Aircastle LTD
Form 10-K
February 12, 2019
P5Y0412460004730400 0false--12-31FY20182018-12-3110-K0001362988785649 01YesLarge Accelerated
Filer1040970000Aircastle
LTDNoYes3552000135000013500000.010.0125000000002500000007870796375454511787079637532498 90.05030.02270.03
style="font-family:Times New Roman;font-size:10pt;"><div
style="line-height:120%;padding-bottom:16px;padding-top:8px;font-size:10.5pt;">Accumulated Other Comprehensive
Loss</div><div
style="line-height:120%;padding-bottom:4px;text-align:justify;text-indent:32px;font-size:10.5pt;">The following table describes the principal components of accumulated
other comprehensive loss recorded on our Consolidated Balance Sheets as of:</div><div
style="line-height:120%;padding-bottom:4px;text-align:left;font-size:10pt;"><div
style="padding-left:0px;text-indent:0px;line-height:normal;padding-top:10px;"><table cellpadding="0"
cellspacing="0" style="font-family:Times New
Roman;font-size:10pt;width:100%;border-collapse:collapse;text-align:left;"><tr><td colspan="8"
rowspan="1"></td></tr><tr><td style="width:75%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="font-size:8pt;">Changes in
accumulated other comprehensive loss by component<sup
style="vertical-align:top;line-height:120%;font-size:5pt">(1)</sup></div></td><td colspan="7"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div
style="text-align:center;font-size:8pt;">Year Ended
December 31,</div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2018</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px
solid #000000;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2017</div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2p
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Beginning balance</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td

style="vertical-align:bottom;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">(3,552</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td
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colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
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rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Amount recognized in other comprehensive loss on derivatives, net of tax
expense of $0 for all periods presented</div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1" colspan="1"><div style="font-size:9pt;">Amounts

reclassified from accumulated other comprehensive loss into income, net of tax expense </div><div style="font-size:9pt;">   of $0 for all periods presented</div></td><td colspan="2" style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2" style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div style="text-align:right;font-size:9pt;">2,202</div></td><td style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td style="vertical-align:bottom;background-color:#cceeff;padding-left:20px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Net current period other comprehensive income</div></td><td colspan="2" style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2" style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"><div style="text-align:right;font-size:9pt;">2,202</div></td><td style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3" style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3" style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td></tr><tr><td style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Ending balance</div></td><td style="vertical-align:bottom;border-bottom:3px double #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;" rowspan="1"

colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td></tr></table></div></div><div
style="line-height:120%;padding-bottom:8px;text-align:left;text-indent:96px;font-size:8pt;">   &#16
cellpadding="0" cellspacing="0" style="padding-bottom:16px;font-family:Times New Roman;
font-size:10pt;"><tr><td style="width:24px;" rowspan="1" colspan="1"></td><td rowspan="1"
colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1" colspan="1"><div
style="line-height:120%;font-size:8pt;padding-left:6px;">(1)</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;font-size:8pt;">All
amounts are net of tax. Amounts in parentheses indicate debits.</div></td></tr></table><div
style="line-height:120%;padding-bottom:4px;text-align:left;padding-left:6px;text-indent:-6px;font-size:10pt;"><div
style="padding-left:0px;text-indent:0px;line-height:normal;padding-top:10px;"><table cellpadding="0"
cellspacing="0" style="font-family:Times New
Roman;font-size:10pt;width:684px;border-collapse:collapse;text-align:left;"><tr><td colspan="8"
rowspan="1"></td></tr><tr><td style="width:516px;" rowspan="1" colspan="1"></td><td style="width:6px;"
rowspan="1" colspan="1"></td><td style="width:69px;" rowspan="1" colspan="1"></td><td style="width:4px;"
rowspan="1" colspan="1"></td><td style="width:8px;" rowspan="1" colspan="1"></td><td style="width:6px;"
rowspan="1" colspan="1"></td><td style="width:69px;" rowspan="1" colspan="1"></td><td style="width:4px;"
rowspan="1" colspan="1"></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="font-size:8pt;">Reclassifications from accumulated other comprehensive
loss<sup
style="vertical-align:top;line-height:120%;font-size:5pt">(1)</sup></div></td><td colspan="7"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div
style="text-align:center;font-size:8pt;">Year Ended
December 31,</div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"

style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2018</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px
solid #000000;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2017</div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Losses on cash flow hedges</div></td><td colspan="3"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td></tr><tr><td
style="vertical-align:bottom;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Amount of effective amortization of net deferred interest rate derivative
losses<sup
style="vertical-align:top;line-height:120%;font-size:6pt">(2)</sup></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">2,202</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Effective amount of net settlements of interest rate derivatives, net of tax
expense of $0 for all periods presented</div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div

