

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from to

Commission file number 001-35121

AIR LEASE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

90067
(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

At May 4, 2016, there were 102,829,369 shares of Air Lease Corporation's Class A common stock outstanding.

Air Lease Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended March 31, 2016

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

- our inability to make acquisitions of, or lease, aircraft on favorable terms;
- our inability to sell aircraft on favorable terms;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of sufficient aircraft as currently contemplated or to fund the operations and growth of our business;
- our inability to obtain refinancing prior to the time our debt matures;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- changes in the regulatory environment;
- potential natural disasters and terrorist attacks and the amount of our insurance coverage, if any, relating thereto; and
- the factors discussed under “Part I — Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2015 and other SEC filings.

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

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Air Lease Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value amounts)

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 162,814	\$ 156,675
Restricted cash	16,490	16,528
Flight equipment subject to operating leases	12,550,836	12,026,798
Less accumulated depreciation	<u>(1,311,215)</u>	<u>(1,213,323)</u>
	11,239,621	10,813,475
Deposits on flight equipment purchases	1,079,690	1,071,035
Other assets	284,795	297,385
Total assets	<u>\$ 12,783,410</u>	<u>\$ 12,355,098</u>
Liabilities and Shareholders' Equity		
Accrued interest and other payables	\$ 192,389	\$ 215,983
Debt financing, net of discounts and issuance costs	8,017,501	7,712,421
Security deposits and maintenance reserves on flight equipment leases	865,206	853,330
Rentals received in advance	90,281	91,485
Deferred tax liability	513,630	461,967
Total liabilities	<u>\$ 9,679,007</u>	<u>\$ 9,335,186</u>
Shareholders' Equity		
Preferred Stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding	—	—
Class A common stock, \$0.01 par value; authorized 500,000,000 shares; issued and outstanding 102,829,369 and 102,582,669 shares at March 31, 2016 and December 31, 2015, respectively	1,010	1,010
Class B Non-Voting common stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or outstanding	—	—
Paid-in capital	2,224,151	2,227,376
Retained earnings	879,242	791,526
Total shareholders' equity	<u>\$ 3,104,403</u>	<u>\$ 3,019,912</u>
Total liabilities and shareholders' equity	<u>\$ 12,783,410</u>	<u>\$ 12,355,098</u>

(See Notes to Consolidated Financial Statements)

Air Lease Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts)

	Three Months Ended	
	March 31,	
	2016	2015
	(unaudited)	
Revenues		
Rental of flight equipment	\$ 317,198	\$ 269,256
Aircraft sales, trading and other	26,130	9,059
Total revenues	343,328	278,315
Expenses		
Interest	60,960	55,403
Amortization of debt discounts and issuance costs	7,161	7,682
Interest expense	68,121	63,085
Depreciation of flight equipment	108,575	91,012
Settlement	—	72,000
Selling, general and administrative	19,402	19,098
Stock-based compensation	3,239	3,146
Total expenses	199,337	248,341
Income before taxes	143,991	29,974
Income tax expense	(51,133)	(10,642)
Net income	\$ 92,858	\$ 19,332
Net income per share of Class A and Class B common stock:		
Basic	\$ 0.90	\$ 0.19
Diluted	\$ 0.85	\$ 0.19
Weighted-average shares outstanding		
Basic	102,679,411	102,455,040
Diluted	110,563,526	110,558,709

(See Notes to Consolidated Financial Statements)

Air Lease Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands, except share amounts)

(unaudited)	Preferred Stock		Class A Common Stock		Class B Non- Voting Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2015	—	\$ —	102,582,669	\$ 1,010	—	\$ —	\$2,227,376	\$791,526	\$3,019,912
Issuance of common stock upon vesting of restricted stock units	—	—	437,651	—	—	—	24	—	24
Stock-based compensation expense	—	—	—	—	—	—	3,239	—	3,239
Cash dividends (declared \$0.05 per share)	—	—	—	—	—	—	—	(5,142)	(5,142)
Tax withholding related to vesting of restricted stock units	—	—	(190,951)	—	—	—	(6,488)	—	(6,488)
Net income	—	—	—	—	—	—	—	92,858	92,858
Balance at March 31, 2016	—	\$ —	102,829,369	\$ 1,010	—	\$ —	\$2,224,151	\$879,242	\$3,104,403

(See Notes to Consolidated Financial Statements)

Air Lease Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
Operating Activities		
Net income	\$ 92,858	\$ 19,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of flight equipment	108,575	91,012
Settlement	—	72,000
Stock-based compensation	3,239	3,146
Deferred taxes	51,133	10,642
Amortization of debt discounts and issuance costs	7,161	7,682
Gain on aircraft sales, trading and other activity	(20,979)	(8,030)
Changes in operating assets and liabilities:		
Other assets	9,446	20,005
Accrued interest and other payables	(22,483)	(7,476)
Rentals received in advance	(1,204)	1,188
Net cash provided by operating activities	<u>227,746</u>	<u>209,501</u>
Investing Activities		
Acquisition of flight equipment under operating lease	(458,435)	(488,175)
Payments for deposits on flight equipment purchases	(200,908)	(162,660)
Proceeds from aircraft sales, trading and other activity	191,824	102,423
Acquisition of furnishings, equipment and other assets	(52,845)	(65,174)
Net cash used in investing activities	<u>(520,364)</u>	<u>(613,586)</u>
Financing Activities		
Cash dividends paid	(5,129)	(4,094)
Tax withholdings on stock-based compensation	(5,877)	(5,302)
Net change in unsecured revolving facilities	879,000	(231,000)
Proceeds from debt financings	100,000	692,134
Payments in reduction of debt financings	(680,885)	(144,034)
Net change in restricted cash	38	(9,510)
Debt issuance costs	(198)	(978)
Security deposits and maintenance reserve receipts	26,920	37,226
Security deposits and maintenance reserve disbursements	(15,112)	(3,020)
Net cash provided by financing activities	<u>298,757</u>	<u>331,422</u>
Net increase/(decrease) in cash	6,139	(72,663)
Cash and cash equivalents at beginning of period	156,675	282,819
Cash and cash equivalents at end of period	<u>\$ 162,814</u>	<u>\$ 210,156</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest, including capitalized interest of \$9,470 and \$10,704 at March 31, 2016 and 2015, respectively	\$ 86,481	\$ 62,472
Supplemental Disclosure of Noncash Activities		
Buyer furnished equipment, capitalized interest, deposits on flight equipment purchases and seller financing applied to acquisition of flight equipment and other assets applied to payments for deposits on flight equipment purchases	\$ 290,195	\$ 239,276
Cash dividends declared, not yet paid	\$ 5,142	\$ 4,101

(See Notes to Consolidated Financial Statements)

Air Lease Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Company Background and Overview

Air Lease Corporation, together with its subsidiaries (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 the manufacturers, such as The Boeing Company (“Boeing”) and Airbus S.A.S. (“Airbus”). As of March 31, 2016, we owned a fleet of 239 aircraft and had 386 aircraft on order with the manufacturers. In addition to our leasing activities, we sell aircraft from our fleet to leasing companies, financial services companies and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee.

Note 2. Basis of Preparation

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

The accompanying unaudited consolidated financial statements include all adjustments, including only normal, recurring adjustments, necessary to present fairly the Company’s financial position, results of operations and cash flows at March 31, 2016, and for all periods presented. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results expected for the year ending December 31, 2016. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Note 3. Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842)”. The amendments in ASU 2016-02 set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2018 for public entities and is required to be applied using the modified retrospective transition approach. Early adoption is permitted. We are currently evaluating this guidance to determine the impact it will have on our financial statements.

