates, lease rates, lease terms, other lease provisions, aircraft condition and the availability in the marketplace of the types of aircraft required to meet the needs of airline customers. 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.

Government Regulation

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

We are required to register our aircraft with an aviation authority mutually agreed upon with our lessee. Each aircraft registered to fly must have a Certificate of Airworthiness, which is a certificate demonstrating the aircraft's compliance with applicable government rules and regulations and that the aircraft is considered airworthy. Each airline we lease to must have a valid operation certificate to operate our aircraft. Our lessees are obligated to maintain the Certificates of Airworthiness for the aircraft they lease.

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

We are also subject to the regulatory authority of the DOS and the U.S. Department of Commerce (the "DOC") to the extent such authority relates to the export of aircraft for lease and sale to foreign entities and the export of parts to be installed on our aircraft. We may be required to obtain export licenses for parts installed in aircraft exported to foreign countries. The DOC and the U.S. Department of the Treasury (through its Office of Foreign Assets Control) impose restrictions on the operation of U.S.-made goods, such as aircraft and engines, in sanctioned countries, as well as on the

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ability of U.S. companies to conduct business with entities in those countries. The U.S. Patriot Act of 2001 (the "Patriot Act") prohibits financial transactions by U.S. persons, including U.S. individuals, entities and charitable organizations, with individuals and organizations designated as terrorists and terrorist supporters by the U.S. Secretary of State or the U.S. Secretary of the Treasury. The U.S. Customs and Border Protection, a law enforcement agency of the U.S. Department of Homeland Security, enforces regulations related to the import of aircraft into the United States for maintenance or lease and the importation of parts into the U.S. for installation.

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

Employees

As of December 31, 2014, we had 65 full-time employees. On average, our senior management team has approximately 24 years of experience in the commercial aviation industry. None of our employees are represented by a union or collective bargaining agreements.

Access to Our Information

We file annual, quarterly, current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). We make our public SEC filings available, at no cost, through our website at www.airleasecorp.com as soon as reasonably practicable after the report is electronically filed with, or furnished to, the SEC. The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the SEC. We will also provide these reports in electronic or paper format free of charge upon written request made to Investor Relations at 2000 Avenue of the Stars, Suite 1000N, Los Angeles, California 90067. Our SEC filings are also available free of charge on the SEC's website at www.sec.gov. The public may also read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

Corporate Information

Air Lease Corporation incorporated in Delaware and launched in February 2010. Our website is www.airleasecorp.com. We may post information that is important to investors on our website. 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 report.

Table of Contents**Executive Officers of the Company**

Set forth below is certain information concerning each of our executive officers as of February 26, 2015, including his/her age, current position with the Company and business experience during the past five years.

Name	Age	Company Position	Prior Positions*
Steven F. Udvar-Házy	69	Chairman and Chief Executive Officer (since February 2010)	Chairman and Chief Executive Officer of International Lease Finance Corporation ("ILFC"), 1973-2010
John L. Plueger	60	President, Chief Operating Officer and Director (since March 2010)	Chief Executive Officer of ILFC, 2010 President and Chief Operating Officer of ILFC, 2002-2010
Carol H. Forsyte	52	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer (since September 2012)	Corporate Vice President Law of Motorola Mobility LLC, July 2012-September 14, 2012 Corporate Vice President and Secretary of Motorola Mobility, Inc., January 2011-July 2012 Corporate Vice President Law, Motorola Inc. 2005-2010
Marc H. Baer	50	Executive Vice President, Marketing (since April 2010)	Senior Vice President of ILFC, 2007-2010
Jie Chen	51	Executive Vice President and Managing Director of Asia (since August 2010)	Senior Vice President and Managing Director, Asia of ILFC, 2002-2010
Alex A. Khatibi	54	Executive Vice President (since April 2010)	Managing Director of ILFC's Middle East business, 1996-2010
Grant A. Levy	52	Executive Vice President (since April 2010)	Senior Vice President, Marketing of ILFC, 2002-2010
Gregory B. Willis	36	Senior Vice President and Chief Financial Officer (since March 2012)	Vice President, Finance, and Chief Accounting Officer of ALC, 2010-2012 Director of Accounting Policy of ILFC, 2007-2010
John D. Poerschke	53	Senior Vice President of Aircraft Procurement and Specifications (since March 2010)	Vice President, Aircraft Specifications and Material, of ILFC, 1995-2010

*

ILFC is an aircraft leasing company. Motorola Mobility LLC, Motorola Mobility, Inc., and Motorola Inc. are manufacturers of communication equipment.

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ITEM 1A. RISK FACTORS

We wish to caution the reader that the following important risk factors, and those risk factors described elsewhere in this report or in our other filings with the Securities and Exchange Commission, could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere. These risks are not presented in order of importance or probability of occurrence. Further, the risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks may have a material adverse effect on our business, reputation, financial condition, results of operations, profitability, cash flows or liquidity.

Risks Relating to Our Business

We cannot assure you that we will be able to enter into profitable leases for any aircraft acquired, which failure to do so would negatively affect our financial condition, cash flow and results of operations.

We cannot assure you that we will be able to enter into profitable leases upon the acquisition of the aircraft we purchase in the future. You must rely upon our management team's judgment and ability 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, which would negatively affect our financial condition, cash flow and results of operations.

Our business model depends on the continual leasing and remarketing of our aircraft, and we may not be able to do so on favorable terms, which would negatively affect our financial condition, cash flow and results of operations.

Our business model depends on the continual leasing and remarketing 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 remarket 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 remarket 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, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by depressed conditions in the aviation industry, airline bankruptcies, the effects of terrorism, war, natural disasters and/or epidemic diseases on airline passenger traffic trends, declines in the values of aircraft, and various other general market and competitive conditions and factors which are outside of our control. If we are unable to lease and remarket our aircraft, on favorable terms, our financial condition, cash flow and results of operations would be negatively affected.

Incurring significant costs resulting from lease defaults could negatively affect our financial condition, cash flow and results of operations.

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 associated with 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 any such proceedings the relevant aircraft would likely not be generating revenue. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and where such maintenance, refurbishment or repairs are necessary to put the aircraft in suitable condition for remarketing or sale. We may also incur storage costs associated with any aircraft that we repossess and are unable to place immediately with another

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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 suffer other negative 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 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 remarketing 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 condition, cash flow and results of operations would be negatively affected.

If our lessees fail to discharge aircraft liens, we may be obligated to pay the aircraft liens, which would negatively affect our financial condition, cash flow and results of operations.

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

Until they are discharged, these liens could impair our ability to repossess, remarket 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 would negatively affect our financial condition, cash flow and results of operations.

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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 would negatively affect our financial condition, cash flow and results of operations.

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;

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, including pilot shortages;

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.

Many airlines, including some of our customers, are not backed by sovereign credit and do not have investment grade credit profiles. We anticipate that some of our lessees will experience a weakened financial condition or suffer liquidity problems. This could lead to a lessee experiencing difficulties in performing under the terms of our lease agreement. This could result in the lessee seeking relief under some of the terms of our lease agreement, or it could result in us electing to repossess the aircraft.

Any future downturns in the airline industry could greatly exacerbate the weakened financial condition 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 remarket the aircraft promptly or at favorable rates.

It is likely 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 negatively 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. 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, it would negatively affect our financial condition, cash flow and results of operations.

Failure to obtain certain required licenses and approvals could negatively affect our ability to remarket or sell aircraft, which would negatively affect our financial condition, cash flow 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.

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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 remarketing or sale of an aircraft may not be forthcoming. Any of these events could negatively affect our ability to remarket or sell aircraft, which would negatively affect our financial condition, cash flow and results of operations.

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 remarket such aircraft at favorable rates, if at all, which would negatively affect our financial condition, cash flow and results of operations.

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 remarket 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 remarketing or sale. Any failure by our lessees to meet their obligations to perform required scheduled maintenance or our inability to maintain our aircraft would negatively affect our financial condition, cash flow and results of operations.

If we experience abnormally high maintenance or obsolescence issues with any of our aircraft or aircraft that we acquire, it would negatively affect our financial condition, cash flow and results of operations.

Aircraft are long-lived assets, requiring long lead times to develop and manufacture, with particular types and models becoming obsolete or less in demand over time when newer, more advanced aircraft are manufactured. Our existing fleet, as well as, the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur which shorten the life cycle of such aircraft types. These events include but are not limited to government regulation or changes in our airline customers' preferences. These events may shorten the life cycle for aircraft types in our fleet and, accordingly, may negatively impact lease rates, trigger impairment charges, increase depreciation expense or result in losses related to aircraft asset value guarantees, if we provide such guarantees.

Further, variable expenses like fuel, crew size or aging aircraft corrosion control or modification programs and 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 remarketing of our aircraft. Any of these expenses or costs would negatively affect our financial condition, cash flow and results of operations.

If we acquire a high concentration of a particular model of aircraft, our financial condition, cash flow and results of operations would be negatively 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 negatively 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

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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 would negatively affect our financial condition, cash flow and results of operations.

The introduction of superior aircraft technology or a new line of aircraft, in particular more fuel efficient aircraft, could cause the aircraft that we acquire to become outdated or obsolete or oversupplied and therefore less desirable, which would negatively affect our financial condition, cash flow and results of operations.

As manufacturers introduce technological innovations and new types of aircraft, some of the aircraft in our fleet could become less desirable to potential lessees. In particular, the introduction recently of more fuel efficient aircraft have made some older models less attractive and more difficult to lease. Technological innovations, increased fuel efficiency and new models may increase the rate of obsolescence of existing aircraft faster than currently anticipated by our management. New aircraft manufacturers could emerge to produce aircraft that compete with the aircraft we own. The introduction of new technologies or introduction of a new type of aircraft, in particular more fuel efficient models, may negatively affect the value of the aircraft in our fleet.

In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft less desirable and accordingly less valuable in the marketplace. The development of new aircraft and engine options could decrease the desirability of certain aircraft in our fleet and/or aircraft that we have ordered. This could, in turn, reduce both future residual values and lease rates for certain types of aircraft in our portfolio. Any of these risks may negatively affect our ability to lease or sell our aircraft on favorable terms, if at all, which would negatively affect our financial condition, cash flow and results of operations.

We are indirectly subject to many of the economic and political risks associated with emerging markets, which could negatively affect our financial condition, cash flow and results of operations.

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 negatively 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 negatively affected. Economic downturns can affect the values of the assets we purchase, which may have a negative effect on our financial condition, cash flow and results of operation.

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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 negatively affect our financial condition, cash flow and results of operations.

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, including upon sale. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are outside of our control, including:

passenger and air cargo demand;

fuel costs and general economic conditions;

geopolitical events, including war, prolonged armed conflict and acts of terrorism;

outbreaks of communicable diseases and natural disasters;

governmental regulation;

interest rates;

the availability of credit;

airline restructurings and bankruptcies;

airline fleet planning that reduces capacity or changes the type of aircraft in demand;

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, operating lessors may be sold or merged with other entities. Recently, two of our competitors merged to create a larger competitor for us. These types of transactions may call for a reduction in the fleet of the new entity, which could increase supply levels of used and older aircraft in the market.

Any of these factors may produce sharp and prolonged decreases in aircraft lease rates and values. They may have a negative effect on our ability to lease or remarket the aircraft in our fleet or in our order book. Any of these factors could negatively affect our financial condition, cash flow and results of operations.

The value of the aircraft we acquire and the market rates for leases could decline, which would have a negative effect on our financial condition, cash flow and results of operations.

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;

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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, would have a negative effect on our financial condition, cash flow and results of operations.

Competition from other aircraft lessors with greater resources or a lower cost of capital than ours could negatively affect our financial condition, cash flow and results of operations.

The aircraft leasing industry is highly competitive. Our competitors may have greater resources or a lower cost of capital than ours; accordingly, they may be able to compete more effectively in one or more of the markets we conduct business in.

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. Competition in the purchase and sale of aircraft is based principally on the availability of the aircraft, the price, and where applicable the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. We will not always be able to compete successfully with our competitors, which could negatively affect our financial condition, cash flow and results of operations.

The failure of any manufacturer to meet its delivery obligations to us would negatively affect our cash flow and results of operations.

The supply of commercial aircraft is dominated by a few airframe manufacturers and a limited number of engine manufacturers. As a result, we are 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.

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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 airframe manufacturers 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 would negatively affect our cash flow and results of operations.

Aircraft have limited economic useful lives and depreciate over time, which would negatively affect our financial condition, cash flow and results of operations.

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. For these reasons, our financial condition, cash flow and results of operations would be negatively affected.

Failure to close our aircraft acquisition commitments could negatively affect our financial condition, cash flow and results of operations.

As of December 31, 2014, we had entered into binding purchase commitments to acquire a total of 364 new aircraft for delivery through 2023. 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, not realizing any of the benefits of completing the transactions and damage to our reputation and relationship with aircraft manufacturers;

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

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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 would negatively affect our financial condition, cash flow and results of operations.

Our credit facilities may limit our operational flexibility, our ability to effectively compete and our ability to grow our business as currently planned, which would negatively affect our financial condition, cash flow and results of operations.

Our credit facilities contain financial and non-financial covenants, such as requirements that we comply with one or more of the following covenants: maximum debt-to-equity ratios, dividend restrictions, 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 negative effect on our business and our ability to continue as a going concern.

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. In addition, we cannot assure you that in the future we will be able to access long-term financing or credit support on attractive terms, if at all, or qualify for guarantees, or obtain attractive terms for such guarantees, from the export credit agencies. Any inability to generate sufficient cash flow, maintain our existing fleet and facilities, or access long-term financing or credit support would negatively affect our financial condition, cash flow 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 and would negatively affect our financial condition, cash flow and results of operations.

Growing our fleet will require substantial additional capital. Accordingly, we will need to obtain additional financing, which may not be available to us on favorable terms or at all. Our access to additional sources of financing will depend upon a number of factors over which we have limited control, including:

general market conditions;

the market's view of the quality of our assets;

the market's perception of our growth potential;

interest rate fluctuations;

our current and potential future earnings and cash distributions; and

the market price of our Class A common stock.

Weaknesses in the capital and credit markets could negatively 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

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to increase the costs of that financing. In addition, if there are new regulatory capital requirements imposed on our private lenders, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price.

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

Negative changes in our credit ratings may limit our ability to obtain financing or increase our borrowing costs which would negatively affect our financial condition, cash flow and results of operations.

We are currently subject to periodic review by independent credit rating agencies Standard & Poor's Rating Services ("S&P") and Kroll Bond Rating Agency ("Kroll"), each of which currently maintains investment grade credit ratings with respect to us and certain of our debt securities, and we may become subject to periodic review by other independent credit rating agencies in the future. An increase in the level of our outstanding indebtedness, or other events that could have a negative impact on our business, properties, financial condition, results of operations or prospects, may cause S&P or Kroll, or, in the future, other rating agencies, to downgrade or withdraw the credit rating with respect to us or our debt securities, which could negatively impact our ability to secure financing and increase our borrowing costs.

We cannot assure you that these credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agency, if, in such rating agency's sole judgment, circumstances so warrant. Ratings are not a recommendation to buy, sell or hold any security. Each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could increase our corporate borrowing costs and limit our access to the capital markets which would negatively affect our financial condition, cash flow and results of operations.

An unexpected increase in our borrowing costs would negatively affect our financial condition, cash flow and results of operations.

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 a negative effect on our earnings and could make our aircraft leasing contracts unprofitable.

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Some of our 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, our inability to sufficiently protect ourselves from changes in our cost of borrowing, as reflected in our composite interest rate, may have a direct, negative impact on 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, 2014, we had \$1.7 billion in floating-rate debt. If interest rates increase, we would be obligated to make higher interest payments to our lenders. If we incur significant fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If our composite interest rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of December 31, 2014, of approximately \$16.6 million on an annualized basis, which would negatively affect our financial condition, cash flow and results of operations.

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 negative interest rate fluctuations at a reasonable cost.

Our substantial indebtedness incurred to acquire our aircraft requires significant debt service payments which would negatively affect our financial condition, cash flow and results of operations.

We and our subsidiaries have a significant amount of indebtedness. As of December 31, 2014, our total consolidated indebtedness was approximately \$6.7 billion, and we expect this amount to grow as we acquire more aircraft. Our high level of debt could have important consequences, including the following:

making it more difficult for us to satisfy our payment obligations with respect to our debt;

limiting our ability to obtain additional financing to fund the acquisition of aircraft or for other corporate requirements;

requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for dividends, aircraft acquisitions and other general corporate purposes;

increasing our vulnerability to general negative economic and industry conditions;

exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our various credit facilities, are at variable rates of interest;

limiting our flexibility in planning for and reacting to changes in the aircraft industry;

placing us at a disadvantage compared to other competitors; and

increasing our cost of borrowing.

In addition, certain agreements governing our existing indebtedness contain financial maintenance covenants that require us to satisfy certain ratios and maintain minimum net worth, and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, may result in the acceleration of some or all our debt, which would negatively affect our financial condition, cash flow and results of operations.

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Creditors of any subsidiaries we form for purposes of financing will have priority over our stockholders in the event of a distribution of such subsidiaries' assets.