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clear="none"/></div></td><td
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rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
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clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">Amount of
loss reclassified from accumulated other comprehensive loss into income</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
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colspan="1"><div style="text-align:left;font-size:10pt;"><br
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style="line-height:120%;padding-bottom:4px;text-indent:6px;font-size:8pt;">(1) All amounts are net of tax.</div><div
style="line-height:120%;padding-bottom:16px;text-indent:6px;font-size:8pt;">(2) Included in interest expense.</div><div
style="line-height:120%;padding-bottom:16px;text-align:justify;text-indent:30px;font-size:10.5pt;">At December 31, 2018, the amount of deferred net loss expected to be reclassified from OCI
into interest expense over the next twelve months related to our terminated interest rate derivatives is $0.</div></div><div style="font-family:Times New
Roman;font-size:10pt;"><div

style="line-height:120%;padding-bottom:4px;text-align:left;padding-left:6px;text-indent:-6px;font-size:10pt;"><div
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#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2018</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px
solid #000000;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2017</div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Losses on cash flow hedges</div></td><td colspan="3"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td></tr><tr><td
style="vertical-align:bottom;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Amount of effective amortization of net deferred interest rate derivative
losses<sup
style="vertical-align:top;line-height:120%;font-size:6pt">(2)</sup></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:9pt;">$</div></td><td

style="vertical-align:bottom;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">2,202</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Effective amount of net settlements of interest rate derivatives, net of tax
expense of $0 for all periods presented</div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2p
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">Amount of
loss reclassified from accumulated other comprehensive loss into income</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;border-bottom:3px double #000000;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;"><font

style="font-family:inherit;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">2,202</div></td><td
style="vertical-align:bottom;border-bottom:3px double #000000;border-top:1px solid #000000;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td></tr></table></div></div><div
style="line-height:120%;padding-bottom:12px;text-align:left;padding-left:6px;text-indent:144px;font-size:8pt;">   &#16
style="line-height:120%;padding-bottom:4px;text-indent:6px;font-size:8pt;">(1) All amounts are net of tax.</div><div
style="line-height:120%;padding-bottom:16px;text-indent:6px;font-size:8pt;">(2) Included in interest expense.</div><div
style="line-height:120%;padding-bottom:16px;text-align:justify;text-indent:30px;font-size:10.5pt;"></div></div><div style="font-family:Times New
Roman;font-size:10pt;"><div
style="line-height:120%;padding-bottom:4px;text-align:justify;text-indent:32px;font-size:10.5pt;">The following table describes the principal components of accumulated
other comprehensive loss recorded on our Consolidated Balance Sheets as of:</div><div
style="line-height:120%;padding-bottom:4px;text-align:left;font-size:10pt;"><div
style="padding-left:0px;text-indent:0px;line-height:normal;padding-top:10px;"><table cellpadding="0"
cellspacing="0" style="font-family:Times New
Roman;font-size:10pt;width:100%;border-collapse:collapse;text-align:left;"><tr><td colspan="8"
rowspan="1"></td></tr><tr><td style="width:75%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;"
rowspan="1" colspan="1"></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="font-size:8pt;">Changes in
accumulated other comprehensive loss by component<sup
style="vertical-align:top;line-height:120%;font-size:5pt">(1)</sup></div></td><td colspan="7"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div
style="text-align:center;font-size:8pt;">Year Ended
December 31,</div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2018</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px
solid #000000;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;"
rowspan="1"><div style="text-align:center;font-size:8pt;">2017</div></td></tr><tr><td

style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Beginning balance</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:right;font-size:9pt;">(3,552</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Amount recognized in other comprehensive loss on derivatives, net of tax
expense of $0 for all periods presented</div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;"
rowspan="1"><div style="text-align:right;font-size:9pt;"><font

style="font-family:inherit;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;background-color:#cceeff;" rowspan="1" colspan="1"><div
style="text-align:left;font-size:10pt;"><br
clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;padding-left:12px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1" colspan="1"><div style="font-size:9pt;">Amounts
reclassified from accumulated other comprehensive loss into income, net of tax expense </div><div
style="font-size:9pt;">   of $0 for all
periods presented</div></td><td colspan="2"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div
style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div
style="text-align:right;font-size:9pt;">2,202</div></td><td
style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:20px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Net current period other comprehensive income</div></td><td
colspan="2" style="vertical-align:bottom;border-bottom:1px solid
#000000;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid
#000000;" rowspan="1"><div style="text-align:right;font-size:9pt;">—</div></td><td
style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;border-top:1px solid
#000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
style="vertical-align:bottom;border-bottom:1px solid
#000000;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid
#000000;" rowspan="1"><div style="text-align:right;font-size:9pt;">2,202</div></td><td
style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;border-top:1px solid
#000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"> </div></td><td colspan="3"
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
rowspan="1"><div style="overflow:hidden;height:13px;font-size:10pt;"><font