In March 2016, the FASB issued ASU No. 2016-09 (“ASU 2016-09”), “Compensation-Stock Compensation (Topic 718)”. The amendments in ASU 2016-09 reduce the complexity of accounting for share-based payments and might increase volatility in reported earnings. ASU 2016-09 will be effective for interim and annual periods beginning after December 15, 2016 for public entities and is required to be adopted using the cumulative-effect and prospective approach. Early adoption is permitted. We are currently evaluating this guidance to determine the impact it will have on our financial statements.

[Table of Contents](#)**Note 4. Debt Financing**

The Company's consolidated debt as of March 31, 2016 and December 31, 2015 are summarized below (in thousands):

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Unsecured		
Senior notes	\$5,176,343	\$5,677,769
Revolving credit facility	1,599,000	720,000
Term financings	283,540	292,788
Convertible senior notes	200,000	200,000
Total unsecured debt financing	<u>7,258,883</u>	<u>6,890,557</u>
Secured		
Term financings	440,287	477,231
Warehouse facility	340,820	372,423
Export credit financing	56,566	58,229
Total secured debt financing	<u>837,673</u>	<u>907,883</u>
Total debt financing	8,096,556	7,798,440
Less: Debt discounts and issuance costs	<u>(79,055)</u>	<u>(86,019)</u>
Debt financing, net of discounts and issuance costs	<u><u>\$8,017,501</u></u>	<u><u>\$7,712,421</u></u>

The Company's secured obligations as of March 31, 2016 and December 31, 2015 are summarized below (dollars in thousands):

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Nonrecourse	\$ 340,820	\$ 372,423
Recourse	496,853	535,460
Total secured debt financing	<u>\$ 837,673</u>	<u>\$ 907,883</u>
Number of aircraft pledged as collateral	30	31
Net book value of aircraft pledged as collateral	\$1,540,251	\$1,591,350

Senior unsecured notes

As of March 31, 2016, the Company had \$5.2 billion in senior unsecured notes outstanding. As of December 31, 2015, the Company had \$5.7 billion in senior unsecured notes outstanding.

On April 11, 2016, the Company issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2021 that bear interest at a rate of 3.375%.

Unsecured revolving credit facility

The total amount outstanding under our unsecured revolving credit facility was \$1.6 billion and \$720.0 million as of March 31, 2016 and December 31, 2015, respectively.

Unsecured term financings

In March 2016, the Company entered into a \$100.0 million one-year unsecured term facility bearing interest at a rate of LIBOR plus 1.00%.

The outstanding balance on our unsecured term facilities as of March 31, 2016 and December 31, 2015 was \$283.5 million and \$292.8 million, respectively.

[Table of Contents](#)*Warehouse facility*

As of March 31, 2016, the Company had borrowed \$340.8 million under our warehouse facility and pledged 13 aircraft as collateral with a net book value of \$536.7 million. As of December 31, 2015, the Company had borrowed \$372.4 million under our warehouse facility and pledged 14 aircraft as collateral with a net book value of \$577.6 million.

Maturities

Maturities of debt outstanding as of March 31, 2016 are as follows (in thousands):

<u>Years ending December 31,</u>	
2016	\$ 305,111
2017	1,487,030
2018	1,566,683
2019	2,585,610
2020	459,193
Thereafter	1,692,929
Total	\$ 8,096,556

Note 5. Commitments and Contingencies

As of March 31, 2016 and through May 5, 2016, the Company had commitments to acquire a total of 386 new aircraft scheduled to deliver through 2023 as follows:

<u>Aircraft Type</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Airbus A320/A321-200	9	—	—	—	—	—	9
Airbus A320/321neo ⁽¹⁾	1	14	17	27	26	55	140
Airbus A330-200	1	—	—	—	—	—	1
Airbus A330-800/900neo	—	—	5	5	5	10	25
Airbus A350-900	—	2	4	2	8	8	24
Boeing 737-800	9	9	—	—	—	—	18
Boeing 737-8/9 MAX	—	—	8	18	32	54	112
Boeing 777-300ER	4	2	—	—	—	—	6
Boeing 787-9/10	3	3	7	7	6	20	46
ATR 72-600 ⁽²⁾	5	—	—	—	—	—	5
Total	32	30	41	59	77	147	386

(1) Our Airbus A320/321neo aircraft orders include 30 long-range variants.

(2) We have committed to sell all of our ATR aircraft on order.

Commitments for the acquisition of these aircraft and other equipment at an estimated aggregate purchase price (including adjustments for inflation) of approximately \$30.4 billion at March 31, 2016 and through May 5, 2016 are as follows (in thousands):

<u>Years ending December 31,</u>	
2016	\$ 2,171,840
2017	2,448,652
2018	3,792,973
2019	4,630,779
2020	6,125,767
Thereafter	11,279,701
Total	\$ 30,449,712

We have made non-refundable deposits on the aircraft for which we have commitments to purchase of \$1.1 billion as of March 31, 2016 and December 31, 2015, which are subject to manufacturer performance commitments. If we are

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unable to satisfy our purchase commitments, we may forfeit our deposits. Further, we would be subject to breach of contract claims by our lessees and manufacturers.

As of March 31, 2016, the Company had a non-binding commitment to acquire up to five A350-1000 aircraft. Deliveries of these aircraft are scheduled to commence in 2023 and continue through 2024.

Note 6. Net Earnings Per Share

Basic net earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock; however, potential common equivalent shares are excluded if the effect of including these shares would be anti-dilutive. The Company's two classes of common stock, Class A and Class B Non-Voting, have equal rights to dividends and income, and therefore, basic and diluted earnings per share are the same for each class of common stock. As of March 31, 2016, we did not have any Class B Non-Voting common stock outstanding.

Diluted net earnings per share takes into account the potential conversion of stock options, restricted stock units, and warrants using the treasury stock method and convertible notes using the if-converted method. For the three months ended March 31, 2016, the Company excluded 150,000 shares related to stock options which were potentially dilutive securities from the computation of diluted earnings per share because including these shares would be anti-dilutive. For the three months ended March 31, 2015, the Company did not have any potentially anti-dilutive securities which would require exclusion from the computation of dilutive earnings per share. The Company excluded 993,438 and 936,968 shares related to restricted stock units for which the performance metric had yet to be achieved as of March 31, 2016 and 2015, respectively.

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

	Three Months Ended	
	March 31,	
	2016	2015
Basic net income per share:		
Numerator		
Net income	\$ 92,858	\$ 19,332
Denominator		
Weighted-average common shares outstanding	102,679,411	102,455,040
Basic net income per share	\$ 0.90	\$ 0.19
Diluted net income per share:		
Numerator		
Net income	\$ 92,858	\$ 19,332
Assumed conversion of convertible senior notes	1,454	1,433
Net income plus assumed conversions	\$ 94,312	\$ 20,765
Denominator		
Number of shares used in basic computation	102,679,411	102,455,040
Weighted-average effect of dilutive securities	7,884,115	8,103,669
Number of shares used in per share computation	110,563,526	110,558,709
Diluted net income per share	\$ 0.85	\$ 0.19

Note 7. Fair Value Measurements*Assets and Liabilities Measured at Fair Value on a Recurring and Non-recurring Basis*

The Company had no assets or liabilities which are measured at fair value on a recurring or non-recurring basis as of March 31, 2016 or December 31, 2015.