Many of the aircraft we acquire are held in special-purpose, bankruptcy-remote subsidiaries of our Company. Liens on those assets will be held by a collateral agent for the benefit of the lenders under the respective facility. In addition, funds generated from the lease of aircraft generally are applied first to amounts due to lenders, with certain exceptions. Creditors of our subsidiaries will have priority over us and our stockholders in any distribution of any such subsidiaries' assets in a liquidation, reorganization or otherwise.

Defaults by one or more of our significant airline customers would negatively affect our financial condition, cash flow and results of operations.

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 negatively 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 significant airline customers or their inability to make operating lease payments due to financial difficulties, bankruptcy or otherwise could have a material negative 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 would negatively affect our financial condition, cash flow and results of operations.

To a large extent, our success also depends upon our ability to access financing on favorable terms 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, which would negatively affect our financial condition and results of operations.

During the most 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 be able to access capital, which could negatively affect our financial condition and results of operations.

We are 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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Certain of our subsidiaries may be restricted in their ability to make distributions to us which would negatively affect our financial condition and cash flow.

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. Many 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 negative impact on the amount of our cash flow available to fund working capital, make capital expenditures and satisfy other cash needs. For these reasons our financial condition and cash flow would be negatively affected. 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."

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 which would negatively affect our financial condition, cash flow and results of operations.

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 negatively 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 would negatively affect our financial condition, cash flow and results of operations.

The death, incapacity or departure of key officers could harm our business and negatively affect our financial condition, cash flow and results of operations.

We believe our senior management's reputation 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

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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, each of whose services are critical to the success 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. The employment agreements with Messrs. Udvar-Házy and Plueger are scheduled to expire in 2016. If we were to lose the services of any of the members of our senior management team, it could negatively affect our financial condition, cash flow and results of operations.

Conflicts of interest may arise between us and clients who will utilize our fleet management services, which could negatively affect our business interests, cash flow and results of operations.

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 commercial efforts in providing services, 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 could negatively affect our business interests, cash flow and results of operations.

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 condition, cash flow and results of operations could be negatively affected if we encounter disputes, deadlock or other conflicts of interest with our strategic partners.

In addition to our Napier Park joint venture discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, 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 negatively 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 negative effect on our financial condition, cash flow and results of operations.

Our business and earnings are affected by general business, financial market and economic conditions throughout the world, which could have a negative effect on our financial condition, 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 with exposure to 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 negative effect on the ability of our lessees to meet their financial and other obligations under our operating leases,

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which, if our lessees default on their obligations to us, could have a material negative 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. For these reasons our financial condition, cash flow and results of operations could be negatively affected.

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, which would negatively affect our cash flow and results of operations.

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 negatively affect lessees and the airline industry. Conflict in the Middle East and additional international hostilities, including heightened terrorist activity, could also have a material negative impact on our lessees' financial condition, liquidity and results of operations. Lessees' financial resources might not be sufficient to absorb the negative 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 would negatively affect our cash flow and results of operations.

Increases in fuel costs could materially negatively affect our lessees and by extension the demand for our aircraft which would negatively affect our financial condition, cash flow and results of operations.

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. Political unrest in the Middle East and North Africa has generated uncertainty regarding the predictability of the world's future oil supply, which recently led to significant near-term increases in fuel costs. If this unrest continues, fuel costs may continue to rise in the future. Other events can also significantly affect fuel availability and prices, including natural disasters (such as the recent natural disaster in Japan), 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.

High fuel costs would likely have a material negative impact on airline 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 negatively affected. In addition, airlines may not be able to manage fuel cost risk by appropriately hedging their exposure to fuel price fluctuations. If fuel price increases continue to occur,

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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 remarket aircraft and other aviation assets or remarket 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 would materially negatively affect demand for our aircraft which would negatively affect our financial condition, cash flow and results of operations.

A deterioration in the financial condition of the airline industry would have a negative impact on our ability to lease our aircraft which would negatively affect our financial condition, cash flow and results of operations.

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.

For these reasons our financial condition, cash flow and results of operations would be negatively affected.

SARS, H1N1, Ebola and other epidemic diseases may hinder airline travel and reduce the demand for aircraft which would negatively affect our financial condition, cash flow and results of operations.

The outbreak of severe acute respiratory syndrome ("SARS") materially negatively 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. Additional outbreaks of SARS, bird flu, swine flu, Ebola 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 negatively affect our financial condition, cash flow and results of operations.

Natural disasters and other natural phenomena may disrupt air travel and reduce the demand for aircraft which would negatively affect our financial condition, cash flow and results of operations.

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Air travel can be disrupted, sometimes severely, by the occurrence of natural disasters and other natural phenomena. A natural disaster could cause 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 negatively affect our financial condition, cash flow and results of operations.

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The effects of various environmental regulations may negatively affect the airline industry, which may in turn cause lessees to default on their lease payment obligations to us which would negatively affect our financial condition, cash flow and results of operations.

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 2013. 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. The ICAO is expected to develop a global scheme based on market-based measures to limit CO₂ emissions from international aviation by 2016 to be implemented by 2020. Concerns over global warming could result in more stringent limitations on the operation of aircraft powered by older, non-compliant 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, and that all of the emissions associated with international flights that land or take off within the European Union will be subject to the trading program, even those emissions that are emitted outside of the European Union but exempted emissions from that portion of such flights that are outside the European Union zone through 2016 when the ICAO is expected to establish new global measures. 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.

These regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell the 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, which would negatively affect our financial condition, cash flow and results of operations. Further, 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 a negative 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 would negatively affect our financial condition, cash flow and results of operations.

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We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes which would negatively affect our cash flow and results of operations.

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes. If we are unable to execute our business in jurisdictions with favorable tax treatment, our operations may be subject to significant income and other taxes.

Moreover, as our aircraft are operated by our lessees in multiple states and foreign jurisdictions, we may have nexus or taxable presence as a result of our aircraft landings in various states or foreign jurisdictions. Such landings may result in us being subject to various foreign, state and local taxes in such states or foreign jurisdictions. For these reasons our cash flow and results of operations would be negatively affected.

We are subject to various risks and requirements associated with transacting business in foreign countries which would negatively affect our cash flow and results of operations.

Our international operations expose us to trade and economic sanctions and other restrictions imposed by the United States or other governments or organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other foreign agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act ("FCPA") and other federal statutes and regulations, including the International Traffic in Arms Regulations and those established by the Office of Foreign Assets Control ("OFAC"). Under these laws and regulations, the government may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could negatively impact our business, operating results, and financial condition.

We have in place training programs for our employees with respect to FCPA, OFAC, export controls and similar laws and regulations. There can be no assurance that our employees, consultants, sales agents, or associates will not engage in unlawful conduct for which we may be held responsible. Violations of the FCPA, OFAC and other export control regulations, and similar laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our cash flow and results of operations.

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

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

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Material damage to, or interruptions in, our information systems as a result of external factors, staffing shortages and difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations.

We depend largely upon our information technology systems in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, fire and natural disasters. Damage or interruption to our information systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. Potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our information systems may have a material adverse effect on our business or results of operations.

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") and the International Accounting Standards Board ("IASB") issued an Exposure Draft that proposes substantial changes to existing lease accounting that will affect all lease arrangements. Subsequent meetings of the joint committee of the FASB and the IASB have made further changes to the proposed lease accounting.

Under the current 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 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 current proposed accounting model, lessor accounting for operating leases will remain substantially unchanged.

The FASB and the IASB issued a revised exposure draft in May 2013. The proposal does not include a proposed effective date; rather it states that the feedback of interested parties will be considered and that they are aware that the proposals affect almost every reporting entity and that the proposed changes to accounting for leases are significant. The FASB and IASB will be considering these and other relevant factors when evaluating the exposure draft. The FASB and the IASB continue to deliberate on the proposed accounting. Currently, management is unable to assess the impact the adoption of the new finalized lease standard will have on our financial statements. Although we believe the presentation of our financial statements, and those of our lessees, could change, we do not believe the accounting pronouncement will change the fundamental economic reasons for which the airlines lease aircraft.

We may not be able to pay or maintain dividends, or we may choose not to pay dividends, and the failure to pay or maintain dividends may negatively affect our share price.

Current dividends may not be indicative of the amount of any future quarterly dividends. Our ability to pay, maintain or increase cash dividends to our shareholders is subject to the discretion of our Board of Directors and will depend on many factors, including our ability to comply with covenants in our financing documents that limit our ability to pay dividends and make certain other restricted payments to shareholders; the difficulty we may experience in raising and the cost of additional capital and our ability to finance our aircraft acquisition commitments; our ability to re-finance our long-term financings before excess cash flows are no longer made available to us to pay dividends and for other purposes; our ability to negotiate and enforce favorable lease rates and other contractual terms; the

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level of demand for our aircraft; the economic condition of the commercial aviation industry generally; the financial condition and liquidity of our lessees; unexpected or increased expenses; the level and timing of capital expenditures, principal repayments and other capital needs; the value of our aircraft portfolio; our compliance with loan to value, interest rate coverage and other financial tests in our financings; our results of operations, financial condition and liquidity; general business conditions; restrictions imposed by our debt agreements; legal restrictions on the payment of dividends; and other factors that our Board of Directors deems relevant. Some of these factors are beyond our control, and a change in any such factor could affect our ability to pay dividends on our common stock. In the future we may not choose to pay dividends or may not be able to pay dividends, maintain our current level of dividends, or increase them over time. The failure to maintain or pay dividends may negatively affect our share price.

A negative outcome in our litigation with ILFC could negatively affect our financial condition, cash flow and results of operations.

On April 24, 2012, the Company was named as a defendant in a complaint filed in Superior Court of the State of California for the County of Los Angeles by American International Group, Inc. and ILFC (the "AIG/ILFC Complaint"). The complaint also names as defendants certain executive officers and employees of the Company. American International Group withdrew as a plaintiff on all but one cause of action that is not asserted against the Company.

Among other things, the complaint, as amended, alleges breach of fiduciary duty, misappropriation of trade secrets, the wrongful recruitment of ILFC employees, and the wrongful diversion of potential ILFC leasing opportunities. The complaint seeks an unspecified amount of damages and injunctive relief. The Company believes that it has meritorious defenses to these claims and intends to defend this matter vigorously. The amount or range of loss, if any, is not estimable at this time.

Litigation, regardless of the outcome, would require us to incur substantial legal costs and divert management's attention from the operation of our business, causing our business to suffer. In addition, a negative outcome in the litigation could negatively affect our financial condition, cash flow and results of operations.

Risks Related to Our Class A common stock

The price of our Class A common stock historically has been volatile. This volatility may negatively affect the price of our Class A common stock.

The Company's stock continues to experience substantial price volatility. This volatility may negatively affect the price of our Class A common stock at any point in time. Our stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors, including:

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

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

general and industry-specific economic conditions;

changes in the price of aircraft fuel;

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

additions or departures of key members of management;

any increased indebtedness we may incur in the future;

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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.

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. 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.

Provisions in Delaware law and our restated certificate of incorporation and amended and restated bylaws may inhibit a takeover of us, which could cause the market price of our Class A common stock to decline 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. It may also impede a merger, takeover or other business combination or discourage a potential acquirer from making a tender offer for our Class A common stock, which, under certain circumstances, could reduce the market price of our Class A common stock.

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,

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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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents**ITEM 2. PROPERTIES****Flight Equipment**

As of December 31, 2014, our fleet consisted of 213 aircraft, comprised of 163 single-aisle narrowbody jet aircraft, 32 twin-aisle widebody jet aircraft and 18 turboprop aircraft, with a weighted average age of 3.5 years.

The following table shows the scheduled lease terminations (for the minimum non-cancellable period which does not include contracted unexercised lease extension options) of our operating lease portfolio as of December 31, 2014 updated through February 26, 2015:

Aircraft Type	2015	2016	2017	2018	2019	Thereafter	Total
Airbus A319-100	1		3	1			5
Airbus A320-200		2	2	1	4	30	39
Airbus A321-200		1		1	1	17	20
Airbus A330-200			1		4	11	16
Airbus A330-300						5	5
Boeing 737-700		3		2	3		8
Boeing 737-800	4	5	7	2	10	33	61
Boring 767-300ER		1					1
Boeing 777-200ER						1	1
Boeing 777-300ER			1			8	9
Embraer E175						7	7
Embraer E190			1		6	16	23
ATR 72-600					4	14	18
Total	5	12	15	7	32	142	213

Commitments

As of December 31, 2014, we had committed to purchase the following new aircraft at an estimated aggregate purchase price (including adjustment for anticipated inflation) of approximately \$28.8 billion for delivery as shown below. The recorded basis of aircraft may be adjusted upon delivery to reflect changes in budgeted buyer furnished equipment required by a specific airline customer.

Aircraft Type	2015	2016	2017	2018	2019	Thereafter	Total
Airbus A320/321-200(1)	9						9
Airbus A320/321neo		3	12	17	21	57	110
Airbus A350-900/1000				1	2	22	25
Boeing 737-800	21	15	11				47
Boeing 737-8/9 MAX				8	18	78	104
Boeing 777-300ER	8	6	2				16
Boeing 787-9/10		3	1	7	8	26	45
ATR 72-600	2	5	1				8
Total	40	32	27	33	49	183	364

(1)

All of our Airbus A321-200 aircraft will be equipped with sharklets.

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

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purchase of aircraft. Under certain circumstances, we have the right to alter the mix of aircraft types that we ultimately acquire.

New Lease Placements

Our current lease placements are in line with our expectations and we believe they are progressing well. As of February 26, 2015, we had entered into contracts for the lease of new aircraft scheduled to be delivered through 2023 as follows:

Delivery Year	Number of Aircraft	Number Leased	% Leased
2015	40	40	100.0%
2016	32	25	78.1%
2017	27	15	55.6%
2018	33	12	36.4%
2019	49	5	10.2%
Thereafter	183	2	1.1%
Total	364	99	

Our lease commitments for 39 of the 40 aircraft to be delivered in 2015 are comprised of binding leases. Our lease commitments for the 25 aircraft to be delivered in 2016 are comprised of 16 binding leases and 9 non-binding letters of intent. Our lease commitments for 15 of the 27 aircraft to be delivered in 2017 are comprised of 11 binding leases and 4 non-binding letters of intent. Our lease commitments for 12 of the 33 aircraft to be delivered in 2018 are comprised of 11 binding leases and one non-binding letter of intent. Our lease commitments for 5 of the 49 aircraft to be delivered in 2019 are comprised entirely of three binding leases and two non-binding letters of intent. Finally, our lease commitments for two of the 183 aircraft to be delivered after 2019 are comprised of one binding lease and one non-binding letter of intent. While our management's historical experience is that non-binding letters of intent for aircraft leases generally lead to binding contracts, we are not certain that we will ultimately execute binding agreements for all or any of the letters of intent. While we actively seek lease placements for the aircraft that are scheduled to be delivered through 2023, 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.

Facilities

We lease our principal executive office at 2000 Avenue of the Stars, Suite 1000N, Los Angeles, California 90067. We also lease offices at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland. We do not own any real estate. We believe our current facilities are adequate for our current needs and for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

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

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On April 24, 2012, the Company was named as a defendant in a complaint filed in Superior Court of the State of California for the County of Los Angeles by American International Group, Inc. and ILFC (the "AIG/ILFC Complaint"). The complaint also names as defendants certain executive officers and employees of the Company. American International Group withdrew as a plaintiff on all but one cause of action that is not asserted against the Company.

Among other things, the complaint, as amended, alleges breach of fiduciary duty, misappropriation of trade secrets, the wrongful recruitment of ILFC employees, and the wrongful diversion of potential ILFC leasing opportunities. The complaint seeks an unspecified amount of damages and injunctive relief. The Company believes that it has meritorious defenses to these claims and intends to defend this matter vigorously. The amount or range of loss, if any, is not estimable at this time.

On August 15, 2013, the Company filed a cross-complaint against ILFC and AIG. The cross-complaint, as amended, alleges breach of contract for the sale of goods in connection with an agreement entered into by AIG, acting on behalf of ILFC, in January 2010 to sell 25 aircraft to the entity that became Air Lease Corporation. The cross-complaint seeks compensatory damages in excess of \$500.0 million.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our Class A common stock has been quoted on the New York Stock Exchange (the "NYSE") under the symbol "AL" since April 19, 2011. Prior to that time, there was no public market for our stock. As of December 31, 2014, there were 102,392,208 shares of Class A common stock outstanding held by approximately 196 holders of record.

On February 25, 2015 the closing price of our Class A common stock was \$38.76 per share as reported by the NYSE. The table below sets forth for the indicated periods the high and low sales prices for our Class A common stock as reported on the NYSE.

Fiscal Year 2014 Quarters Ended:	High	Low
March 31, 2014	\$ 37.69	\$ 30.27
June 30, 2014	\$ 42.44	\$ 34.68
September 30, 2014	\$ 38.88	\$ 32.50
December 31, 2014	\$ 38.74	\$ 31.06

Fiscal Year 2013 Quarters Ended:	High	Low
March 31, 2013	\$ 29.36	\$ 21.89
June 30, 2013	\$ 30.58	\$ 26.18
September 30, 2013	\$ 28.67	\$ 25.80
December 31, 2013	\$ 33.29	\$ 27.73

Dividends

In February 2013, our Board of Directors adopted a cash dividend policy pursuant to which we intended to pay quarterly cash dividends of \$0.025 per share on our outstanding common stock. In November 2013, we raised our quarterly cash dividend by 20% to \$0.03 per share on our outstanding common stock. In November 2014, we raised our quarterly cash dividend by 33% to \$0.04 per share on our outstanding common stock. There were no dividends declared or paid during 2012 or 2011.

