AIR LEASE CORP
Form 10-K
February 21, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

(Mark One)

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

For the fiscal year ended December 31, 2018

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

For the transition period from to

Commission File Number 001-35121

AIR LEASE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	27 1840403
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2000 Avenue of the Stars, Suite 1000N	
Los Angeles, California	90067
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10 K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of registrant's voting stock held by non affiliates was approximately $4.1 billion on June 29, 2018, based upon the last reported sales price on the New York Stock Exchange. As of February 20, 2019, there were 110,949,850 shares of Class A common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Designated portions of the Proxy Statement relating to registrant's 2019 Annual Meeting of Shareholders have been incorporated by reference into Part III of this report.

Form 10 K

For the Fiscal Year Ended December 31, 2018

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FORWARD LOOKING STATEMENTS

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

PART I

ITEM 1. BUSINESS

Overview

Air Lease Corporation (the "Company", "ALC", "we", "our" or "us") is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as The Boeing Company ("Boeing") and Airbus S.A.S. ("Airbus"), and leasing those aircraft to airlines throughout the world with the intention to generate attractive returns on equity. In addition to our leasing activities, we sell aircraft from our operating lease portfolio to third parties, including other leasing companies, financial services companies, airlines and through our asset-backed securities platform. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee. Our operating performance is driven by the growth of our fleet, the terms of our leases, the interest rates on our debt, and the aggregate amount of our indebtedness, supplemented by the gains from our aircraft sales and trading activities and our management fees.

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

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

During the year ended December 31, 2018, we purchased and took delivery of 37 aircraft from our new order pipeline, purchased nine incremental aircraft and sold 15 aircraft, ending the period with a total of 275 aircraft with a net book value of $15.7 billion. The weighted average lease term remaining on our operating lease portfolio was 6.8 years and the weighted average age of our fleet was 3.8 years as of December 31, 2018. Our fleet grew by 18.3% based on net book value of $15.7 billion as of December 31, 2018 compared to $13.3 billion as of December 31, 2017. In addition, we had a managed fleet of 61 aircraft as of December 31, 2018, compared to a managed fleet of 50 aircraft as of December 31, 2017. We have a globally diversified customer base comprised of 94 airlines in 56 countries. As of February 21, 2019, all aircraft in our operating lease portfolio, except for one aircraft, were subject to lease agreements.

During 2018, we increased our total commitments with Boeing and Airbus by a net 41 aircraft and added 45 option orders to acquire aircraft. As of December 31, 2018, we had commitments to purchase 372 aircraft from Boeing and Airbus for delivery through 2024, with an estimated aggregate commitment of $26.3 billion. We ended 2018 with $25.7 billion in committed minimum future rental payments and placed 72% of our order book on long-term leases for aircraft delivering through 2021. This includes $11.8 billion in contracted minimum rental payments on the aircraft in our existing fleet and $13.9 billion in minimum future rental payments related to aircraft which will deliver between 2019 and 2022.

We finance the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activities and debt financings. Our debt financing strategy is focused on raising unsecured debt in the global bank and debt capital markets, with a limited utilization of export credit or other forms of secured financing. In 2018, we issued a total of $3.03 billion in senior unsecured notes bearing interest at fixed rates ranging from 2.50% to 4.625% with one note bearing interest at a floating rate of LIBOR plus 1.125%, with maturities ranging from 2021 to 2028. In addition, we increased our unsecured revolving credit facility capacity to approximately $4.6 billion, representing a 21.7% increase from 2017 and extended the final maturity to May 5, 2022 with an interest rate of LIBOR plus 1.05%. We ended 2018 with total debt outstanding, net of discounts and issuance costs, of $11.5 billion, of which 86.4% was at a fixed rate and 96.5% of which was unsecured. As of December 31, 2018, our composite cost of funds was 3.46%.

In 2018, total revenues increased by 10.8% to $1.7 billion, compared to 2017. The increase in our total revenues is primarily due to the $2.4 billion increase in the net book value of our operating lease portfolio. Income before taxes increased 5.0% to $640.1 million for the year ended December 31, 2018, compared to $609.5 million for the year ended December 31, 2017. The increase in our income before taxes was principally driven by the continued growth of our fleet, partially offset by a reduction of our aircraft sales and trading activities. Our pre-tax profit margin for the year ended December 31, 2018 was 38.1% as compared to 40.2% for the year ended December 31, 2017.

During the year ended December 31, 2018, our net income was $510.8 million, or $4.60 per diluted share, compared to $756.2 million, or $6.82 per diluted share for the year ended December 31, 2017. The decrease was primarily due to the enactment of the U.S. Tax Cuts and Jobs Act (the “Tax Reform Act”), which was effective beginning January 1, 2018, which resulted in a tax benefit of $354.1 million, or $3.17 per diluted share during the year ended December 31, 2017. This decrease in net income was partially offset by the continued growth in our fleet.

Our adjusted net income before income taxes excludes the effects of certain non-cash items, one-time or non-recurring items, such as settlement expense, net of recoveries, that are not expected to continue in the future and certain other items. Our adjusted net income before income taxes for the year ended December 31, 2018 was $690.3 million or $6.20 per diluted share, compared to $657.8 million, or $5.94 per diluted share for the year ended December 31, 2017. The increase in our adjusted net income before income taxes was principally driven by the continued growth of our fleet, partially offset by a reduction in our aircraft sales and trading activity. Our adjusted margin before income taxes for the year ended December 31, 2018 was 41.1% compared to 43.4% for the year ended December 31, 2017. Adjusted net income before income taxes, adjusted margin before income taxes and adjusted diluted earnings per share before income taxes are measures of financial and operational performance that are not defined by Generally Accepted Accounting Principles (“GAAP”). See Note 3 in “Item 6. Selected Financial Data” of this Annual Report on Form 10-K for a discussion of adjusted net income before income taxes and adjusted diluted earnings per share before income taxes as non-GAAP measures and a reconciliation of these measures to net income.

Operations to Date

Current Fleet

Our fleet, based on net book value, increased by 18.3% to $15.7 billion as of December 31, 2018 compared to $13.3 billion as of December 31, 2017. As of December 31, 2018, we owned 275 aircraft, comprised of 207 narrowbody jet aircraft and 68 widebody jet aircraft, with a weighted average age of 3.8 years. As of December 31, 2017, we owned 244 aircraft, comprised of 188 narrowbody jet aircraft and 56 widebody jet aircraft, with a weighted average age of 3.8 years. In addition, we also managed 61 jet aircraft for third party owners on a fee basis as of December 31, 2018 compared to 50 jet aircraft as of December 31, 2017.

Geographic Diversification

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

Region	Year Ended December 31, 2018 Amount of Rental Revenue	% of Total		Year Ended December 31, 2017 Amount of Rental Revenue	% of Total		Year Ended December 31, 2016 Amount of Rental Revenue	% of Total	
	(in thousands, except percentages)								
Europe	$ 476,515	29.2	%	$ 450,628	31.1	%	$ 400,491	29.9	%
Asia (excluding China)	412,465	25.3	%	332,284	22.9	%	308,658	23.1	%
China	329,977	20.2	%	324,147	22.3	%	293,206	21.9	%
The Middle East and Africa	179,497	11.0	%	116,799	8.1	%	106,300	7.9	%
Central America, South America, and Mexico	108,736	6.7	%	102,205	7.0	%	112,068	8.4	%
U.S. and Canada	77,678	4.8	%	76,685	5.3	%	69,918	5.2	%
Pacific, Australia, and New Zealand	46,332	2.8	%	47,987	3.3	%	48,361	3.6	%
Total	$ 1,631,200	100.0	%	$ 1,450,735	100.0	%	$ 1,339,002	100.0	%

The following table sets forth the regional concentration based on each airline's principal place of business of our flight equipment subject to operating leases based on net book value as of December 31, 2018 and 2017:

Region	December 31, 2018 Net Book Value(1)	% of Total		December 31, 2017 Net Book Value(1)	% of Total	
	(in thousands, except percentages)					
Europe	$ 4,692,341	29.9	%	$ 4,205,431	31.7	%
Asia (excluding China)	3,846,785	24.5	%	2,981,339	22.4	%
China	2,663,903	17.0	%	2,720,124	20.5	%
The Middle East and Africa	1,952,900	12.4	%	1,481,825	11.2	%
Central America, South America, and Mexico	1,078,900	6.9	%	926,732	7.0	%
U.S. and Canada	757,884	4.8	%	599,367	4.5	%
Pacific, Australia, and New Zealand	714,397	4.5	%	365,432	2.7	%
Total	$ 15,707,110	100.0	%	$ 13,280,250	100.0	%

(1) As of December 31, 2018, we had six aircraft held for sale. We did not have any aircraft held for sale as of December 31, 2017.

