

AIR LEASE CORP
Form 10-Q
November 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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)

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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**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 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
(Do not check if a smaller reporting company)

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

At November 9, 2012, there were 99,417,998 shares of Air Lease Corporation's Class A Common Stock outstanding and 1,829,339 shares of Air Lease Corporation's Class B Non-Voting Common Stock outstanding.

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Air Lease Corporation and Subsidiaries

Form 10-Q

For the Quarterly Period Ended September 30, 2012

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

Statements in this quarterly report on Form 10-Q that are not historical facts may constitute forward-looking statements, including any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, could, may, predicts, should, will, estimate, plans, projects, continuing, ongoing, expects, intends and similar words or phrases. These statements are and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in such statements, including as a result of the following factors, among others:

- our inability to make acquisitions of, or lease, aircraft on favorable terms;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of sufficient aircraft as currently contemplated or to fund the operations and growth of our business;
- our inability to obtain refinancing prior to the time our debt matures;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- changes in the regulatory environment;
- our inability to effectively deploy the net proceeds from our capital raising activities;
- potential natural disasters and terrorist attacks and the amount of our insurance coverage, if any, relating thereto; and

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- the factors discussed under Part I Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Air Lease Corporation and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and par value amounts)

| | September 30, 2012 (unaudited) | December 31, 2011 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 439,681 | \$ 281,805 |
| Restricted cash | 111,784 | 96,157 |
| Flight equipment subject to operating leases | 6,158,762 | 4,368,985 |
| Less accumulated depreciation | (286,374) | (131,569) |
| | 5,872,388 | 4,237,416 |
| Deposits on flight equipment purchases | 544,817 | 405,549 |
| Deferred debt issue costs less accumulated amortization of \$27,592 and \$17,500 as of September 30, 2012 and December 31, 2011, respectively | 76,603 | 47,609 |
| Other assets | 120,205 | 96,057 |
| Total assets | \$ 7,165,478 | \$ 5,164,593 |
| Liabilities and Shareholders Equity | | |
| Accrued interest and other payables | \$ 95,240 | \$ 54,648 |
| Debt financing | 4,296,076 | 2,602,799 |
| Security deposits and maintenance reserves on flight equipment leases | 380,272 | 284,154 |
| Rentals received in advance | 36,953 | 26,017 |
| Deferred tax liability | 71,265 | 20,692 |
| Total liabilities | \$ 4,879,806 | \$ 2,988,310 |
| 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 99,417,998 and 98,885,131 shares at September 30, 2012 and December 31, 2011, respectively | 991 | 984 |
| Class B Non-Voting Common Stock, \$0.01 par value; authorized 10,000,000 shares; issued and outstanding 1,829,339 shares | 18 | 18 |
| Paid-in capital | 2,191,361 | 2,174,089 |
| Retained earnings | 93,302 | 1,192 |
| Total shareholders equity | 2,285,672 | 2,176,283 |
| Total liabilities and shareholders equity | \$ 7,165,478 | \$ 5,164,593 |

See accompanying notes.

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| | (unaudited) | | | |
| Revenues | | | | |
| Rental of flight equipment | \$ 172,856 | \$ 90,476 | \$ 459,643 | \$ 219,092 |
| Interest and other | 2,069 | 1,649 | 6,008 | 2,592 |
| Total revenues | 174,925 | 92,125 | 465,651 | 221,684 |
| Expenses | | | | |
| Interest | 35,248 | 10,993 | 91,308 | 30,143 |
| Amortization of discounts and deferred debt issue costs | 4,595 | 2,308 | 11,553 | 6,972 |
| Extinguishment of debt | | | | 3,349 |
| Interest expense | 39,843 | 13,301 | 102,861 | 40,464 |
| Depreciation of flight equipment | 57,932 | 30,657 | 154,805 | 73,431 |
| Selling, general and administrative | 12,833 | 11,512 | 40,750 | 32,661 |
| Stock-based compensation | 7,124 | 8,314 | 24,548 | 30,974 |
| Total expenses | 117,732 | 63,784 | 322,964 | 177,530 |
| Income before taxes | 57,193 | 28,341 | 142,687 | 44,154 |
| Income tax expense | (20,182) | (10,070) | (50,577) | (15,684) |
| Net income | \$ 37,011 | \$ 18,271 | \$ 92,110 | \$ 28,470 |
| Net income per share of Class A and Class B Common Stock: | | | | |
| Basic | \$ 0.37 | \$ 0.18 | \$ 0.91 | \$ 0.33 |
| Diluted | \$ 0.36 | \$ 0.18 | \$ 0.90 | \$ 0.33 |
| Weighted-average shares outstanding: | | | | |
| Basic | 101,247,337 | 100,714,470 | 100,906,094 | 85,845,031 |
| Diluted | 107,875,105 | 100,767,839 | 107,574,616 | 85,946,120 |

See accompanying notes.

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(In thousands, except share amounts)

| (unaudited) | Preferred Stock | | Class A Common Stock | | Class B Non-Voting Common Stock | | Paid-in Capital | Retained Earnings | Total |
|--|-----------------|--------|----------------------|--------|------------------------------------|--------|--------------------|----------------------|--------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance at December 31, 2011 | | \$ | 98,885,131 | \$ 984 | 1,829,339 | \$ 18 | \$ 2,174,089 | \$ 1,192 | \$ 2,176,283 |
| Common stock issued | | | 897,110 | 7 | | | 36 | | 43 |
| Stock based compensation expense | | | | | | | 24,548 | | 24,548 |
| Tax withholding related to vesting of restricted stock units | | | (364,243) | | | | (7,312) | | (7,312) |
| Net income | | | | | | | | 92,110 | 92,110 |
| Balance at September 30, 2012 | | \$ | 99,417,998 | \$ 991 | 1,829,339 | \$ 18 | \$ 2,191,361 | \$ 93,302 | \$ 2,285,672 |

See accompanying notes.