[Table of Contents](#)*Financial Instruments Not Measured at Fair Value*

The fair value of debt financing is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities, which would be categorized as a Level 2 measurement in the fair value hierarchy. The estimated fair value of debt financing as of March 31, 2016 was \$8.2 billion compared to a book value of \$8.1 billion. The estimated fair value of debt financing as of December 31, 2015 was \$7.9 billion compared to a book value of \$7.8 billion.

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at March 31, 2016, but require disclosure of their fair values: cash and cash equivalents and restricted cash. The estimated fair value of such instruments at March 31, 2016 approximates their carrying value as reported on the consolidated balance sheet. The fair value of all these instruments would be categorized as Level 1 of the fair value hierarchy.

Note 8. Stock-based Compensation

On May 7, 2014, the stockholders of the Company approved the Air Lease Corporation 2014 Equity Incentive Plan (the "2014 Plan"). Upon approval of the 2014 Plan, no new awards may be granted under the Amended and Restated 2010 Equity Incentive Plan (the "2010 Plan"). As of March 31, 2016, the number of stock options ("Stock Options") and restricted stock units ("RSUs") authorized under the 2014 Plan is approximately 6,096,197, which includes 1,096,197 shares which were previously reserved for issuance under the 2010 Plan. Stock Options are generally granted for a term of 10 years and generally vest over a three year period. The Company has issued RSUs with four different vesting criteria: those RSUs that vest based on the attainment of book value goals, those RSUs that vest based on the attainment of Total Shareholder Return ("TSR") goals, time based RSUs that vest ratably over a time period of three years and RSUs that cliff-vest at the end of a one or two year period. The book value RSUs generally vest ratably over three years, if the performance condition has been met. Book value RSUs for which the performance metric has not been met are forfeited. The TSR RSUs vest at the end of a three year period. The number of TSR RSUs that will ultimately vest is based upon the percentile ranking of the Company's TSR among a peer group. The number of shares that will ultimately vest will range from 0% to 200% of the RSUs initially granted depending on the extent to which the TSR metric is achieved.

The Company recorded \$3.2 million and \$3.1 million of stock-based compensation expense related to RSUs for the three months ended March 31, 2016 and 2015, respectively.

Stock Options

A summary of stock option activity for the three month period ended March 31, 2016 follows:

	Exercise	Remaining Contractual Term	Aggregate Intrinsic Value	
	Price	(in years)	(in thousands)	
	Shares		(1)	
Balance at December 31, 2015	3,309,158	\$20.40	4.50	\$ 43,287
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Forfeited/canceled	—	\$ —	—	\$ —
Balance at March 31, 2016	3,309,158	\$20.40	4.25	\$ 36,107
Vested and exercisable as of March 31, 2016	3,309,158	\$20.40	4.25	\$ 36,107

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

The Company's outstanding stock options fully vested on June 30, 2013 and there were no unrecognized compensation costs related to outstanding stock options as of March 31, 2016. As a result, there was no stock-based compensation expense related to Stock Options for the three months ended March 31, 2016 and 2015.

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The following table summarizes additional information regarding exercisable and vested stock options at March 31, 2016:

Range of exercise prices	Stock options exercisable and vested	
	Number of Shares	Weighted-Average Remaining Life (in years)
\$20.00	3,159,158	4.21
\$28.80	150,000	5.07
\$20.00 - \$28.80	3,309,158	4.25

Restricted Stock Units

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

During the three months ended March 31, 2016, the Company granted 547,777 RSUs of which 264,743 are TSR RSUs. The following table summarizes the activities for our unvested RSUs for the three months ended March 31, 2016:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2015	993,092	\$ 41.62
Granted	547,777	\$ 29.48
Vested	(436,786)	\$ 35.66
Forfeited/canceled	(16,630)	\$ 38.72
Unvested at March 31, 2016	1,087,453	\$ 37.94
Expected to vest after March 31, 2016 ⁽¹⁾	1,074,207	\$ 37.94

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

The Company recorded \$3.2 million and \$3.1 million of stock-based compensation expense related to RSUs for the three months ended March 31, 2016 and 2015, respectively.

As of March 31, 2016, there was \$25.1 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs granted to employees. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures and is expected to be recognized over a weighted-average remaining period of 2.1 years.

Note 9. Investments

On November 4, 2014, a wholly owned subsidiary of the Company entered into an agreement with a co-investment vehicle arranged by Napier Park to participate in a joint venture formed as a Delaware limited liability company—Blackbird Capital I, LLC (“Blackbird”) for the purpose of investing in commercial aircraft and leasing them to airlines around the globe. We provide management services to the joint venture for a fee based upon aircraft assets under management. The Company's non-controlling interest in Blackbird is 9.5% and it is accounted for as an investment under the equity method of accounting. During the three months ended March 31, 2016, the Company did not have any sales of aircraft to Blackbird. During the three months ended March 31, 2015, the Company recognized \$1.7 million of gains on the sale of aircraft to Blackbird. As of March 31, 2016 and December 31, 2015, the amounts due from

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Blackbird to the Company were \$719,000 and \$710,000, respectively. The Company's investment in Blackbird was \$19.3 million and \$18.6 million as of March 31, 2016 and December 31, 2015, respectively.

Note 10. Flight Equipment Held for Sale

In December 2015, we entered into an agreement to sell our fleet of 25 ATR turboprop aircraft, comprised of 20 delivered aircraft and five undelivered aircraft, to Nordic Aviation Capital A/S ("NAC"). As of March 31, 2016, we have completed the sale of 13 aircraft to NAC and the remaining seven delivered aircraft, with a carrying value of \$107.5 million, were held for sale and included in flight equipment subject to operating leases on the Consolidated Balance Sheet. We ceased recognition of depreciation expense on these aircraft. We expect to complete the sale of our existing ATR fleet during the second quarter of 2016 and to sell the remaining five ATR aircraft from our order book over the next two quarters at delivery. As of December 31, 2015, we had 19 aircraft, with a carrying value of \$305.9 million, were held for sale and included in flight equipment subject to operating leases on the Consolidated Balance Sheet.

Note 11. Litigation

On April 22, 2015, the Company and certain executive officers and employees of the Company entered into a settlement agreement and release ("the Settlement Agreement") with AIG, ILFC, and ILFC's parent, AerCap Holdings N.V., to settle all ongoing litigation. In the first quarter of 2015, the Company recorded settlement expense of \$72.0 million on the Consolidated Statement of Income related to this settlement. In March 2016, we received \$3.25 million in insurance recoveries related to this matter, which are included in aircraft sales, trading and other revenue in our Consolidated Statement of Income.

Note 12. Subsequent Events

On April 11, 2016, the Company issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2021 that bear interest at a rate of 3.375%.

On May 2, 2016, our board of directors approved a quarterly cash dividend of \$0.05 per share on our outstanding common stock. The dividend will be paid on July 7, 2016 to holders of record of our common stock as of June 13, 2016.

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

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

Overview

Air Lease Corporation is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft directly from the manufacturers, such as Boeing and 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 and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee. Our operating performance is driven by the growth of our fleet, the terms of our leases, the interest rates on our debt, and the aggregate amount of our indebtedness, supplemented by the gains from our aircraft sales and trading activities and our management fees.

During the quarter ended March 31, 2016, we purchased and took delivery of 10 aircraft from our new order pipeline, purchased one incremental aircraft and sold 12 aircraft, ending the quarter with a total of 239 aircraft, with a net book value of \$11.2 billion. The weighted average lease term remaining on our operating lease portfolio was 7.2 years and the weighted average age of our fleet was 3.6 years as of March 31, 2016. Our fleet grew by 3.9% based on net book value of \$11.2 billion as of March 31, 2016 compared to \$10.8 billion as of December 31, 2015. In addition, we have a managed fleet of 29 aircraft as of March 31, 2016 and as of December 31, 2015. We have a globally diversified customer base comprised of 88 airlines in 50 countries. As of May 5, 2016, we maintained 100% utilization of our operating lease portfolio.