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At December 31, 2018 and 2017, we owned and managed leased aircraft to customers in the following regions based on each airline's principal place of business:

	December 31, 2018			December 31, 2017		
Region	Number of Customers(1)	% of Total		Number of Customers(1)	% of Total	
Europe	33	35.1	%	31	34.0	%
Asia (excluding China)	18	19.1	%	18	19.8	%
The Middle East and Africa	11	11.8	%	11	12.1	%
U.S. and Canada	10	10.6	%	11	12.1	%
Central America, South America, and Mexico	10	10.6	%	9	9.9	%
China	9	9.6	%	9	9.9	%
Pacific, Australia, and New Zealand	3	3.2	%	2	2.2	%
Total	94	100.0	%	91	100.0	%

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

For the years ended December 31, 2018, 2017, and 2016, China was the only individual country that represented at least 10% of our rental revenue based on each airline's principal place of business. In 2018, 2017, and 2016, no rental revenue from any individual airline represented 10% or more of our rental revenue.

Aircraft Acquisition Strategy

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

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

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

Aircraft Leasing Strategy

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

We work to mitigate the risks associated with owning and leasing aircraft and cyclical variations in the airline industry through careful management of our fleet, including managing customer concentrations by geography and region, entering into long term leases, staggering lease maturities, balancing aircraft type exposures, and maintaining a young fleet age. We believe that diversification of our operating lease portfolio reduces the risks associated with individual customer defaults and the impact of adverse geopolitical and regional economic events. In order to maximize residual values and minimize the risk of obsolescence, our strategy is generally to own an aircraft for approximately the first third of its expected 25 year useful life.

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

- primarily structured as operating leases, whereby we retain the residual rights to the aircraft;
- primarily structured as triple net leases, whereby the lessee is responsible for all operating costs including taxes, insurance, and aircraft maintenance;
- require all payments be made in U.S. dollars;
- are for fixed rates and terms;
- require cash security deposits and maintenance reserve payments; and
- contain provisions which require payment whether or not the aircraft is operated, irrespective of the circumstances.

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

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

We may, in connection with the lease of used aircraft, agree to contribute specific additional amounts to the cost of certain first major maintenance events or modifications, which usually reflect the usage of the aircraft prior to the commencement of the lease. We may be obligated under the leases to make reimbursements of maintenance reserves previously received to lessees for expenses incurred for certain planned major maintenance. We also, on occasion, may contribute towards aircraft modifications and recover any such costs over the life of the lease.

Monitoring

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

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

Remarketing

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

Aircraft Sales & Trading Strategy

Our strategy is to maintain a portfolio of young aircraft with a widely diversified customer base. In order to achieve this profile, we primarily order new planes directly from the manufacturers, place them on long term leases, and sell the aircraft when they near the end of the first third of their expected 25 year economic useful lives. We typically sell aircraft that are currently operated by an airline with multiple years of lease term remaining on the contract, in order to achieve the maximum disposition value of the aircraft. Buyers of the aircraft may include other leasing companies, financial institutions, airlines and our asset-backed securities platform. We also, from time to time, buy and sell aircraft on an opportunistic basis for trading profits. In the past three years ended December 31, 2018, we sold 92 aircraft. Additionally, as discussed below, we may provide management services to buyers of our aircraft asset for a fee.

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Aircraft Management Strategy

We supplement our core business model by providing fleet management services to third party investors and owners of aircraft portfolios for a management fee. This allows us to better serve our airline customers and expand our existing airline customer base by providing additional leasing opportunities beyond our own aircraft portfolio, new order pipeline, and customer or regional concentration limits. As of December 31, 2018, we had a managed fleet of 61 aircraft.

Financing Strategy

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

Insurance

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

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

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

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

The comprehensive liability insurance listed on certificates of insurance generally include provisions for bodily injury, property damage, passenger liability, cargo liability, and such other provisions reasonably necessary in commercial passenger and cargo airline operations. We expect that such certificates of insurance list combined comprehensive single liability limits of not less than $500.0 million for Airbus and Boeing aircraft and $200.0 million for Embraer

S.A. (“Embraer”). As a standard in the industry, airline operator's policies contain a sublimit for third-party war risk liability generally in the amount of at least $150.0 million. We require each lessee to purchase higher limits of third-party war risk liability or obtain an indemnity from its respective government.

The international aviation insurance market has exclusions for physical damage to aircraft hulls caused by dirty bombs, bio hazardous materials, and electromagnetic pulsing. Exclusions for the same type of perils could be introduced into liability policies in the future.

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

Separately, we purchase contingent liability insurance and contingent hull insurance on all aircraft in our fleet and maintain other insurance covering the specific needs of our business operations. While we believe our insurance is adequate both as to coverages and amounts, we cannot assure you that we are adequately insured against all risks.

Competition

The leasing, remarketing, and sale of aircraft is highly competitive. We are one of the largest aircraft lessors operating on a global scale. We face competition from aircraft manufacturers, banks, financial institutions, other leasing companies, aircraft brokers, and airlines. Some of our competitors may have greater operating and financial resources and access to lower capital costs than we have. Competition for leasing transactions is based on a number of factors, including delivery dates, lease rates, lease terms, other lease provisions, aircraft condition, and the availability in the marketplace of the types of aircraft required to meet the needs of airline customers. Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject, and the creditworthiness of the lessee, if any.

Government Regulation

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

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

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

We are also subject to the regulatory authority of the DOS and the U.S. Department of Commerce (the “DOC”) to the extent such authority relates to the export of aircraft for lease and sale to foreign entities and the export of parts to be installed on our aircraft. We may be required to obtain export licenses for parts installed in aircraft exported to foreign countries. The DOC and the U.S. Department of the Treasury (through its Office of Foreign Assets Control, or "OFAC") impose restrictions on the operation of U.S.-made goods, such as aircraft and engines, in sanctioned countries, as well as on the ability of U.S. companies to conduct business with entities in those countries. The U.S. Patriot Act of 2001 (the “Patriot Act”) prohibits financial transactions by U.S. persons, including U.S. individuals, entities, and charitable organizations, with individuals and organizations designated as terrorists and terrorist supporters by the U.S. Secretary of State or the U.S. Secretary of the Treasury. The U.S. Customs and Border Protection, a law enforcement agency of the U.S. Department of Homeland Security, enforces regulations related to the import of aircraft into the United States for maintenance or lease and the importation of parts into the U.S. for installation.

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

Employees

As of December 31, 2018, we had 97 full-time employees. On average, our senior management team has approximately 28 years of experience in the commercial aviation industry. None of our employees are represented by a union or collective bargaining agreements.

Access to Our Information

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

Corporate Information

Air Lease Corporation incorporated in Delaware and launched in February 2010. Our website is www.airleasecorp.com. We may post information that is important to investors on our website. Information included or referred to on, or otherwise accessible through, our website is not intended to form a part of or be incorporated by reference into this report.

Executive Officers of the Company

Set forth below is certain information concerning each of our executive officers as of February 21, 2019, including his/her age, current position with the Company and business experience during the past five years.

Name	Age	Company Position	Prior Positions
Steven F. Udvar Házy	72	Executive Chairman of the Board of Directors (since July 2016)	Chairman and Chief Executive Officer, February 2010-June 2016
John L. Plueger	64	Chief Executive Officer, President and Director (since July 2016)	President, Chief Operating Officer and Director, March 2010-June 2016
Carol H. Forsyte	56	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer (since September 2012)	
Gregory B. Willis	40	Executive Vice President and Chief Financial Officer (since July 2016)	Senior Vice President and Chief Financial Officer, March 2012-June 2016
Marc H. Baer	54	Executive Vice President, Marketing (since April 2010)	
Jie Chen	55	Executive Vice President and Managing Director of Asia (since August 2010)	
Alex A. Khatibi	58	Executive Vice President (since April 2010)	
Kishore Korde	45	Executive Vice President, Marketing (since May 2015)	Senior Vice President, Marketing, June 2010-May 2015
Grant A. Levy	56	Executive Vice President (since April 2010)	
John D. Poerschke	57	Executive Vice President of Aircraft Procurement and Specifications (since February 2017)	Senior Vice President of Aircraft Procurement and Specifications, March 2010-February 2017

ITEM 1A. RISK FACTORS

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

Risks Relating to Our Business

Our success depends in large part on our ability to obtain capital on favorable terms to finance our growth through the purchase of aircraft and to repay or refinance our outstanding debt obligations as they mature. If we are not able to obtain capital on terms acceptable to us, or at all, it would significantly impact our ability to compete effectively in the commercial aircraft leasing market and would negatively affect our financial condition, cash flow and results of operations.