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------------|
| | 2012 | 2011 |
| | (unaudited) | |
| Operating Activities | | |
| Net income | \$ 92,110 | \$ 28,470 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of flight equipment | 154,805 | 73,431 |
| Stock-based compensation | 24,548 | 30,974 |
| Deferred taxes | 50,573 | 15,684 |
| Amortization of discounts and deferred debt issue costs | 11,553 | 6,972 |
| Extinguishment of debt | | 3,349 |
| Changes in operating assets and liabilities: | | |
| Other assets | (20,114) | (15,427) |
| Accrued interest and other payables | 48,085 | 13,465 |
| Rentals received in advance | 10,936 | 9,279 |
| Net cash provided by operating activities | 372,496 | 166,197 |
| Investing Activities | | |
| Acquisition of flight equipment under operating lease | (1,651,831) | (1,706,278) |
| Payments for deposits on flight equipment purchases | (185,373) | (278,820) |
| Acquisition of furnishings, equipment and other assets | (71,484) | (66,910) |
| Net cash used in investing activities | (1,908,688) | (2,052,008) |
| Financing Activities | | |
| Issuance of common stock | 43 | 867,365 |
| Tax withholdings on stock-based compensation | (7,312) | (8,456) |
| Net change in unsecured revolving facilities | (28,000) | 153,000 |
| Proceeds from debt financings | 2,042,389 | 800,043 |
| Payments in reduction of debt financings | (344,912) | (62,376) |
| Restricted cash | (15,627) | (26,143) |
| Debt issue costs | (39,487) | (10,338) |
| Security deposits and maintenance reserve receipts | 108,968 | 127,262 |
| Security deposits and maintenance reserve disbursements | (21,994) | (3,720) |
| Net cash provided by financing activities | 1,694,068 | 1,836,637 |
| Net increase (decrease) in cash | 157,876 | (49,174) |
| Cash and cash equivalents at beginning of period | 281,805 | 328,821 |
| Cash and cash equivalents at end of period | \$ 439,681 | \$ 279,647 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the period for interest, including capitalized interest of \$ 13,698 at September 30, 2012 and capitalized interest of \$7,297 at September 30, 2011 | \$ 68,307 | \$ 34,849 |
| Supplemental Disclosure of Noncash Activities | | |
| Buyer furnished equipment, capitalized interest, deposits on flight equipment purchases and seller financing applied to acquisition of flight equipment under operating leases | \$ 136,850 | \$ 33,408 |

See accompanying notes.

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Air Lease Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Company Background and Overview

Air Lease Corporation (the Company, ALC, we, our or us) is incorporated in the State of Delaware and licensed to operate in the State of California. The Company is principally engaged in the leasing of commercial aircraft to airlines throughout the world. We supplement our leasing revenues by providing fleet management and remarketing services to third parties. We typically provide many of the same services that we perform for our fleet, including leasing, releasing, lease management and sales services for which we charge a fee, with the objective of assisting our clients to maximize lease or sale revenues. In addition to our leasing activities and management services, and depending on market conditions, we sell aircraft from our fleet to other leasing companies, financial services companies and airlines.

Note 2. Basis of Preparation

The Company consolidates financial statements of all entities in which we have a controlling financial interest, including the accounts of any Variable Interest Entity in which we have a controlling financial interest and for which we are determined to be the primary beneficiary. All material intercompany balances are eliminated in consolidation. The accompanying Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The accompanying unaudited consolidated financial statements include all adjustments, including only normal, recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows at September 30, 2012, and for all periods presented. The results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the operating results expected for the year ending December 31, 2012. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Note 3. Debt Financing

The Company's consolidated debt as of September 30, 2012 and December 31, 2011 are summarized below (in thousands):

**September 30,
2012**

**December 31,
2011**

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| Secured | | | |
|---|----|-----------|--------------|
| Term financings | \$ | 675,245 | \$ 735,285 |
| Warehouse facilities | | 1,107,547 | 1,048,222 |
| Total secured debt financing | | 1,782,792 | 1,783,507 |
| Unsecured | | | |
| Term financings | | 268,301 | 148,209 |
| Convertible senior notes | | 200,000 | 200,000 |
| Senior notes | | 1,725,000 | 120,000 |
| Revolving credit facilities | | 330,000 | 358,000 |
| Total unsecured debt financing | | 2,523,301 | 826,209 |
| Total secured and unsecured debt financing | | 4,306,093 | 2,609,716 |
| Less: Debt discount | | (10,017) | (6,917) |
| Total debt | \$ | 4,296,076 | \$ 2,602,799 |

At September 30, 2012, 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, unencumbered assets and interest coverage ratios.

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The Company's secured obligations as of September 30, 2012 and December 31, 2011 are summarized below (in thousands, except number of aircraft which are reflected in units):

| | September 30, 2012 | December 31, 2011 |
|--|-----------------------|----------------------|
| Nonrecourse | \$ 1,132,829 | \$ 1,076,965 |
| Recourse | 649,963 | 706,542 |
| Total | \$ 1,782,792 | \$ 1,783,507 |
| Number of aircraft pledged as collateral | 55 | 54 |
| Net book value of aircraft pledged as collateral | \$ 2,734,777 | \$ 2,692,652 |

Secured term financings

The Company did not enter into any additional secured term facilities during the third quarter of 2012. The outstanding balance on our secured term facilities was \$675.2 million and \$735.3 million at September 30, 2012 and December 31, 2011, respectively.

Warehouse facilities

In March 2012, a wholly-owned subsidiary of the Company entered into a \$192.8 million senior secured warehouse facility (the 2012 Warehouse Facility) to refinance a pool of eight aircraft previously financed under the Company's non-recourse, revolving \$1.25 billion credit facility (the 2010 Warehouse Facility) and together with the 2012 Warehouse Facility the Warehouse Facilities).

As of September 30, 2012, the Company had borrowed \$1.1 billion under our Warehouse Facilities and pledged 39 aircraft as collateral with a net book value of \$1.6 billion. As of December 31, 2011, the Company had borrowed \$1.0 billion under the 2010 Warehouse Facility and pledged 38 aircraft as collateral with a net book value of \$1.6 billion. The Company had pledged cash collateral and lessee deposits of \$108.5 million and \$86.9 million at September 30, 2012 and December 31, 2011, respectively.

Unsecured term financings

In September 2012, the Company issued \$450.0 million in aggregate principal amount of senior unsecured notes due 2016 to Qualified Institutional Buyers in reliance upon Rule 144A under the Securities Act. The notes are senior unsecured obligations of the Company and bear interest at a rate of 4.5% per annum.

During the third quarter of 2012, the Company entered into three additional unsecured term facilities aggregating \$6.4 million with terms ranging from two to four years and bearing interest at fixed rates ranging from 3.0% to 4.0%.

Unsecured revolving credit facilities

In May 2012, the Company entered into an \$853.0 million three-year senior unsecured revolving credit facility (the Syndicated Unsecured Revolving Credit Facility). The Syndicated Unsecured Revolving Credit Facility will mature on May 4, 2015 and contains an uncommitted accordion feature under which its aggregate principal amount can be increased by up to \$500.0 million.

Borrowings under the Syndicated Unsecured Revolving Credit Facility generally will bear interest at LIBOR plus a margin of 1.75%. The Company is required to pay a commitment fee in respect of unutilized commitments under the Syndicated Unsecured Revolving Credit Facility at a rate of 0.375%.

During the third quarter of 2012, the Company added two additional lenders to the Syndicated Unsecured Revolving Credit Facility and increased the aggregate principal amount by \$90.0 million to \$943.0 million.

The Company ended the third quarter of 2012 with a total of five unsecured revolving credit facilities aggregating \$1.0 billion. The total amount outstanding under our unsecured revolving credit facilities was \$330.0 million and \$358.0 million as of September 30, 2012 and December 31, 2011, respectively.