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 secured financing. We ended the first quarter of 2016 with total debt outstanding, net of discounts and issuance costs, of \$8.0 billion, of which 69.2% was at a fixed rate and 89.7% of which was unsecured, with a composite cost of funds of 3.34%. Subsequent to the first quarter, in April 2016, we issued \$600.0 million in aggregate principle amount of 3.375% senior unsecured notes due 2021.

Our total revenues for the quarter ended March 31, 2016 increased by 23.4% to \$343.3 million, compared to the quarter ended March 31, 2015. This is comprised of rental revenues on our operating lease portfolio of \$317.2 million and aircraft sales, trading and other revenue of \$26.1 million. During the quarter ended March 31, 2016, we recorded gains of \$21.0 million from the sale of 12 aircraft from our operating lease portfolio, compared to gains of \$7.5 million from the sale of two aircraft from our operating lease portfolio for the quarter ended March 31, 2015.

Our net income for the quarter ended March 31, 2016 was \$92.9 million compared to \$19.3 million for the quarter ended March 31, 2015. Our diluted earnings per share for the quarter ended March 31, 2016 was \$0.85 compared to \$0.19 for the quarter ended March 31, 2015. Our pre-tax profit margin for the three months ended March 31, 2016 was 41.9% compared to 10.8% for the three months ended March 31, 2015. Reported income before taxes, net income and diluted earnings per share for the three months ended March 31, 2015 were negatively impacted by \$72.0 million, \$46.4 million and \$0.42 per share, respectively, for the litigation settlement discussed in Note 11: Litigation, in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Excluding 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 was \$151.1 million for the three months ended March 31, 2016 compared to \$112.8 million for the three months ended March 31, 2015, an increase of \$38.3 million or 34.0%. Our adjusted margin for the three months ended March 31, 2016 was 44.4% compared to 40.5% for the three months ended March 31, 2015. Adjusted diluted earnings per share increased to \$1.38 for the three months ended March 31, 2016, compared to \$1.03 for the three months ended March 31, 2015. Adjusted net income, adjusted margin and adjusted diluted earnings per share are measures of financial and operational

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performance that are not defined by GAAP. See Note 1 under the "Results of Operations" table for a discussion of adjusted net income, adjusted margin and adjusted diluted earnings per share as non-GAAP measures and reconciliation of these measures to net income.

Our fleet

Portfolio metrics of our aircraft portfolio as of March 31, 2016 and December 31, 2015 are as follows (dollars in thousands):

	March 31, 2016	December 31, 2015
Owned fleet	239	240
Managed fleet	29	29
Order book	386	389
Weighted-average fleet age ⁽¹⁾	3.6 years	3.6 years
Weighted-average remaining lease term ⁽¹⁾	7.2 years	7.2 years
Aggregate fleet net book value	\$ 11,239,621	\$ 10,813,475

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

The following table sets forth the net book value and percentage of the net book value of our aircraft portfolio operating in the indicated regions as of March 31, 2016 and December 31, 2015 (dollars in thousands):

Region	March 31, 2016		December 31, 2015	
	Net Book Value	% of Total	Net Book Value	% of Total
Europe	\$ 3,448,832	30.7 %	\$ 3,238,323	30.0 %
Asia (excluding China)	2,474,373	22.0 %	2,313,477	21.4 %
China	2,421,806	21.6 %	2,444,370	22.6 %
The Middle East and Africa	1,013,186	9.0 %	1,023,715	9.5 %
Central America, South America and Mexico	926,809	8.2 %	923,352	8.5 %
U.S. and Canada	487,281	4.3 %	446,839	4.1 %
Pacific, Australia, New Zealand	467,334	4.2 %	423,399	3.9 %
Total	<u>\$11,239,621</u>	<u>100.0 %</u>	<u>\$10,813,475</u>	<u>100.0 %</u>

The following table sets forth the number of aircraft we leased by aircraft type as of March 31, 2016 and December 31, 2015:

Aircraft type	March 31, 2016		December 31, 2015	
	Number of Aircraft	% of Total	Number of Aircraft	% of Total
Airbus A319-100	3	1.3 %	3	1.3 %
Airbus A320-200	39	16.3 %	39	16.3 %
Airbus A321-200	27	11.3 %	26	10.9 %
Airbus A330-200	16	6.7 %	16	6.7 %
Airbus A330-300	5	2.1 %	5	2.1 %
Boeing 737-700	8	3.3 %	8	3.3 %
Boeing 737-800	87	36.4 %	79	32.9 %
Boeing 767-300ER	1	0.4 %	1	0.4 %
Boeing 777-200ER	1	0.4 %	1	0.4 %
Boeing 777-300ER	19	8.0 %	17	7.1 %
Embraer E175	5	2.1 %	5	2.1 %
Embraer E190	21	8.8 %	21	8.7 %
ATR 42/72-600	7	2.9 %	19	7.8 %
Total	<u>239</u>	<u>100.0 %</u>	<u>240</u>	<u>100.0 %</u>

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As of March 31, 2016 and through May 5, 2016, we had commitments to acquire a total of 386 new aircraft for delivery as follows:

Aircraft Type	2016	2017	2018	2019	2020	Thereafter	Total
Airbus A320/A321-200	9	—	—	—	—	—	9
Airbus A320/321neo ⁽¹⁾	1	14	17	27	26	55	140
Airbus A330-200	1	—	—	—	—	—	1
Airbus A330-800/900neo	—	—	5	5	5	10	25
Airbus A350-900	—	2	4	2	8	8	24
Boeing 737-800	9	9	—	—	—	—	18
Boeing 737-8/9 MAX	—	—	8	18	32	54	112
Boeing 777-300ER	4	2	—	—	—	—	6
Boeing 787-9/10	3	3	7	7	6	20	46
ATR 72-600 ⁽²⁾	5	—	—	—	—	—	5
Total	32	30	41	59	77	147	386

- (1) Our Airbus A320/321neo aircraft orders include 30 long-range variants.
- (2) We have committed to sell all of our ATR aircraft on order.

Our lease placements are progressing in line with expectations. As of March 31, 2016 and through May 5, 2016, we have entered into contracts for the lease of new aircraft scheduled to be delivered as follows:

Delivery Year	Number of		% Leased
	Aircraft	Leased	
2016 ⁽¹⁾	32	30	93.8 %
2017	30	30	100.0 %
2018	41	28	68.3 %
2019	59	26	44.1 %
2020	77	14	18.2 %
Thereafter	147	3	2.0 %
Total	386	131	

- (1) Two unplaced ATR turboprop aircraft are expected to transfer to NAC upon delivery to us.

As of March 31, 2016, the Company had a non-binding commitment to acquire up to five A350-1000 aircraft. Deliveries of these aircraft are scheduled to commence in 2023 and continue through 2024.

Aircraft industry and sources of revenues

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

Demand for air travel has consistently grown in terms of both passenger traffic and number of aircraft in service. According to the International Air Transport Association (“IATA”), global passenger traffic demand has grown 7.0% in the first three months of 2016 compared to the first three months of 2015. In 2015 and 2014, global passenger traffic demand grew 6.5% and 5.9% respectively, which was in line with the annual growth rate over the past 30 years. The number of aircraft in service has grown steadily and the number of leased aircraft in the global fleet has increased. The long-term outlook for aircraft demand remains robust due to increased passenger traffic and the need to replace aging aircraft.