Growing our fleet will require substantial additional capital. Accordingly, we will need to obtain additional financing, which may not be available to us on favorable terms or at all. Further, we must continue to have access to the capital markets and other sources of financing in order to repay or refinance our outstanding obligations as they mature. Our access to 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;
- the market's assessment of our credit risk;
- interest rate fluctuations;
- our historical, current and potential future earnings and cash distributions; and
- the market price of our Class A common stock.

Weaknesses in the capital and credit markets could negatively affect our ability to obtain financing or could increase the costs of financing. For instance, during the 2008 financial crisis, many companies experienced downward pressure on their share prices and had limited or no access to the credit markets, often without regard to their underlying financial strength. If financial market disruption and volatility were to occur again, we cannot assure you that we will be able to access capital, which would negatively affect our financial condition, cash flow and results of operations.

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 for 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. Further, because our charter permits the issuance of preferred stock, if our board of directors approves the issuance of preferred stock in a future financing transaction, such preferred stockholders may have rights, preferences or privileges senior to existing stockholders, and you will not have the ability to approve such a transaction. These risks would negatively affect our financial condition, cash flow and results of operations.

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

We and our subsidiaries have a significant amount of indebtedness. As of December 31, 2018, our total consolidated indebtedness, net of discounts and issuance costs, was approximately $11.5 billion and our interest payments were $332.4 million for the year ended December 31, 2018. Furthermore, we expect this amount to grow as we acquire more aircraft. Our level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our payment obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund the acquisition of aircraft or for other corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for dividends, aircraft acquisitions and other general corporate purposes;
- increasing our vulnerability to general negative economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our various credit facilities, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the aircraft industry;
- placing us at a disadvantage compared to other competitors; and
- increasing our cost of borrowing.

In addition, certain agreements governing our existing indebtedness contain financial maintenance covenants that require us to satisfy certain ratios and maintain minimum net worth, and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, may allow holders of our debt securities or our lenders, as applicable, to accelerate some or all our debt, terminate commitments to lend money, foreclose against the aircraft, if any, securing such debt or pursue other remedies, all of which would negatively affect our financial condition, cash flow and results of operations.

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

We finance many of the aircraft in our fleet through a combination of short-term and long-term debt financings. As these debt financings mature, we may have to refinance these existing commitments by entering into new financings, which could result in higher borrowing costs, or repay them by using cash on hand or cash from the sale of our assets. Moreover, an increase in interest rates under the various debt financing facilities we have in place would have a negative effect on our earnings and could make our aircraft leasing contracts unprofitable.

A limited percentage of our debt financings bear interest at a floating rate, such that our interest expense would vary with changes in the applicable reference rate. As a result, our inability to sufficiently protect ourselves from changes in our cost of borrowing, as reflected in our composite interest rate, may have a direct, negative impact on our net income. Our lease rental stream is generally fixed over the life of our leases, whereas we have used floating-rate debt to finance a significant portion of our aircraft acquisitions. As of December 31, 2018, we had $1.6 billion in floating-rate debt. If interest rates increase, we would be obligated to make higher interest payments to the lenders of our floating-rate debt. Further, as we continue to incur fixed-rate debt, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If our composite interest rate were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness as of December 31, 2018, of approximately $15.9 million on an annualized basis, which would negatively affect our financial condition, cash flow and results of operations.

As such, if interest rates were to rise sharply, we would not be able to fully offset immediately the negative impact on our net income by increasing lease rates, even if the market were able to bear such increases in lease rates. Our leases are generally for multiple years with fixed lease rates over the life of the lease and, therefore, lags will exist because our lease rates with respect to a particular aircraft cannot generally be increased until the expiration of the lease.

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 our market sector's risk of default will negatively impact our cost of funds.

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

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

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

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

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

As of December 31, 2018, we had entered into binding purchase commitments to acquire a total of 372 new aircraft for delivery through 2024. 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 contractual damages, and legal, accounting and financial advisory expenses, not realizing any of the benefits of completing the transactions and damage to our reputation and relationship with aircraft manufacturers;
- defaulting on our lease commitments, which could result in monetary damages and damage to our reputation and relationships with lessees; and
- failing to capitalize on other aircraft acquisition opportunities that were not pursued due to our management's focus on these commitments.

If we determine that the capital we require to satisfy these commitments may not be available to us, either at all or on terms we deem attractive, we may eliminate or reduce any dividend program that may be in place at that time in order to preserve capital to apply to these commitments. These risks would negatively affect our financial condition, cash flow and results of operations.

Certain of the agreements governing our indebtedness may limit our operational flexibility, our ability to effectively compete and our ability to grow our business as currently planned, which would negatively affect our financial condition, cash flow and results of operations.

Certain of the agreements governing our indebtedness, including our credit facilities, contain financial and non-financial covenants, such as requirements that we comply with one or more of the following covenants: maximum debt-to-equity ratios, dividend restrictions, limitations on the ability of our subsidiaries to incur debt, 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 agreements and could give rise to an acceleration of some, if not all, of our then outstanding indebtedness, which would have a negative effect on our business and our ability to continue as a going concern. If we were unable to repay the indebtedness when due and payable, secured lenders could proceed against, among other things, the aircraft securing such indebtedness, if any.

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

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

The aircraft leasing industry is highly competitive. Some of our competitors may have greater resources or a lower cost of capital than ours or may provide certain financial services, maintenance services or other inducements to potential lessees that we cannot provide; accordingly, they may be able to compete more effectively in one or more of the markets we conduct business in. In addition, some of our competitors may have higher risk tolerances, lower investment return expectations or different risk or residual value assessments, which could allow them to consider a wider variety of investments, establish more relationships, bid more aggressively on aviation assets available for sale and offer lower lease rates or sale prices than we can.

We may encounter competition from other entities in the acquisition, leasing and selling of aircraft such as:

- airlines;
- private equity and other investment funds;
- aircraft manufacturers;
- financial institutions;
- special purpose vehicles formed for the purpose of acquiring, leasing and selling aircraft;
- aircraft brokers;
- public and private partnerships, investors and funds; and
- other aircraft leasing companies that we do not currently consider our major competitors.

Additionally, the barriers to entry in the aircraft acquisition and leasing market are comparatively low, and new entrants with private equity, hedge fund, Asian bank or other funding sources appear from time to time.

Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Competition when purchasing or selling aircraft is based principally on the price, and where applicable the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. We will not always be able to compete successfully with our competitors, which could negatively affect our financial condition, cash flow and results of operations.

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

We cannot assure you that we will be able to enter into profitable leases upon the acquisition of the aircraft we purchase in the future. Our financial condition, cash flow and results of operations depend upon our management team's judgment and ability to evaluate the ability of lessees and other counterparties to perform their obligations to us and to negotiate transaction documents. We cannot assure you that our management team will be able to perform such functions in a manner that will achieve our investment objectives, which would negatively affect our financial condition, cash flow and results of operations.

Our business model depends on our ability to continually lease and remarket our aircraft, in particular within the passenger airline industry, and finally sell our aircraft, and we may not be able to do so on favorable terms, which would negatively affect our financial condition, cash flow and results of operations.

Our business model depends on our ability to continually lease and remarket our aircraft, in particular within the passenger airline industry, and finally sell our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and meet our other corporate and contractual obligations. Our ability to lease and remarket our aircraft will depend on general market and competitive conditions at the time the leases are entered into and expire. The financial condition of the passenger airline industry is of particular importance to us because our aircraft are primarily leased to passenger airlines and we plan to continue to lease our aircraft to passenger airlines. If we are not able to lease or remarket an aircraft or to do so on favorable terms, we may be required to attempt to sell the aircraft to provide funds for our debt service obligations or operating expenses. Our ability to lease, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by depressed conditions in the aviation industry, government and environmental regulations, increased operating costs including the price and availability of jet fuel, credit deterioration of a lessee, the effects of terrorism, war, natural disasters and/or

epidemic diseases on airline passenger traffic trends, declines in the values of aircraft, and various other general market and competitive conditions and factors, including those described in these "Risk Factors" and elsewhere in this report, many of which are outside of our control. If we are unable to lease and remarket our aircraft on favorable terms, or at all, our financial condition, cash flow and results of operations would be negatively impacted.