style="font-family:inherit;font-size:10pt;"> </div></td></tr><tr><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2p
rowspan="1" colspan="1"><div style="text-align:left;font-size:9pt;">Ending balance</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td><td
style="vertical-align:bottom;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2p
rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeff;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">$</div></td><td style="vertical-align:bottom;border-bottom:3px
double #000000;background-color:#cceeff;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
style="text-align:right;font-size:9pt;">(1,350</div></td><td
style="vertical-align:bottom;border-bottom:3px double
#000000;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"
colspan="1"><div style="text-align:left;font-size:9pt;">)</div></td></tr></table></div></div><div
style="line-height:120%;padding-bottom:8px;text-align:left;text-indent:96px;font-size:8pt;">   &#16
cellpadding="0" cellspacing="0" style="padding-bottom:16px;font-family:Times New Roman;
font-size:10pt;"><tr><td style="width:24px;" rowspan="1" colspan="1"></td><td rowspan="1"
colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1" colspan="1"><div
style="line-height:120%;font-size:8pt;padding-left:6px;">(1)</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;font-size:8pt;">All
amounts are net of tax. Amounts in parentheses indicate debits.</div></td></tr></table></div> 0001362988
2018-01-01 2018-12-31 0001362988 2018-06-30 0001362988 2019-02-08 0001362988 2018-12-31 0001362988
2017-12-31 0001362988 2016-01-01 2016-12-31 0001362988 2017-01-01 2017-12-31 0001362988 2016-12-31
0001362988 2016-10-01 2016-12-31 0001362988 2015-12-31 0001362988 us-gaap:CommonStockMember
2015-12-31 0001362988 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-12-31 0001362988
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001362988
us-gaap:RetainedEarningsMember 2018-12-31 0001362988
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0001362988 us-gaap:CommonStockMember
2018-12-31 0001362988 us-gaap:CommonStockMember 2018-01-01 2018-12-31 0001362988
us-gaap:CommonStockMember 2017-12-31 0001362988 us-gaap:AccumulatedOtherComprehensiveIncomeMember
2016-01-01 2016-12-31 0001362988 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-12-31 0001362988
us-gaap:CommonStockMember 2017-01-01 2017-12-31 0001362988 us-gaap:AdditionalPaidInCapitalMember
2015-12-31 0001362988 us-gaap:CommonStockMember 2016-01-01 2016-12-31 0001362988
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us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-12-31 0001362988
us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-12-31 0001362988 us-gaap:CommonStockMember
2016-12-31 0001362988 us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0001362988
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0001362988
us-gaap:RetainedEarningsMember 2018-01-01 2018-12-31 0001362988 us-gaap:RetainedEarningsMember
2016-01-01 2016-12-31 0001362988 us-gaap:RetainedEarningsMember 2015-12-31 0001362988
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-12-31 0001362988
us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0001362988 us-gaap:AdditionalPaidInCapitalMember
2016-12-31 0001362988 ayr:FreighterAircraftMember us-gaap:MaximumMember 2018-01-01 2018-12-31
0001362988 ayr:FreighterAircraftMember us-gaap:MinimumMember 2018-01-01 2018-12-31 0001362988
ayr:FreighterAircraftMember us-gaap:MaximumMember 2018-12-31 0001362988
us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-01-01 2018-12-31 0001362988
ayr:FreighterAircraftMember us-gaap:MinimumMember 2018-12-31 0001362988 ayr:PassengerAircraftMember
2018-12-31 0001362988 ayr:PassengerAircraftMember 2018-01-01 2018-12-31 0001362988 2014-01-01 2014-12-31
0001362988 2015-01-01 2015-12-31 0001362988 us-gaap:PropertySubjectToOperatingLeaseMember
us-gaap:FlightEquipmentMember us-gaap:MinimumMember 2018-01-01 2018-12-31 0001362988
us-gaap:PropertySubjectToOperatingLeaseMember us-gaap:FlightEquipmentMember us-gaap:MaximumMember
2018-01-01 2018-12-31 0001362988 ayr:EcaTermFinancingsMember us-gaap:FairValueInputsLevel2Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:SecuredDebtMember 2017-12-31 0001362988
ayr:BankFinancingsMember us-gaap:FairValueInputsLevel2Member
us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:SecuredDebtMember 2018-12-31
0001362988 us-gaap:SeniorNotesMember us-gaap:FairValueInputsLevel1Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:UnsecuredDebtMember 2017-12-31 0001362988
ayr:EcaTermFinancingsMember us-gaap:FairValueInputsLevel2Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:SecuredDebtMember 2018-12-31 0001362988
us-gaap:SeniorNotesMember us-gaap:FairValueInputsLevel1Member
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

þ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2018
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 001-32959

AIRCASTLE LIMITED

(Exact name of Registrant as Specified in its Charter)

Bermuda	**98-0444035**
(State or other Jurisdiction of	*(I.R.S. Employer*

Incorporation or organization)   Identification No.)