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Maturities of debt outstanding as of September 30, 2012 are as follows (in thousands):

| Years ending December 31, | | |
|----------------------------------|-----------|------------------|
| 2012 | \$ | 44,308 |
| 2013 | | 392,025 |
| 2014 | | 381,593 |
| 2015 | | 686,673 |
| 2016 | | 1,101,628 |
| Thereafter | | 1,699,866 |
| Total(1)(2) | \$ | 4,306,093 |

(1) As of September 30, 2012, the Company had \$920.3 million of debt outstanding under the 2010 Warehouse Facility which matures in June 2013. The outstanding drawn balance at the end of the availability period may be converted at the Company's option to an amortizing, four-year term loan and has been presented as such in the maturity schedule above.

(2) As of September 30, 2012, the Company had \$330.0 million of debt outstanding under our unsecured 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.

Note 4. Commitments and Contingencies*Aircraft Acquisition*

As of September 30, 2012, we had commitments to acquire a total of 291 new and one used aircraft for delivery as follows:

| Aircraft Type | 2012(1) | 2013 | 2014 | 2015 | 2016 | Thereafter | Total |
|------------------------|----------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| Airbus A320/321-200 | 3 | 13 | 13 | 6 | | | 35 |
| Airbus A320/321 NEO(2) | | | | | 3 | 47 | 50 |
| Airbus A330-200/300 | | 3 | | | | | 3 |
| Boeing 737-800 | 3 | 12 | 12 | 17 | 19 | 15 | 78 |
| Boeing 737-8/9 MAX(2) | | | | | | 100 | 100 |
| Boeing 777-300ER | | | 2 | 3 | | | 5 |
| Boeing 787-9 | | | | | | 12 | 12 |
| Embraer E175/190 | 3 | | | | | | 3 |
| ATR 72-600 | 2 | 4 | | | | | 6 |
| Total | 11 | 32 | 27 | 26 | 22 | 174 | 292 |

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- (1) Of the 11 aircraft that we committed to acquire in the remainder of 2012, one Airbus A320/321-200 will be a used aircraft.
- (2) As of September 30, 2012, 14 of the Airbus A320/321 NEO aircraft and 25 of the Boeing 737-8/9 MAX aircraft were subject to reconfirmation.

Commitments for the acquisition of these aircraft and other equipment at an estimated aggregate purchase price (including adjustments for inflation) of approximately \$16.4 billion at September 30, 2012 are as follows (in thousands):

| Years ending December 31, | |
|----------------------------------|----------------------|
| 2012 | \$ 438,288 |
| 2013 | 1,512,030 |
| 2014 | 1,469,537 |
| 2015 | 1,407,029 |
| 2016 | 1,190,983 |
| Thereafter | 10,387,505 |
| Total | \$ 16,405,372 |

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We have made non-refundable deposits on the aircraft for which we have commitments to purchase of \$544.8 million and \$405.5 million as of September 30, 2012 and December 31, 2011, respectively, which are subject to manufacturer performance commitments. If we are unable to satisfy our purchase commitments, we may forfeit our deposits. Further, we would be subject to breach of contract claims by our lessees and manufacturers.

Note 5. 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 three and nine months ended September 30, 2012 and 2011, the Company excluded 3,358,408 and 3,375,908 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. In addition, the Company excluded 2,114,957 and 2,613,989 shares related to restricted stock units for which the performance metric had yet to be achieved as of September 30, 2012 and 2011, respectively.

The following table sets forth the reconciliation of basic and diluted net income per share (in thousands, except share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Basic net income per share: | | | | |
| Numerator | | | | |
| Net income | \$ 37,011 | \$ 18,271 | \$ 92,110 | \$ 28,470 |
| Denominator | | | | |
| Weighted-average common shares outstanding | 101,247,337 | 100,714,470 | 100,906,094 | 85,845,031 |
| Basic net income per share | \$ 0.37 | \$ 0.18 | \$ 0.91 | \$ 0.33 |
| Diluted net income per share: | | | | |
| Numerator | | | | |
| Net income | \$ 37,011 | \$ 18,271 | \$ 92,110 | \$ 28,470 |
| Assumed conversion of convertible senior notes | 1,448 | | 4,261 | |
| Net income plus assumed conversions | \$ 38,459 | \$ 18,271 | \$ 96,371 | \$ 28,470 |
| Denominator | | | | |
| Number of shares used in basic computation | 101,247,337 | 100,714,470 | 100,906,094 | 85,845,031 |
| Weighted-average effect of dilutive securities | 6,627,768 | 53,369 | 6,668,522 | 101,089 |
| Number of shares used in per share computation | 107,875,105 | 100,767,839 | 107,574,616 | 85,946,120 |
| Diluted net income per share | \$ 0.36 | \$ 0.18 | \$ 0.90 | \$ 0.33 |

Note 6. 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 are measured at fair value on a recurring or non-recurring basis as of September 30, 2012 or December 31, 2011.

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Financial Instruments Not Measured at Fair Value

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 September 30, 2012 was \$4,351.1 million compared to a book value of \$4,296.1 million. The estimated fair value of debt financing as of December 31, 2011 was \$2,591.0 million compared to a book value of \$2,602.8 million.

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at September 30, 2012, but require disclosure of their fair values: cash and cash equivalents and restricted cash. The estimated fair value of such instruments at September 30, 2012 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 7. Stock-based Compensation

In accordance with the Amended and Restated Air Lease Corporation 2010 Equity Incentive Plan (Plan), the number of stock options (Stock Options) and restricted stock units (RSUs) authorized under the Plan is approximately 8,193,088 as of September 30, 2012. Options are generally granted for a term of 10 years and generally vest over a three year period. There are two kinds of RSUs: those that vest based on the attainment of book-value goals and those 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. As of September 30, 2012, the Company granted 3,375,908 Stock Options and 3,862,608 RSUs of which 192,188 are TSR RSUs.

The Company recorded \$7.1 million and \$8.3 million of stock-based compensation expense for the three months ended September 30, 2012 and 2011, respectively. Stock-based compensation expense for the nine months ended September 30, 2012 and 2011 totaled \$24.5 million and \$31.0 million, respectively.

Stock Options

A summary of stock option activity in accordance with the Company's stock option plan as of September 30, 2012, and changes for the nine month period then ended, follows:

| Shares | Exercise price | Remaining contractual term (in years) | Aggregate intrinsic value (in thousands)(1) |
|--------|----------------|---------------------------------------|---|
|--------|----------------|---------------------------------------|---|

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| | | | | | | |
|--|-----------|----|-------|------|----|--------|
| Balance at December 31, 2011 | 3,375,908 | \$ | 20.39 | 8.50 | \$ | 11,968 |
| Granted | | | | | | |
| Exercised | (7,000) | \$ | 20.00 | 7.76 | \$ | 18 |
| Forfeited/canceled | (10,500) | \$ | 20.00 | | \$ | 4 |
| Balance at September 30, 2012 | 3,358,408 | \$ | 20.39 | 7.75 | \$ | 1,283 |
| Vested and exercisable as of September 30, 2012 | 2,238,265 | \$ | 20.20 | 7.73 | \$ | 875 |
| Vested and exercisable as of September 30, 2012 and expected to vest thereafter(2) | 3,353,423 | \$ | 20.39 | 7.75 | \$ | 1,281 |

(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.