While the Board of Directors paid a quarterly cash dividend in 2014 and currently expects to continue paying a quarterly cash dividend of \$0.04 per share for the foreseeable future, the cash dividend policy can be changed at any time at the discretion of the Board of Directors.

Stock Authorized for Issuance Under Equity Compensation Plans

Set forth below is certain information about the Class A common stock authorized for issuance under the Company's equity compensation plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,580,283	\$ 20.34	6,648,524
Equity compensation plans not approved by security holders			
Total	3,580,283	\$ 20.34	6,648,524

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Performance Graph

The graph below compares the cumulative return since April 19, 2011 of the Company's Class A common stock, the S&P Midcap 400 Index, the Russell 2000 Index and a customized peer group. The peer group consists of three companies: Aircastle Limited (NYSE: AYR), AerCap Holdings NV (NYSE: AER) and FLY Leasing Limited (NYSE: FLY). The peer group investment is weighted by market capitalization as of April 19, 2011, and is adjusted monthly. An investment of \$100, with reinvestment of all dividends, is assumed to have been made in our Class A common stock, in the peer group and in the S&P Midcap 400 Index and in the Russell 2000 Index on April 19, 2011, and the relative performance of each is tracked through December 31, 2014. The stock price performance shown in the graph is not necessarily indicative of future stock price performance.

Comparison of 44 Month Cumulative Total Return

Assumes Initial Investment of \$100

December 31, 2014

Company Purchases of Stock

The Company did not purchase any shares of its Class A common stock during 2014.

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ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	For the Period from Inception to December 31, 2010
(in thousands, except share data)					
Operating data:					
Rentals of flight equipment	\$ 991,241	\$ 836,516	\$ 645,853	\$ 332,719	\$ 57,075
Aircraft sales, trading and other	59,252	22,159	9,893	4,022	1,291
Total revenues	1,050,493	858,675	655,746	336,741	58,366
Expenses	655,717	565,233	451,773	253,900	119,281
Income (loss) before taxes	394,776	293,442	203,973	82,841	(60,915)
Income tax (expense) benefit	(138,778)	(103,031)	(72,054)	(29,609)	8,875
Net income (loss)	\$ 255,998	\$ 190,411	\$ 131,919	\$ 53,232	\$ (52,040)
Net income (loss) per share:					
Basic	\$ 2.51	\$ 1.88	\$ 1.31	\$ 0.59	\$ (1.32)
Diluted	\$ 2.38	\$ 1.80	\$ 1.28	\$ 0.59	\$ (1.32)
Cash dividends declared per share:					
	\$ 0.13	\$ 0.11	\$	\$	
Weighted average shares outstanding:					
Basic	102,142,828	101,529,137	100,991,871	89,592,945	39,511,045
Diluted	110,192,771	108,963,550	107,656,463	90,416,346	39,511,045
Cash flow data:					
Net cash flows provided by (used in):					
Operating activities	\$ 769,018	\$ 654,213	\$ 491,029	\$ 267,166	\$ 41,934
Investing activities	(1,805,657)	(2,185,894)	(2,344,924)	(2,977,156)	(1,851,520)
Financing activities	1,049,285	1,571,765	1,802,179	2,662,974	2,138,407

	As of December 31,				
	2014	2013	2012	2011	2010
(in thousands, except share and aircraft data)					
Balance sheet data:					
Flight equipment subject to operating leases (net of accumulated depreciation)	\$ 8,953,804	\$ 7,613,135	\$ 6,251,863	\$ 4,237,416	\$ 1,629,809
Total assets	10,774,784	9,332,604	7,353,624	5,164,593	2,276,282
Total debt	6,714,362	5,853,317	4,384,732	2,602,799	911,981
Total liabilities	8,002,722	6,809,170	5,021,003	2,988,310	1,051,347
Shareholders' equity	2,772,062	2,523,434	2,332,621	2,176,283	1,224,935

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Other operating data:

Aircraft lease portfolio at period end:

Owned	213	193	155	102	40
Managed	17	4	4	2	
	41				

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Air Lease Corporation is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as Boeing and Airbus, and leasing those aircraft to airlines throughout the world. In addition to our leasing activities, we sell aircraft from our operating lease portfolio to third parties, including other leasing companies, financial services companies and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee. Our operating performance is driven by the growth of our fleet, the terms of our leases, the interest rates on our indebtedness and the terms of our aircraft sales and trading activities.

We ended 2014 with 213 aircraft in our operating lease portfolio and an additional 364 aircraft on order with Boeing, Airbus and ATR. Our operating lease portfolio of 213 aircraft as of December 31, 2014, is comprised of 163 single-aisle narrowbody jet aircraft, 32 twin-aisle widebody jet aircraft and 18 turboprop aircraft, with a weighted average age of 3.5 years. We ended 2013 with 193 aircraft, comprised of 146 single-aisle jet aircraft, 31 twin-aisle widebody aircraft and 16 turboprop aircraft, with a weighted average age of 3.7 years. Our fleet grew by 17.6% based on net book value to \$9.0 billion as of December 31, 2014 compared to \$7.6 billion as of December 31, 2013.

We increased our rental revenue by 18.5% or \$154.7 million to \$991.2 million for the year ended December 31, 2014, compared to \$836.5 million for the year ended December 31, 2013. The increase in rental revenue was primarily due to the delivery of 36 additional aircraft, all of which were leased at the time of delivery, partially offset by the sale of 16 aircraft from our operating lease portfolio. Due to the timing of aircraft deliveries and sales, the impact on rental revenue will be reflected in subsequent periods.

We recorded earnings before income taxes of \$394.8 million for the year ended December 31, 2014 compared to \$293.4 million for the year ended December 31, 2013, an increase of \$101.3 million or 34.5%. Our profitability increased year over year as our pretax profit margin increased to 37.6% for the year ended December 31, 2014, compared to 34.2% for the year ended December 31, 2013. Our earnings per share also increased, as we recorded diluted earnings per share of \$2.38 for the year ended December 31, 2014, compared to \$1.80 for the year ended December 31, 2013, an increase of 32.2%.

As of December 31, 2014, all of our 213 aircraft were leased. Our airline customers were obligated to pay us \$7.5 billion in minimum future rental payments over the non-cancellable lease term. In addition, we have signed lease agreements for 99 aircraft that we ordered from the manufacturers for delivery through 2023. Under these lease agreements our airline customers are contractually obligated to pay us \$9.0 billion in minimum future rental payments over the non-cancellable lease term. In the aggregate, between aircraft we own in our operating lease portfolio and those that we have leased from our orderbook, our customers are contractually obligated to pay us \$16.5 billion in minimum future rental payments.

During 2014, the Company entered into definitive agreements with Airbus, Boeing and ATR to purchase 97 additional aircraft. From Airbus, we agreed to purchase 60 A321neo aircraft, two A321-200 aircraft and one A320-200 aircraft. From Boeing, we agreed to purchase six Boeing 777-300ER aircraft, one 737-800 aircraft and confirmed the purchase of 20 737-8/9 MAX aircraft which were previously subject to reconfirmation. From ATR, we agreed to purchase seven ATR 72-600 aircraft. Deliveries of the aircraft are scheduled to commence in 2015 and continue through 2023.

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We were the first launch customer for the Airbus A330neo aircraft and the A321LR aircraft. In July 2014, we entered into a non-binding memorandum of understanding with Airbus to purchase 25 A330neo aircraft. In January 2015, we entered into a non-binding memorandum of understanding with Airbus to purchase 30 A321LR aircraft. Deliveries of the aircraft are scheduled to commence in 2018 and continue through 2023.

On November 4, 2014, a wholly owned subsidiary of the Company entered into a joint venture with a co-investment vehicle arranged by Napier Park Global Capital (US) LP ("Napier Park") for the purpose of investing in commercial aircraft and leasing them to airlines around the globe. The Company's non-controlling interest in the joint venture is 9.5%. The joint venture is expected to acquire total aircraft assets of approximately \$2.0 billion by year-end 2016, financed with up to \$500 million in equity and the remainder financed by a committed warehouse credit facility and other forms of debt financing. We expect to sell aircraft from our portfolio to the joint venture with an aggregate value of approximately \$500.0 million by year-end 2016. We will also provide management services to the joint venture for a fee based upon aircraft assets under management.

Our financing plans remain focused on raising unsecured debt in the global bank and capital markets, reinvesting cash flow from operations and, to a limited extent, export credit financing. In March 2014, we issued \$500 million in aggregate principal amount of senior unsecured notes due 2021 that bear interest at a rate of 3.875%. In May 2014, we amended our unsecured revolving credit facility increasing the capacity by \$100.0 million to \$2.1 billion and extended the availability period to May 2018. In July 2014, we amended our 2010 Warehouse Facility reducing the capacity by \$250.0 million to \$750.0 million, extending the availability to June 2016 and reducing the interest rate by 0.25% to LIBOR plus 2.00%. In September 2014, we issued \$1.0 billion in aggregate principal amount of senior unsecured notes comprised of \$500.0 million in aggregate principal amount of senior unsecured notes due 2018 that bear interest at a rate of 2.125% and \$500.0 million in aggregate principal amount of senior unsecured notes due 2024 that bear interest at a rate of 4.25%. We ended 2014 with total debt outstanding of \$6.7 billion, of which 75.2% was at a fixed rate and 82.3% was unsecured, with a composite cost of funds of 3.64%. Since the end of 2014, we issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2022 that bear interest at a rate of 3.75%.

Our Fleet

We have continued to build one of the world's youngest operating lease portfolios, comprised of the currently most fuel-efficient commercial jet transport aircraft. During the year ended December 31, 2014, we took delivery of 36 aircraft from our new order pipeline, we sold 16 aircraft, ending the year with a total of 213 aircraft. Our weighted average fleet age and weighted average remaining lease term as of December 31, 2014 were 3.5 years and 7.3 years, respectively. We also managed 17 aircraft as of December 31, 2014.

Portfolio metrics of our fleet as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
	(dollars in thousands)	
Fleet size	213	193
Weighted average fleet age(1)	3.5 years	3.7 years
Weighted average remaining lease term(1)	7.3 years	7.1 years
Aggregate net book value	\$ 8,953,804	\$ 7,613,135

(1) Weighted-average fleet age and remaining lease term calculated based on net book value.

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The following table sets forth the net book value and percentage of the net book value of our aircraft portfolio operating in the indicated regions as of December 31, 2014 and 2013:

Region	December 31, 2014		December 31, 2013	
	Net Book Value	% of Total	Net Book Value	% of Total
(dollars in thousands)				
Asia	\$ 3,838,523	42.9%	\$ 3,165,367	41.6%
Europe	2,953,232	33.0%	2,656,816	34.9%
Central America, South America and Mexico	778,991	8.7%	829,930	10.9%
The Middle East and Africa	498,896	5.6%	372,618	4.9%
Pacific, Australia, New Zealand	471,630	5.2%	151,751	2.0%
U.S. and Canada	412,532	4.6%	436,653	5.7%
Total	\$ 8,953,804	100.0%	\$ 7,613,135	100.0%

The following table sets forth the number of aircraft we leased by aircraft type as of December 31, 2014 and 2013:

Aircraft type	December 31, 2014		December 31, 2013	
	Number of Aircraft	% of Total	Number of Aircraft	% of Total
Airbus A319-100	5	2.3%	6	3.1%
Airbus A320-200	39	18.3%	42	21.8%
Airbus A321-200	20	9.4%	7	3.6%
Airbus A330-200	16	7.5%	16	8.3%
Airbus A330-300	5	2.3%	5	2.6%
Boeing 737-700	8	3.8%	10	5.2%
Boeing 737-800	61	28.6%	50	25.9%
Boeing 767-300ER	1	0.5%	3	1.6%
Boeing 777-200ER	1	0.5%	1	0.5%
Boeing 777-300ER	9	4.2%	6	3.1%
Embraer E175	7	3.3%	8	4.1%
Embraer E190	23	10.8%	23	11.9%
ATR 72-600	18	8.5%	16	8.3%
Total	213	100.0%	193	100.0%

As of December 31, 2014, we had contracted to buy 364 new aircraft for delivery through 2023, with an estimated aggregate purchase price (including adjustments for inflation) of \$28.8 billion, for delivery as follows:

Aircraft Type	2015	2016	2017	2018	2019	Thereafter	Total
Airbus A320/321-200(1)	9						9
Airbus A320/321neo		3	12	17	21	57	110
Airbus A350-900/1000				1	2	22	25
Boeing 737-800	21	15	11				47
Boeing 737-8/9 MAX				8	18	78	104
Boeing 777-300ER	8	6	2				16
Boeing 787-9/10		3	1	7	8	26	45
ATR 72-600	2	5	1				8
Total	40	32	27	33	49	183	364

(1)

All of our Airbus A321-200 aircraft will be equipped with sharklets.

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Our lease placements are progressing in line with expectations. As of December 31, 2014, we have entered into contracts for the lease of new aircraft scheduled to be delivered as follows:

Delivery Year	Number of Aircraft	Number Leased	% Leased
2015	40	40	100.0%
2016	32	25	78.1%
2017	27	15	55.6%
2018	33	12	36.4%
2019	49	5	10.2%
Thereafter	183	2	1.1%
Total	364	99	

Aircraft Industry and Sources of Revenues

Our revenues are principally derived from operating leases with scheduled and charter airlines. In the last three years, we derived more than 95% of our revenues from airlines domiciled outside of the U.S., and we anticipate that most of our revenues in the future will be generated from foreign customers.

Demand for air travel has consistently grown in terms of both the passenger traffic and number of aircraft in service. According to the International Air Transport Association ("IATA"), global passenger traffic demand grew 5.9% in 2014 over the prior year. In 2013, global passenger traffic demand grew 5.2% compared to 2012, which was aligned with the annual growth rate over the past 30 years. The number of aircraft in service also has grown steadily. Additionally, the number of leased aircraft in the global fleet has increased. The long-term outlook for aircraft demand remains robust due to increased passenger traffic and the need to replace aging aircraft.

The success of the commercial airline industry is linked to the strength of global economic development, which may be negatively impacted by macroeconomic conditions, geopolitical and policy risks. While the airline industry is cyclical, the leasing industry has remained resilient over time. Despite airline business cycle downturns, demand for aircraft has trended upward consistently, and many aircraft are delivered during downturns.

From time to time, our airlines customers face financial difficulties. In January 2015, Skymark Airlines filed for civil rehabilitation proceedings in Japan (similar to U.S. Bankruptcy reorganization). Skymark Airlines operates two of our Boeing 737-800 aircraft and we expect the airline to continue to make payments to us during these proceedings.

Despite industry cyclicity and economic stresses, we remain optimistic about the long-term growth prospects for air transportation. We see a growing demand for aircraft leasing in the broader industry and a role for us in helping airlines modernize their fleets to support the growth of the airline industry.

Liquidity and Capital Resources**Overview**

We finance the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activity, and debt financings. From our inception in 2010, we have structured the Company to be an investment grade company and our debt financing strategy has focused on funding our business on an unsecured basis. Unsecured financing provides us with operational flexibility when selling or transitioning aircraft from one airline to another. We may, to a limited extent, utilize export credit financing in support of our new aircraft deliveries.

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In 2013, we received a corporate credit rating of A from Kroll Bond Ratings, followed by a second investment grade corporate credit rating of BBB from S&P. Our credit rating from Kroll Bond Ratings was reconfirmed in 2014. Our investment grade credit ratings further lowered our cost of funds and broadened our access to attractively priced capital. Our long-term debt financing strategy will be focused on continuing to raise unsecured debt in the global bank and capital markets.

During the year ended December 31, 2014, we incurred additional debt financing and capacity aggregating \$1.8 billion, which included \$1.5 billion in senior unsecured notes, the addition of \$100 million in capacity to our unsecured revolving credit facility which now totals \$2.1 billion, the reduction of \$250 million in capacity to our 2010 Warehouse Facility and additional debt facilities aggregating \$175.0 million. We ended 2014 with total debt outstanding of \$6.7 billion compared to \$5.9 billion in 2013. We ended 2014 with total unsecured debt outstanding of \$5.5 billion compared to \$4.3 billion in 2013, increasing our unsecured debt as a percentage of total debt to 82.3% as of December 31, 2014 compared to 73.4% as of December 31, 2013. Our fixed rate debt as a percentage of total debt increased to 75.2% as of December 31, 2014 from 61.9% as of December 31, 2013.

We increased our cash flows from operations by 17.5% or \$114.8 million to \$769.0 million in 2014 as compared to \$654.2 million in 2013. Our cash flows from operations increased primarily because of the lease of additional aircraft. Our cash used in investing activities decreased by 17.4% or \$380.2 million to \$1.8 billion in 2014 as compared to \$2.2 billion in 2013. Our cash used in investing activities decreased primarily because of the increase in our cash flows from aircraft sales, trading and other activities which increased by 517.8% or \$506.1 million to \$603.8 million in 2014 as compared to \$97.7 million in 2013. Our cash flows from financing activities decreased by 33.2% or \$522.5 million to \$1.0 billion in 2014 as compared to \$1.6 billion in 2013 primarily because of the increase in cash flows from aircraft sales, trading and other activities. Our cash flows from operations and aircraft sales, trading and other activities contributed significantly to our liquidity position.