c/o Aircastle Advisor LLC

201 Tresser Boulevard, Suite 400, Stamford, CT 06901

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(203) 504-1020**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, par value $0.01 per share	New York Stock Exchange

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

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

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

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 þ   No ¨

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

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
	Emerging growth company ¨

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

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

The aggregate market value of the Registrant's Common Shares based upon the closing price on the New York Stock Exchange on June 30, 2018 (the last business day of registrant's most recently completed second fiscal quarter), beneficially owned by non-affiliates of the Registrant was approximately $1.13 billion. For purposes of the foregoing calculation, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and executive officers and shareholders owning 10% or more of the outstanding common shares of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

As of February 8, 2019, there were 75,126,240 outstanding shares of the registrant's common shares, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Documents of Which Portions Are Incorporated by Reference	Parts of Form 10-K into Which Portion Of Documents Are Incorporated
Proxy Statement for Aircastle Limited 2019 Annual General Meeting of Shareholders	Part III (Items 10, 11, 12, 13 and 14)

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**SAFE HARBOR STATEMENT UNDER THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

All statements included or incorporated by reference in this Annual Report on Form 10-K (this “Annual Report”), other than characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not necessarily limited to, statements relating to our ability to acquire, sell, lease or finance aircraft, raise capital, pay dividends, and increase revenues, earnings, EBITDA, Adjusted EBITDA and Adjusted Net Income and the global aviation industry and aircraft leasing sector. Words such as “anticipates,” “expects,” “intends,” “plans,” “project “believes,” “may,” “will,” “would,” “could,” “should,” “seeks,” “estimates” and variations on these words and similar expressi intended to identify such forward-looking statements. These statements are based on our historical performance and that of our subsidiaries and on our current plans, estimates and expectations and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any such forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this Annual Report. These risks or uncertainties include, but are not limited to, those described from time to time in Aircastle’s filings with the Securities and Exchange Commission (“SEC”), including as described in Item 1A, and elsewhere in this report. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this Annual Report. Aircastle expressly disclaims any obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

WEBSITE AND ACCESS TO COMPANY’S REPORTS

The Company’s Internet website can be found at www.aircastle.com. Our annual reports on Forms 10-K, quarterly reports on Forms 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website under “Investors — SEC Filings” as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

Statements and information concerning our status as a Passive Foreign Investment Company (“PFIC”) for U.S. taxpayers are also available free of charge through our website under “Investors — Financial Information — SEC Filings”.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) are available free of charge through our website under “Investors — Corporate Governance”. In addition, our Code of Ethics for the Chief Executive and Senior Financial Officers, which applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller, is available in print, free of charge, to any shareholder upon request to Investor Relations, Aircastle Limited, c/o Aircastle Advisor LLC, 201 Tresser Boulevard, Suite 400, Stamford, Connecticut 06901.

The information on the Company’s website is not part of, or incorporated by reference, into this Annual Report, or any other report we file with, or furnish to, the SEC.

PART I
ITEM 1. BUSINESS
Unless the context suggests otherwise, references in this Annual Report to "Aircastle," the "Company," "we," "us," or "our" to Aircastle Limited and its subsidiaries. References in this Annual Report to "Aircastle Bermuda" refer to Aircastle Holding Corporation Limited and its subsidiaries. Throughout this Annual Report, when we refer to our aircraft, we include aircraft that we have transferred into grantor trusts or similar entities for purposes of financing such assets through securitizations and term financings. These grantor trusts or similar entities are consolidated for purposes of our financial statements. All amounts in this Annual Report are expressed in U.S. dollars and the financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Aircastle acquires, leases, and sells commercial jet aircraft to airlines throughout the world. As of December 31, 2018, we owned and managed on behalf of our joint ventures 261 aircraft leased to 81 lessees located in 44 countries. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are subject to net leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs. In many cases, however, we are obligated to pay a portion of specified maintenance or modification costs. As of December 31, 2018, the net book value of our flight equipment (including flight equipment held for lease and net investment in finance and sales-type leases, or "net book value") was $7.40 billion compared to $6.73 billion at the end of 2017. Our revenues and net income for the year ended December 31, 2018 were $890.4 million and $247.9 million, respectively, and for the fourth quarter of 2018 were $292.6 million and $103.8 million, respectively.

Growth in commercial air traffic is broadly correlated with world economic activity. In recent years, commercial air traffic growth has expanded at a rate 1.5 to 2 times that of global GDP growth. The expansion of air travel has driven a rise in the world aircraft fleet. There are currently approximately 22,000 commercial mainline passenger and freighter aircraft in operation worldwide. This fleet is expected to continue expanding at a three to four percent average annual rate over the next twenty years. Aircraft leasing companies own approximately 44% of the world's commercial jet aircraft.