(2) Options expected to vest reflect an estimated forfeiture rate.

Stock-based compensation expense related to employee stock options for the three months ended September 30, 2012 and 2011 totaled \$3.0 million and \$3.1 million, respectively. Stock-based compensation expense related to employee stock options for the nine months ended September 30, 2012 and 2011 totaled \$8.8 million and \$8.9 million, respectively.

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The following table summarizes additional information regarding outstanding and exercisable and vested options at September 30, 2012:

| 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 | 3,208,408 | 7.71 | 2,188,265 | 7.71 |
| \$28.80 | 150,000 | 8.57 | 50,000 | 8.57 |
| \$20.00 - \$28.80 | 3,358,408 | 7.75 | 2,238,265 | 7.73 |

As of September 30, 2012, there was \$8.3 million of unrecognized compensation cost related to outstanding employee stock options. This amount is expected to be recognized over a weighted-average period of one year. To the extent the actual forfeiture rate is different from what we have estimated, stock-based compensation related to these awards will be different from our expectations.

Restricted Stock Unit Plan

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 information. The dividend distributions were estimated to be zero based on dividend distributions before the valuation date.

During the nine months ended September 30, 2012, the Company granted 404,644 RSUs of which 192,188 are TSR RSUs. The following table summarizes the activities for our unvested RSUs for the nine months ended September 30, 2012:

| | Unvested Restricted Stock Units | |
|--|---------------------------------|--|
| | Number of shares | Weighted-average grant-date fair value |
| Unvested at January 1, 2012 | 2,613,539 | \$ 20.78 |
| Granted | 404,644 | 24.48 |
| Vested | (890,110) | 20.50 |
| Forfeited/canceled | (13,116) | 20.85 |
| Unvested at September 30, 2012 | 2,114,957 | \$ 21.61 |
| Expected to vest after September 30, 2012(1) | 2,103,243 | \$ 21.61 |

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

The Company recorded \$4.1 million and \$5.2 million of stock-based compensation expense related to RSUs for the three months ended September 30, 2012 and 2011, respectively. The Company recorded \$15.7 million and \$22.1 million of stock-based compensation expense related to RSUs for the nine months ended September 30, 2012 and 2011, respectively.

At September 30, 2012, the outstanding RSUs are expected to vest as follows: 2013 954,757; 2014 903,946; 2015 256,254. As of September 30, 2012, there was \$19.5 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs 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 1.8 years.

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Note 8. Litigation

In April 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 International Lease Finance Corporation. The complaint also names as defendants certain executive officers and employees of the Company. Among other things, the suit alleges breach of fiduciary duty and misappropriation of trade secrets. The complaint seeks an unspecified amount of damages. The Company believes that it has meritorious defenses to these claims and intends to defend this matter vigorously. As of the date of this filing, the Company is unable to estimate a range of possible loss, if any, related to this matter.

Note 9. Subsequent Events

On October 3, 2012, the Company issued an additional \$50.0 million aggregate principal amount of 4.5% senior unsecured notes due 2016 to Qualified Institutional Buyers in reliance upon Rule 144A under the Securities Act. The notes are senior unsecured obligations of the Company and bear interest at a rate of 4.5% per annum. With the completion of this offering, the Company has sold and issued a total of \$500.0 million aggregate principal amount of senior unsecured notes due 2016.

On, November 2, 2012, the Company added an additional lender to the Syndicated Unsecured Revolving Credit Facility and increased the aggregate principal amount by \$100.0 million to \$1,043.0 million.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Overview

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

During the third quarter of 2012, we have continued to build one of the world's youngest, most fuel-efficient aircraft operating lease portfolios. During the three months ended September 30, 2012, we acquired an additional five aircraft from our new aircraft pipeline ending the quarter with a total of 142 aircraft (of which 73 were new aircraft and 69 were used aircraft), growing our fleet by 3.9% based on net book value. The weighted-average age of our fleet was 3.4 years as of September 30, 2012 compared to 3.6 years as of December 31, 2011. We also managed three aircraft as of September 30, 2012.

The Company recorded \$172.9 million in rental revenue for the third quarter of 2012, an increase of \$82.4 million or 91.1% compared to the third quarter of 2011. This increase is a result of the full impact on rental revenue of the fleet of 137 aircraft acquired as of June 30, 2012 in addition to rental revenue for the five aircraft acquired during the three months ended September 30, 2012, for which the full impact will be reflected in subsequent periods.

During the third quarter of 2012, the Company entered into additional debt facilities aggregating \$546.4 million, which included \$450.0 million in senior unsecured notes, a \$90.0 million addition to our Syndicated Unsecured Revolving Credit Facility and additional unsecured term facilities aggregating \$6.4 million. We ended the quarter with total unsecured debt outstanding of \$2.5 billion. The Company's unsecured debt as a percentage of total debt increased to 58.6% as of September 30, 2012 from 31.7% as of December 31, 2011. We ended the third quarter of 2012 with a conservative balance sheet with low leverage and ample available liquidity of \$1.47 billion. As part of our financing strategy we will continue to focus on financing the Company on an unsecured basis.

Our fleet

Portfolio metrics of our fleet as of September 30, 2012 and December 31, 2011 are as follows (dollars in thousands):

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| | September 30, 2012 | December 31, 2011 |
|--|--------------------|-------------------|
| Fleet size | 142 | 102 |
| Weighted-average fleet age(1) | 3.4 years | 3.6 years |
| Weighted-average remaining lease term(1) | 7.0 years | 6.6 years |
| Aggregate fleet cost | \$ 6,158,762 | \$ 4,368,985 |

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

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 September 30, 2012 and December 31, 2011 (dollars in thousands):

| Region | September 30, 2012 | | December 31, 2011 | |
|---|--------------------|------------|-------------------|------------|
| | Net book value | % of total | Net book value | % of total |
| Europe | \$ 2,266,874 | 38.6% | \$ 1,718,550 | 40.6% |
| Asia/Pacific | 2,091,196 | 35.6 | 1,419,831 | 33.5 |
| Central America, South America and Mexico | 720,085 | 12.3 | 515,145 | 12.2 |
| U.S. and Canada | 463,998 | 7.9 | 386,101 | 9.1 |
| The Middle East and Africa | 330,235 | 5.6 | 197,789 | 4.6 |
| Total | \$ 5,872,388 | 100.0% | \$ 4,237,416 | 100.0% |