From time to time, the aircraft industry has experienced periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could negatively affect our financial condition, cash flow and results of operations.

The aircraft leasing business has experienced periods of aircraft oversupply following the September 11, 2001 terrorist attacks and the 2008 financial crisis. The oversupply of a specific type of aircraft is likely to depress the lease rates for and the value of that type of aircraft, including upon sale. Further, over recent years, the airline industry has committed to a significant number of aircraft deliveries through order placements with manufacturers, and in response, aircraft manufacturers have raised their production output. The increase in these production levels could result in an oversupply of relatively new aircraft if growth in airline traffic does not meet airline industry expectations. Additionally, if overall lending capacity to purchasers of aircraft does not increase in line with the increased aircraft production levels, the cost of lending or ability to obtain debt to finance aircraft purchases could be negatively affected.

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

- passenger and air cargo demand;
- airline operating costs, including fuel costs;
- general economic conditions;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- outbreaks of communicable diseases and natural disasters;
- governmental regulation, including new airworthiness directives, statutory limits on the age of aircraft, and restrictions in certain jurisdictions on the age of aircraft for import, climate change initiatives and environmental regulation, and other factors leading to obsolescence of aircraft models;
- interest and foreign exchange rates;
- tariffs and other restrictions on trade;
- the availability of credit;
- airline restructurings and bankruptcies;
- airline fleet planning that reduces capacity or changes the type of aircraft in demand;
- manufacturer production levels and technological innovation;
- discounting by manufacturers on aircraft types nearing end of production;
- manufacturers merging or exiting the industry or ceasing to produce aircraft types;
- new-entrant manufacturers producing additional aircraft models, or existing manufacturers producing new engine models or new aircraft models, in competition with existing aircraft models;

- retirement and obsolescence of aircraft models;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

In addition, operating lessors may be sold or merged with other entities. These types of transactions may call for a reduction in the fleet of the new entity, which could increase supply levels of used and older aircraft in the market. Furthermore, recent and future political developments could result in increased regulation of trade, which could adversely impact demand for aircraft.

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

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

Aircraft values and market rates for leases have from time to time experienced sharp decreases due to a number of factors including, but not limited to, oversupply of a specific type of aircraft, decreases in passenger and air cargo demand, increases in fuel costs, inflation, government regulation and increases in interest rates. Operating leases place the risk of realization of residual values on aircraft lessors because only a portion of the equipment's value is covered by contractual cash flows at lease inception.

In addition to factors linked to the aviation industry generally, many other factors may affect the value of the aircraft that we acquire and market rates for leases, including:

- the particular maintenance, damage, operating history and documentary records of the aircraft;
- the geographical area where the aircraft is based and operates;
- the number of operators using that type of aircraft;
- aircraft age;
- the regulatory authority under which the aircraft is operated;
- whether an aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor;
- any renegotiation of an existing lease on less favorable terms;
- the negotiability of clear title free from mechanics' liens and encumbrances;
- any tax, customs, regulatory and other legal requirements that must be satisfied before the aircraft can be purchased, sold or remarketed;
- grounding orders or other regulatory action that could prevent or limit utilization of our aircraft;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft; and

- the availability of spare parts.

Any decrease in the value of aircraft that we acquire or market rates for leases, which may result from the above factors or other unanticipated factors, would have a negative effect on our financial condition, cash flow and results of operations.

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

The supply of commercial aircraft is dominated by a few airframe manufacturers and a limited number of engine manufacturers. As a result, we are dependent on the success of these manufacturers in remaining financially stable, producing products and related components which meet the airlines' demands and fulfilling any contractual obligations they may have to us.

When the manufacturers fail to respond appropriately to changes in the market environment, bring aircraft to market that do not meet customers' expectations or fail to fulfill any contractual obligations they might have to us, we may experience:

- missed or late delivery of aircraft and a potential inability to meet our contractual obligations owed to any of our then lessees, resulting in potential lost or delayed revenues, lower growth rates and strained customer relationships;
- an inability to acquire aircraft and related components on terms which will allow us to lease those aircraft to airline customers at a profit, resulting in lower growth rates or a contraction in our aircraft fleet;
- a market environment with too many aircraft available, potentially creating downward pressure on demand for the anticipated aircraft in our fleet and reduced market lease rates and sale prices;
- reduced demand for a particular manufacturer's product as a result of poor customer support, creating downward pressure on demand for those aircraft and engines in our fleet and reduced market lease rates and sale prices for those aircraft and engines;
- a reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and aircraft values and may affect our ability to remarket or sell at a profit, or at all, some of the aircraft in our fleet; and
- technical or other difficulties with aircraft after delivery that subject such aircraft to operating restrictions or groundings, resulting in a decline in value and lease rates of such aircraft and impairing our ability to lease or dispose of such aircraft on favorable terms or at all.

There have been recent well-publicized delays by airframe and engine manufacturers in meeting stated deadlines in bringing new aircraft to market. Over the past two years, we have experienced delays relating to certain aircraft scheduled for delivery in 2019 and 2020 and anticipate additional delivery delays. Our leases contain lessee cancellation clauses related to aircraft delivery delays, typically for aircraft delays greater than one year and our purchase agreements contain similar clauses. If there are manufacturing delays for aircraft for which we have made future lease commitments, some or all of our affected lessees could elect to terminate their lease arrangements with respect to such delayed aircraft. Any such termination could strain our relations with those lessees going forward and would negatively affect our cash flow and results of operations.

Our aircraft require routine maintenance, and if they are not properly maintained, their value may decline and we may not be able to lease or remarket such aircraft at favorable rates, if at all, which would negatively affect our financial condition, cash flow and results of operations.

We may be exposed to increased maintenance costs for our aircraft associated with a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent. If an aircraft is not properly maintained, its market value may decline, which would result in lower revenues from its lease or sale. We enter into leases pursuant to which the lessees are primarily responsible for many obligations, which include maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including operational, maintenance, government agency oversight, registration requirements, service bulletins issued by aircraft manufacturers and airworthiness directives issued by aviation authorities. Failure of a lessee to perform required maintenance, or comply with the applicable service bulletins and airworthiness directives during the term of a lease could result in a decrease in value of an aircraft, an inability to remarket an aircraft at favorable rates, if at all, or a potential grounding of an aircraft. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to remarketing or sale. In general, the costs of operating an aircraft, including maintenance and modification expenses, increase with the age of the aircraft. Even if we are entitled to receive supplemental maintenance rents, these rents may not cover the entire cost of actual maintenance required. If any of our aircraft are not subject to a lease, we may be required to bear the entire cost of maintaining that aircraft and performing any required airworthiness directives. Failure by our lessees to meet their obligations to perform significant required scheduled maintenance or our inability to maintain our aircraft would negatively affect our financial condition, cash flow and results of operations.

If we experience events that result in a significant number of our aircraft becoming obsolete, such as through changes in technology, increases in fuel efficiency, and changes in customer preferences, it could negatively impact our ability to lease and remarket those aircraft, result in impairment charges and have a negative effect on our financial condition, cash flow and results of operations.

Aircraft are long-lived assets, requiring long lead times to develop and manufacture, with particular types and models becoming obsolete or less in demand over time when newer, more advanced aircraft are manufactured. Our existing fleet, as well as the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur which shorten the life cycle of such aircraft types.

These events include, but are not limited to:

- the introduction of superior aircraft technology;
- the introduction of a new line of aircraft or engines, in particular more fuel efficient aircraft;
- changes in our airline customers' preferences;
- government regulations, including regulations governing noise and emissions and limiting the age of aircraft operating in a jurisdiction;
- the costs of operating an aircraft, including maintenance which increases with the age of the aircraft; and
- compliance with airworthiness directives.

These events may cause the aircraft we own to become outdated or obsolete or oversupplied and therefore less desirable, which could shorten the life cycle for aircraft types in our fleet. As a result, these events could negatively impact our ability to remarket the aircraft, the rates at which we can lease the aircraft, the cost of remarketing such aircraft, and our ability to sell such aircraft on favorable terms, if at all. They may also trigger impairment charges, increase depreciation expense or result in losses related to aircraft asset value guarantees, if we provide such guarantees.