The success of the commercial airline industry is linked to the strength of global economic development, which may be negatively impacted by macroeconomic conditions, geopolitical and policy risks. Nevertheless, across a variety of global economic conditions, the leasing industry has remained resilient over time. We remain optimistic about the long-term growth prospects for air transportation. We see a growing demand for aircraft leasing in the broader industry and a role for us in helping airlines modernize their fleets to support the growth of the airline industry. Further, as the total

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number of aircraft in use globally increases, annual deliveries of new aircraft continue to increase, and new aircraft represent a more consistent percentage of the aircraft in use each year.

Liquidity and Capital Resources

Overview

We finance the purchase of aircraft and our business with available cash balances, internally generated funds, including aircraft sales and trading activity, and debt financings. We have structured the Company to have an investment-grade credit profile 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. In addition, we may, to a limited extent, utilize export credit financing in support of our new aircraft deliveries.

We ended the first quarter of 2016 with total debt outstanding, net of discounts and issuance costs, of \$8.0 billion compared to \$7.7 billion as of December 31, 2015. The Company's unsecured debt increased to \$7.3 billion as of March 31, 2016 from \$6.9 billion as of December 31, 2015. The Company's unsecured debt as a percentage of total debt increased to 89.7% as of March 31, 2016 from 88.4% as of December 31, 2015.

We increased our cash flows from operations by 8.7% or \$18.2 million, to \$227.7 million for the three months ended March 31, 2016 as compared to \$209.5 million for the three months ended March 31, 2015. Our cash flows from operations increased primarily because of the lease of additional aircraft and aircraft sales. Our cash flow used in investing activities was \$520.4 million for the three months ended March 31, 2016, which resulted primarily from the purchase of aircraft partially offset by proceeds on the sale of aircraft. Our cash flow provided by financing activities was \$298.8 million for the three months ended March 31, 2016, which resulted primarily from the net borrowings under our unsecured revolving facility.

We ended the first quarter of 2016 with available liquidity of \$1.8 billion which is comprised of unrestricted cash of \$162.8 million, undrawn balances under our warehouse facility and our unsecured revolving credit facility of \$1.6 billion. Subsequent to the first quarter, in April 2016, we issued \$600.0 million in aggregate principle amount of 3.375% senior unsecured notes due 2021. We believe that we have sufficient liquidity to satisfy the operating requirements of our business through the next twelve months.

Our financing plan for the remainder of 2016 is focused on funding 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 plan is focused on continuing to raise unsecured debt in the global bank and investment grade capital markets. In addition, we may utilize, to a limited extent, export credit financing in support of our new aircraft deliveries.

We are in compliance in all material respects with all covenants or other requirements in our debt agreements. While a ratings downgrade would not result in a default under any of our debt agreements, it could adversely affect our ability to issue debt and obtain new financings, or renew existing financings, and it would increase the cost of such financings. Our liquidity plans are subject to a number of risks and uncertainties, including those described in our Annual Report on Form 10-K for the year ended December 31, 2015.

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Debt

Our debt financing was comprised of the following at March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
Unsecured		
Senior notes	\$ 5,176,343	\$ 5,677,769
Revolving credit facility	1,599,000	720,000
Term financings	283,540	292,788
Convertible senior notes	200,000	200,000
Total unsecured debt financing	7,258,883	6,890,557
Secured		
Term financings	440,287	477,231
Warehouse facility	340,820	372,423
Export credit financing	56,566	58,229
Total secured debt financing	837,673	907,883
Total debt financing	8,096,556	7,798,440
Less: Debt discounts and issuance costs	(79,055)	(86,019)
Debt financing, net of discounts and issuance costs	\$ 8,017,501	\$ 7,712,421
Selected interest rates and ratios:		
Composite interest rate ⁽¹⁾	3.34 %	3.59 %
Composite interest rate on fixed-rate debt ⁽¹⁾	4.00 %	4.04 %
Percentage of total debt at fixed-rate	69.24 %	78.70 %

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

Senior unsecured notes

As of March 31, 2016, the Company had \$5.2 billion in senior unsecured notes outstanding. As of December 31, 2015, the Company had \$5.7 billion in senior unsecured notes outstanding.

On April 11, 2016, the Company issued \$600.0 million in aggregate principal amount of senior unsecured notes due 2021 that bear interest at a rate of 3.375%.

Unsecured revolving credit facility

The total amount outstanding under our unsecured revolving credit facility was \$1.6 billion and \$720.0 million as of March 31, 2016 and December 31, 2015, respectively.

Unsecured term financings

In March 2016, the Company entered into a \$100.0 million one-year unsecured term facility bearing interest at a rate of LIBOR plus 1.00%.

The outstanding balance on our unsecured term facilities as of March 31, 2016 and December 31, 2015 was \$283.5 million and \$292.8 million, respectively.

Warehouse facility

As of March 31, 2016, the Company had borrowed \$340.8 million under our warehouse facility and pledged 13 aircraft as collateral with a net book value of \$536.7 million. As of December 31, 2015, the Company had borrowed \$372.4 million under our warehouse facility and pledged 14 aircraft as collateral with a net book value of \$577.6 million.

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Credit ratings

The following table summarizes our current credit ratings:

Rating Agency	Long-term Debt	Corporate Rating	Outlook	Date of Last Ratings Action
Standard and Poor's	BBB-	BBB-	Positive Outlook	October 26, 2015
Kroll Bond Rating Agency	A-	A-	Stable Outlook	December 7, 2015

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

Results of Operations

The following table presents our historical operating results for the three month periods ended March 31, 2016 and 2015 (in thousands, except percentages and per share data):

	Three Months Ended	
	March 31,	
	2016	2015
	(unaudited)	
Revenues		
Rental of flight equipment	\$ 317,198	\$ 269,256
Aircraft sales, trading and other	26,130	9,059
Total revenues	343,328	278,315
Expenses		
Interest	60,960	55,403
Amortization of debt discounts and issuance costs	7,161	7,682
Interest expense	68,121	63,085
Depreciation of flight equipment	108,575	91,012
Settlement	—	72,000
Selling, general and administrative	19,402	19,098
Stock-based compensation	3,239	3,146
Total expenses	199,337	248,341
Income before taxes	143,991	29,974
Income tax expense	(51,133)	(10,642)
Net income	\$ 92,858	\$ 19,332
Net income per share of Class A and B common stock		
Basic	\$ 0.90	\$ 0.19
Diluted	\$ 0.85	\$ 0.19
Other financial data		
Pre-tax profit margin	41.9 %	10.8 %
Adjusted net income ⁽¹⁾	\$ 151,141	\$ 112,802
Adjusted margin ⁽¹⁾	44.4 %	40.5 %
Adjusted diluted earnings per share ⁽¹⁾	\$ 1.38	\$ 1.03

- (1) Adjusted net income (defined as net income excluding 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), adjusted margin (defined as adjusted net income divided by total revenues, excluding insurance recoveries) and adjusted diluted earnings per share (defined as adjusted net income divided by the weighted average diluted common shares outstanding) are measures of operating performance that are not defined by GAAP and should not be considered as an alternative to net income, pre-tax profit margin, earnings per share, and diluted earnings per share, or any other performance measures derived in accordance with

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GAAP. Adjusted net income, adjusted margin and adjusted diluted earnings per share, are presented as supplemental disclosure because management believes they provide useful information on our earnings from ongoing operations.