We ended 2014 with available liquidity of \$2.1 billion which is comprised of unrestricted cash of \$282.8 million and undrawn balances under our warehouse facilities and unsecured revolving credit facilities of \$1.8 billion. We believe that we have sufficient liquidity to satisfy the operating requirements of our business through the next twelve months.

Our financing plan for 2015 is focused on funding the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activity, and debt financings. Our debt financing plan will remain focused on continuing to raise unsecured debt in the global bank and capital markets. In addition, we may utilize, to a limited extent, export credit financing in support of our new aircraft deliveries.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in "Item 1A. Risk Factors" of this Annual Report on Form 10-K.

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Our debt financing was comprised of the following at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
	(dollars in thousands)	
Unsecured		
Senior notes	\$ 4,579,194	\$ 3,055,620
Revolving credit facilities	569,000	808,000
Term financings	196,146	247,722
Convertible senior notes	200,000	200,000
	5,544,340	4,311,342
Secured		
Warehouse facilities	484,513	828,418
Term financings	636,411	654,369
Export credit financing	64,884	71,539
	1,185,808	1,554,326
Total secured and unsecured debt financing	6,730,148	5,865,668
Less: Debt discount	(15,786)	(12,351)
Total debt	\$ 6,714,362	\$ 5,853,317

Selected interest rates and ratios:

Composite interest rate(1)	3.64%	3.60%
Composite interest rate on fixed rate debt(1)	4.22%	4.56%
Percentage of total debt at fixed rate	75.20%	61.90%

(1)

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

Senior unsecured notes

During the year ended December 31, 2014, the Company issued \$1.5 billion in aggregate principal amount of senior unsecured notes.

As of December 31, 2014, the Company had \$4.6 billion in senior unsecured notes outstanding with remaining terms ranging from one to 10 years and bearing interest at fixed rates ranging from 2.125% to 7.375%. As of December 31, 2013, the Company had \$3.1 billion in senior unsecured notes outstanding with remaining terms ranging from two to six years and bearing interest at fixed rates ranging from 3.375% to 7.375%. Since the end of 2014, we issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2022 that bear interest at a rate of 3.75%.

Registered senior unsecured notes issued prior to November 2013

Our 5.625% unsecured notes due 2017, of which \$1.1 billion in aggregate principal amount was outstanding as of December 31, 2014 and which are governed by an indenture, dated as of March 16, 2012, as amended and supplemented, between us and Deutsche Bank Trust Company Americas, as trustee (the "5.625% indenture"), our 4.500% unsecured notes due 2016, of which \$500.0 million in aggregate principal amount was outstanding as of December 31, 2014 and which are governed by an indenture, dated as of September 26, 2012, as amended and supplemented, between us and Deutsche Bank Trust Company Americas, as trustee (the "4.500% indenture") and our 4.750% unsecured notes due 2020, of which \$400.0 million in aggregate principal amount was outstanding as of December 31, 2014 and which are governed by an indenture, dated as of October 11, 2012, as amended and supplemented, between us and Deutsche Bank Trust Company Americas, as trustee (the "4.750% indenture" and, together with the 5.625% indenture and the 4.500% indenture, the "2012 indentures"),

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are registered with the SEC. All of these notes may be redeemed in part or in full at any time and from time to time prior to maturity at specified redemption prices. All of these notes, also require us to purchase all or a portion of the notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest if a change of control repurchase event (as defined in the applicable indenture) occurs.

The 2012 indentures contain financial maintenance covenants relating to our consolidated net worth, consolidated unencumbered assets and interest coverage. In addition, the indenture as it relates to these notes contains covenants that, among other things, (i) limit our ability and the ability of our subsidiaries to pay dividends on or purchase certain equity interests, prepay subordinated obligations, alter their lines of business and engage in affiliate transactions; (ii) limit the ability of our subsidiaries to incur unsecured indebtedness; and (iii) limit our ability and the ability of each note guarantor subsidiary, if any, to consolidate, merge or sell all or substantially all of its assets. As of December 31, 2014, management believes that we were in compliance with all covenants contained in the 2012 indentures in all material respects. These covenants are subject to a number of important exceptions and qualifications set forth in the applicable indenture, including the limitation on the payment of dividends on or purchases of certain equity interests and prepayments of subordinated indebtedness at such time as the notes are rated investment grade (as defined in the applicable indenture).

These notes were not guaranteed by any of our subsidiaries on the date the notes were issued or as of December 31, 2014 or as of the date of this report. However, the notes will be required to be guaranteed on a senior unsecured basis by any of our existing and future direct and indirect subsidiaries that guarantee certain of our indebtedness. The note guarantees, if any, would be the senior unsecured obligations of our subsidiaries that guarantee the notes.

The 2012 indentures also provide for customary events of default including, but not limited to, the failure to pay scheduled principal and interest payments on the notes, the failure to comply with covenants and agreements specified in the indenture, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the relevant indentures may immediately become due and payable. These events are default are subject to a number of important exceptions and qualifications set forth in the 2012 indentures.

Registered senior unsecured notes issued during or subsequent to November 2013

All of our unsecured notes that were issued during or subsequent to November 2013, of which \$2.2 billion in aggregate principal amount was outstanding as of as of December 31, 2014, have been registered with the SEC. Such notes are governed by an indenture, dated as of October 11, 2012, as amended and supplemented, between us and Deutsche Bank Trust Company Americas, as trustee (the "shelf registration statement indenture"). All such notes may be redeemed in part or in full at any time and from time to time prior to maturity at specified redemption prices. All such notes, also require us to purchase all or a portion of the notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest if a change of control repurchase event (as defined in the applicable supplemental indenture) occurs. None of our subsidiaries will guarantee or otherwise be obligated to pay any of our obligations under these notes.

The shelf registration statement indenture requires us to comply with certain covenants, including restrictions on our ability to (i) incur liens on assets and (ii) merge, consolidate or transfer substantially all of our assets. As of December 31, 2014, management believes that we were in compliance with all covenants contained in the shelf registration statement indenture in all material respects. The shelf registration statement indenture also provides for customary events of default including, but not limited to, the failure to pay scheduled principal and interest payments on the notes, the failure to comply with covenants and agreements specified in the indenture, the acceleration of certain other indebtedness

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resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the relevant indentures may immediately become due and payable. These covenants and events are default are subject to a number of important exceptions and qualifications set forth in the shelf registration statement indenture.

Unregistered senior unsecured notes

Our 5.000% unsecured notes due 2016, 7.375% unsecured notes due 2019, 3.64% unsecured notes due 2016 and 4.49% unsecured notes due 2019 of which, in the aggregate, \$325.0 million was outstanding as of December 31, 2014, are governed by various purchase agreements. These notes are not registered with the SEC. All such notes may be redeemed in part or in full at any time and from time to time prior to maturity at specified redemption prices. All such notes, also require us to purchase all of the notes at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest if a change of control (as defined in the applicable purchase agreement) occurs.

These purchase agreements contain financial maintenance covenants relating to our consolidated net worth, consolidated unencumbered assets, interest coverage and consolidated leverage ratio. In addition, the purchase agreements as they relate to these notes contains covenants that, among other things, (i) limit our ability and the ability of our subsidiaries to pay dividends on or purchase certain equity interests, prepay subordinated obligations, alter their lines of business and engage in affiliate transactions; (ii) limit the ability of our subsidiaries to incur unsecured indebtedness; and (iii) limit our ability and the ability of each note guarantor subsidiary, if any, to consolidate, merge or sell all or substantially all of its assets. As of December 31, 2014, management believes that we were in compliance with all covenants contained in these note purchase agreements in all material respects. These covenants are subject to a number of important exceptions and qualifications set forth in the applicable purchase agreement, including the limitation on the payment of dividends on or purchases of certain equity interests and prepayments of subordinated indebtedness at such time as the notes are rated investment grade (as defined in the applicable purchase agreement).

These notes were not guaranteed by any of our subsidiaries on the date the notes were issued or as of December 31, 2014 or as of the date of this report. The note guarantees, if any, would be the senior unsecured obligations of our subsidiaries that guarantee the notes.

The purchase agreements also provide for customary events of default including, but not limited to, the failure to pay scheduled principal and interest payments on the notes, the failure to comply with covenants and agreements specified in the purchase agreements, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the relevant purchase agreement may immediately become due and payable. These events are default are subject to a number of important exceptions and qualifications set forth in the purchase agreements.

Unsecured revolving credit facilities

We have a senior unsecured revolving credit facility governed by a second amended and restated credit agreement, dated May 5, 2014, with JP Morgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. The unsecured revolving credit facility currently provides us with financing capacity of up to \$2.1 billion subject to the terms and conditions set forth therein. The unsecured revolving credit facility replaced our \$2.0 billion amended and restated credit agreement dated May 7, 2013 with JP Morgan Chase Bank, N.A. as administrative agent and the lenders from time to time party thereto. The unsecured revolving credit facility will mature on May 5, 2018 (subject to our ability to extend the maturity date for two one-year extension periods on the terms and conditions set forth in the unsecured revolving credit facility) and contains an uncommitted accordion

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feature under which its aggregate principal amount can be increased by up to \$500.0 million under certain circumstances. The unsecured revolving credit facility contains sub-limits of \$150.0 million for the issuance of letters of credit and \$150.0 million for swingline loans.

Borrowings under the unsecured revolving credit facility will generally (and as of December 31, 2014 did) bear interest at either (a) LIBOR plus a margin of 125 basis points per year or (b) an alternative base rate plus a margin of 25 basis points per year, subject to reductions based on improvements in the credit ratings for our debt or increases based on declines in the credit ratings for our debt. We are required to pay a facility fee of 25 basis points per year (also subject to reductions based on improvements in the credit ratings for our debt or increases based on declines in the credit ratings for our debt) in respect of total commitments under the unsecured revolving credit facility. Borrowings under the unsecured revolving credit facility are used to finance our working capital needs in the ordinary course of business and for other general corporate purposes.

The total amount outstanding under our unsecured revolving credit facilities was \$569.0 million and \$808.0 million as of December 31, 2014 and December 31, 2013, respectively.

The unsecured revolving credit facility provides for certain affirmative and negative covenants, including covenants that limit our subsidiaries' ability to incur, create or assume certain unsecured indebtedness, and our subsidiaries' ability to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales. The unsecured revolving credit facility also requires us to comply with certain financial covenants (measured at the end of each fiscal quarter) including a maximum consolidated leverage ratio, minimum consolidated shareholders' equity and minimum consolidated unencumbered assets, as well as an interest coverage test that will be suspended when the unsecured revolving credit facility or certain of our other indebtedness is rated investment grade (as defined in the unsecured revolving credit facility). As of December 31, 2014, management believes that we were in compliance with all covenants contained in the unsecured revolving credit facility in all material respects. In addition, the unsecured revolving credit facility contains customary events of default. In the case of an event of default, the lenders may terminate the commitments under the unsecured revolving credit facility and require immediate repayment of all outstanding borrowings and the cash collateralization of all outstanding letters of credit. Such termination and acceleration will occur automatically in the event of certain bankruptcy events. These provisions are subject to a number of important exceptions and qualifications set forth in the credit agreement governing the unsecured revolving credit facility.

The unsecured revolving credit facility is not currently guaranteed by any of our subsidiaries. However, the unsecured revolving credit facility will be required to be guaranteed by any of our subsidiaries that guarantee certain of our other indebtedness.

Unsecured term financings

From time to time, we enter into unsecured term facilities. During 2014, we entered into four additional unsecured term facilities aggregating \$65.0 million with terms ranging from four to five years and bearing interest at fixed rates ranging from 2.85% to 3.125% per annum. The outstanding balance on our unsecured term facilities as of December 31, 2014 and December 31, 2013 was \$196.1 million and \$247.7 million, respectively. As of December 31, 2014, the remaining maturities of all unsecured term facilities ranged from approximately 0.1 years to approximately 5.0 years.

Convertible senior notes

In November 2011, we issued \$200.0 million in aggregate principal amount of 3.875% convertible senior notes due 2018 in an offering exempt from registration under the Securities Act. The convertible notes are senior unsecured obligations of the Company and bear interest at a rate of 3.875% per annum, payable in arrears on June 1 and December 1 of each year, commencing on June 1, 2012. The

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convertible notes are convertible at the option of the holder into shares of our Class A common stock at a price of \$30.01 per share.

Warehouse facilities

On March 27, 2014, we refinanced a portfolio of secured debt facilities including one of our wholly-owned subsidiary's ("2012 Warehouse Borrower") \$192.8 million senior secured warehouse facility through an amended and restated credit agreement dated as of March 27, 2014 (as amended, the "2012 Warehouse Facility"). We reduced the aggregate principal amount outstanding under the portfolio of loans from \$178.5 million to \$101.0 million, reduced the interest rate on the floating rate debt facilities from LIBOR plus 2.25% to LIBOR plus 1.55% while the interest rate on the fixed rate debt facilities remained at 4.58% and modified the amortization schedule of the loans, which now have final maturities in March 2019. The outstanding balance on our 2012 Warehouse Facility as of December 31, 2014 and December 31, 2013 was \$88.1 million and \$171.6 million, respectively.

The 2012 Warehouse Facility contains customary affirmative and negative covenants, including covenants that limit 2012 Warehouse Borrower's and certain of its subsidiaries' ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales. In addition, the 2012 Warehouse Facility contains customary events of default. In the case of an event of default, the lenders may terminate the availability period under the 2012 Warehouse Facility and require immediate repayment of all outstanding loans. Such termination and acceleration will occur automatically in the event of certain bankruptcy events. These provisions are subject to a number of important exceptions and qualifications set forth in the loan agreement governing the 2012 Warehouse Facility. As of December 31, 2014 the 2012 Warehouse Borrower was in compliance in all material respects with all covenants contained in the 2012 Warehouse Facility.

We provide a guaranty of the obligations of 2012 Warehouse Borrower and certain of its subsidiaries under the 2012 Warehouse Facility. The obligations under the 2012 Warehouse Facility are secured by a pledge of the 2012 Warehouse Borrower's equity interests by the Company, by certain cash collateral and by substantially all of the personal property, including aircraft, of the 2012 Warehouse Borrower and certain subsidiaries of the 2012 Warehouse Borrower, subject to certain exceptions.

On July 23, 2014, one of our wholly owned subsidiaries ("2010 Warehouse Borrower") entered into an amendment to its amended and restated warehouse loan agreement dated as of June 21, 2013 (as amended, the "2010 Warehouse Facility") with Credit Suisse AG, New York Branch, as agent, and the lenders party thereto. The 2010 Warehouse Facility, as amended, provides the 2010 Warehouse Borrower with financing of up to \$750 million, modified from the previous facility size of \$1.0 billion. The 2010 Warehouse Facility contains an uncommitted accordion feature under which its aggregate principal amount can be increased to \$2.0 billion under certain circumstances. The interest rate on the 2010 Warehouse Facility, as amended, was reduced from LIBOR plus 2.25% to LIBOR plus 2.00% on drawn balances and continues to bear interest at a rate of 0.50% on undrawn balances. The 2010 Warehouse Borrower is able to draw on the 2010 Warehouse Facility, as amended, during an availability period that was extended from June 2015 to June 2016 and the maturity date of the 2010 Warehouse Facility was extended from June 2019 to June 2020. Borrowings under the 2010 Warehouse Facility are generally used by the 2010 Warehouse Borrower and certain of its subsidiaries to finance directly or indirectly the purchase of aircraft, leases related thereto and improvements thereof.

The 2010 Warehouse Facility contains customary affirmative and negative covenants, including covenants that limit the 2010 Warehouse Borrower's and its subsidiaries' ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers,

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consolidations and asset sales. The 2010 Warehouse Facility also contains limitations on our ability to guarantee the obligations of the 2010 Warehouse Borrower and its subsidiaries. In addition, the 2010 Warehouse Facility contains customary events of default. In the case of an event of default, the lenders may terminate the availability period under the 2010 Warehouse Facility and require immediate repayment of all outstanding loans. Such termination and acceleration will occur automatically in the event of certain bankruptcy events. These provisions are subject to a number of important exceptions and qualifications set forth in the loan agreement governing the 2010 Warehouse Facility. As of December 31, 2014 the 2010 Warehouse Borrower was in compliance in all material respects with all covenants contained in the 2010 Warehouse Facility.

We provide a limited guaranty of the obligations of 2010 Warehouse Borrower and its subsidiaries under the 2010 Warehouse Facility. The obligations under the 2010 Warehouse Facility are secured by a pledge of the 2010 Warehouse Borrower's equity interests by the Company, by certain cash collateral and by substantially all of the personal property, including aircrafts, of 2010 Warehouse Borrower and certain subsidiaries of 2010 Warehouse Borrower, subject to certain exceptions.