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

Aircraft have limited economic useful lives and depreciate over time and we may be required to record an impairment charge or sell aircraft for a price less than its depreciated book value if market conditions worsen or our customers default on their leases.

We depreciate our aircraft for accounting purposes on a straight-line basis to the aircraft's residual value over its estimated useful life. Our management team also evaluates on a quarterly basis the need to perform an impairment test whenever facts or circumstances indicate a potential impairment has occurred. An assessment is performed whenever events or changes in circumstances indicate that the carrying amount of an aircraft may not be recoverable. Factors considered in this assessment include changes in contracted lease rates, economic conditions, technology, and airline demand for a particular aircraft type. In the event that an aircraft does not meet the recoverability test, the aircraft will be recorded at fair value, resulting in an impairment charge. Deterioration of future lease rates and the residual values of our aircraft could result in impairment charges which could have a significant impact on our results of operations and financial condition.

If we record an impairment charge on aircraft, or if we dispose of aircraft for a price that is less than its depreciated book value on our balance sheet, it will reduce our total assets and shareholders' equity. A reduction in our shareholders' equity may negatively impact our ability to comply with covenants in certain of our agreements governing our indebtedness requiring us to maintain a minimum net worth and maximum debt-to-equity ratio, and could result in an event of default under such agreements. For these reasons, our financial condition, cash flow and results of operations would be negatively affected.

Lessee defaults or reorganizations could result in significant costs to us and could negatively affect our financial condition, cash flow and results of operations.

From time to time, an airline may seek to reorganize and seek protection from creditors under their local laws or may go into liquidation. Based on historical rates of airline defaults and bankruptcies, we expect some of our lessees may default on their lease obligations or file for bankruptcy or otherwise seek protection from creditors under local laws. Lessee defaults and reorganizations may result in us incurring significant additional costs, including legal and other expenses associated with court or other governmental proceedings, such as the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during any such proceedings the relevant aircraft may not be generating revenue. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and where such maintenance, refurbishment or repairs are necessary to put the aircraft in suitable condition for remarketing or sale. We may also incur storage costs associated with any aircraft that we repossess and are unable to place immediately with another lessee. Even if we are able to immediately place a repossessed aircraft with another lessee, we may not be able to do so at a similar or favorable lease rate. It may also be necessary to pay off liens, taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee might have incurred in connection with the operation of its other aircraft. We could also incur other costs in connection with the physical possession of the aircraft.

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

If we repossess an aircraft, we may not necessarily be able to export or deregister and profitably redeploy the aircraft. An aircraft cannot be registered in two countries at the same time. Before an aviation authority will register an aircraft that has previously been registered in another country, it must receive confirmation that the aircraft has been deregistered by that country's aviation authority. In order to deregister an aircraft, the lessee must comply with applicable laws and regulations, and the relevant governmental authority must enforce these laws and regulations. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. We may also incur significant costs in retrieving or recreating aircraft records required for registration of the aircraft, and in obtaining a certificate of airworthiness for an aircraft. If, upon a lessee default, we incur significant costs in connection with repossessing our aircraft, are delayed in repossessing our aircraft or are unable to obtain possession of our aircraft as a result of lessee defaults, our financial condition, cash flow and results of operations could be negatively affected.

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

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

Until they are discharged, these liens could impair our ability to repossess, remarket or sell our aircraft. Our lessees may not comply with the anticipated obligations under their leases to discharge aircraft liens arising during the terms of the leases. If they do not, we may find it necessary to pay the claims secured by such aircraft liens in order to repossess the aircraft. Such payments would negatively affect our financial condition, cash flow and results of operations.

We are dependent on the success of our lessees and defaults on leases or reorganizations by one or more of our significant airline customers could have a negative effect on our cash flow and earnings.

The airline industry is cyclical, economically sensitive and highly competitive. Our lessees are affected by a number of factors over which we and they have limited control, including:

- increased competition;
- passenger and air cargo rates;
- passenger air travel and air cargo demand;
- fuel prices and shortages;
- labor difficulties, including pilot shortages or labor actions;

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- increases in other operating costs, such as increased insurance costs;
- availability of financing, including availability of governmental support;
- economic conditions, inflation, and currency fluctuations in the countries and regions in which the lessees operate;
- recessions;
- political or economic instability, including as a result of terrorist activities, changes in national policy;
- governmental regulation and associated fees affecting the air transportation business;
- cyber risks;
- aircraft accidents, in particular a loss if the aircraft is damaged or destroyed by an event specifically excluded from insurance policies such as dirty bombs, bio hazardous materials and electromagnetic pulsing; and
- other events negatively affecting the world or regional trading markets, such as natural disasters or health concerns.

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. Further, most of our airline customers do not have investment grade credit profiles, and we may not correctly assess the credit risk of a lessee. We anticipate that some of our lessees will experience a weakened financial condition or suffer liquidity problems.

Any of the above events could lead to a lessee experiencing difficulties in performing under the terms of our lease agreement, which could result in the lessee seeking relief under some of the terms of our lease agreement, or it could result in us electing to repossess the aircraft.

It is likely that restructurings and/or repossessions with some of our lessees will occur in the future. In the event that a lessee defaults under a lease, any security deposit paid or letter of credit provided by the lessee may not be sufficient to cover the lessee’s outstanding or unpaid lease obligations and required maintenance and transition expenses. As a result, terms and conditions of possible lease restructurings or rescheduling may result in a significant reduction of lease revenue, which may negatively affect our financial results. If any request for payment restructuring or rescheduling is made and granted, reduced or deferred rental payments may be payable over all or some part of the remaining term of the lease. The terms of any revised payment schedules may be unfavorable and such payments may not be made. Our default levels would likely increase over time if economic conditions deteriorate.

Delayed, missed or reduced rental payments from one or more lessees that lease a significant number of our aircraft would negatively affect our financial condition, cash flow and results of operations. For instance, the loss of one or more of our significant airline customers or their inability to make operating lease payments could result in a breach of the covenants contained in any of our long-term debt facilities or make it more difficult for us to pay the interest or maturity on our outstanding debt, possible resulting in defaults and accelerated payments. If we, in the exercise of our remedies under a lease, repossess an aircraft, we may not receive all or any of the past-due or deferred payments and we may not be able to remarket the aircraft promptly or at favorable rates, if at all. Also, if a lessee seeks bankruptcy or other insolvency protection, we may not recover any of our claims or damages against the lessee.

Accordingly, if lessees of a significant number of our aircraft fail to perform as expected and we decide to restructure or reschedule our leases. or if lessees of a significant number of our aircraft seek bankruptcy or other insolvency protection, it would negatively affect our financial condition, cash flow and results of operations.

Because our leases are concentrated in certain geographical regions, we have concentrated exposure to the political and economic risks associated with those regions which could negatively affect our business interests, cash flow and results of operations.

Through our lessees and the countries in which they operate, we are exposed to the specific economic and political conditions and associated risks of those jurisdictions. For example, we have large concentrations of lessees in China, and therefore have increased exposure to the economic and political conditions in that country, including the impact of trade disputes and trade barriers. These risks can include regional economic recessions, financial and political emergencies, burdensome local regulations or, increased risks of requisition of our aircraft. An adverse political or economic event in any region or country in which our lessees are concentrated or where we have a large number of aircraft could affect the ability of our lessees in that region or country to meet their obligations to us, or expose us to various legal or political risks associated with the affected jurisdictions, all of which could have an adverse effect on our financial condition, cash flow and results of operations.

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

Our business strategy emphasizes leasing aircraft to lessees outside of the United States, including to airlines in emerging market countries. Emerging market countries have less developed economies and infrastructure and are often more vulnerable to economic and geopolitical challenges and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of unexpected taxes or other charges by government authorities. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise, particularly if combined with high fuel prices, could negatively affect the value of our aircraft subject to lease in such countries, or the ability of our lessees, which operate in these markets, to meet their lease obligations. As a result, lessees that operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may have different liability standards and be less developed and less predictable than those in advanced economies, 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. A decrease in passenger or cargo traffic may have a negative effect on our financial condition, cash flow and results of operations. Weak or negative economic growth in emerging markets may have an indirect effect on the value of the assets that we acquire if airlines and other potential lessees are negatively affected. Economic downturns can affect the values of the assets we purchase, which may have a negative effect on our financial condition, cash flow and results of operations.