Management and our board of directors use adjusted net income, adjusted margin and adjusted diluted earnings per share to assess our consolidated financial and operating performance. Management believes these measures are helpful in evaluating the operating performance of our ongoing operations and identifying trends in our performance, because they remove the effects of certain non-cash items, one-time or non-recurring items that are not expected to continue in the future and certain other items from our operating results. Adjusted net income, adjusted margin and adjusted diluted earnings per share, however, should not be considered in isolation or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Adjusted net income, adjusted margin and adjusted diluted earnings per share do not reflect our cash expenditures or changes in or cash requirements for our working capital needs. In addition, our calculation of adjusted net income, adjusted margin and adjusted diluted earnings per share may differ from the adjusted net income, adjusted margin and adjusted diluted earnings per share or analogous calculations of other companies in our industry, limiting their usefulness as a comparative measure.

The following tables show the reconciliation of net income to adjusted net income and adjusted margin (in thousands, except percentages):

	Three Months Ended	
	March 31,	
	2016	2015
	(unaudited)	
Reconciliation of net income to adjusted net income:		
Net income	\$ 92,858	\$ 19,332
Amortization of debt discounts and issuance costs	7,161	7,682
Stock-based compensation	3,239	3,146
Settlement	—	72,000
Insurance recovery on settlement	(3,250)	—
Provision for income taxes	51,133	10,642
Adjusted net income	<u>\$ 151,141</u>	<u>\$ 112,802</u>
Adjusted margin ⁽¹⁾	44.4 %	40.5 %

(1) Adjusted margin is adjusted net income divided by total revenues, excluding insurance recoveries.

The following table shows the reconciliation of net income to adjusted diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
Reconciliation of net income to adjusted diluted earnings per share:		
Net income	\$ 92,858	\$ 19,332
Amortization of debt discounts and issuance costs	7,161	7,682
Stock-based compensation	3,239	3,146
Settlement	—	72,000
Insurance recovery on settlement	(3,250)	—
Provision for income taxes	51,133	10,642
Adjusted net income	<u>\$ 151,141</u>	<u>\$ 112,802</u>
Assumed conversion of convertible senior notes	1,454	1,433
Adjusted net income plus assumed conversions	<u>\$ 152,595</u>	<u>\$ 114,235</u>
Weighted-average diluted shares outstanding	<u>110,563,526</u>	<u>110,558,709</u>
Adjusted diluted earnings per share	<u>\$ 1.38</u>	<u>\$ 1.03</u>

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Three months ended March 31, 2016, compared to the three months ended March 31, 2015

Rental revenue

As of March 31, 2016, we owned 239 aircraft at a net book value of \$11.2 billion and recorded \$317.2 million in rental revenue for the quarter then ended, which included overhaul revenue of \$1.6 million. In the prior year, as of March 31, 2015, we owned 223 aircraft at a net book value of \$9.5 billion and recorded \$269.3 million in rental revenue for the quarter ended March 31, 2015, which included overhaul revenue of \$6.8 million. The increase in rental revenue was primarily attributable to the delivery of additional aircraft in the quarter. Due to the timing of aircraft deliveries, the full impact on rental revenue will be reflected in subsequent periods.

Aircraft sales, trading and other

Aircraft sales, trading and other revenue totaled \$26.1 million for the three months ended March 31, 2016 compared to \$9.1 million for the three months ended March 31, 2015. During the quarter ended March 31, 2016, we recorded \$21.0 million in gains from the sale of 12 ATR turboprop aircraft from our operating lease portfolio. In addition, we received insurance proceeds of \$3.25 million during the quarter ended March 31, 2016 in connection with the litigation settlement discussed in Note 11: Litigation, in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. During the quarter ended March 31, 2015, we recorded \$7.5 million in gains from the sale of two aircraft from our operating lease portfolio.

Interest expense

Interest expense totaled \$68.1 million for the three months ended March 31, 2016 compared to \$63.1 million for the three months ended March 31, 2015. The change was primarily due to an increase in our average outstanding debt balances resulting in a \$5.5 million increase in interest expense partially offset by a decrease in our composite cost of funds. We expect that our interest expense will increase as our average debt balance outstanding continues to increase. Interest expense will also be impacted by changes in our composite cost of funds.

Depreciation expense

We recorded \$108.6 million in depreciation expense of flight equipment for the three months ended March 31, 2016 compared to \$91.0 million for the three months ended March 31, 2015. The increase in depreciation expense for the three months ended March 31, 2016, compared to the three months ended March 31, 2015, is attributable to the acquisition of additional aircraft. The full impact on depreciation expense for aircraft acquired and sold during the period will be reflected in subsequent periods.

Selling, general and administrative expenses

We recorded selling, general and administrative expenses of \$19.4 million for the three months ended March 31, 2016 compared to \$19.1 million for the three months ended March 31, 2015. Selling, general and administrative expense as a percentage of total revenue decreased to 5.7% for the three months ended March 31, 2016 compared to 6.9% for the three months ended March 31, 2015. As we continue to add new aircraft to our portfolio, we expect over the long-term, selling, general and administrative expense to decrease as a percentage of our revenue.

Settlement expense

During the three months ended March 31, 2015, we recorded settlement expense of \$72.0 million resulting from the Settlement Agreement entered into by and between the Company, certain executive officers and employees of the Company, AIG, ILFC, and AerCap Holdings N.V., to settle all ongoing litigation as set forth in Note 11: Litigation in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Taxes

The effective tax rate was 35.5% for the three months ended March 31, 2016 and 2015.

[Table of Contents](#)*Net income*

For the three months ended March 31, 2016, we reported consolidated net income of \$92.9 million, or \$0.85 per diluted share, compared to a consolidated net income of \$19.3 million, or \$0.19 per diluted share, for the three months ended March 31, 2015. Net income and diluted earnings per share for the three months ended March 31, 2015 were negatively impacted by \$72.0 million, \$46.4 million and \$0.42 per share, respectively, for the litigation settlement discussed in Note 11: Litigation, in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Adjusted net income

For the three months ended March 31, 2016, we recorded adjusted net income of \$151.1 million, or \$1.38 per adjusted diluted share, compared to an adjusted net income of \$112.8 million, or \$1.03 per adjusted diluted share, for the three months ended March 31, 2015. The increase in adjusted net income for the first quarter of 2016 compared to the first quarter of 2015 was primarily attributable to the acquisition and lease of additional aircraft.

Adjusted net income is a measure of financial and operational performance that is not defined by GAAP. See Note 1 under the "Results of Operations" table above for a discussion of adjusted net income and adjusted diluted earnings per share as non-GAAP measures and reconciliation of these measures to net income.

Contractual Obligations

Our contractual obligations as of March 31, 2016, are as follows (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Long-term debt obligations	\$ 305,111	\$1,487,030	\$1,566,683	\$2,585,610	\$ 459,193	\$ 1,692,929	\$ 8,096,556
Interest payments on debt outstanding ⁽¹⁾	202,202	232,410	186,018	118,647	75,700	134,869	949,846
Purchase commitments	2,171,840	2,448,652	3,792,973	4,630,779	6,125,767	11,279,701	30,449,712
Operating leases	1,929	2,619	2,926	3,232	3,111	9,750	23,567
Total	<u>\$2,681,082</u>	<u>\$4,170,711</u>	<u>\$5,548,600</u>	<u>\$7,338,268</u>	<u>\$6,663,771</u>	<u>\$13,117,249</u>	<u>\$39,519,681</u>

(1) Future interest payments on floating rate debt are estimated using floating rates in effect at March 31, 2016.