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The following table sets forth the number of aircraft we leased by aircraft type as of September 30, 2012 and December 31, 2011:

| Aircraft type | September 30, 2012 | | December 31, 2011 | |
|----------------------|--------------------|------------|--------------------|------------|
| | Number of aircraft | % of total | Number of aircraft | % of total |
| Airbus A319/320/321 | 39 | 27.5% | 31 | 30.4% |
| Airbus A330-200/300 | 17 | 12.0 | 11 | 10.8 |
| Boeing 737-700/800 | 40 | 28.2 | 38 | 37.2 |
| Boeing 767-300ER | 3 | 2.1 | 3 | 2.9 |
| Boeing 777-200/300ER | 7 | 4.9 | 5 | 4.9 |
| Embraer E175/190 | 28 | 19.7 | 12 | 11.8 |
| ATR 72-600 | 8 | 5.6 | 2 | 2.0 |
| Total | 142 | 100.0% | 102 | 100.0% |

As of September 30, 2012, we had commitments to acquire a total of 291 new and one used aircraft for delivery as follows:

| Aircraft Type | 2012(1) | 2013 | 2014 | 2015 | 2016 | Thereafter | Total |
|------------------------|---------|------|------|------|------|------------|-------|
| Airbus A320/321-200 | 3 | 13 | 13 | 6 | | | 35 |
| Airbus A320/321 NEO(2) | | | | | 3 | 47 | 50 |
| Airbus A330-200/300 | | 3 | | | | | 3 |
| Boeing 737-800 | 3 | 12 | 12 | 17 | 19 | 15 | 78 |
| Boeing 737-8/9 MAX(2) | | | | | | 100 | 100 |
| Boeing 777-300ER | | | 2 | 3 | | | 5 |
| Boeing 787-9 | | | | | | 12 | 12 |
| Embraer E175/190 | 3 | | | | | | 3 |
| ATR 72-600 | 2 | 4 | | | | | 6 |
| Total | 11 | 32 | 27 | 26 | 22 | 174 | 292 |

- (1) Of the 11 aircraft that we committed to acquire in the remainder of 2012, one Airbus A320/321-200 will be a used aircraft.
- (2) As of September 30, 2012, 14 of the Airbus A320/321 NEO aircraft and 25 of the Boeing 737-8/9 MAX aircraft were subject to reconfirmation.

Our current lease placements are in line with expectations and are progressing well. As of September 30, 2012 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 |
|---------------|--------------------|---------------|----------|
| 2012 | 11 | 11 | 100.0% |
| 2013 | 32 | 32 | 100.0 |
| 2014 | 27 | 27 | 100.0 |
| 2015 | 26 | 9 | 34.6 |
| 2016 | 22 | | 0.0 |
| Thereafter | 174 | 8 | 4.6 |

| | | | |
|-------|-----|----|-------|
| Total | 292 | 87 | 29.8% |
|-------|-----|----|-------|

Aircraft industry and sources of revenues

Our revenues are principally derived from operating leases with scheduled and charter airlines and we derive more than 90% of our revenues from airlines domiciled outside of the United States. As of September 30, 2012, we had 142 aircraft leased under operating leases to 66 airlines based in 37 countries and we anticipate that most of our revenues in the future will be generated from foreign lessees.

The airline industry is cyclical, economically sensitive, and highly competitive. Airlines and related companies are affected by fuel price volatility and fuel shortages, political and economic instability, natural disasters, terrorist activities, changes in national policy, competitive pressures, labor actions, pilot shortages, insurance costs, recessions, health concerns

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and other political or economic events adversely affecting world or regional trading markets. Our airline customers' ability to react to and cope with the volatile competitive environment in which they operate, as well as our own competitive environment, will affect our revenues and income.

On October 19, 2012, one of our customers filed for judicial recuperation under Brazilian law and is currently undergoing a restructuring. The customer operates three of our ATR 72-600 aircraft and continues to make their contracted lease payments to us.

Despite industry cyclicality and current stress, we remain optimistic about the long-term future of commercial aviation and the growing role that ALC will have in the fleet transactions which will facilitate its continued growth.

Liquidity and Capital Resources

Overview

As we grow our business, we envision funding our aircraft purchases through multiple sources, including cash on hand, cash flow from operations, the Warehouse Facilities, our unsecured revolving credit facilities, additional unsecured debt financing through banks and the capital markets, credit facilities, and through optional financings including government-sponsored export guaranty and lending programs.

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

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. In addition, macro-economic conditions could hinder our business plans, which could, in turn, adversely affect our financing strategy.

Debt

Our debt financing was comprised of the following at September 30, 2012 and December 31, 2011 (in thousands):

**September 30,
2012**

**December 31,
2011**

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| Secured | | | |
|---|----|-----------|--------------|
| Term financings | \$ | 675,245 | \$ 735,285 |
| Warehouse facilities | | 1,107,547 | 1,048,222 |
| Total secured debt financing | | 1,782,792 | 1,783,507 |
| Unsecured | | | |
| Term financings | | 268,301 | 148,209 |
| Convertible senior notes | | 200,000 | 200,000 |
| Senior notes | | 1,725,000 | 120,000 |
| Revolving credit facilities | | 330,000 | 358,000 |
| Total unsecured debt financing | | 2,523,301 | 826,209 |
| Total secured and unsecured debt financing | | 4,306,093 | 2,609,716 |
| Less: Debt discount | | (10,017) | (6,917) |
| Total debt | \$ | 4,296,076 | \$ 2,602,799 |
| Selected interest rates and ratios: | | | |
| Composite interest rate(1) | | 3.97% | 3.14% |
| Composite interest rate on fixed rate debt(1) | | 5.06% | 4.28% |
| Percentage of total debt at fixed rate | | 54.3% | 24.26% |

(1) Based on debt balances and rates as of September 30, 2012 and December 31, 2011. This rate does not include the effect of upfront fees, undrawn fees or issuance cost amortization.

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Secured term financings

The Company did not enter into any additional secured term facilities during the third quarter of 2012. The outstanding balance on our secured term facilities was \$675.2 million and \$735.3 million at September 30, 2012 and December 31, 2011, respectively.

Warehouse facilities

In March 2012, a wholly-owned subsidiary of the Company entered into a \$192.8 million senior secured warehouse facility (the 2012 Warehouse Facility) to refinance a pool of eight aircraft previously financed under the Company's non-recourse, revolving \$1.25 billion credit facility (the 2010 Warehouse Facility and together with the 2012 Warehouse Facility the Warehouse Facilities).

As of September 30, 2012, the Company had borrowed \$1.1 billion under our Warehouse Facilities and pledged 39 aircraft as collateral with a net book value of \$1.6 billion. As of December 31, 2011, the Company had borrowed \$1.0 billion under the 2010 Warehouse Facility and pledged 38 aircraft as collateral with a net book value of \$1.6 billion. The Company had pledged cash collateral and lessee deposits of \$108.5 million and \$86.9 million at September 30, 2012 and December 31, 2011, respectively.

