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

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

Registration No. 333-173817

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

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

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

Delaware	**7359**	**27-1840403**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2000 Avenue of the Stars, Suite 1000N
Los Angeles, CA 90067
(310) 553-0555
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

John L. Plueger
President & Chief Operating Officer
Air Lease Corporation
2000 Avenue of the Stars, Suite 1000N
Los Angeles, CA 90067
(310) 553-0555
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Grant A. Levy **Executive Vice President,** **General Counsel & Secretary** **Air Lease Corporation**	**Robert B. Knauss, Esq.** **Mark H. Kim, Esq.** **Munger, Tolles & Olson LLP** **355 South Grand Avenue, 35th Floor**
2000 Avenue of the Stars, Suite 1000N **Los Angeles, CA 90067** **(310) 553-0555**	**Los Angeles, CA 90071** **(213) 683-9100**

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

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

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

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

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

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

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

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

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

Subject to Completion, dated July 11, 2011.

Prospectus

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

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

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

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

Investing in our Common Stock involves a high degree of risk. See Risk factors beginning on page 14.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2011.

Table of contents

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

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

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

Dealer prospectus delivery obligation

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

Industry and market data

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

Prospectus summary

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

Our company

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

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

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

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

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

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

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

Operations to date

Current fleet

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

Aircraft purchase commitments

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

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

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

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

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

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

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

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

Our business and growth strategies

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

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

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

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

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

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

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

Our financing strategies

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

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

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

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

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

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

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

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

Our competitive strengths

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

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

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

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

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

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

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

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

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

Overview of the aircraft leasing industry

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

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

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

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

Risks affecting us

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

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

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

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

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

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

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

Changes in interest rates may adversely affect our financial results.

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

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

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

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

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

Initial Public Offering

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

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

Corporate information

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

The offering

Class A Common Stock offered by the selling stockholders	65,852,274 shares
Class B Non-Voting Common Stock offered by the selling stockholders	1,829,339 shares
Total Common Stock outstanding prior to and after this offering	100,714,470 shares
Use of proceeds	We will not receive any proceeds from the sale of Common Stock by the selling stockholders. See Use of proceeds.
Dividend policy	We have no current plans to declare or pay any dividends on our Common Stock. See Dividend policy.
Voting rights	The holders of Class A Common Stock possess all voting power for the election of our directors and all other matters requiring stockholder action, except with respect to amendments to our restated certificate of incorporation that alter or change the powers, preferences, rights or other terms of any outstanding preferred stock if the holders of such affected series of preferred stock are entitled to vote on such an amendment. Holders of our Class A Common Stock are entitled to one vote for each share held and will not have cumulative voting rights in connection with the election of directors. Holders of Class B Non-Voting Common Stock are not entitled to any vote, other than with respect to amendments to the terms of the Class B Non-Voting Common Stock that would significantly and adversely affect the rights or preferences of the Class B Non-Voting Common Stock, including, without limitation, with respect to the convertibility thereof. See Description of capital stock.
Risk factors	See Risk factors for a discussion of certain factors you should consider before deciding to invest in our Common Stock.

The number of shares of our Common Stock outstanding prior to and after this offering excludes:

482,625 shares of Common Stock issuable upon the exercise of warrants outstanding as of June 30, 2011 at an exercise price of $20.00 per share;

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

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

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

Summary financial information and data

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the period

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

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

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

Risk factors

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

Risks relating to our business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in interest rates may adversely affect our financial results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft less desirable and less valuable in the marketplace. Any of these risks may adversely affect our ability to lease or sell our aircraft on favorable terms, if at all, which could have a material adverse effect on our financial results and growth prospects. The advent of new technologies or introduction of a new type of aircraft may materially adversely affect the value of the aircraft in our fleet.

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

Our business strategy emphasizes leasing aircraft to lessees outside of the United States, including to airlines in emerging market countries. Emerging market countries have less developed economies and infrastructure and are often more vulnerable to economic and geopolitical challenges and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise, particularly if combined with high fuel prices, could adversely affect the value of our aircraft subject to lease in such countries, or the ability of our lessees, which operate in these markets, to meet their lease obligations. As a result, lessees that operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries.

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

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

We may be exposed to increased maintenance costs for our aircraft associated with a lessee s f