2018 showed strong growth in air traffic. According to the International Air Transport Association, during 2018, global passenger traffic increased 6.5% compared to the same period in 2017. Demand for air travel varies by region. Emerging market economies have generally been experiencing greater increases in air traffic, driven by rising levels of per capita income leading to an increased propensity to fly. Mature markets, such as North America and Western Europe, have been growing more slowly in tandem with their economies. Air traffic growth is also being driven by the proliferation of low cost carriers, which have stimulated demand through lower prices. The outlook for airlines operating in areas with political instability or weakening economies is more uncertain. On balance, we believe air travel will increase over time and, as a result, we expect demand for modern aircraft will continue to remain strong over the long-term.

Notwithstanding the sector's long-term growth, the aviation market is subject to economic variability due to changes in macroeconomic variables, such as interest rates, fuel price levels and foreign exchange rates. The aviation industry is also susceptible to external shocks, such as regional conflicts and terrorist events. Mitigating this risk is the portability of the assets, allowing aircraft to be redeployed to locations where there is demand.

Fuel prices and interest rates have had a substantial effect on our industry. After dropping to a low of $36 per barrel in December 2015, the price of fuel has risen to an average of $66 per barrel during 2018. While still below historic highs, higher fuel prices have impacted airline profitability. The prolonged low interest rate environment and the strong overall performance of the aircraft financing sector attracted significant new capital, increasing competition for new investments and putting pressure on margins and returns. Interest rates have started to rise in the U.S., with Federal Reserve guidance suggesting possible rate hikes in the Federal Funds rate going forward.

Capital availability for aircraft has varied over time, and we consider this variability to be a basic characteristic of our business. If pursued properly, this represents an important source of investment opportunity. Strong U.S. debt capital market conditions benefit borrowers by permitting access to financing at historic lows. Commercial bank debt also continues to play a critical role for aircraft finance. Export credit agency availability, however, has been curtailed due to political issues, both in the U.S. and in Europe. While financial market conditions remain attractive, geopolitical issues may increase capital costs and limit availability going forward.

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We believe capital market developments should generate attractive additional investment and trading opportunities for which we are well placed to capitalize given our access to different financing sources, our limited capital commitments and our reputation as a reliable trading partner. During 2018, we achieved investment grade credit ratings from Moody's, Standard & Poor's and Fitch. We believe being an investment grade issuer will reduce our borrowing costs and enable more reliable access to debt capital throughout the business cycle.

Our business approach is differentiated from those of other large leasing companies. Our investment strategy is to seek out the best risk-adjusted return opportunities across the commercial jet market, so the nature and volume of assets we buy will vary over time with market conditions. We plan to grow our business and profits over the long-term while maintaining a conservative, flexible capital structure. We prefer to have capital resources available to capture investment opportunities that arise in the context of changing market circumstances. As such, we limit large, long-term capital commitments and are therefore less reliant on orders for new aircraft from aircraft manufacturers as a source of new investments than many of our competitors.

Competitive Strengths

We believe that the following competitive strengths will allow us to capitalize on future growth opportunities in the global aviation industry:

- ***Diversified portfolio of modern aircraft.*** We have a portfolio of modern aircraft that is diversified with respect to lessees, geographic markets, lease maturities and aircraft types. As of December 31, 2018, our aircraft portfolio consisted of 261 aircraft, comprised of a variety of aircraft types leased to 81 lessees located in 44 countries. Lease expirations for our owned aircraft are well dispersed, with a weighted-average remaining lease term of 4.5 years. This provides the company with a long-dated base of contracted revenues. We believe our focus on portfolio diversification reduces the risks associated with individual lessee defaults and adverse geopolitical or economic issues, and results in generally predictable cash flows.
- ***Flexible, disciplined acquisition approach and broad investment sourcing network.*** Since our formation, we have acquired 470 aircraft for $15.4 billion. Our investment strategy is to seek out the best risk-adjusted return opportunities across the commercial jet market, so our acquisition targets vary with market opportunities. We source our acquisitions through well-established relationships with airlines, other aircraft lessors, manufacturers, financial institutions and other aircraft owners. Since our formation in 2004, we built our aircraft portfolio through more than 164 transactions with 94 counterparties.
- ***Significant experience in successfully selling aircraft throughout their life cycle.*** Our team is adept at managing and executing the sale of aircraft. Since our formation, we sold 221 aircraft for $5.3 billion. These sales produced net gains of $323 million and involved a wide range of aircraft types and buyers. Of these aircraft, 147, or 67%, were over fourteen years old at the time of sale; many of these being sold on a part-out disposition basis, where the airframe and engines may be sold to various buyers. We believe our competence in selling older aircraft is one of the capabilities that sets us apart from many of our competitors.
- ***Strong capital raising track record and access to a wide range of financing sources.*** Aircastle is a publicly listed company, and our shares have traded on the New York Stock Exchange ("NYSE") since 2006. Since our inception in late 2004, we raised $1.7 billion in equity capital from private and public investors. Our largest shareholder is Marubeni Corporation ("Marubeni"), with whom we maintain a strong, strategic relationship. We also obtained $14.4 billion in debt capital from a variety of sources including the unsecured bond market, commercial banks, export credit agency-backed debt, and the aircraft securitization market. The diversity and global nature of our financing sources demonstrates our ability to adapt to changing market conditions and seize new opportunities.
- ***Our capital structure provides investment flexibility.*** We have $1.05 billion available from unsecured revolving credit facilities that expire in 2021 and 2022, thereby limiting our near-term financial markets exposure. Given our relatively limited future capital commitments, we have the resources to take advantage of future investment opportunities. Our large unencumbered asset base and our unsecured revolving lines of credit give us access to the unsecured bond market, allowing us to pursue a flexible and opportunistic investment strategy.
- ***Experienced management team with significant expertise.*** Each member of our management team has more than twenty years of industry experience and we have expertise in the acquisition, leasing, financing, technical