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

Fuel costs represent a major expense to airlines that is not within their control, and fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events, regulatory changes (including those related to greenhouse gas emissions) and currency exchange rates. If airlines are unable to increase ticket prices to offset fuel price increases, their cash flows will suffer. Political unrest in the Middle East and North Africa has historically generated uncertainty regarding the predictability of the world's future oil supply, which has led to increased volatility. Fuel costs may rise in the future. Other events can also significantly affect fuel availability and prices, including natural disasters, decisions by the Organization of the Petroleum Exporting Countries regarding their members' oil output, and the increase in global demand for fuel from countries such as China.

High fuel costs would likely have a material negative impact on airline profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their passengers by increasing fares. If airlines are successful in increasing fares, demand for air travel may be negatively affected. Higher and more volatile fuel prices may also have an impact on consumer confidence and spending, and thus may adversely impact demand for air transportation. In addition, airlines may not be able to manage fuel cost risk by appropriately hedging their exposure to fuel price fluctuations. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices, if such airlines are required to post cash collateral under their hedge agreements. If fuel prices increase, they are likely to cause our lessees to incur higher costs. A sustained period of lower fuel costs may adversely affect regional economies that depend on oil revenue, including those in which certain of our lessees operate. Consequently, these conditions may:

- affect our lessees’ ability to make rental and other lease payments;
- result in lease restructurings and aircraft repossessions;
- increase our costs of maintaining and marketing aircraft;
- impair our ability to remarket aircraft or otherwise sell our aircraft on a timely basis at favorable rates; or
- reduce the sale proceeds received in the event of an aircraft sale.

Such effects would negatively affect demand for our aircraft, which would negatively affect our financial condition, cash flow and results of operations.

The appreciation of the U.S. dollar could negatively impact many of our lessees’ ability to honor the terms of their leases and could therefore adversely affect our business, financial condition and results of operations.

Many of our lessees are exposed to currency risk due to the fact that they earn revenues in their local currencies while a significant portion of their liabilities and expenses are denominated in U.S. dollars, including their lease payments to us, as well as fuel, debt service, and other expenses. For the year ended December 31, 2018, less than 3% of our revenues were derived from customers who have their principal place of business in the U.S. While we attempt to minimize our currency and exchange risks by negotiating the designated payment currency in our leases to be U.S. dollars, the ability of our lessees to make lease payments to us in U.S. dollars may be adversely impacted in the event of an appreciating U.S. dollar.

Our lessees may not be able to increase their revenues sufficiently to offset the impact of exchange rates on their lease payments and other expenses denominated in U.S. dollars. This is particularly true for non-U.S. airlines whose operations are primarily domestic. Currency volatility, particularly as witnessed recently in other emerging market countries, could impact the ability of some of our customers to meet their contractual obligations in a timely manner. Shifts in foreign exchange rates can be significant, are difficult to predict, and can occur quickly.

Economic conditions and regulatory changes in the United States, United Kingdom and Europe could have an adverse effect on our business and results of operations.

Following a referendum in June 2016 in which voters in the United Kingdom, or U.K., approved an exit from the European Union ("E.U."), the U.K. government initiated a process, often referred to as Brexit, to leave the E.U. on March 29, 2017 and is negotiating the terms of the U.K.'s future relationship with the E.U. The effects of Brexit will likely depend on the agreements that the U.K. is able to retain access to E.U. markets, either during a transitional period or more permanently. We lease aircraft to airlines in the E.U., including the U.K. We and the aviation industry face uncertainty regarding the impact of Brexit. Adverse consequences, such as instability in financial markets, deterioration in economic conditions, volatility in currency exchange rates or adverse changes in regulation of the aviation industry or bilateral agreements governing air travel, could negatively affect our financial condition, cash flow and results of operations. These impacts may include increased costs of financing; downward pressure on demand for our aircraft and reduced market lease rates and lease margins; and a higher incidence, in the U.K. in particular and the E.U. generally, of lessee defaults or other events resulting in our lessees' failing to perform under our lease agreements. Further, many of the structural issues facing the E.U. following the 2008 financial crisis and Brexit remain, and problems could resurface that could affect market conditions, and, possibly, our business, financial results and liquidity, particularly if they lead to

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the exit of one or more countries from the European Monetary Union, or E.M.U., or the exit of additional countries from the E.U. If one or more countries exits the E.M.U., there would be significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it would likely lead to complex and lengthy disputes and litigation. Additionally, it is possible that political events in Europe could lead to complete dissolution of the E.M.U. or E.U. The partial or full breakup of the E.M.U. or E.U. would be unprecedented and its impact highly uncertain, including with respect to our business.

Any of the above effects of Brexit and U.S. political changes, and others that we may not be able to anticipate, could negatively impact our financial condition, cash flow and results of operations.

Terrorist attacks, war or armed hostilities between countries or non-state actors, or the fear of such attacks, even if not made directly on the airline industry, could negatively affect lessees and the airline industry, which would negatively affect our cash flow and results of operations.

Terrorist attacks, war or armed hostilities between countries or non-state actors, or the fear of such events, have historically had a negative impact on the aviation industry and could result in:

- higher costs to the airlines due to the increased security measures;
- decreased passenger demand and revenue due to the inconvenience of additional security measures or concerns about the safety of flying;
- the imposition of "no-fly zone" or other restrictions on commercial airline traffic in certain regions;
- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges;
- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher costs of aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, or the unavailability of certain types of insurance;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of such events;
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long-lived assets stemming from the grounding of aircraft as a result of terrorist attacks, economic conditions and airline reorganizations; and
- an airline becoming insolvent and/or ceasing operations.

For example, as a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures increased, passenger and cargo demand for air travel decreased, and operators faced difficulties in acquiring war risk and other insurance at reasonable costs. Further, international sanctions against Russia and other countries, uncertainty regarding tensions between the United States and North Korea and the United States and Russia, the situations in Iraq, Iran, Afghanistan, Egypt and Syria, the Israeli/Palestinian conflict, political instability in the Middle East and North Africa, the dispute between Japan and China, the recent tensions in the South China Sea and additional international hostilities could lead to further instability in these regions.

Terrorist attacks, war or armed hostilities between countries or non-state actors, large protests or government instability, or the fear of such events, could adversely affect the aviation industry and the financial condition and liquidity of our lessees, as well as aircraft values and rental rates. In addition, such events may cause certain aviation insurance to become available only at significantly increased premiums or with reduced amounts of coverage insufficient to comply with the current requirements of aircraft lenders and lessors or by applicable government regulations, or not to be available at all. Although some governments provide for limited coverage under government programs for specified types of aviation insurance, these programs may not be available at the relevant time or governments may not pay under these programs in a timely fashion.

Such events are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in a material adverse effect on their financial condition and liquidity, including their ability to make rental and other lease payments to us or to obtain the types and amounts of insurance we require. This in turn could lead to aircraft groundings or additional lease restructurings and repossessions, increase our cost of remarketing or selling aircraft, impair our ability to remarket or otherwise dispose of aircraft on favorable terms or at all, or reduce the proceeds we receive for our aircraft in a disposition.

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

Epidemic diseases, such as severe acute respiratory syndrome, bird flu, swine flu, the Zika virus, Ebola or other pandemic diseases negatively affected passenger demand for air travel in recent years. These epidemic diseases and other pandemic diseases, or the fear of such events, could provoke responses, including government-imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry. The consequences of these events may reduce the demand for aircraft and/or impair our lessees' ability to satisfy their lease payment obligations to us, which in turn would negatively affect our financial condition, cash flow and results of operations.

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

Air travel can be disrupted, sometimes severely, by the occurrence of natural disasters and other natural phenomena. A natural disaster or other natural phenomena could cause disruption to air travel and could result in a reduced demand for aircraft and/or impair our lessees' ability to satisfy their lease payment obligations to us, which in turn would negatively affect our financial condition, cash flow and results of operations.

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

Some of the aircraft we acquire are held in special-purpose, bankruptcy-remote subsidiaries of our Company. Liens on those assets will be held by a collateral agent for the benefit of the lenders under the respective facility. In addition, funds generated from the lease of aircraft generally are applied first to amounts due to lenders, with certain exceptions. Creditors of our subsidiaries will have priority over us, our stockholders and our creditors relating to debt that is not guaranteed or secured by our subsidiaries or their assets in any distribution of any such subsidiaries' assets in a liquidation, reorganization or otherwise.