Off-Balance Sheet Arrangements

We have not established any unconsolidated entities for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. We have, however, from time to time established subsidiaries and created partnership arrangements or trusts for the purpose of leasing aircraft or facilitating borrowing arrangements, all of which are consolidated.

Critical Accounting Policies

The Company's critical accounting policies reflecting management's estimates and judgments are described in our Annual Report on Form 10-K for the year ended December 31, 2015. The Company has reviewed recently adopted accounting pronouncements and determined that the adoption of such pronouncements is not expected to have a material impact, if any, on its consolidated financial statements. Accordingly, there have been no changes to critical accounting policies in the three months ended March 31, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of changes in value of a financial instrument, caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the market risks described below.

Interest Rate Risk

The nature of our business exposes us to market risk arising from changes in interest rates. Changes, both increases and decreases, in our cost of borrowing, as reflected in our composite interest rate, directly impact our net income. Our lease rental stream is generally fixed over the life of our leases, whereas we have used floating-rate debt to finance a significant portion of our aircraft acquisitions. We had \$2.5 billion and \$1.7 billion in floating-rate debt outstanding on each of March 31, 2016 and December 31, 2015, respectively. If interest rates increase, we would be obligated to make higher interest payments to our lenders. If we incur significant fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would also increase our interest expense. If the composite rate on our floating-rate debt were to increase by 1.0%, we would expect to incur additional interest expense on our existing indebtedness of approximately \$24.9 million and \$16.6 million as of March 31, 2016 and December 31, 2015, respectively, on an annualized basis, which would put downward pressure on our operating margins.

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

Foreign Exchange Rate Risk

The Company attempts to minimize currency and exchange risks by entering into aircraft purchase agreements and a majority of lease agreements and debt agreements with U.S. dollars as the designated payment currency. Thus, most of our revenue and expenses are denominated in U.S. dollars. As of March 31, 2016 and December 31, 2015, 1.0% and 0.8%, respectively, of our lease revenues were denominated in Euros. As our principal currency is the U.S. dollar, changes in the U.S. dollar as compared to other major currencies should not have a significant impact on our future operating results.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"), and such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers"), as appropriate, to allow timely decisions regarding required disclosure. Our management, including the Certifying Officers, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

We have evaluated, under the supervision and with the participation of management, including the Certifying Officers, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of March 31, 2016. Based on that evaluation, our Certifying Officers have concluded that our disclosure controls and procedures were effective at March 31, 2016.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those discussed under “Part I—Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ending December 31, 2015.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

4.1	Ninth Supplemental Indenture, dated as of April 11, 2016, to the October 11, 2012 Indenture by and between Air Lease Corporation and Deutsche Bank Trust Company Americas, as Trustee (relating 3.375% Senior Notes due 2021) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on April 11, 2016 (File No. 001-35121)).
10.1†	Form of Grant Notice (Time-Vesting) and Form of Restricted Stock Units Award Agreement (Time-Vesting) under the Air Lease Corporation 2014 Equity Incentive Plan, in lieu of long-term cash bonus.
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of the Chairman and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Senior Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chairman and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

† Management contract or compensatory plan or arrangement.

SIGNATURES

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

AIR LEASE CORPORATION

May 5, 2016

/s/ Steven F. Udvar-Házy

Steven F. Udvar-Házy
Chairman and Chief Executive Officer
(Principal Executive Officer)

May 5, 2016

/s/ Gregory B. Willis

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

INDEX TO EXHIBITS

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† Management contract or compensatory plan or arrangement.

**Form of Grant Notice for
Time-Vesting RSUs in lieu of long-term cash bonus**

**AIR LEASE CORPORATION
GRANT NOTICE FOR 2014 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNITS (TIME-VESTING)**

FOR GOOD AND VALUABLE CONSIDERATION, Air Lease Corporation (the “Company”), hereby grants to Participant named below the number of restricted stock units specified below (the “Award”), upon the terms and subject to the conditions set forth in this Grant Notice, the Air Lease Corporation 2014 Equity Incentive Plan (the “Plan”) and the Standard Terms and Conditions (the “Standard Terms and Conditions”) adopted under such Plan and provided to Participant, and any Individual Agreement (as defined in the Plan) to which any Participant is a party, each as amended from time to time. Each restricted stock unit subject to this Award represents the right to receive one share of the Company’s Class A common stock, par value \$0.01 (the “Common Stock”), subject to the conditions set forth in this Grant Notice, the Plan, the Standard Terms and Conditions and any Individual Agreement to which the Participant is a party. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:	
Grant Date:	
Number of restricted stock units subject to the Award:	
Vesting Schedule:	

By accepting this Grant Notice, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan, the Standard Terms and Conditions, and any Individual Agreement to which the Participant is a party.

[BRACKETED LANGUAGE TO BE INSERTED ONLY FOR AWARD AGREEMENTS GRANTED IN FEBRUARY 2016 TO CHIEF EXECUTIVE OFFICER AND TO PRESIDENT]

[BY ACCEPTING THIS GRANT NOTICE, PARTICIPANT ACKNOWLEDGES AND AGREES THAT (I) THIS AWARD IS IN LIEU OF AND IN FULL SATISFACTION OF THE DEFERRED BONUS AWARD PARTICIPANT WOULD OTHERWISE HAVE BEEN GRANTED IN FISCAL YEAR 2016 AND, NOTWITHSTANDING ANY PROVISIONS OF ANY INDIVIDUAL AGREEMENT TO THE CONTRARY, THAT PARTICIPANT SHALL NOT BE ENTITLED TO THE GRANT OF ANY DEFERRED BONUS AWARD UNDER THE COMPANY’S AMENDED AND RESTATED DEFERRED BONUS PLAN FOR FISCAL YEAR 2016, (II) HE OR SHE HAS RECEIVED AND READ, AND AGREES THAT THIS AWARD SHALL BE SUBJECT TO, THE TERMS OF THIS GRANT NOTICE, THE PLAN, THE STANDARD TERMS AND CONDITIONS, AND ANY INDIVIDUAL AGREEMENT TO WHICH THE PARTICIPANT IS A PARTY.]

AIR LEASE CORPORATION

Participant Signature

By _____
Title: _____

**Form of Award Agreement for
Time-Vesting RSUs in lieu of long-term cash bonus**

**AIR LEASE CORPORATION
STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK UNITS (TIME-VESTING)**

These Standard Terms and Conditions apply to the Award of restricted stock units granted pursuant to the Air Lease Corporation 2014 Equity Incentive Plan (the “Plan”), which are evidenced by a Grant Notice or an action of the Committee that specifically refers to these Standard Terms and Conditions. In addition to these Terms and Conditions, the restricted stock units shall be subject to the terms of the Plan, which are incorporated into these Standard Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF RESTRICTED STOCK UNITS

Air Lease Corporation, a Delaware corporation (the “Company”), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the “Grant Notice”) an award of a number of restricted stock units (the “Award” or the “Restricted Stock Units”) specified in the Grant Notice. Each Restricted Stock Unit represents the right to receive one share of the Company’s Class A common stock, \$0.01 par value per share (the “Common Stock”), upon the terms and subject to the conditions set forth in the Grant Notice, these Standard Terms and Conditions, the Plan, and any Individual Agreement to which any Participant is a party, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING OF RESTRICTED STOCK UNITS

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until otherwise vested pursuant to the terms of the Grant Notice and these Standard Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in these Standard Terms and Conditions, the Plan, or any Individual Agreement, the Award shall become vested as described in the Grant Notice with respect to that number of Restricted Stock Units as set forth in the Grant Notice.