management, restructuring/repossession and sale of aviation assets. This experience spans several industry cycles and a wide range of business conditions and is global in nature. We believe our management team is highly

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qualified to manage and grow our aircraft portfolio and to address our long-term capital needs.

- ***Global and scalable business platform.*** We operate through offices in the United States, Ireland and Singapore, using a modern asset management system designed specifically for aircraft operating lessors and capable of handling a significantly larger aircraft portfolio. We believe that our current facilities, systems and personnel are capable of supporting an increase in our revenue base and asset base without a proportional increase in overhead costs.

Business Strategy

Aircraft owners have benefited from the low interest rate environment in recent years. Particularly strong conditions in the debt capital markets have provided select borrowers, including Aircastle, access to attractively priced, flexible financing. This provides us a competitive advantage over many airlines and lessors. Geopolitical and macroeconomic events may increase the cost of capital and limit its availability in the future, which may provide more attractive investment opportunities for Aircastle.

We plan to grow our business and profits over the long-term while limiting long-dated capital commitments and maintaining a conservative and flexible capital structure. Our business strategy entails the following elements:

- ***Pursuing a disciplined and differentiated investment strategy.*** In our view, the relative values of different aircraft change over time. We continually evaluate investments across different aircraft models, ages, lessees and acquisition sources and re-evaluate these choices as market conditions and relative investment values change. We believe our team's experience with a wide range of asset types and the financing flexibility offered through unsecured debt provides us with a competitive advantage. We view orders from equipment manufacturers to be part of our investment opportunity set, but choose to keep our long term capital commitments limited.
- ***Originating investments from many different sources across the globe.*** Our strategy is to seek out worthwhile investments by leveraging our team's wide range of contacts. We utilize a multi-channel approach to sourcing acquisitions and have purchased aircraft from a large number of airlines, lessors, original equipment manufacturers, lenders and other aircraft owners. Since our formation in 2004, we have acquired aircraft from 94 different sellers.
- ***Selling assets when attractive opportunities arise.*** We sell assets with the aim of realizing profits and reinvesting proceeds. We also use asset sales for portfolio management purposes, such as reducing lessee specific concentrations and lowering residual value exposures to certain aircraft types. Since our formation, we have sold aircraft to 65 buyers.
- ***Maintaining efficient access to capital from a wide set of sources and leveraging our recent investment grade credit rating.*** We believe the aircraft investment market is influenced by the business cycle. Our strategy is to increase our purchase activity when prices are low and to emphasize asset sales when prices are high. To implement this approach, we believe it is important to maintain access to a wide variety of financing sources. During 2018, we achieved our objective of improving our corporate credit ratings to an investment grade level by maintaining strong portfolio and capital structure metrics while achieving a critical size through accretive growth. We believe our improved credit rating will not only reduce our borrowing costs, but also facilitate more reliable access to both unsecured and secured debt capital throughout the business cycle.
- ***Leveraging our strategic relationships.*** We intend to capture the benefits provided through the extensive global contacts and relationships maintained by Marubeni, which is our biggest shareholder and is one of the largest Japanese trading companies. Marubeni has enabled greater access to Japanese-based financing and helped source and develop our joint venture with the leasing arm of the Industrial Bank of Japan, Limited.
- ***Capturing the value of our efficient operating platform and strong operating track record.*** We believe our team's capabilities in the global aircraft leasing market places us in a favorable position to source and manage new income-generating activities. We intend to continue to focus our efforts in areas where we believe we have competitive advantages, including new direct investments as well as ventures with strategic business partners.
- ***Intending to pay quarterly dividends to our shareholders based on the Company's sustainable earnings levels.*** Aircastle has paid dividends each quarter since our initial public offering in 2006. On October 30, 2018, our Board of Directors declared a regular quarterly dividend of $0.30 per common share, or an aggregate of $22.9 million for the three months ended December 31, 2018, which was paid on December 14, 2018 to holders of record on November 30, 2018. These dividend amounts may not be indicative of any future dividends. Our

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ability to pay quarterly dividends will depend upon many factors, including those as described in Item 1A. "Risk Factors" and elsewhere in this Annual Report.