As of December 31, 2014, the 2010 Warehouse Borrower had borrowed \$484.5 million under the 2010 Warehouse Facility and pledged 18 aircraft as collateral with a net book value of \$729.5 million. As of December 31, 2013, the Warehouse Borrower and 2012 Warehouse Borrower had borrowed \$828.4 million under their warehouse facilities and pledged 32 aircraft as collateral with a net book value of \$1.2 billion. During 2014, we substituted letters of credit for cash collateral and lessee deposits pledged under the 2010 Warehouse Facility, reducing the total amount of restricted cash pledged to secure the 2010 Warehouse Facility from \$87.3 million at December 31, 2013 to \$7.5 million at December 31, 2014.

Secured term financing

We fund some aircraft purchases through secured term financings. Our various consolidated entities will borrow through secured bank facilities to purchase an aircraft. The aircraft are then leased by our entities to airlines. We may guarantee the obligations of the entities under the loan agreements. The loans may be secured by a pledge of the shares of the entities, the aircraft, the lease receivables, security deposits, maintenance reserves or a combination thereof.

During the year ended December 31, 2014, we entered into an additional secured term facility of \$110.0 million with a three year term bearing interest at a floating rate of LIBOR plus a margin of 1.15% per annum.

The secured term facilities contain customary affirmative and negative covenants for financings of these types, including covenants that limit the borrowers' actions to those of special purpose entities engaged in the ownership and leasing of a particular aircraft and restrict their ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales. The secured term facilities also contains limitations on the Company's ability to transfer the equity interests of such subsidiaries or to incur, create or assume liens on such equity interests or the collateral securing such secured term facilities. Certain of the facilities require us to comply with certain financial covenants. In addition, the secured term facilities contain customary events of default for such financings. In the case of an event of default, the lenders may require immediate repayment of all outstanding loans. Such termination and acceleration will occur automatically in the event of certain bankruptcy events. These provisions are subject to a number of important exceptions and qualifications set forth in the loan agreements governing the secured term facilities. As of December 31, 2014 we were in compliance in all material respects with all covenants contained in our secured term facilities.

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As of December 31, 2014, the outstanding balance on our secured term facilities (including the 2012 Warehouse Facility) was \$636.4 million and we had pledged 18 aircraft as collateral with a net book value of \$1.1 billion. The outstanding balance under our secured term facilities (including the 2012 Warehouse Facility) as of December 31, 2014 was comprised of \$104.7 million fixed rate debt and \$531.7 million floating rate debt, with interest rates ranging from 4.28% to 5.36% and LIBOR plus 1.15% to LIBOR plus 3.0%, respectively. As of December 31, 2014, the remaining maturities of all secured term facilities (including the 2012 Warehouse Facility) ranged from approximately 1.0 years to approximately 8.5 years.

As of December 31, 2013, the outstanding balance on our secured term facilities was \$654.4 million and we had pledged 18 aircraft as collateral with a net book value of \$1.14 billion. The outstanding balance under our secured term facilities as of December 31, 2013 was comprised of \$153.9 million fixed rate debt and \$505.5 million floating rate debt, with interest rates ranging from 4.25% to 5.36% and LIBOR plus 1.5% to LIBOR plus 3.0%, respectively.

Export credit financings

In March 2013, we issued \$76.5 million in secured notes due 2024 guaranteed by the Bank. The notes mature on August 15, 2024 and bear interest at a rate of 1.617% per annum. We used the proceeds of the offering to refinance a portion of the purchase price of two Boeing aircraft and the related premium charged by Bank for its guarantee of the notes.

As of December 31, 2014, we had \$64.9 million in export credit financing outstanding.

Credit Ratings

The following table summarizes our current credit ratings:

Rating Agency	Long-term Debt	Corporate Rating	Outlook	Date of Last Ratings Action
S&P	BBB	BBB	Stable Outlook	August 26, 2013
Kroll Bond Ratings	A	A	Stable Outlook	October 16, 2014

While a ratings downgrade would not result in a default under any of our debt agreements, it could adversely affect our ability to issue debt and obtain new financings, or renew existing financings, and it would increase the cost of our financings.

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	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	(in thousands)		
Revenues			
Rental of flight equipment	\$ 991,241	\$ 836,516	\$ 645,853
Aircraft sales, trading and other	59,252	22,159	9,893
Total revenues	1,050,493	858,675	655,746
Expenses			
Interest	192,818	168,743	130,419
Amortization of discounts and deferred debt issuance costs	27,772	23,627	16,994
Interest expense	220,590	192,370	147,413
Depreciation of flight equipment	336,657	280,037	216,219
Selling, general and administrative	82,422	71,212	56,453
Stock-based compensation	16,048	21,614	31,688
Total expenses	655,717	565,233	451,773
Income before taxes	394,776	293,442	203,973
Income tax expense	(138,778)	(103,031)	(72,054)
Net income	\$ 255,998	\$ 190,411	\$ 131,919

2014 Compared to 2013*Rental revenue*

As of December 31, 2014, we owned 213 aircraft at a total cost of \$9.8 billion and recorded \$991.2 million in rental revenue for the year then ended, which included overhaul revenue of \$25.2 million. In the prior year, as of December 31, 2013, we owned 193 aircraft at a total cost of \$8.2 billion and recorded \$836.5 million in rental revenue for the year ended December 31, 2013, which included overhaul revenue of \$34.4 million. The increase in rental revenue was primarily due to the delivery of 36 additional aircraft, all of which were leased at the time of delivery, partially offset by the sale of 16 aircraft from our operating lease portfolio. Due to the timing of aircraft deliveries and sales, the impact on rental revenue will be reflected in subsequent periods.

All of the aircraft in our fleet were leased as of December 31, 2014 and 2013.

Aircraft sales, trading and other revenue

Aircraft sales, trading and other revenue totaled \$59.3 million for the year ended December 31, 2014 compared to \$22.2 million for the year ended December 31, 2013. During the year ended December 31, 2014, we sold 16 aircraft from our operating lease portfolio and a corporate aircraft, received insurance proceeds in excess of the book value relating to the loss of an aircraft in 2013 and traded six Boeing 737-300 aircraft, recording gains on aircraft sales and trading activity of \$55.8 million. During the year ended December 31, 2013, we sold one aircraft from our operating lease portfolio and traded 11 737-300 aircraft, two spare engines and a corporate aircraft recording gains on aircraft sales and trading activity of \$18.9 million.

Interest expense

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Interest expense totaled \$220.6 million for the year ended December 31, 2014 compared to \$192.4 million for the year ended December 31, 2013. The change was primarily due to an increase in our average outstanding debt balances and our composite cost of funds, resulting in a \$24.1 million

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increase in interest and a \$4.1 million increase in amortization of our discounts and deferred debt issue costs. We expect that our interest expense will increase as our average debt balance outstanding continues to increase. Interest expense will also be impacted by changes in our composite cost of funds.

Depreciation expense

We recorded \$336.7 million in depreciation expense of flight equipment for the year ended December 31, 2014 compared to \$280.0 million for the year ended December 31, 2013. The increase in depreciation expense for 2014, compared to 2013, was primarily attributable to the acquisition of 36 additional aircraft aggregating \$2.2 billion. The full impact on depreciation expense for aircraft added during the year will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded selling, general and administrative expenses of \$82.4 million for the year ended December 31, 2014 compared to \$71.2 million for the year ended December 31, 2013. Selling, general and administrative expense as a percentage of revenue decreased to 7.8% for the year ended December 31, 2014 compared to 8.3% for the year ended December 31, 2013.

Stock-based compensation expense

Stock-based compensation expense totaled \$16.0 million for the year ended December 31, 2014 compared to \$21.6 million for the year ended December 31, 2013. This decrease is primarily a result of the effects of the expense recognition pattern related to our book-value RSUs, which is calculated based on a tranche by tranche vesting schedule. Additionally, as of June 30, 2013, all of our outstanding employee stock options had fully vested, further contributing to the decrease in stock-based compensation expense. See Note 11 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on stock-based compensation.

Taxes

The effective tax rate for the year ended December 31, 2014 was 35.2% compared to 35.1% for the year ended December 31, 2013. The change in effective tax rate for the respective periods is due to the effect of changes in permanent differences.

Net income

For the year ended December 31, 2014, we reported consolidated net income of \$256.0 million, or \$2.38 per diluted share, compared to a consolidated net income of \$190.4 million, or \$1.80 per diluted share, for the year ended December 31, 2013. The increase in net income for 2014, compared to 2013, was primarily attributable to the acquisition and lease of additional aircraft and an increase in aircraft sales, trading and other revenue.

2013 Compared to 2012

Rental revenue

As of December 31, 2013, we owned 193 aircraft at a total cost of \$8.2 billion and recorded \$836.5 million in rental revenue for the year then ended, which included overhaul revenue of \$34.4 million. In the prior year, as of December 31, 2012, we owned 155 aircraft at a total cost of \$6.6 billion and recorded \$645.9 million in rental revenue for the year ended December 31, 2012, which included overhaul revenue of \$25.0 million. The increase in rental revenue was primarily due to the delivery of 40 additional aircraft, all of which were leased at the time of delivery, partially offset by the

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sale of one aircraft from our operating lease portfolio. Due to the timing of aircraft deliveries and sales, the impact on rental revenue will be reflected in subsequent periods.

All of the aircraft in our fleet were leased as of December 31, 2013. All of the aircraft in our fleet were leased as of December 31, 2012, except for one aircraft with respect to which we had entered into a non-binding lease commitment but for which delivery had not yet occurred.

Aircraft sales, trading and other revenue

Aircraft sales, trading and other revenue totaled \$22.2 million for the year ended December 31, 2013 compared to \$9.9 million for the year ended December 31, 2012. During the year ended December 31, 2013, we sold one aircraft from our operating lease portfolio and traded 11 737-300 aircraft, two spare engines and a corporate aircraft, recording gains on aircraft sales and trading activity of \$18.9 million. During the year ended December 31, 2012, we sold one aircraft from our operating lease portfolio and traded two 737-300 aircraft and one spare engine recording gains on aircraft sales and trading activity of \$3.9 million.

Interest expense

Interest expense totaled \$192.4 million for the year ended December 31, 2013 compared to \$147.4 million for the year ended December 31, 2012. The change was primarily due to an increase in our average outstanding debt balances, partially offset by a decrease in our composite cost of funds, resulting in a \$38.3 million increase in interest and a \$6.6 million increase in amortization of our discounts and deferred debt issue costs.

Depreciation expense

We recorded \$280.0 million in depreciation expense of flight equipment for the year ended December 31, 2013 compared to \$216.2 million for the year ended December 31, 2012. The increase in depreciation expense for 2013, compared to 2012, was primarily attributable to the acquisition of 40 additional aircraft for a total cost of \$1.7 billion. The full impact on depreciation expense for aircraft added during the year will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded selling, general and administrative expenses of \$71.2 million for the year ended December 31, 2013 compared to \$56.5 million for the year ended December 31, 2012. Selling, general and administrative expense as a percentage of revenue decreased to 8.3% for the year ended December 31, 2013 compared to 8.6% for the year ended December 31, 2012.

Stock-based compensation expense

Stock-based compensation expense totaled \$21.6 million for the year ended December 31, 2013 compared to \$31.7 million for the year ended December 31, 2012. This decrease is primarily a result of the effects of the expense recognition pattern related to our book-value RSUs, which is calculated based on a tranche by tranche vesting schedule. Additionally, as of June 30, 2013, all of our outstanding employee stock options had fully vested, further contributing to the decrease in stock-based compensation expense. See Note 11 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on stock-based compensation.

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The effective tax rate for the year ended December 31, 2013 was 35.1% compared to 35.3% for the year ended December 31, 2012. The change in effective tax rate for the respective periods is due to the effect of changes in permanent differences.

Net income

For the year ended December 31, 2013, we reported consolidated net income of \$190.4 million, or \$1.80 per diluted share, compared to a consolidated net income of \$131.9 million, or \$1.28 per diluted share, for the year ended December 31, 2012. The increase in net income for 2013, compared to 2012, was primarily attributable to the acquisition and lease of additional aircraft, an increase in aircraft sales, trading and other revenue and lower interest rates on our indebtedness.

Contractual Obligations

Our contractual obligations as of December 31, 2014 are as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
	(dollars in thousands)						
Long-term debt obligations(1)(2)	\$ 171,558	\$ 870,682	\$ 1,415,419	\$ 1,542,706	\$ 1,173,489	\$ 1,556,294	\$ 6,730,148
Interest payments on debt outstanding(3)	249,400	234,782	177,831	124,611	87,476	153,842	1,027,942
Purchase commitments	2,381,857	2,315,276	1,907,137	2,919,369	3,998,600	15,297,344	28,819,583
Operating leases	2,467	2,541	2,617	2,696	2,777	12,610	25,708
Total	\$ 2,805,282	\$ 3,423,281	\$ 3,503,004	\$ 4,589,382	\$ 5,262,342	\$ 17,020,090	\$ 36,603,381

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- (1) As of December 31, 2014, we had \$484.5 million of debt outstanding under the 2010 Warehouse Facility, as amended. We are able to draw on the facility during an availability period that ends in June 2016 with a subsequent term out option, through the maturity date of the facility, which is the maturity reflected in the contractual obligations schedule above.
- (2) As of December 31, 2014, the Company had \$569.0 million of debt outstanding under our revolving unsecured credit facilities. The outstanding drawn balances may be rolled until the maturity date of each respective facility and have been presented as such in the contractual obligation schedule above.
- (3) Future interest payments on floating rate debt are estimated using floating rates in effect at December 31, 2014.

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 all of which are consolidated. We have a 9.5% non-controlling interest in a joint venture that we do not control and are not the primary beneficiary of but have significant influence over, therefore we account for our investment in the joint venture under the equity method of accounting.

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.

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Lease revenue

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

Our aircraft lease agreements typically contain provisions which require the lessee to make additional contingent 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 ("Maintenance Reserves"). 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 Maintenance Reserves are generally collected monthly based on reports of usage by the lessee or collected as fixed monthly rates.

In accordance with our lease agreements, Maintenance Reserves are subject to reimbursement to the lessee upon the occurrence of a Qualifying Event. The reimbursable amount is capped by the amount of Maintenance Reserves 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 Maintenance Reserves unclaimed by the lessee at the end of the lease term are retained by the Company.

We record as rental revenue the portion of Maintenance Reserves 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 Income. Maintenance Reserves 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 Maintenance Reserves 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 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 Maintenance Reserves revenue as the aircraft is operated when we determine that a Qualifying Event will occur outside the non-cancellable lease term

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or after we have collected Maintenance Reserves 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 Maintenance Reserves 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 repair and maintenance in our Consolidated Statements of Income for all such expenditures.

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

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.

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Stock-based compensation

To compensate and incentivize our employees and directors, we grant stock-based compensation awards. To date, we have granted stock options ("Stock Options") and restricted stock units ("RSUs"). All share-based payment awards granted have been equity classified awards. We account for Stock Options by estimating the grant date fair value of the award as calculated by the Black-Scholes-Merton ("BSM") option pricing model and amortizing that value on a straight-line basis over the requisite service period less any anticipated forfeitures. The fair value of book-value RSUs is determined based on the closing market price of the Company's Class A common stock on the date of grant, while the fair value of Total Shareholder Return ("TSR") RSUs is determined at the grant date using a Monte Carlo simulation model. Included in the Monte Carlo simulation model are certain assumptions regarding a number of highly complex and subjective variables, such as expected volatility, risk-free interest rate and expected dividends. To appropriately value the award, the risk-free interest rate is estimated for the time period from the valuation date until the vesting date and the historical volatilities are estimated based on a historical timeframe equal to the time from the valuation date until the end date of the performance period. Due to our limited stock history since the completion of our initial public offering on April 25, 2011, historical volatility was estimated based on all available information including peer group volatility.

The estimation of the fair value of share-based awards requires considerable judgment. For future awards, we will be required to continue to make such 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 basis 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%. 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 deferred tax assets 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, 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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ITEM 7A. 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, 2014, we had \$1.7 billion in floating-rate debt. As of December 31, 2013, we had \$2.2 billion in floating-rate debt. If interest rates increase, we would be obligated to make higher interest payments to our lenders. If we incur significant fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If our composite rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of December 31, 2014 and December 31, 2013 of approximately \$16.7 million and \$22.3 million, each on an annualized basis, which would put downward pressure on our operating margins. The decrease in additional interest expense the Company would incur is primarily due to a decrease in the floating-rate debt outstanding as of December 31, 2014 compared to December 31, 2013.

We also have interest rate risk on our forward lease placements. This is caused by us setting a fixed lease rate in advance of the delivery date of an aircraft. The delivery date is when a majority of the financing for an aircraft is arranged. We partially mitigate the risk of an increasing interest rate environment between the lease signing date and the delivery date of the aircraft, by having interest rate adjusters in a majority of our forward lease contracts which would adjust the final lease rate upward if certain benchmark interest rates are higher at the time of delivery of the aircraft than at the lease signing date.