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

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

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

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

Our aircraft may not at all times be adequately insured and our lessees may fail to fulfill their respective indemnity obligations, which in either case, could negatively affect our financial condition, cash flow and results of operations.

We do not directly control the operation of any aircraft we acquire. Nevertheless, because we hold title, directly or indirectly, to such aircraft, we could be sued or held strictly liable for losses resulting from the operation of such aircraft, or may be held liable for those losses on other legal theories, in certain jurisdictions around the world, or claims may be made against us as the owner of an aircraft requiring us to expend resources in our defense. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, liabilities arising out of their use and operation of the aircraft. Lessees are also required to maintain public liability, property damage and all risk hull and war risk insurance on the aircraft at agreed upon levels. Some lessees may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease terms, would necessitate our taking some corrective action such as terminating the lease or securing insurance for the aircraft, either of which could negatively affect our financial results. Moreover, even if our lessees retain specified levels of insurance, and indemnify us for, and insure against, liabilities arising out of their use and operation of the aircraft, we cannot assure you that we will not have any liability.

In addition, there are certain risks or liabilities that our lessees may face, for which insurers may be unwilling to provide coverage or the cost to obtain such coverage may be prohibitively expensive. For example, following the terrorist attacks of September 11, 2001, non-government aviation insurers significantly reduced the amount of insurance coverage available for claims resulting from acts of terrorism, war, dirty bombs, bio-hazardous materials, electromagnetic pulsing or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. Accordingly, we anticipate that our lessees' insurance or other coverage may not be sufficient to cover all claims that could or will be asserted against us arising from the operation of our aircraft by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us in the event that we are sued and are required to make payments to claimants. Moreover, our lessees' insurance coverage is dependent on the financial condition of insurance companies, which might not be able to pay claims. A reduction in insurance proceeds otherwise payable to us as a result of any of these factors could negatively affect our financial condition, cash flow and results of operations.

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

We believe our senior management's reputation and relationships with lessees, manufacturers, buyers and financiers of aircraft are a critical element to the success of our business. We depend on the diligence, skill and network of business contacts of our management team. We believe there are only a limited number of available qualified executives in the aircraft industry, and we therefore have encountered, and will likely continue to encounter, intense competition for qualified employees from other companies in our industry. Our future success will depend, to a significant extent, upon the continued service of our senior management personnel, particularly: Mr. Udvar-Házy, our founder, and Executive Chairman of the Board; Mr. Plueger, our Chief Executive Officer and President; and our other senior officers, each of whose services are critical to the success of our business strategies. We do not have employment agreements with Mr. Udvar-Házy or Mr. Plueger. If we were to lose the services of any of the members of our senior management team, it could negatively affect our financial condition, cash flow and results of operations.

Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect our financial condition, cash flow and results of operations.

London Interbank Offered Rate ("LIBOR") and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect our indebtedness the interest on which is determined by reference to LIBOR.

Any of the above changes or any other consequential changes to LIBOR or any other "benchmark", or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on our financial condition, cash flow and results of operations. In addition, any of these alternative methods may result in interest payments that do not correlate over time with the payments that would have been made on our indebtedness if three-month LIBOR was available in its current form.

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

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

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

In addition to our strategic ventures discussed in Note 12 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, for which we own non-controlling interests, we may on occasion enter into strategic ventures with third parties to take advantage of favorable financing opportunities or tax benefits, to share capital and/or operating risk, and/or to earn fleet management fees. Strategic ventures involve significant risks that may not be present with other methods of ownership, including that:

- we may not realize a satisfactory return on our investment;
- the strategic ventures may divert management’s attention from our core business;
- our strategic venture partners could have investment goals that are not consistent with our investment objectives, including the timing, terms and strategies for any investments;

- our strategic venture partners might fail to fund their share of required capital contributions or fail to fulfill their other obligations;
- our strategic venture partners may have competing interests in our markets that could create conflict of interest issues, particularly if aircraft owned by the strategic ventures are being marketed for lease or sale at a time when we also have comparable aircraft available for lease or sale.

Although we currently serve as the manager of our existing strategic ventures and we anticipate that we would serve as the manager of any future strategic ventures, it has been our management's experience that most strategic venture agreements will provide the non-managing strategic partner certain veto rights over various significant actions, including the right to remove us as the manager under certain circumstances. If we were to be removed as the manager from a strategic venture that generates significant management fees, our financial results and growth prospects could be materially and negatively affected. In addition, if we were unable to resolve a dispute with a significant strategic partner that retains material managerial veto rights, we might reach an impasse that could require us to dissolve the strategic venture at a time and in a manner that could result in our losing some or all of our original investment in the strategic venture, which could have a negative effect on our financial condition, cash flow and results of operations.

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

The airline industry is subject to increasingly stringent federal, state, local and international environmental laws and regulations concerning emissions to the air, discharges to surface and subsurface waters, safe drinking water, aircraft noise, the management of hazardous substances, oils and waste materials and other regulations affecting aircraft operations. Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant aircraft is registered and operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition to the current requirements, the U.S. and the International Civil Aviation Organization (the "ICAO") have specific standards for noise levels which apply to engines manufactured or certified on or after January 1, 2006. Currently, U.S. regulations would not require any phase-out of aircraft that comply with the older standards applicable to engines manufactured or certified prior to January 1, 2006, but the E.U. has established a framework for the imposition of operating limitations on aircraft that do not comply with the new standards. The E.U. has also included aviation-related emissions in its greenhouse gas Emissions Trading System (the "ETS"). ICAO has also adopted new, more stringent noise level standards to apply to new airplane designs with a maximum certificated takeoff weight of 55,000 kg or more on or after December 31, 2017; or with maximum certificated takeoff weight of less than 55,000 kg on or after December 31, 2020. Additionally, the U.S. has adopted new noise regulations, effective November 3, 2017, to harmonize with the new ICAO standards. These regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to more stringent noise restrictions, the U.S. and other jurisdictions are beginning to impose more stringent limits on nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines, consistent with current ICAO standards. These limits generally apply only to engines manufactured after 1999. Because aircraft engines are replaced from time to time in the normal course, it is likely that the number of such replacements would increase over time.

The potential impact on costs of the E.U. ETS and the ICAO's new Carbon Offset and Reduction Scheme for International Aviation (known as "CORSIA"), which calls for a carbon offsetting measure to help the aviation industry meet its goal of carbon neutral growth after 2020, has not been completely identified. Schemes to reduce emissions such as the E.U. ETS and CORSIA could favor younger, more fuel efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to remarket or otherwise dispose of less efficient aircraft on a timely basis, at favorable terms, or at all. Concerns over global warming also could result in more stringent limitations on the operation of aircraft. Any of these regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell the compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant, which would negatively affect our financial condition, cash flow and results of operations. Further, compliance with current or future regulations, taxes or duties imposed to deal with environmental concerns could cause lessees to incur higher costs and to generate lower net revenues, resulting in a negative impact on their financial conditions. For example, the United Kingdom doubled its air passenger duties in 2007, in recognition of the environmental costs of air travel. Consequently, such compliance may affect lessees' ability to make rental and other lease payments and reduce the value we receive for the aircraft upon any disposition, which would negatively affect our financial condition, cash flow and results of operations.

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

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

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

Changes in tax laws could negatively affect our financial condition, cash flow and results of operations.

Tax laws and the practice of the local tax authorities in the jurisdictions in which we reside, in which we conduct activities or operations, or where our aircraft or lessees of our aircraft are located may change in the future. Such changes in tax law or practice could result in additional taxes for us or our shareholders.

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

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

Sanctions targeting Cuba, Syria and North Korea prohibit most activity in those countries or with the governments of those countries, including aircraft sale and leasing transactions. Further, events in Ukraine and Crimea have resulted in the E.U. and the United States imposing targeted sanctions on Russia and Ukraine and certain businesses, sectors and individuals in Russia and Ukraine, including the airline industry. For instance, the United States has imposed restrictions prohibiting U.S. individuals and entities, including their foreign branches, from providing financial services or assistance in the form of new equity or debt with certain maturities to specified Russian individuals and entities and any entity in which such listed persons hold a 50 percent or greater interest, or from engaging in any dealing with other specified Russian and Ukrainian individuals and any entity in which such listed persons hold a 50 percent or greater interest. Most transactions with the Crimea region of Ukraine, or involving a Crimean entity or individual are also prohibited under the current Russia/Ukraine sanctions program. Additionally, the E.U. has enacted similar restrictions in which citizens of E.U. member states and corporations domiciled in E.U. member states are prohibited from dealing with financial instruments having a maturity greater than 30 days with certain Russian entities. Russia has imposed its own sanctions on certain individuals in the United States and may impose other sanctions on the United States and the E.U. and/or certain businesses or individuals from these regions. We cannot assure you that the current sanctions or any further sanctions imposed by the E.U., the United States or other international interests will not adversely affect our operations.