Declaration Date	Dividend per Common Share	Aggregate Dividend Amount	Record Date	Payment Date
October 30, 2018	$ 0.30	$ 22,867	November 30, 2018	December 14, 2018
August 3, 2018	$ 0.28	$ 21,870	August 31, 2018	September 14, 2018
May 1, 2018	$ 0.28	$ 21,908	May 31, 2018	June 15, 2018
February 2, 2018	$ 0.28	$ 22,085	February 28, 2018	March 15, 2018
October 31, 2017	$ 0.28	$ 22,039	November 30, 2017	December 15, 2017
August 4, 2017	$ 0.26	$ 20,464	August 31, 2017	September 15, 2017
May 2, 2017	$ 0.26	$ 20,482	May 31, 2017	June 15, 2017
February 9, 2017	$ 0.26	$ 20,466	February 28, 2017	March 15, 2017
October 28, 2016	$ 0.26	$ 20,434	November 29, 2016	December 15, 2016
August 2, 2016	$ 0.24	$ 18,872	August 26, 2016	September 15, 2016
May 2, 2016	$ 0.24	$ 18,915	May 31, 2016	June 15, 2016
February 9, 2016	$ 0.24	$ 18,915	February 29, 2016	March 15, 2016

We believe our team's capabilities in the global aircraft leasing market place us in a favorable position to explore new income-generating activities as capital becomes available for such activities. We intend to continue to focus our efforts on investment opportunities in areas where we believe we have competitive advantages and on transactions that offer attractive risk/return profiles. There can be no assurance, however, that we will be able to access capital on a cost-effective basis and a failure to do so could have a material adverse effect on our business, financial condition or results of operations.

Acquisitions and Sales

We originate acquisitions and sales through well-established relationships with airlines, other aircraft lessors, financial institutions and brokers, as well as other sources. We believe that sourcing such transactions globally through multiple channels provides for a broad and relatively consistent set of opportunities.

Our objective is to develop and maintain a diverse operating lease portfolio. We review our operating lease portfolio to sell aircraft opportunistically, to manage our portfolio diversification and to exit from aircraft investments when we believe selling will achieve better expected risk-adjusted cash flows than reinvesting in and re-leasing the aircraft. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Acquisitions and Sales."

We have an experienced acquisition and sales team based in Stamford, Connecticut; Dublin, Ireland and Singapore that maintains strong relationships with a wide variety of market participants throughout the world. We believe that our seasoned personnel and extensive industry contacts facilitate our access to acquisition and sales opportunities and that our strong operating track record facilitates our access to debt and equity capital markets.

Potential investments and sales are evaluated by teams comprised of marketing, technical, risk management, finance and legal professionals. These teams consider a variety of aspects before we commit to purchase or sell an aircraft, including price, specification/configuration, age, condition and maintenance history, operating efficiency, lease terms, financial condition and liquidity of the lessee, jurisdiction, industry trends and future redeployment potential and values. We believe that utilizing a cross-functional team of experts to consider investment parameters helps us assess more completely the overall risk and return profile of potential acquisitions and helps us move forward expeditiously on letters of intent and acquisition documentation.

Finance

We believe that cash on hand, payments received from lessees and other funds generated from operations, unsecured borrowings, borrowings from our revolving credit facilities, secured borrowings for aircraft, and other borrowings and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months. We may repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-

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term debt financings, additional equity offerings or cash generated from operations and asset sales. Therefore, our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Secured Debt Financings” and “ — Unsecured Debt Financings” under Item 7.

Segments

The Company manages, analyzes and reports on its business and results of operations on the basis of one operating segment: leasing, financing, selling and managing commercial flight equipment. Our chief executive officer is the chief operating decision maker.

Aircraft Leases

Nearly all of our aircraft are contracted on operating leases. Under an operating lease, we retain the benefit, and bear the risk, of re-leasing and of the residual value of the aircraft at the end of the lease. Operating leasing can be an attractive alternative to ownership for an airline because leasing increases an airline’s fleet flexibility, requires lower capital commitments, and significantly reduces aircraft residual value risks for the airline. Under an operating lease, the lessee agrees to lease an aircraft for a fixed term, although certain of our operating leases allow the lessee the option to extend the lease for an additional term or, in rare cases, terminate the lease prior to its expiration. As a percentage of lease rental revenue for the year ended December 31, 2018, our three largest customers, Avianca Brazil, Lion Air and South African Airways, accounted for 7%, 6% and 5%, respectively.