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, 2014 and December 31, 2013, 0.8% and 1.6%, respectively, of our lease revenues were denominated in Euros. As our principal currency is the U.S. dollar, fluctuations in the U.S. dollar as compared to other major currencies should not have a significant impact on our future operating results.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Air Lease Corporation
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**REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Air Lease Corporation:

We have audited the accompanying consolidated balance sheets of Air Lease Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of Air Lease Corporation and subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Air Lease Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Air Lease Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 26, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Francisco, California
February 26, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Air Lease Corporation:

We have audited Air Lease Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Air Lease Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Air Lease Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Air Lease Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 26, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Francisco, California
February 26, 2015

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Air Lease Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(in thousands, except share data)	
Assets		
Cash and cash equivalents	\$ 282,819	\$ 270,173
Restricted cash	7,469	87,308
Flight equipment subject to operating leases	9,832,421	8,234,315
Less accumulated depreciation	(878,617)	(621,180)
	8,953,804	7,613,135
Deposits on flight equipment purchases	1,144,603	1,075,023
Deferred debt issuance costs less accumulated amortization of \$72,783 and \$51,578 as of December 31, 2014 and December 31, 2013, respectively	83,604	90,249
Other assets	302,485	196,716
Total assets	\$ 10,774,784	\$ 9,332,604
Liabilities and Shareholders' Equity		
Accrued interest and other payables	\$ 190,952	\$ 131,223
Debt financing, net of discounts	6,714,362	5,853,317
Security deposits and maintenance reserves on flight equipment leases	698,172	569,847
Rentals received in advance	75,877	61,520
Deferred tax liability	323,359	193,263
Total liabilities	\$ 8,002,722	\$ 6,809,170
Shareholders' Equity		
Preferred Stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding		
Class A common stock, \$0.01 par value; authorized 500,000,000 shares; issued and outstanding 102,392,208 and 101,822,676 shares at December 31, 2014 and December 31, 2013, respectively	1,010	1,009
Class B Non-Voting common stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or outstanding		
Paid-in capital	2,215,479	2,209,566
Retained earnings	555,573	312,859
Total shareholders' equity	\$ 2,772,062	\$ 2,523,434
Total liabilities and shareholders' equity	\$ 10,774,784	\$ 9,332,604

(See Notes to Consolidated Financial Statements)

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
(in thousands except for share data)			
Revenues			
Rental of flight equipment	\$ 991,241	\$ 836,516	\$ 645,853
Aircraft sales, trading and other	59,252	22,159	9,893
Total revenues	1,050,493	858,675	655,746
Expenses			
Interest	192,818	168,743	130,419
Amortization of discounts and deferred debt issuance costs	27,772	23,627	16,994
Interest expense	220,590	192,370	147,413
Depreciation of flight equipment	336,657	280,037	216,219
Selling, general and administrative	82,422	71,212	56,453
Stock-based compensation	16,048	21,614	31,688
Total expenses	655,717	565,233	451,773
Income before taxes	394,776	293,442	203,973
Income tax expense	(138,778)	(103,031)	(72,054)
Net income	\$ 255,998	\$ 190,411	\$ 131,919

Net income per share of Class A and Class B common stock:

Basic	\$ 2.51	\$ 1.88	\$ 1.31
Diluted	\$ 2.38	\$ 1.80	\$ 1.28
Weighted-average shares outstanding			
Basic	102,142,828	101,529,137	100,991,871
Diluted	110,192,771	108,963,550	107,656,463

(See Notes to Consolidated Financial Statements)

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock	Class A Common Stock		Class B Non-Voting Common Stock		Paid-in Capital	Retained Earnings	Total
	Share	Amount	Shares	Amount	Shares			
(in thousands, except share data)								
Balance at December 31, 2011		98,885,131	\$ 984	1,829,339	\$ 18	\$ 2,174,089	\$ 1,192	\$ 2,176,283
Class A common stock issuance						(97)		(97)
Issuance of common stock upon exercise of options and vesting of restricted stock units		897,110	7			133		140
Tax withholdings on stock based compensation		(364,243)				(7,312)		(7,312)
Stock based compensation						31,688		31,688
Net income							131,919	131,919
Balance at December 31, 2012		99,417,998	\$ 991	1,829,339	\$ 18	\$ 2,198,501	\$ 133,111	\$ 2,332,621
Issuance of common stock upon exercise of options and warrants and vesting of restricted stock units		1,023,521						
Common stock exchanged		1,829,339	18	(1,829,339)	(18)			
Cash dividends declared (\$0.105 per share)							(10,663)	(10,663)
Tax benefits from stock based compensation arrangements						2,115		2,115
Tax withholdings on stock based compensation		(448,182)				(12,664)		(12,664)
Stock based compensation						21,614		21,614
Net income							190,411	190,411
Balance at December 31, 2013		101,822,676	\$ 1,009			\$ 2,209,566	\$ 312,859	\$ 2,523,434
Issuance of common stock upon exercise of options and vesting of restricted stock units		1,028,654	1			943		944
Stock based compensation expense						16,048		16,048
Cash dividends (declared \$0.13 per share)							(13,284)	(13,284)
Tax benefits from stock based compensation arrangements						7,011		7,011
Tax withholdings on stock based compensation		(459,122)				(18,089)		(18,089)
Net income							255,998	255,998
Balance at December 31, 2014		102,392,208	\$ 1,010			\$ 2,215,479	\$ 555,573	\$ 2,772,062

(See Notes to Consolidated Financial Statements)

Table of Contents**Air Lease Corporation and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	December 31, 2014	December 31, 2013	December 31, 2012
	(dollars in thousands)		
Operating Activities			
Net income	\$ 255,998	\$ 190,411	\$ 131,919
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of flight equipment	336,657	280,037	216,219
Stock-based compensation	16,048	21,614	31,688
Deferred taxes	137,107	102,636	72,050
Tax benefits from stock-based compensation arrangements	(7,011)	(2,115)	
Amortization of discounts and deferred debt issuance costs	27,772	23,627	16,994
Gain on aircraft sales, trading and other activity	(56,457)	(19,234)	(3,884)
Changes in operating assets and liabilities:			
Other assets	(1,191)	(2,653)	(14,874)
Accrued interest and other payables	45,738	39,507	25,797
Rentals received in advance	14,357	20,383	15,120
Net cash provided by operating activities	769,018	654,213	491,029
Investing Activities			
Acquisition of flight equipment under operating lease	(1,568,748)	(1,329,619)	(1,899,231)
Payments for deposits on flight equipment purchases	(601,307)	(828,839)	(418,278)
Proceeds from aircraft sales, trading and other activity	603,849	97,748	47,490
Acquisition of furnishings, equipment and other assets	(239,451)	(125,184)	(74,905)
Net cash used in investing activities	(1,805,657)	(2,185,894)	(2,344,924)
Financing Activities			
Issuance of common stock upon exercise of options	944		43
Cash dividends paid	(12,243)	(7,608)	
Tax withholdings on stock-based compensation	(18,089)	(12,664)	(7,312)
Tax benefits from stock-based compensation arrangements	7,011	2,115	
Net change in unsecured revolving facilities	(239,000)	388,000	62,000
Proceeds from debt financings	1,663,120	1,608,854	2,115,607
Payments in reduction of debt financings	(577,212)	(531,831)	(432,129)
Net change in restricted cash	79,839	18,999	(10,150)
Debt issuance costs	(7,975)	(37,535)	(42,149)
Security deposits and maintenance reserve receipts	185,639	172,662	142,541
Security deposits and maintenance reserve disbursements	(32,749)	(29,227)	(26,272)
Net cash provided by financing activities	1,049,285	1,571,765	1,802,179
Net increase (decrease) in cash	12,646	40,084	(51,716)
Cash and cash equivalents at beginning of period	270,173	230,089	281,805
Cash and cash equivalents at end of period	\$ 282,819	\$ 270,173	\$ 230,089
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest, including capitalized interest of \$42,775, \$32,659 and \$19,388 at December 31, 2014, 2013 and 2012, respectively	\$ 211,345	\$ 188,464	\$ 124,731
Supplemental Disclosure of Noncash Activities			
	\$ 756,286	\$ 459,432	\$ 377,892

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Buyer furnished equipment, capitalized interest, deposits on flight equipment purchases and seller financing applied to acquisition of flight equipment and other assets applied to payments for deposits on flight equipment purchases
Cash dividends declared, not yet paid

\$	4,096	\$	3,055	\$
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(See Notes to Consolidated Financial Statements)

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

Organization

Air Lease Corporation is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft from Boeing and Airbus. We lease these aircraft to airlines throughout the world to generate attractive returns on equity. As of December 31, 2014 we owned a fleet of 213 aircraft and had 364 aircraft on order with the manufacturers. In addition to our leasing activities, we sell aircraft from our fleet to other leasing companies, financial services companies and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee.

Principles of consolidation

The Company consolidates financial statements of all entities in which we have a controlling financial interest, including the account of any Variable Interest Entity in which we have a controlling financial interest and for which we are the primary beneficiary. All material intercompany balances are eliminated in consolidation.

Investments

Our investment in the Blackbird joint venture, where we own 9.5% of the equity of the venture, is accounted for using the equity method of accounting due to our level of influence and involvement in the joint venture. This investment is recorded at the amount invested plus or minus our 9.5% share of net income or loss less any distributions or return of capital received from the entity.

Rental of flight equipment

The Company leases flight equipment principally under operating leases and reports 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 the Company's 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 the Company's Consolidated Balance Sheet. An allowance for doubtful accounts will be recognized for past-due rentals based on management's assessment of collectability. Management monitors all lessees with past due lease payments and discuss relevant operational and financial issues facing those lessees in order to determine an appropriate allowance for doubtful accounts. In addition, if collection is not reasonably assured, the Company will not recognize rental income for amounts due under the Company's lease contracts and will recognize revenue for such lessees on a cash basis. As of December 31, 2014 and 2013, the Company had no such allowance, and no leases were on a cash basis.

All of the Company's 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 repair and maintenance expense in our Consolidated Statements of Income for all such expenditures. In many operating lease contracts, the lessee is obligated to make periodic payments, which are calculated with reference to the utilization of the airframe, engines and other major life-limited components during the lease. In these leases, we will make a payment to the lessee to compensate the lessee for the cost of the Qualifying Event incurred, up to the maximum of the amount of Maintenance Reserves made by the lessee during the lease term, net of previous reimbursements. These payments are made upon the lessee's presentation of invoices

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of significant accounting policies (Continued)

evidencing the completion of such Qualifying Event. The Company records as "Rental of flight equipment" revenue, the portion of Maintenance Reserves that is virtually certain will not be reimbursed to the lessee. Maintenance Reserves payments which we may be required to reimburse to the lessee are reflected in our overhaul reserve liability, as a component of "Security deposits and overhaul reserves on flight equipment leases" in our Consolidated Balance Sheet.

Lessee-specific modifications are capitalized as initial direct costs and amortized over the term of the lease into rental revenue in our Consolidated Statements of Income.

Initial direct costs

The Company records as period costs those internal and other costs incurred in connection with identifying, negotiating and delivering aircraft to the Company's lessees. Amounts paid by us to lessees, or other parties, in connection with the lease transactions are capitalized and amortized as a reduction to lease revenue over the lease term.

Cash and cash equivalents

The Company considers cash and cash equivalents to be cash on hand and highly liquid investments with original maturity dates of 90 days or less.

Restricted cash

Restricted cash consists of pledged security deposits, maintenance reserves, and rental payments related to secured aircraft financing arrangements.

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. The Company generally depreciates 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 the Company's 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 in our Consolidated Statements of Income.

Management 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

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of significant accounting policies (Continued)

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 the Company's Fair Value Policy, resulting in an impairment charge. Our Fair Value Policy is described below under "Fair Value Measurements". As of December 31, 2014 and 2013, no impairment charges have been incurred to date.

Capitalized interest

The Company may borrow funds to finance deposits on new flight equipment purchases. The Company capitalizes interest expense on such borrowings. The capitalized amount is calculated using our composite borrowing rate and is recorded as an increase to the cost of the flight equipment on our Consolidated Balance Sheet.

Fair value measurements

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of certain assets on a non-recurring basis, principally our flight equipment, when Generally Accepted Accounting Principles ("GAAP") requires the application of fair value, including events or changes in circumstances that indicate that the carrying amounts of assets may not be recoverable.

The Company records flight equipment at fair value when we determine the carrying value may not be recoverable. The Company principally uses the income approach to measure the fair value of flight equipment. 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.

Income taxes

The Company uses 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 basis 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. The Company records a valuation allowance for deferred tax assets when the probability of realization of the full value of the asset is less than 50%. The Company recognizes the impact of a tax position, if that position is more than 50% likely to be sustained on audit, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company recognizes interest and penalties for uncertain tax positions in income tax expense.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of significant accounting policies (Continued)

Deferred costs

The Company incurs debt issue costs in connection with debt financings. Those costs are deferred and amortized over the life of the specific loan using the effective interest method and charged to interest expense. The Company also incurs costs in connection with equity offerings. Such costs are deferred until the equity offering is completed and either netted against the equity raised, or expensed if the equity offering is abandoned.

Stock-based compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award. Stock-based compensation expense includes an estimate for forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The guidance requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Debt financing

The Company's consolidated debt as of December 31, 2014 and 2013 is summarized below:

	December 31, 2014	December 31, 2013
	(dollars in thousands)	
Unsecured		
Senior notes	\$ 4,579,194	\$ 3,055,620
Revolving credit facilities	569,000	808,000
Term financings	196,146	247,722
Convertible senior notes	200,000	200,000
	5,544,340	4,311,342
Secured		
Warehouse facilities	484,513	828,418
Term financings	636,411	654,369
Export credit financing	64,884	71,539
	1,185,808	1,554,326
Total secured and unsecured debt financing	6,730,148	5,865,668
Less: Debt discount	(15,786)	(12,351)
Total debt	\$ 6,714,362	\$ 5,853,317

At December 31, 2014, 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.

The Company's secured obligations as of December 31, 2014 and 2013 are summarized below:

	December 31, 2014	December 31, 2013
	(dollars in thousands)	
Nonrecourse	\$ 484,513	\$ 847,684
Recourse	701,295	706,642
Total	\$ 1,185,808	\$ 1,554,326
Number of aircraft pledged as collateral	38	52
Net book value of aircraft pledged as collateral	\$ 1,935,711	\$ 2,454,350

Senior unsecured notes

As of December 31, 2014, the Company had \$4.6 billion in senior unsecured notes outstanding with remaining terms ranging from one to 10 years and bearing interest at fixed rates ranging from 2.125% to 7.375%. As of December 31, 2013, the Company had \$3.1 billion in senior unsecured notes outstanding with remaining terms ranging from two to six years and bearing interest at fixed rates ranging from 3.375% to 7.375%. Since the end of 2014, we issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2022 that bear interest at a rate of 3.75%.

During the year ended December 31, 2014, the Company issued \$1.5 billion in aggregate principal amount of senior unsecured notes.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Debt financing (Continued)

On January 22, 2014, the Company issued \$25.0 million in aggregate principal amount of senior unsecured notes due 2024 that bear interest at a rate of 4.85%.

On March 11, 2014, the Company issued \$500.0 million in aggregate principal amount of senior unsecured notes due 2021 that bear interest at a rate of 3.875%.

On September 16, 2014, the Company issued \$500.0 million in aggregate principal amount of senior unsecured notes due 2018 that bear interest at a rate of 2.125%.

On September 16, 2014, the Company issued \$500.0 million in aggregate principal amount of senior unsecured notes due 2024 that bear interest at a rate of 4.25%.

Unsecured revolving credit facilities

The total amount outstanding under our unsecured revolving credit facilities was \$569.0 million and \$808.0 million as of December 31, 2014 and December 31, 2013, respectively.

The Company has in place a senior unsecured revolving credit facility governed by a second amended and restated credit agreement, dated May 5, 2014, which provides us with financing of up to \$2.1 billion. The unsecured revolving credit facility accrues interest at a rate of either LIBOR plus 1.25% or an alternative base rate plus 0.25% on drawn balances and includes a 0.25% facility fee. The facility will mature in May 2018.

Unsecured term financings

From time to time, the Company enters into unsecured term facilities. During 2014, the Company entered into four additional unsecured term facilities aggregating \$65.0 million with terms ranging from four to five years and bearing interest at fixed rates ranging from 2.85% to 3.125% per annum. The outstanding balance on our unsecured term facilities as of December 31, 2014 and December 31, 2013 was \$196.1 million and \$247.7 million, respectively.

Convertible senior notes

In November 2011, the Company issued \$200.0 million in aggregate principal amount of 3.875% convertible senior notes due 2018 (the "Convertible Notes") in an offering exempt from registration under the Securities Act. The Convertible Notes were sold to Qualified Institutional Buyers in reliance upon Rule 144A under the Securities Act. The Convertible Notes are senior unsecured obligations of the Company and bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 2012. The Convertible Notes are convertible at the option of the holder into shares of our Class A common stock at a price of \$30.01 per share.

Warehouse facilities

As of December 31, 2014, the Company had borrowed \$484.5 million under the 2010 Warehouse Facility and pledged 18 aircraft as collateral with a net book value of \$729.5 million. As of December 31, 2013, the Company had borrowed \$656.8 million under the 2010 Warehouse Facility and pledged 24 aircraft as collateral with a net book value of \$985.2 million. During 2014, the Company substituted letters of credit for cash collateral and lessee deposits pledged under the 2010 Warehouse

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Debt financing (Continued)

Facility, reducing the total amount of restricted cash from \$87.3 million at December 31, 2013 to \$7.5 million at December 31, 2014.