Unsecured term financings

In September 2012, the Company issued \$450.0 million in aggregate principal amount of senior unsecured notes due 2016 to Qualified Institutional Buyers in reliance upon Rule 144A under the Securities Act. The notes are senior unsecured obligations of the Company and bear interest at a rate of 4.5% per annum.

In October 2012, the Company issued an additional \$50.0 million aggregate principal amount of 4.5% senior unsecured notes due 2016 to Qualified Institutional Buyers in reliance upon Rule 144A under the Securities Act. The notes are senior unsecured obligations of the Company and bear interest at a rate of 4.5% per annum. With the completion of this offering, the Company has sold and issued a total of \$500.0 million aggregate principal amount of senior unsecured notes due 2016.

During the third quarter of 2012, the Company entered into three additional unsecured term facilities aggregating \$6.4 million with terms ranging from two to four years and bearing interest at fixed rates ranging from 3.0% to 4.0%.

Unsecured revolving credit facilities

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In May 2012, the Company entered into an \$853.0 million three-year senior unsecured revolving credit facility (the Syndicated Unsecured Revolving Credit Facility). The Syndicated Unsecured Revolving Credit Facility will mature on May 4, 2015 and contains an uncommitted accordion feature under which its aggregate principal amount can be increased by up to \$500.0 million.

During the third quarter of 2012, the Company added two additional lenders to the Syndicated Unsecured Revolving Credit Facility and increased the aggregate principal amount by \$90.0 million to \$943.0 million.

The Company ended the third quarter of 2012 with a total of five unsecured revolving credit facilities aggregating \$1.0 billion. The total amount outstanding under our unsecured revolving credit facilities was \$330.0 million and \$358.0 million as of September 30, 2012 and December 31, 2011, respectively.

In November 2012, the Company added an additional lender to the Syndicated Unsecured Revolving Credit Facility and increased the aggregate principal amount by \$100.0 million to \$1,043.0 million.

Liquidity

We finance the acquisition of our aircraft through available cash balances, internally generated funds and debt financings. As of September 30, 2012, we had available liquidity of \$1.47 billion comprised of unrestricted cash of \$439.7 million and undrawn balances under our Warehouse Facilities and unsecured revolving credit facilities of \$1.03 billion.

During the third quarter of 2012, the Company entered into additional debt facilities aggregating \$546.4 million, which included \$450.0 million in senior unsecured notes, a \$90.0 million addition to our Syndicated Unsecured Revolving Credit Facility and additional unsecured term facilities aggregating \$6.4 million. We ended the quarter with total unsecured debt outstanding of \$2.5 billion. The Company's unsecured debt as a percentage of total debt increased to 58.6% as of September 30, 2012 from 31.7% as of December 31, 2011. We ended the third quarter of 2012 with a conservative balance sheet with low leverage and ample available liquidity.

We will continue to focus our financing efforts on raising unsecured debt through the international and domestic capital markets, the global bank market, reinvesting cash flow from operations and, to a limited extent, secured financings including government guaranteed loan programs from the European Export Credit Agencies in support of our new Airbus aircraft deliveries, from Ex-Im Bank in support of our new Boeing aircraft deliveries and direct financing from BNDES/SBCE in support of our new Embraer deliveries.

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The following table presents our historical operating results for the three and nine month periods ended September 30, 2012 and 2011 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September, 30 | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2012 (unaudited) | 2011 | 2012 (unaudited) | 2011 |
| Revenues | | | | |
| Rental of flight equipment | \$ 172,856 | \$ 90,476 | \$ 459,643 | \$ 219,092 |
| Interest and other | 2,069 | 1,649 | 6,008 | 2,592 |
| Total revenues | 174,925 | 92,125 | 465,651 | 221,684 |
| Expenses | | | | |
| Interest | 35,248 | 10,993 | 91,308 | 30,143 |
| Amortization of discounts and deferred debt issue costs | 4,595 | 2,308 | 11,553 | 6,972 |
| Extinguishment of debt | | | | 3,349 |
| Interest expense | 39,843 | 13,301 | 102,861 | 40,464 |
| Depreciation of flight equipment | 57,932 | 30,657 | 154,805 | 73,431 |
| Selling, general and administrative | 12,833 | 11,512 | 40,750 | 32,661 |
| Stock-based compensation | 7,124 | 8,314 | 24,548 | 30,974 |
| Total expenses | 117,732 | 63,784 | 322,964 | 177,530 |
| Income before taxes | 57,193 | 28,341 | 142,687 | 44,154 |
| Income tax expense | (20,182) | (10,070) | (50,577) | (15,684) |
| Net income | \$ 37,011 | \$ 18,271 | \$ 92,110 | \$ 28,470 |
| Net income per share of Class A and B Common Stock | | | | |
| Basic | \$ 0.37 | \$ 0.18 | \$ 0.91 | \$ 0.33 |
| Diluted | \$ 0.36 | \$ 0.18 | \$ 0.90 | \$ 0.33 |
| Other Financial Data | | | | |
| Adjusted net income(1) | \$ 44,602 | \$ 25,122 | \$ 115,415 | \$ 56,294 |
| Adjusted EBITDA(2) | \$ 161,467 | \$ 79,954 | \$ 422,683 | \$ 188,001 |

(1) Adjusted net income (defined as net income before stock-based compensation expense and non-cash interest expense, which includes the amortization of discounts and debt issuance costs and extinguishment of debt) 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 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 income and cash flow from operating activities.

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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 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.

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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 should not be considered 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 and cash flows from operating activities, the most directly comparable GAAP measures of performance and liquidity, to adjusted net income (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| | (unaudited) | | (unaudited) | |
| Reconciliation of cash flows from operating activities to adjusted net income: | | | | |
| Net cash provided by operating activities | \$ 132,276 | \$ 83,076 | \$ 372,496 | \$ 166,197 |
| Depreciation of flight equipment | (57,932) | (30,657) | (154,805) | (73,431) |
| Stock-based compensation | (7,124) | (8,314) | (24,548) | (30,974) |
| Deferred taxes | (20,182) | (10,070) | (50,573) | (15,684) |
| Amortization of discounts and deferred debt issue costs | (4,595) | (2,308) | (11,553) | (6,972) |
| Extinguishment of debt | | | | (3,349) |
| Changes in operating assets and liabilities: | | | | |
| Other assets | 11,727 | (900) | 20,114 | 15,427 |
| Accrued interest and other payables | (16,924) | (10,444) | (48,085) | (13,465) |
| Rentals received in advance | (235) | (2,112) | (10,936) | (9,279) |
| Net income | 37,011 | 18,271 | 92,110 | 28,470 |
| Amortization of discounts and deferred debt issue costs | 4,595 | 2,308 | 11,553 | 6,972 |
| Extinguishment of debt | | | | 3,349 |
| Stock-based compensation | 7,124 | 8,314 | 24,548 | 30,974 |
| Tax effect | (4,128) | (3,771) | (12,796) | (13,471) |
| Adjusted net income | \$ 44,602 | \$ 25,122 | \$ 115,415 | \$ 56,294 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------|------------------------------------|------|
| | 2012 | 2011 | 2012 | 2011 |