3. SETTLEMENT OF RESTRICTED STOCK UNITS

Except as provided in Section 4, vested Restricted Stock Units shall be settled by the delivery to the Participant or a designated brokerage firm of one share of Common Stock per vested Restricted Stock Unit as soon as reasonably practicable following the vesting of such Restricted Stock Units, and in all events no later than March 15 of the year following the year of vesting (unless delivery is deferred pursuant to a nonqualified deferred compensation plan in accordance with the requirements of Section 409A of the Internal Revenue Code).

4. TERMINATION OF EMPLOYMENT

Notwithstanding anything contained in these Standard Terms and Conditions to the contrary, upon the Participant’s Termination of Service for any reason other than termination (i) by the Company without Cause or termination by the Participant for “Good Reason,” in each case, within twelve months following a Change in Control or (ii) by reason of Participant’s death or Disability, any then unvested Restricted Stock

Units (after taking into account any accelerated vesting under this Section 4, Section 15 of the Plan or any Individual Agreement, if applicable) held by the Participant shall be forfeited and canceled as of the date of such Termination of Service (except as otherwise provided in any Individual Agreement).

In the event of Participant's Termination of Service by reason of Participant's death or Disability, all of the Restricted Stock Units subject to the Award shall immediately vest in full.

In the event of Participant's Termination of Service by the Company without Cause or by the Participant for Good Reason, in each case, within twelve months following a Change in Control, the Participant shall immediately vest on a pro-rata basis in that number of Restricted Stock Units equal to the product of (a) the total number of Restricted Stock Units subject to the Award, multiplied by (b) a fraction, the numerator of which is the number of days that have elapsed between the Grant Date to the date of Termination of Service (inclusive), and the denominator of which is the total number of days between the Grant Date to the Final Vesting Date (inclusive).

Any Restricted Stock Units that vest in accordance with this Section 4 shall be settled as soon as reasonably practicable following Termination of Service, and in all events no later than March 15 of the year following the year of Termination of Service (unless delivery is deferred pursuant to a nonqualified deferred compensation plan in accordance with the requirements of Section 409A of the Code) and any other Restricted Stock Units that have not so vested shall be deemed forfeited and canceled as of the date of such Termination of Service (except as otherwise provided in any Individual Agreement).

For purposes of these Standard Terms and Conditions, "Good Reason" shall mean, unless otherwise consented to by the Participant,

- (i) "Good Reason" as defined in any Individual Agreement;
- (ii) the material reduction of the Participant's authority, duties and responsibilities, or the assignment to the Participant of duties materially inconsistent with the Participant's position or positions with the Company;
- (iii) a reduction in the annual base salary of the Participant; or
- (iv) the relocation of the Participant's office to more than thirty-five (35) miles from the principal offices of the Company.

Notwithstanding the foregoing, (i) Good Reason (A) shall not be deemed to exist unless the Participant provides to the Company a notice of termination on account thereof (specifying a termination date not less than thirty (30) days and not more than sixty (60) days after the giving of such notice) no later than thirty (30) days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises, and (B) shall not be deemed to exist at any time at which there exists an event or condition which could serve as the basis of a termination of the Participant's employment for Cause; and (ii) if there exists (without regard to this clause (ii)) an event or condition that constitutes Good Reason, the Company shall have thirty (30) days from the date such notice of termination is given to cure such event or condition and, if the Company does so, such event or condition shall not constitute Good Reason hereunder.

5. CHANGE IN CONTROL

In the event of a Change in Control, the Award shall be governed by the applicable provisions of Section 15 of the Plan.

6. RIGHTS AS STOCKHOLDER

The Participant shall have no voting rights or the right to receive any dividends with respect to shares of Common Stock underlying Restricted Stock Units unless and until such shares of Common Stock are reflected as issued and outstanding shares on the Company's stock ledger.

7. RESTRICTIONS ON REALES OF SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued in respect of vested Restricted Stock Units, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

8. INCOME TAXES

The Company shall not deliver shares in respect of any Restricted Stock Units unless and until the Participant has made arrangements satisfactory to the Committee to satisfy applicable withholding tax obligations. The Company may, at its option, elect to withhold Common Stock issuable in connection with the vesting of the Restricted Stock Units in satisfaction of such withholding tax obligations, and the Participant hereby consents to such withholding. The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the delivery of the Restricted Stock Units from any amounts payable by it to the Participant (including, without limitation, future cash wages).

9. NON-TRANSFERABILITY OF AWARD

The Participant represents and warrants that the Restricted Stock Units are being acquired by the Participant solely for the Participant's own account for investment and not with a view to or for sale in connection with any distribution thereof. The Participant further understands, acknowledges and agrees that, except as otherwise provided in the Plan or as permitted by the Committee, the Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of.

10. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Restricted Stock Units. Any prior agreements, commitments or negotiations concerning the Restricted Stock Units are superseded, except for the express terms of any Individual Agreement to which the Participant is a party.

11. LIMITATION OF INTEREST IN SHARES SUBJECT TO RESTRICTED STOCK UNITS

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person upon vesting of the Restricted Stock Units. Nothing in the Plan, in the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall

confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

12. RECOUPMENT

The Restricted Stock Units and the shares of Common Stock underlying the Restricted Stock Units shall be subject to any recoupment policies as may be adopted by the Company from time to time, including but not limited to for the purpose of complying with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and regulations thereunder promulgated by the Securities Exchange Commission

13. GENERAL

In the event that any provision of these Standard Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Standard Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of these Standard Terms and Conditions, nor shall they affect its meaning, construction or effect.

These Standard Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

These Standard Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

In the event of any conflict between the Grant Notice, these Standard Terms and Conditions and the Plan, the Grant Notice and these Standard Terms and Conditions shall control. In the event of any conflict between the Grant Notice and these Standard Terms and Conditions, the Grant Notice shall control. Any Individual Agreement to which the Participant is a party shall control, to the extent such agreement contains provisions governing the Award.

All questions arising under the Plan or under these Standard Terms and Conditions shall be decided by the Committee in its total and absolute discretion.

14. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Restricted Stock Units via Company web site or other electronic delivery.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In thousands, except ratios)	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
Earnings:		
Net income	\$ 92,858	\$ 19,332
Add:		
Provision for income taxes	51,133	10,642
Fixed charges	77,750	73,943
Less:		
Capitalized interest	(9,470)	(10,704)
Earnings as adjusted (A)	\$ 212,271	\$ 93,213
Fixed charges:		
Interest expense	\$ 68,121	\$ 63,085
Capitalized interest	9,470	10,704
Interest factors of rents (1)	159	154
Fixed charges as adjusted (B)	\$ 77,750	\$ 73,943
Ratio of earnings to fixed charges ((A) divided by (B))	2.73	1.26

(1) Estimated to be 1/3 of rent expense.

**CERTIFICATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven F. Udvar-Házy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Lease Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2016

/s/ Steven F. Udvar-Házy

Steven F. Udvar-Házy
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory B. Willis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Lease Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2016

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

**CERTIFICATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C.
SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Air Lease Corporation (the "Company") on Form 10-Q for the period ended March 31, 2016 (the "Report"), I, Steven F. Udvar-Házy, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2016

/s/ Steven F. Udvar-Házy

Steven F. Udvar-Házy
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO 18
U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Air Lease Corporation (the "Company") on Form 10-Q for the period ended March 31, 2016 (the "Report"), I, Gregory B. Willis, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2016

/s/ Gregory B. Willis

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