On March 27, 2014, the Company refinanced a portfolio of secured debt facilities including the 2012 Warehouse Facility. We reduced the aggregate principal amount outstanding under the portfolio of loans from \$178.5 million to \$101.0 million, reduced the interest rate on the floating rate debt facilities from LIBOR plus 2.25% to LIBOR plus 1.55% while the interest rate on the fixed rate debt facilities remained at 4.58% and modified the amortization schedule of the loans, which now have final maturities in March 2019. The outstanding balance on our 2012 Warehouse Facility as of December 31, 2014 and December 31, 2013 was \$88.1 million and \$171.6 million, respectively.

On July 23, 2014, the 2010 Warehouse Borrower entered into an amendment to the 2010 Warehouse Facility. The 2010 Warehouse Facility, as amended, provides the 2010 Warehouse Borrower with financing of up to \$750 million, modified from the previous facility size of \$1.0 billion. The interest rate on the 2010 Warehouse Facility, as amended, was reduced from LIBOR plus 2.25% to LIBOR plus 2.00% on drawn balances and continues to bear interest at a rate of 0.50% on undrawn balances. The 2010 Warehouse Borrower is able to draw on the 2010 Warehouse Facility, as amended, during an availability period that was extended from June 2015 to June 2016 and the maturity date of the 2010 Warehouse Facility was extended from June 2019 to June 2020.

Secured term financing

We fund some aircraft purchases through secured term financings. Our various consolidated entities will borrow through secured bank facilities to purchase an aircraft. The aircraft are then leased by our entities to airlines. We may guarantee the obligations of the entities under the loan agreements. The loans may be secured by a pledge of the shares of the entities, the aircraft, the lease receivables, security deposits, maintenance reserves or a combination thereof.

During the year ended December 31, 2014, we entered into an additional secured term facility of \$110.0 million with a three year term bearing interest at a floating rate of LIBOR plus a margin of 1.15% per annum.

As of December 31, 2014, the outstanding balance on our secured term facilities (including the 2012 Warehouse Facility) was \$636.4 million and we had pledged 18 aircraft as collateral with a net book value of \$1.1 billion. The outstanding balance under our secured term facilities (including the 2012 Warehouse Facility) as of December 31, 2014 was comprised of \$104.7 million fixed rate debt and \$531.7 million floating rate debt, with interest rates ranging from 4.28% to 5.36% and LIBOR plus 1.15% to LIBOR plus 3.0%, respectively.

As of December 31, 2013, the outstanding balance on our secured term facilities was \$654.4 million and we had pledged 18 aircraft as collateral with a net book value of \$1.14 billion. The outstanding balance under our secured term facilities as of December 31, 2013 was comprised of \$153.9 million fixed rate debt and \$505.5 million floating rate debt, with interest rates ranging from 4.25% to 5.36% and LIBOR plus 1.5% to LIBOR plus 3.0%, respectively.

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2. Debt financing (Continued)***Export credit financings*

As of December 31, 2014, the Company had \$64.9 million in export credit financing outstanding. As of December 31, 2013, the Company had \$71.5 million in export credit financing outstanding.

In March 2013, the Company issued \$76.5 million in secured notes due 2024 guaranteed by the Ex-Im Bank. The notes will mature on August 15, 2024 and will bear interest at a rate of 1.617% per annum. The Company used the proceeds of the offering to refinance a portion of the purchase price of two Boeing 737-800 aircraft and the related premium charged by Ex-Im Bank for its guarantee of the notes.

Maturities

Maturities of debt outstanding as of December 31, 2014 are as follows:

	(dollars in thousands)	
Years ending December 31,		
2015	\$	171,558
2016		870,682
2017		1,415,419
2018		1,542,706
2019		1,173,489
Thereafter		1,556,294
Total(1)(2)	\$	6,730,148

-
- (1) As of December 31, 2014, the Company had \$484.5 million of debt outstanding under the 2010 Warehouse Facility. The Company is able to draw on the facility during an availability period that ends in June 2016 with a subsequent term out option, through the maturity date of the facility, which is the maturity in the schedule above.
- (2) As of December 31, 2014, the Company had \$569.0 million of debt outstanding under our revolving credit facilities. The outstanding drawn balances may be rolled until the maturity date of each respective facility and have been presented as such in the maturity schedule above.

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 3. Interest expense**

The following table shows the components of interest for the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
	(dollars in thousands)		
Interest on borrowings	\$ 235,593	\$ 201,402	\$ 149,807
Less capitalized interest	(42,775)	(32,659)	(19,388)
Interest	192,818	168,743	130,419
Amortization of discounts and deferred debt issue costs	27,772	23,627	16,994
Interest expense	\$ 220,590	\$ 192,370	\$ 147,413

Note 4. Shareholders' equity

In 2010, the Company authorized 500,000,000 shares of Class A common stock, \$0.01 par value per share, of which 102,392,208 and 101,822,676 shares were issued and outstanding as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company had authorized 10,000,000 shares of Class B Non-Voting common stock, \$0.01 par value per share, of which no shares were outstanding as of December 31, 2014 and 2013.

Each share of Class B Non-Voting common stock is convertible into one share of Class A common stock at the option of the holder, and is automatically converted at the time it is transferred to a third party unaffiliated with such initial holder, subject to the transfer restrictions.

On October 15, 2013, the Company entered into an exchange agreement with an existing security holder of the Company, pursuant to which the Company agreed to issue 1,829,339 shares of its Class A common stock to such security holder in exchange for an equal number of shares of the Company's Class B Non-Voting common stock in a transaction (the "Exchange") exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended. Following the satisfaction of certain closing conditions, the Exchange closed on October 17, 2013. No commission or other remuneration was paid or given directly or indirectly for solicitation of the Exchange, and no cash consideration was paid for the shares of Class A common stock issued in the Exchange. As a result of the Exchange, the total number of outstanding shares of Class A common stock increased by 1,829,339 shares, and no shares of Class B Non-Voting common stock are issued or outstanding. The Exchange did not increase the total number of outstanding shares of the Company's common stock used to compute basic and diluted net income per share.

On June 4, 2010, the Company issued 482,625 warrants for the purchase of up to 482,625 shares of Class A common stock to two institutional investors (the "Committed Investors"). The warrants have a seven-year term and an exercise price of \$20 per share. The Company used the BSM option pricing model to determine the fair value of warrants. The fair value of warrants was calculated on the date of grant by an option-pricing model using a number of complex and subjective variables. These variables include expected stock price volatility over the term of the warrant, projected exercise behavior, a risk-free interest rate and expected dividends. The warrants had a fair value at the grant date of \$5.6 million. The warrants are classified as an equity instrument and the proceeds from the issuance of

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 4. Shareholders' equity (Continued)**

common stock to the Committed Investors was split between the warrants and the stock based on fair value of the warrants and recorded as an increase to Paid-in capital on the Consolidated Balance Sheet. On October 21, 2013, one of the Committed Investors performed a cashless exercise of all of its 214,500 warrants, resulting in the issuance of 63,481 shares of Class A Common Stock. As of December 31, 2014, the Company had 268,125 warrants remaining outstanding.

As of December 31, 2014 and 2013 the Company had authorized 50,000,000 shares of preferred stock, \$0.01 par value per share, of which no shares were issued or outstanding.

Note 5. Rental Income

At December 31, 2014 minimum future rentals on non-cancellable operating leases of flight equipment in our fleet, which have been delivered as of December 31, 2014, are as follows:

(dollars in thousands)	
Years ending December 31,	
2015	\$ 1,032,375
2016	998,466
2017	938,087
2018	901,378
2019	844,122
Thereafter	2,770,506
Total	\$ 7,484,934

The Company earned \$25.2 million, \$34.4 million and \$25.0 million in maintenance reserve revenue based on our lessees' usage of the aircraft for the years ended December 31, 2014, 2013 and 2012, respectively.

The following table shows the scheduled lease terminations (for the minimum non-cancellable period which does not include contracted unexercised lease extension options) of our operating lease portfolio as of December 31, 2014, updated through February 26, 2015:

Aircraft Type	2015	2016	2017	2018	2019	Thereafter	Total
Airbus A319-100	1		3	1			5
Airbus A320-200		2	2	1	4	30	39
Airbus A321-200		1		1	1	17	20
Airbus A330-200			1		4	11	16
Airbus A330-300						5	5
Boeing 737-700		3		2	3		8
Boeing 737-800	4	5	7	2	10	33	61
Boring 767-300ER		1					1
Boeing 777-200ER						1	1
Boeing 777-300ER			1			8	9
Embraer E175						7	7
Embraer E190			1		6	16	23
ATR 72-600					4	14	18
Total	5	12	15	7	32	142	213

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6. Concentration of risk*Geographical and credit risks*

As of December 31, 2014, all of the Company's rental of flight equipment revenues were generated by leasing flight equipment to foreign and domestic airlines, and the Company leased aircraft to 77 lessees whose principal places of business are located in 46 countries as of December 31, 2014 compared to 79 lessees in 47 countries as of December 31, 2013.

Over 95% of our aircraft are operated internationally. The following table sets forth the regional concentration of our aircraft portfolio based on net book value as of December 31, 2014 and 2013:

Region	December 31, 2014		December 31, 2013	
	Net Book Value	% of Total	Net Book Value	% of Total
	(dollars in thousands)			
Asia	\$ 3,838,523	42.9%	\$ 3,165,367	41.6%
Europe	2,953,232	33.0%	2,656,816	34.9%
Central America, South America and Mexico	778,991	8.7%	829,930	10.9%
The Middle East and Africa	498,896	5.6%	372,618	4.9%
Pacific, Australia, New Zealand	471,630	5.2%	151,751	2.0%
U.S. and Canada	412,532	4.6%	436,653	5.7%
Total	\$ 8,953,804	100.0%	\$ 7,613,135	100.0%

At December 31, 2014 and 2013, we owned and managed leased aircraft to customers in the following regions:

Region	December 31, 2014		December 31, 2013	
	Number of Customers(1)	% of Total	Number of Customers(1)	% of Total
Asia	29	36.3%	29	36.7%
Europe	24	30.0%	21	26.6%
Central America, South America and Mexico	10	12.5%	12	15.2%
The Middle East and Africa	7	8.8%	7	8.9%
Pacific, Australia, New Zealand	2	2.4%	2	2.5%
U.S. and Canada	8	10.0%	8	10.1%
Total	80	100.0%	79	100.0%

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

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 6. Concentration of risk (Continued)**

The following table sets forth the dollar amount and percentage of our rental of flight equipment revenues attributable to the indicated regions based on each airline's principal place of business:

Region	December 31, 2014		December 31, 2013		December 31, 2012	
	Amount of Rental Revenue	% of Total	Amount of Rental Revenue	% of Total	Amount of Rental Revenue	% of Total
(dollars in thousands)						
Asia	\$ 409,014	41.3%	\$ 299,472	35.8%	\$ 204,675	31.7%
Europe	337,349	34.0%	300,761	36.0%	253,376	39.2%
Central America, South America and Mexico	111,583	11.3%	107,857	12.9%	84,341	13.1%
The Middle East and Africa	47,958	4.9%	55,624	6.6%	39,398	6.1%
Pacific, Australia, New Zealand	30,330	3.1%	15,436	1.8%	10,862	1.7%
U.S. and Canada	55,007	5.4%	57,366	6.9%	53,201	8.2%
Total	\$ 991,241	100.0%	\$ 836,516	100.0%	\$ 645,853	100.0%

Based on our lease placements of future new aircraft deliveries, we anticipate that a growing percentage of our aircraft will be located in the Asia, the Central America, South America and Mexico, and the Middle East and Africa regions.

In 2014, rental of flight equipment revenue attributable to China was \$218.6 million or 22.1%, and represented our only country concentration in excess of 10%. In 2013, rental of flight equipment revenue attributable to China was \$129.8 million or 15.5%, and represented our only country concentration in excess of 10%. In 2012, three countries represented at least 10% of our rental revenue. Rental of flight equipment revenue attributable to China, Italy and France was \$75.5 million or 11.7%, \$71.0 million or 11.0% and \$67.4 million or 10.4%, respectively.

In 2014 and 2013, no individual airline represented at least 10% of our rental of flight equipment revenue. In 2012, one airline represented at least 10% of our rental of flight equipment revenue. For the year ended December 31, 2012, Alitalia attributed for \$71.0 million of 11.0% of our rental flight equipment revenue.

Currency 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.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	(dollars in thousands)		
Current:			
Federal	\$ 8,092	\$	\$
State	39		
Foreign	551	71	4
Deferred:			
Federal	129,943	102,887	71,932
State	153	147	118
Foreign			
Income tax expense	\$ 138,778	\$ 103,105	\$ 72,054

Differences between the provision for income taxes and income taxes at the statutory federal income tax rate are as follows:

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Amount	Percent	Amount	Percent	Amount	Percent
	(dollars in thousands)					
Income taxes at statutory federal rate	\$ 138,172	35.0%	\$ 102,705	35.0%	\$ 71,390	35.0%
State income taxes, net of federal income tax effect and other	606	0.2	400	0.2	664	0.3
	\$ 138,778	35.2%	\$ 103,105	35.2%	\$ 72,054	35.3%

The Company's net deferred tax assets (liabilities) are as follows:

	As of December 31, 2014	As of December 31, 2013
	(dollars in thousands)	
Assets (Liabilities)		
Equity compensation	\$ 19,020	\$ 20,808
Net operating losses	10,197	36,786
Rents received in advance	26,605	21,575
Accrued bonus	4,577	3,578
Straight-line rents	10,423	7,024
Other	6,571	4,662
Aircraft depreciation	(400,752)	(287,696)
Total (liabilities) assets	\$ (323,359)	\$ (193,263)

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While we have a current obligation for alternative minimum tax, the Company has net operating loss carry forwards (NOLs) for federal income tax purposes of \$29.1 million and \$108.7 million as of December 31, 2014 and 2013, respectively, which are available to offset future taxable income in future periods and begin to expire in 2032. The Company does not have NOLs for state income tax purposes

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 7. Income Taxes (Continued)**

as of December 31, 2014 and has \$52.6 million of state NOLs as of December 31, 2013. The Company utilized \$79.6 million and \$19.5 million of NOLs for federal income tax purposes for the year ended December 31, 2014 and December 31, 2013, respectively. The Company recognizes tax benefits associated with stock based compensation directly to stockholders' equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss carry forwards resulting from windfall tax benefits. A windfall tax benefit occurs when the actual tax benefit realized upon an employee's disposition of a share based award exceeds the tax effect of the cumulative book compensation charge associated with the award. The Company does not have any suspended windfall tax benefits as of December 31, 2014. As of December 31, 2013, the Company has windfall tax benefits of \$3.7 million, included in its U.S. net operating loss carry forward, but not reflected in deferred tax assets. The Company uses a tax law ordering approach to determine if the excess tax deductions associated compensation costs have reduced income taxes payable.

The Company has not recorded a deferred tax valuation allowance as of December 31, 2014 and 2013 as realization of the deferred tax asset is considered more likely than not. In assessing the realizability of the deferred tax assets management considered whether future taxable income will be sufficient during the periods in which those temporary differences are deductible before NOLs expire. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income and tax planning strategies in making this assessment. Management anticipates the timing differences on aircraft depreciation will reverse and be available for offsetting the reversal of deferred tax assets. As of December 31, 2014 and 2013 the Company has not recorded any liability for unrecognized tax benefits.

The Company files income tax returns in the U.S. and various state and foreign jurisdictions. The Company is subject to examinations by the major tax jurisdictions for the 2011 tax year and forward.

Note 8. Commitments and Contingencies*Aircraft Acquisition*

As of December 31, 2014, we had commitments to acquire a total of 364 new aircraft for delivery through 2023 as follows:

Aircraft Type	2015	2016	2017	2018	2019	Thereafter	Total
Airbus A320/321-200(1)	9						9
Airbus A320/321neo		3	12	17	21	57	110
Airbus A350-900/1000				1	2	22	25
Boeing 737-800	21	15	11				47
Boeing 737-8/9 MAX				8	18	78	104
Boeing 777-300ER	8	6	2				16
Boeing 787-9/10		3	1	7	8	26	45
ATR 72-600	2	5	1				8
Total	40	32	27	33	49	183	364

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 8. Commitments and Contingencies (Continued)**

Commitments for the acquisition of these aircraft and other equipment at an estimated aggregate purchase price (including adjustments for inflation) of approximately \$28.8 billion as of December 31, 2014 are as follows:

	(dollars in thousands)	
Years ending December 31,		
2015	\$	2,381,857
2016		2,315,276
2017		1,907,137
2018		2,919,369
2019		3,998,600
Thereafter		15,297,344
Total	\$	28,819,583

We have made non-refundable deposits on the aircraft for which we have commitments to purchase of \$1.1 billion as of December 31, 2014 and 2013, respectively, which are subject to manufacturer performance commitments. If we are unable to satisfy our purchase commitments, we may be forced to forfeit our deposits. Further, we would be exposed to breach of contract claims by our lessees and manufacturers.

Office Lease

The Company's lease for office space provides for step rentals over the term of the lease. Those rentals are considered in the evaluation of recording rent expense on a straight-line basis over the term of the lease. Tenant improvement allowances received from the lessor are deferred and amortized in selling, general and administrative expenses against rent expense. The Company recorded office lease expense (net of sublease income) of \$1.8 million, \$2.1 million and \$2.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Commitments for minimum rentals under the non-cancellable lease term at December 31, 2014 are as follows:

	(dollars in thousands)	
Years ending December 31,		
2015	\$	2,467
2016		2,541
2017		2,617
2018		2,696
2019		2,777
Thereafter		12,610
Total	\$	25,708

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Net Earnings Per Share

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock; however, potential common equivalent shares are excluded if the effect of including these shares would be anti-dilutive. The Company's two classes of common stock, Class A and Class B Non-Voting, have equal rights to dividends and income, and therefore, basic and diluted earnings per share are the same for each class of common stock.