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| | (unaudited) | | (unaudited) | | | | | |
|---|-------------|---------|-------------|---------|----|----------|----|----------|
| Reconciliation of net income to adjusted net income: | | | | | | | | |
| Net income | \$ | 37,011 | \$ | 18,271 | \$ | 92,110 | \$ | 28,470 |
| Amortization of discounts and deferred debt issue costs | | 4,595 | | 2,308 | | 11,553 | | 6,972 |
| Extinguishment of debt | | | | | | | | 3,349 |
| Stock-based compensation | | 7,124 | | 8,314 | | 24,548 | | 30,974 |
| Tax effect | | (4,128) | | (3,771) | | (12,796) | | (13,471) |
| Adjusted net income | \$ | 44,602 | \$ | 25,122 | \$ | 115,415 | \$ | 56,294 |

(2) Adjusted EBITDA (defined as net income before net interest expense, stock-based compensation expense, income tax expense, 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-

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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 income 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 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 should not be considered 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 this measure differently from how we calculate this measure, limiting its usefulness as a comparative measure.

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

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| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| | (unaudited) | | (unaudited) | |
| Reconciliation of cash flows from operating activities to adjusted EBITDA: | | | | |
| Net cash provided by operating activities | \$ 132,276 | \$ 83,076 | \$ 372,496 | \$ 166,197 |
| Depreciation of flight equipment | (57,932) | (30,657) | (154,805) | (73,431) |
| Stock-based compensation | (7,124) | (8,314) | (24,548) | (30,974) |
| Deferred taxes | (20,182) | (10,070) | (50,573) | (15,684) |
| Amortization of discounts and deferred debt issue costs | (4,595) | (2,308) | (11,553) | (6,972) |
| Extinguishment of debt | | | | (3,349) |
| Changes in operating assets and liabilities: | | | | |
| Other assets | 11,727 | (900) | 20,114 | 15,427 |
| Accrued interest and other payables | (16,924) | (10,444) | (48,085) | (13,465) |
| Rentals received in advance | (235) | (2,112) | (10,936) | (9,279) |
| Net income | 37,011 | 18,271 | 92,110 | 28,470 |
| Net interest expense | 39,218 | 12,642 | 100,643 | 39,442 |
| Income taxes | 20,182 | 10,070 | 50,577 | 15,684 |
| Depreciation | 57,932 | 30,657 | 154,805 | 73,431 |
| Stock-based compensation | 7,124 | 8,314 | 24,548 | 30,974 |
| Adjusted EBITDA | \$ 161,467 | \$ 79,954 | \$ 422,683 | \$ 188,001 |

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2012 (unaudited) | 2011 | 2012 (unaudited) | 2011 |
| Reconciliation of net income to adjusted EBITDA: | | | | |
| Net income | \$ 37,011 | \$ 18,271 | \$ 92,110 | \$ 28,470 |
| Net interest expense | 39,218 | 12,642 | 100,643 | 39,442 |
| Income taxes | 20,182 | 10,070 | 50,577 | 15,684 |
| Depreciation | 57,932 | 30,657 | 154,805 | 73,431 |
| Stock-based compensation | 7,124 | 8,314 | 24,548 | 30,974 |
| Adjusted EBITDA | \$ 161,467 | \$ 79,954 | \$ 422,683 | \$ 188,001 |

Three months ended September 30, 2012, compared to the three months ended September 30, 2011

Rental revenue

As of September 30, 2012, we acquired 142 aircraft at a total cost of \$6.2 billion and recorded \$172.9 million in rental revenue for the three months then ended, which included overhaul revenue of \$6.7 million. In the prior year, as of September 30, 2011, we acquired 79 aircraft at a total cost of \$3.4 billion and recorded \$90.5 million in rental revenue for the three months then ended, which included overhaul revenue of \$3.3 million. The increase in rental revenue was attributable to the acquisition and lease of additional aircraft. The full impact on rental revenue for aircraft acquired during the period will be reflected in subsequent periods.

All of the aircraft in our fleet were leased as of September 30, 2012. All of the aircraft in our fleet were leased as of September 30, 2011, except for two aircraft with respect to which we had entered into non-binding lease commitments but for which delivery had not yet occurred.

Interest expense

Interest expense totaled \$39.8 million for the three months ended September 30, 2012 compared to \$13.3 million for the three months ended September 30, 2011. The change was primarily due to an increase in our average outstanding debt balances resulting in a \$24.3 million increase in interest and an increase of \$2.3 million in amortization of discounts and deferred debt issue costs. We expect that our interest expense will increase as our average debt balance outstanding continues to increase.

Depreciation expense

We recorded \$57.9 million in depreciation expense of flight equipment for the three months ended September 30, 2012 compared to \$30.7 million for the three months ended September 30, 2011. The increase in depreciation expense for the three months ended September 30, 2012, compared to the three months ended September 30, 2011, is attributable to the acquisition of additional aircraft. The full impact on depreciation

expense for aircraft added during the period will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded selling, general and administrative expenses of \$12.8 million for the three months ended September 30, 2012 compared to \$11.5 million for the three months ended September 30, 2011. Selling, general and administrative expense as a percentage of revenue decreased to 7.3% for the three months ended September 30, 2012 compared to 12.5% for the three months ended September 30, 2011. As we continue to add new aircraft to our portfolio, we expect over the long-term selling, general and administrative expense to decrease as a percentage of our revenue.

Stock-based compensation expense

Stock-based compensation expense totaled \$7.1 million for the three months ended September 30, 2012 compared to \$8.3 million for the three months ended September 30, 2011. 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 an accelerated vesting schedule. This decrease was partially offset by grants made in 2012, as the full impact on stock-based compensation expense for the 2012 grants will be reflected in subsequent periods. See Note 7 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information about stock-based compensation.

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Taxes

The effective tax rate for the three months ended September 30, 2012 was 35.3% compared to 35.5% for the three months ended September 30, 2011. The change in effective tax rate for the respective periods is due to the effect of changes in permanent differences as well as the effect of discrete tax items related to stock-based compensation.

Net income

For the three months ended September 30, 2012, the Company reported consolidated net income of \$37.0 million, or \$0.36 per diluted share, compared to consolidated net income of \$18.3 million, or \$0.18 per diluted share, for the three months ended September 30, 2011. The increase in net income for 2012, compared to 2011, was primarily attributable to the acquisition and lease of additional aircraft.