In 2016, the United States and E.U. lifted certain nuclear-related secondary sanctions as provided by the Joint Comprehensive Plan of Action (“JCPOA”) with Iran. Among other things, the JCPOA resulted in a favorable licensing policy for the sale or lease of civil passenger aircraft to most Iranian airlines. The United States announced its withdrawal from the JCPOA in 2018, and such licenses are no longer available for U.S. entities or for aircraft containing more than 10 percent controlled U.S. content. Most transactions with Iran, the government of Iran, any person in Iran, or with a business partner in a third country where the transaction is intended to benefit Iran are prohibited, including aircraft sale and lease transactions.

We have in place training programs for our employees with respect to FCPA, OFAC, UKBA, export controls and similar laws and regulations. There can be no assurance that our employees, consultants, sales agents, or associates will not engage in unlawful conduct for which we may be held responsible, nor can there be assurance that our business partners will not engage in conduct which could materially affect their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Moreover, while we believe that we have been in compliance with all applicable sanctions laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to change. Violations of the FCPA, OFAC, UKBA and other export control regulations, and similar laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our cash flow and results of operations.

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

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

Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, may adversely impact our business.

The laws and regulations relating to personal data constantly evolve, as federal, state and foreign governments continue to adopt new measures addressing data privacy and processing (including collection, storage, transfer, disposal, disclosure, security and use) of personal data. Moreover, the interpretation and application of many existing or recently enacted privacy and data protection laws and regulations in the U.S., Europe (including but not limited to the E.U.’s General Data Protection Regulation) and elsewhere are uncertain and fluid, and it is possible that such laws and regulations may be interpreted or applied in a manner that is inconsistent with our existing data management practices. Evolving compliance and operational requirements under the privacy laws of the jurisdictions in which we operate have become increasingly burdensome and complex, and are likely to continue to be so for the foreseeable future. Privacy-related claims or lawsuits initiated by governmental bodies, customers or other third parties, whether meritorious or not, could be time consuming, result in costly regulatory proceedings, litigation, penalties and fines, or require us to change our business practices, sometimes in expensive ways, or other potential liabilities. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil, or criminal liability, as well as reputational harm to us and our employees.

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

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

Risks Related to Our Class A Common Stock

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

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

- variations in our quarterly or annual operating results;
- actual or perceived reduction in our growth or expected future growth;
- announcements concerning our competitors, the airline industry or the economy in general;
- announcements concerning the availability of the type of aircraft we own;
- general and industry-specific economic conditions;
- changes in the price of aircraft fuel;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts’ performance expectations;
- additions or departures of key members of management;
- any increased indebtedness we may incur in the future;
- speculation or reports by the press or investment community with respect to us or our industry in general or the decision to suspend or terminate coverage in the future;
- changes in market valuations of similar companies;
- changes in or elimination of our dividend;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;

- changes or proposed changes in laws or regulations affecting the airline industry or enforcement of these laws and regulations, or announcements relating to these matters; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which our lessees are located.

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

Provisions in Delaware law and our restated certificate of incorporation and amended and restated bylaws may inhibit a takeover of us, which could cause the market price of our Class A common stock to decline and could entrench management.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests, including the ability of our board of directors to designate the terms of and issue new series of preferred stock, a prohibition on our stockholders from calling special meetings of the stockholders, and advance notice requirements for stockholder proposals and director nominations. In addition, Section 203 of the Delaware General Corporation Law, which we have not opted out of, prohibits a public Delaware corporation from engaging in certain business combinations with an "interested stockholder" (as defined in such section) for a period of three years following the time that such stockholder became an interested stockholder without the prior consent of our board of directors. The effect of Section 203 of the Delaware General Corporation Law, as well as these charter and bylaws provisions, may make the removal of management more difficult. It may also impede a merger, takeover or other business combination or discourage a potential acquirer from making a tender offer for our Class A common stock, which, under certain circumstances, could reduce the market price of our Class A common stock.

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

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

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

Current dividends may not be indicative of the amount of any future quarterly dividends. Our ability to pay, maintain or increase cash dividends to our shareholders is subject to the discretion of our Board of Directors and will depend on many factors, including our ability to comply with covenants in our financing documents that limit our ability to pay dividends and make certain other restricted payments to shareholders; the difficulty we may experience in raising and the cost of additional capital and our ability to finance our aircraft acquisition commitments; our ability to re-finance our long-term financings before excess cash flows are no longer made available to us to pay dividends and for other purposes; our ability to negotiate and enforce favorable lease rates and other contractual terms; the level of demand for our aircraft; the economic condition of the commercial aviation industry generally; the financial condition and liquidity of our lessees; unexpected or increased expenses; the level and timing of aircraft investments, principal repayments and other capital needs; the value of our aircraft portfolio; our compliance with loan to value, interest rate coverage and other financial tests in our financings; our results of operations, financial condition and liquidity; general business conditions; restrictions imposed by our debt agreements; legal restrictions on the payment of dividends; and other factors that our Board of Directors deems relevant. Some of these factors are beyond our control, and a change in any such factor could affect our ability to pay dividends on our common stock. In the future we may choose not to pay dividends or may not be able to pay dividends, maintain our current level of dividends, or increase them over time. The failure to maintain or pay dividends may negatively affect our share price.

Future sales of our Class A Common Stock by existing stockholders, or the perception that these sales may occur, especially by directors, executive officers or significant stockholders of Air Lease, may cause our stock price to decline.

If our existing stockholders, in particular our directors, executive officers or other affiliates, sell substantial amounts of our Class A Common Stock in the public market, or are perceived by the public market as intending to sell, the trading price of our Class A Common Stock could decline. In addition, shares underlying any outstanding options and restricted stock units will become eligible for sale if exercised or settled, as applicable, and to the extent permitted by the provisions of various vesting agreements and Rule 144 of the Securities Act. All the shares of Class A Common Stock subject to stock options and restricted stock units outstanding and reserved for issuance under the Air Lease Corporation 2014 Equity Incentive Plan have been registered on Form S-8 under the Securities Act and such shares are eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates. Sale of these shares of Class A Common Stock could impair our ability to raise capital through the sale of equity or equity related securities, should we wish to do so. A significant number of shares of our Class A Common Stock may be sold in the public market by any selling stockholders listed in a prospectus we may file with the Securities and Exchange Commission from time to time. We cannot predict the timing or amount of future sales of our Class A Common Stock by any such selling stockholders, but such sales, or the perception that such sales could occur, may adversely affect prevailing market prices for our Class A Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Flight Equipment

As of December 31, 2018, our operating lease portfolio consisted of 275 aircraft, comprised of 207 narrowbody jet aircraft and 68 widebody jet aircraft, with a weighted average age of 3.8 years.

The following table shows the scheduled lease terminations (for the minimum non-cancellable period which does not include contracted unexercised lease extension options) of our operating lease portfolio, excluding one aircraft currently off lease, as of December 31, 2018, updated through February 21, 2019:

Aircraft Type	2019	2020	2021	2022	2023	Thereafter	Total
Airbus A319-100	—	—	1	—	—	—	1
Airbus A320-200	—	8	3	3	6	15	35
Airbus A320-200neo	—	—	—	—	—	6	6
Airbus A321-200	—	2	1	1	8	22	34
Airbus A321-200neo	—	1	1	—	—	12	14
Airbus A330-200	2	—	1	2	3	7	15
Airbus A330-300	—	—	—	2	1	2	5
Airbus A330-900neo	—	—	—	—	—	1	1
Airbus A350-900	—	—	—	—	—	6	6
Boeing 737-700	1	—	1	—	2	—	4
Boeing 737-800	2	3	9	11	13	60	98
Boeing 737-8 MAX	—	—	—	—	—	14	14
Boeing 777-200ER							