Diluted net earnings per share takes into account the potential conversion of stock options, restricted stock units, and warrants using the treasury stock method and convertible notes using the if-converted method. For the year ended December 31, 2014, the Company did not exclude shares related to stock options which are potentially dilutive securities from the computation of diluted earnings per share because including these shares would be dilutive. For the year ended December 31, 2013, the Company excluded 150,000 shares related to stock options which are potentially dilutive securities from the computation of diluted earnings per share because including these shares would be anti-dilutive. For the year ended December 31, 2012, the Company excluded 3,358,408 shares related to stock options which are potentially dilutive securities from the computation of diluted earnings per share because they were anti-dilutive. In addition, the Company excluded 969,225, 1,569,005 and 2,117,510 shares related to restricted stock units for which the performance metric had yet to be achieved as of December 31, 2014, 2013 and 2012, respectively.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Net Earnings Per Share (Continued)

The following table sets forth the reconciliation of basic and diluted net income per share:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
(in thousands, except share data)			
Basic net income per share:			
Numerator			
Net income	\$ 255,998	\$ 190,411	\$ 131,919
Denominator			
Weighted-average common shares outstanding	102,142,828	101,529,137	100,991,871
Basic net income per share	\$ 2.51	\$ 1.88	\$ 1.31
Diluted net income per share:			
Numerator			
Net income	\$ 255,998	\$ 190,411	\$ 131,919
Assumed conversion of convertible senior notes	5,811	5,783	5,627
Net income plus assumed conversions	\$ 261,809	\$ 196,194	\$ 137,546
Denominator			
Number of shares used in basic computation	102,142,828	101,529,137	100,991,871
Weighted-average effect of dilutive securities	8,049,943	7,434,413	6,664,592
Number of shares used in per share computation	110,192,771	108,963,550	107,656,463
Diluted net income per share	\$ 2.38	\$ 1.80	\$ 1.28

Note 10. Fair Value Measurements*Assets and Liabilities Measured at Fair Value on a Recurring and Non-recurring Basis*

The Company had no assets or liabilities which were measured at fair value on a recurring or non-recurring basis as of December 31, 2014 or 2013.

Financial Instruments Not Measured at Fair Values

The fair value of debt financing is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities, which would be categorized as a Level 2 measurement in the fair value hierarchy. The estimated fair value of debt financing as of December 31, 2014 was \$7.0 billion compared to a book value of \$6.7 billion. The estimated fair value of debt financing as of December 31, 2013 was \$6.1 billion compared to a book value of \$5.9 billion.

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at December 31, 2014, but require disclosure of their fair values: cash and cash

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Fair Value Measurements (Continued)

equivalents and restricted cash. The estimated fair value of such instruments at December 31, 2014 and 2013 approximates their carrying value as reported on the consolidated balance sheet. The fair value of all these instruments would be categorized as Level 1 of the fair value hierarchy.

Note 11. Stock-based Compensation

On May 7, 2014, the stockholders of the Company approved the Air Lease Corporation 2014 Equity Incentive Plan (the "2014 Plan"). Upon approval of the 2014 Plan, no new awards may be granted under the Amended and Restated 2010 Equity Incentive Plan (the "2010 Plan"). As of December 31, 2014, the number of stock options ("Stock Options") and restricted stock units ("RSUs") authorized under the 2014 Plan is approximately 6,648,524, which includes 1,648,524 shares which were previously reserved for issuance under the 2010 Plan. Options are generally granted for a term of 10 years and generally vest over a three year period. The Company has issued RSUs with two different vesting criteria: those RSUs that vest based on the attainment of book-value goals and those RSUs that vest based on the attainment of Total Shareholder Return ("TSR") goals. The book-value RSUs generally vest ratably over three to four years, if the performance condition has been met. Book-value RSUs for which the performance metric has not been met are forfeited. The TSR RSUs vest at the end of a three year period. The number of TSR RSUs that will ultimately vest is based upon the percentile ranking of the Company's TSR among a peer group. The number of shares that will ultimately vest will range from 0% to 200% of the RSUs initially granted depending on the extent to which the TSR metric is achieved. For disclosure purposes, we have assumed the TSR RSUs will ultimately vest at 100%. As of December 31, 2014, the Company had 969,225 unvested RSUs outstanding of which 389,203 are TSR RSUs.

The Company recorded \$16.0 million, \$21.6 million and \$31.7 million of stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012, respectively.

Stock Options

The Company uses the BSM option pricing model to determine the fair value of stock options. The fair value of stock-based payment awards on the date of grant is determined by an option-pricing model using a number of complex and subjective variables. These variables include expected stock price volatility over the term of the awards, a risk-free interest rate and expected dividends.

Estimated volatility of the Company's common stock for new grants is determined by using historical volatility of the Company's peer group. Due to our limited operating history at the time of grant, there was no historical exercise data to provide a reasonable basis which the Company could use to estimate expected terms. Accordingly, the Company used the "simplified method" as permitted under Staff Accounting Bulletin No. 110. The risk-free interest rate used in the option valuation model was derived from U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. In accordance with ASC Topic 718, Compensation - Stock Compensation, the Company estimated forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. During the year ended December 31, 2014, 2013 and 2012, the Company did not grant any Stock Options.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Stock-based Compensation (Continued)

A summary of stock option activity in accordance with the Company's stock option plan for the year ended December 31, 2014 follows:

	Shares	Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)(1)
Balance at December 31, 2011	3,375,908	\$ 20.39	8.50	11,968
Granted				
Exercised	(7,000)	\$ 20.00	7.50	18
Forfeited/canceled	(10,500)	\$ 20.00		
Balance at December 31, 2012	3,358,408	\$ 20.39	7.49	4,813
Granted				
Exercised	(500)	\$ 20.00	6.54	5
Forfeited/canceled	(250)	\$ 20.00		3
Balance at December 31, 2013	3,357,658	\$ 20.39	6.49	35,883
Granted				
Exercised	(45,500)	\$ 20.00		814
Forfeited/canceled				
Balance at December 31, 2014	3,312,158	\$ 20.40	5.49	46,077
Vested and exercisable as of December 31, 2014	3,312,158	\$ 20.40	5.49	46,077

(1)

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of our Class A common stock as of the respective date.

As of December 31, 2014, all of the Company's outstanding employee stock options had fully vested and there were no unrecognized compensation costs related to outstanding employee stock options. As a result, there was no stock-based compensation expense related to Stock Options for the year ended December 31, 2014. Stock-based compensation expense related to employee stock options for the years ended December 31, 2013 and 2012, totaled \$5.4 million and \$11.8 million, respectively.

The following table summarizes additional information regarding outstanding, exercisable and vested stock options at December 31, 2014:

Range of exercise prices	Options Outstanding		Options Exercisable and Vested	
	Number of Shares	Weighted-Average Remaining Life (in years)	Number of Shares	Weighted-Average Remaining Life (in years)
\$20.00	3,162,158	5.46	3,162,158	5.46
\$28.80	150,000	6.32	150,000	6.32
\$20.00 - \$28.80	3,312,158	5.49	3,312,158	5.49

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 11. Stock-based Compensation (Continued)***Restricted Stock Units*

Compensation cost for stock awards is measured at the grant date based on fair value and recognized over the vesting period. The fair value of book-value RSUs is determined based on the closing market price of the Company's Class A common stock on the date of grant, while the fair value of TSR RSUs is determined at the grant date using a Monte Carlo simulation model. Included in the Monte Carlo simulation model were certain assumptions regarding a number of highly complex and subjective variables, such as expected volatility, risk-free interest rate and expected dividends. To appropriately value the award, the risk-free interest rate is estimated for the time period from the valuation date until the vesting date and the historical volatilities were estimated based on a historical timeframe equal to the time from the valuation date until the end date of the performance period. Due to our limited stock history since the completion of our initial public offering on April 25, 2011, historical volatility was estimated based on all available stock history information.

During the year ended December 31, 2014, the Company granted 384,225 RSUs of which 182,476 are TSR RSUs. The following table summarizes the activities for our unvested RSUs for the year ended December 31, 2014:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted- Average Grant-Date Fair Value
Unvested at December 31, 2013	1,569,005	\$ 24.50
Granted	384,225	\$ 39.70
Vested	(981,835)	\$ 21.53
Forfeited/canceled	(2,170)	\$ 35.07
Unvested at December 31, 2014	969,225	\$ 33.51
Expected to vest after December 31, 2014(1)	958,238	33.51

(1) RSUs expected to vest reflect an estimated forfeiture rate.

At December 31, 2014, the outstanding RSUs are expected to vest as follows: 2015 396,888; 2016 321,014; and 2017 240,336. The Company recorded \$16.0 million, \$16.2 million and \$19.9 million of stock-based compensation expense related to RSUs for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014 there was \$12.4 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested stock-based payments granted to employees. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures and is expected to be recognized over a weighted average remaining period of 1.7 years.

Note 12. Investments

On November 4, 2014, a wholly owned subsidiary of the Company entered into an agreement with a co-investment vehicle arranged by Napier Park to participate in a joint venture formed as a Delaware LLC Blackbird Capital I, LLC ("Blackbird") for the purpose of investing in commercial

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Investments (Continued)

aircraft and leasing them to airlines around the globe. We will also provide management services to the joint venture for a fee based upon aircraft assets under management. The Company's non-controlling interest in Blackbird is 9.5% and it is accounted for as an investment under the equity method of accounting.

In November and December 2014, Blackbird completed the purchase of five aircraft with an aggregate purchase price of \$280.0 million from the Company. As of December 31, 2014, the Company's investment in Blackbird was \$10.1 million which is included in other assets.

Note 13. Litigation

On April 24, 2012, the Company was named as a defendant in a complaint filed in Superior Court of the State of California for the County of Los Angeles by American International Group, Inc. and ILFC (the "AIG/ILFC Complaint"). The complaint also names as defendants certain executive officers and employees of the Company. American International Group withdrew as a plaintiff on all but one cause of action that is not asserted against the Company.

Among other things, the complaint, as amended, alleges breach of fiduciary duty, misappropriation of trade secrets, the wrongful recruitment of ILFC employees, and the wrongful diversion of potential ILFC leasing opportunities. The complaint seeks an unspecified amount of damages and injunctive relief. The Company believes that it has meritorious defenses to these claims and intends to defend this matter vigorously. The amount or range of loss, if any, is not estimable at this time.

On August 15, 2013, the Company filed a cross-complaint against ILFC and AIG. The cross-complaint, as amended, alleges breach of contract for the sale of goods in connection with an agreement entered into by AIG, acting on behalf of ILFC, in January 2010 to sell 25 aircraft to the entity that became Air Lease Corporation. The cross-complaint seeks compensatory damages in excess of \$500 million.

Note 14. Related party transactions

The Company has a Master Servicing Agreement dated October 25, 2013 ("Master Servicing Agreement") with Commonwealth Bank of Australia and/or its subsidiaries (collectively "Commonwealth Bank"). Under the Master Servicing Agreement we consolidated all of our prior aircraft servicing agreements for the aircraft we manage for Commonwealth Bank. Commonwealth Bank beneficially owns more than 5% of our Class A common stock.

Under the Master Servicing Agreement, we manage on behalf of Commonwealth Bank or its subsidiaries the leasing and remarketing of aircraft for subsequent leases or for sale. For these services Commonwealth Bank pays us a percentage of the rent for the aircraft and will pay us a percentage of the proceeds if the aircraft is sold. Prior to entering into the Master Servicing Agreement, we had several aircraft servicing agreements for the aircraft we managed for Commonwealth Bank. As of March 17, 2014, all of the aircraft we manage for Commonwealth Bank are pursuant to the Master Servicing Agreement.

For the years ended December 31, 2014, 2013 and 2012 Commonwealth Bank paid us fees of \$0.9 million, \$0.5 million and \$1.8 million, respectively, for our services which is recorded in aircraft sales, trading and other revenue.

Table of Contents**Air Lease Corporation and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 14. Related party transactions (Continued)**

Additionally, Commonwealth Bank is a lender under our unsecured revolving credit facility and our 2010 Warehouse Facility. See note 3 of notes to Consolidated Financial Statements.

In September 2013, the Company, through a limited liability company of which it is the sole member, entered into a purchase agreement to acquire a corporate aircraft. The right to purchase the corporate aircraft was formerly held by an entity controlled by Mr. Udvar-Házy, our Chairman and CEO, and not affiliated with the Company. The parties conducted this transaction on an arm's-length basis. The Company believes, based on independent expert advice, that at the time the Company entered into the purchase agreement, the purchase price of the aircraft was significantly below the then-current fair market value for such aircraft. The Company reimbursed Mr. Udvar-Házy \$6.8 million for deposits he paid to the manufacturer plus interest at a rate of 3.90% per annum.

In November 2013, the Company completed a marketed secondary public offering of up to 10,138,888 shares of its Class A common stock held by affiliates of Ares Management LLC, Leonard Green & Partners, L.P. and WL Ross & Co. LLC. The shares of Class A common stock were offered to the public at \$31.50 per share. The Company did not issue any additional shares of Class A common stock and did not receive any proceeds in this transaction. The total number of shares of the Company's Class A common stock outstanding did not change as a result of this offering.

Note 15. Quarterly financial data (unaudited)

The following table presents our unaudited quarterly results of operations for the two-year period ended December 31, 2014.

	Quarter Ended							
	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014
	(in thousands, except share data)							
Revenues	\$ 191,997	\$ 207,872	\$ 215,905	\$ 242,901	\$ 246,285	\$ 256,325	\$ 261,939	\$ 285,944
Income before taxes	61,672	66,311	74,888	90,571	94,709	95,680	96,277	108,110
Net income	39,996	42,990	48,578	58,847	61,397	62,037	62,433	70,131
Net income per share:								
Basic	\$ 0.39	\$ 0.42	\$ 0.48	\$ 0.58	\$ 0.60	\$ 0.61	\$ 0.61	\$ 0.68
Diluted	\$ 0.38	\$ 0.41	\$ 0.46	\$ 0.55	\$ 0.57	\$ 0.58	\$ 0.58	\$ 0.65

The sum of quarterly earnings per share amounts may not equal the annual amount reported since per share amounts are computed independently for each period presented.

Note 16. Subsequent events

On January 14, 2015, the Company issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2022 that bear interest at a rate of 3.75%.

On February 26, 2015, our board of directors approved a quarterly cash dividend of \$0.04 per share on our outstanding common stock. The dividend will be paid on April 7, 2015 to holders of record of our common stock as of March 20, 2015.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission, and such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's controls are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

We have evaluated, under the supervision and with the participation of management, including the Certifying Officers, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of December 31, 2014. Based on that evaluation, our Certifying Officers have concluded that our disclosure controls and procedures were effective at December 31, 2014.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework* (2013). Based upon its assessment, our management believes that, as of December 31, 2014, the Company's internal control over financial reporting is effective based on these criteria.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers of the Company

Except as set forth below or as contained in Part I above, under "Executive Officers of the Company", the other information required by this item is incorporated by reference to the "Corporate Governance" and the "Proposal 1: Election of Directors" sections of our Proxy Statement for the 2015 Annual Meeting of Stockholders (the "2015 Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than April 30, 2015.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics for our directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees. The Code of Business Conduct and Ethics is available on our website at www.airleasecorp.com under the Investors tab.

Within the time period required by the Securities and Exchange Commission and the New York Stock Exchange, we will post on our website at www.airleasecorp.com under the Investors tab any amendment to our Code of Business Conduct and Ethics.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that are available on our website at www.airleasecorp.com under the Investors tab.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the "Corporate Governance" and the "Executive Compensation" sections of the 2015 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the "Ownership of Air Lease Corporation Securities" section of the 2015 Proxy Statement, except for the information required by Item 201(d) of Regulation S-K, which is provided in Item 5 of Part II above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the "Corporate Governance," "Other Matters" and "Proposal 1: Election of Directors" sections of our 2015 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to the "Independent Auditor Fees and Services" section of our 2015 Proxy Statement.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

1. Consolidated Financial Statements

The following documents are filed as part of this Annual Report on Form 10-K:

	Page
<u>Reports of Independent Registered Public Accounting Firm</u>	<u>63</u>
Financial Statements	
<u>Consolidated Balance Sheets</u>	<u>65</u>
<u>Consolidated Statements of Income</u>	<u>66</u>
<u>Consolidated Statements of Shareholders' Equity</u>	<u>67</u>
<u>Consolidated Statements of Cash Flows</u>	<u>68</u>
<u>Notes to Consolidated Financial Statements</u>	<u>69</u>

2. Financial Statement Schedules

Financial statement schedules have been omitted as they are not required, not applicable, or the required information is otherwise included in the consolidated financial statements or the notes thereto.

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3. Exhibits

Exhibit Number	Exhibit Description	Form	File No.	Incorporated by Reference Exhibit
---------------------------	----------------------------	-------------	-----------------	----------------------------------------------