Nine months ended September 30, 2012, compared to the nine months ended September 30, 2011

Rental revenue

As of September 30, 2012, we acquired 142 aircraft at a total cost of \$6.2 billion and recorded \$459.6 million in rental revenue for the nine months then ended, which included overhaul revenue of \$17.0 million. In the prior year, as of September 30, 2011, we acquired 79 aircraft at a total cost of \$3.4 billion and recorded \$219.1 million in rental revenue for the nine months then ended, which included overhaul revenue of \$7.6 million. The increase in rental revenue was attributable to the acquisition and lease of additional aircraft. The full impact on rental revenue for aircraft acquired during the period will be reflected in subsequent periods.

All of the aircraft in our fleet were leased as of September 30, 2012. All of the aircraft in our fleet were leased as of September 30, 2011, except for two aircraft with respect to which we had entered into non-binding lease commitments but for which delivery had not yet occurred.

Interest expense

Interest expense totaled \$102.9 million for the nine months ended September 30, 2012 compared to \$40.5 million for the nine months ended September 30, 2011. The change was primarily due to an increase in our average outstanding debt balances resulting in a \$61.2 million increase in interest and an increase of \$4.6 million in amortization of discounts and deferred debt issue costs, offset by a \$3.3 million charge for the extinguishment of debt recorded during the second quarter of 2011. We expect that our interest expense will increase as our average debt balance outstanding continues to increase.

Depreciation expense

We recorded \$154.8 million in depreciation expense of flight equipment for the nine months ended September 30, 2012 compared to \$73.4 million for the nine months ended September 30, 2011. The increase in depreciation expense for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, is attributable to the acquisition of additional aircraft. The full impact on depreciation expense for aircraft added during the period will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded selling, general and administrative expenses of \$40.8 million for the nine months ended September 30, 2012 compared to \$32.7 million for the nine months ended September 30, 2011. Selling, general and administrative expense as a percentage of revenue decreased to 8.8% for the nine months ended September 30, 2012 compared to 14.7% for the nine months ended September 30, 2011. As we continue to add new aircraft to our portfolio, we expect over the long-term selling, general and administrative expense to decrease as a percentage of our revenue.

Stock-based compensation expense

Stock-based compensation expense totaled \$24.5 million for the nine months ended September 30, 2012 compared to \$31.0 million for the nine months ended September 30, 2011. 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 an accelerated vesting schedule. The decrease was partially offset by grants made in 2012, as the full impact on stock-based compensation expense for the 2012 grants will be reflected in subsequent periods. See Note 7 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information about stock-based compensation.

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The effective tax rate for the nine months ended September 30, 2012 was 35.4% compared to 35.5% for the nine months ended September 30, 2011. The change in effective tax rate for the respective periods is due to the effect of changes in permanent differences as well as the effect of discrete tax items related to stock-based compensation.

Net income

For the nine months ended September 30, 2012, the Company reported consolidated net income of \$92.1 million, or \$.90 per diluted share, compared to consolidated net income of \$28.5 million, or \$0.33 per diluted share, for the nine months ended September 30, 2011. The increase in net income for 2012, compared to 2011, was primarily attributable to the acquisition and lease of additional aircraft.

Contractual Obligations

Our contractual obligations as of September 30, 2012 are as follows (in thousands):

| | 2012 | 2013 | 2014 | 2015 | 2016 | Thereafter | Total |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Long-term debt obligations (1)(2) | \$ 44,308 | \$ 392,025 | \$ 381,593 | \$ 686,673 | \$ 1,101,628 | \$ 1,699,866 | \$ 4,306,093 |
| Interest payments on debt outstanding(3) | 56,317 | 167,094 | 158,843 | 141,789 | 113,417 | 92,598 | 730,058 |
| Purchase commitments | 438,288 | 1,512,030 | 1,469,537 | 1,407,029 | 1,190,983 | 10,387,505 | 16,405,372 |
| Operating leases | 567 | 2,325 | 2,395 | 2,467 | 2,541 | 20,700 | 30,995 |
| Total | \$ 539,480 | \$ 2,073,474 | \$ 2,012,368 | \$ 2,237,958 | \$ 2,408,569 | \$ 12,200,669 | \$ 21,472,518 |

(1) As of September 30, 2012, the Company had \$920.3 million of debt outstanding under the 2010 Warehouse Facility which matures in June 2013. The outstanding drawn balance at the end of the availability period may be converted at the Company's option to an amortizing, four-year term loan and has been presented as such in the contractual obligations schedule above.

(2) As of September 30, 2012, the Company had \$330.0 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 obligations schedule above.

(3) Future interest payments on floating rate debt are estimated using floating rates in effect at September 30, 2012.

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.

Critical Accounting Policies

The Company's critical accounting policies reflecting management's estimates and judgments are described in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no changes to critical accounting policies in the nine months ended September 30, 2012.

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ITEM 3. 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 September 30, 2012 and December 31, 2011, we had \$2.0 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 the composite rate on our floating-rate debt were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness of approximately \$20.0 million as of September 30, 2012 and December 31, 2011, respectively, each on an annualized basis, which would put downward pressure on our operating margins. The increase in additional interest expense the Company would incur is primarily due to an increase in total floating-rate debt outstanding as of September 30, 2012 compared to December 31, 2011.

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 September 30, 2012 and December 31, 2011, 2.7 % and 3.5% respectively, of our lease revenues were denominated in Euros. The decrease in lease revenues denominated in Euros is primarily due to the full impact on rental revenue of aircraft acquired in prior periods. As our principal currency is the U.S. dollar, a continuing weakness in the U.S. dollar as compared to other major currencies should not have a significant impact on our future operating results.

ITEM 4. 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 (SEC), 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. Our management, including the Certifying Officers, recognizes that any set of controls and procedures,

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no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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 September 30, 2012. Based on that evaluation, our Certifying Officers have concluded that our disclosure controls and procedures were effective at September 30, 2012.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. 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 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.

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 International Lease Finance Corporation. The complaint also names as defendants certain executive officers and employees of the Company. Among other things, the suit alleges breach of fiduciary duty and misappropriation of trade secrets. The complaint seeks an unspecified amount of damages. The Company believes that it has meritorious defenses to these claims and intends to defend this matter vigorously.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those discussed under Part I Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ending December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

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Item 6. Exhibits

| | |
|----------|--|
| 12.1 | Computation of Ratio of Earnings to Fixed Charges |
| 31.1 | Certification of the Chairman and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Senior Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Chairman and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase |

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIR LEASE CORPORATION

November 8, 2012

/s/ Steven F. Udvar-Házy
Steven F. Udvar-Házy
Chairman and Chief Executive Officer
(Principle Executive Officer)

November 8, 2012

/s/ Gregory B. Willis
Gregory B. Willis
Senior Vice President and Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*

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INDEX TO EXHIBITS

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