In the fourth quarter of 2018, we terminated our leases with Avianca Brazil and were granted a repossession order. Subsequently, the airline filed for the equivalent of bankruptcy protection and was granted a stay on repossessions, which was recently extended until mid-April 2019. Despite extending the stay, the airline is required to resume making payments, beginning February 1, 2019. Aircastle intends to continue to aggressively pursue its rights, including an appeal of the court’s decision.

The scheduled maturities of our aircraft leases by aircraft type grouping currently are as follows, taking into account lease placement and renewal commitments as of February 8, 2019:

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Off-Lease[1]**	**Sale Agreement**	**Total**
A319/A320/A320N/A321	1	17	16	11	12	29	9	5	—	2	—	11	20	133
A330-200/300	—	1	5	—	2	1	3	2	4	—	—	2	—	20
737-700/800/900ER	5	8	6	18	11	14	5	4	4	—	5	—	—	80
777-200ER/300ER	—	—	—	—	1	—	2	2	1	—	—	—	—	6
E195	—	—	—	—	3	2	—	—	—	—	—	—	—	5
Freighters	—	—	—	—	1	2	—	—	—	1	—	—	—	4
Total	6	26	27	29	30	48	19	13	9	3	5	13	20	248

(1) Consisted of eleven Airbus A320-200 and two Airbus A330-200 aircraft which we are marketing for lease or sale.

2019 Lease Expirations and Lease Placements

We began 2019 with nineteen aircraft having scheduled lease expirations in 2019 and fifteen off-lease aircraft, including the eleven Avianca Brazil aircraft. As of February 8, 2019, we have agreements to lease fifteen of these aircraft. Of the remaining nineteen aircraft, which account for 8.3% of our net book value at December 31, 2018, we expect that the ten narrow-body aircraft with Avianca Brazil will be placed on lease after repossession and five aircraft will be sold at lease end, with the remaining four aircraft still to be placed.

2020-2023 Lease Expirations and Lease Placements

Taking into account lease and sale commitments, we currently have the following number of aircraft with lease expirations scheduled in the period 2020-2023, representing the percentage of our net book value at December 31, 2018, specified below:

- 2020: 26 aircraft, representing 7%;
- 2021: 27 aircraft, representing 10%;
- 2022: 29 aircraft, representing 9%; and
- 2023: 30 aircraft, representing 11%.

Lease Payments and Security. Each of our leases requires the lessee to pay periodic rentals during the lease term. As of December 31, 2018, rentals on more than 93% of our leases then in effect, as a percentage of net book value, are fixed and do not vary according to changes in interest rates. For the remaining leases, rentals are payable on a floating interest-rate basis. Virtually all lease rentals are payable monthly in advance, and all lease rentals are payable in U.S. dollars.

Under our leases, the lessee must pay operating expenses accrued or payable during the term of the lease, which normally include maintenance, overhaul, fuel, crew, landing, airport and navigation charges, certain taxes, licenses, consents and approvals, aircraft registration and insurance premiums. Typically, the lessee is required to make payments for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending upon the component, and are either made monthly in arrears or at the end of the lease term. Our determination of whether to permit a lessee to make a single maintenance payment at the end of the lease term, or requiring such payments to be made monthly, depends on a variety of factors, including the creditworthiness of the lessee, the amount of security deposit which may be provided by the lessee and market conditions at the time. If a lessee is making monthly maintenance payments, we would typically be obligated to use the funds paid by the lessee during the lease term to reimburse the lessee for costs they incur for heavy maintenance, overhaul or replacement of certain high-value components, usually following completion of the relevant work. If a lease requires an end of lease term maintenance payment, the lessee would typically be required to pay us for its utilization of the aircraft during the lease. In some cases, however, we may owe a net payment to the lessee in the event heavy maintenance is performed and the aircraft is returned to us in better condition than at lease inception.

Many of our leases also contain provisions requiring us to pay a portion of the cost of modifications to the aircraft performed by the lessee at its expense if such modifications are mandated by recognized airworthiness authorities. Typically, these provisions would set a threshold, below which the lessee would not have a right to seek reimbursement and above which we may be required to pay a portion of the cost incurred by the lessee. The lessees are obliged to remove liens on the aircraft other than liens permitted under the leases.

Our leases generally provide that the lessees' payment obligations are absolute and unconditional under any and all circumstances and require lessees to make payments without withholding payment on account of any amounts the lessor may owe the lessee or any claims the lessee may have against the lessor for any reason, except that under certain of the leases a breach of quiet enjoyment by the lessor may permit a lessee to withhold payment. The leases also generally include an obligation of the lessee to gross up payments under the lease where lease payments are subject to withholding and other taxes, although there may be some limitations to the gross up obligation, including provisions which do not require a lessee to gross up payments if the withholdings arise out of our ownership or tax structure. In addition, changes in law may result in the imposition of withholding and other taxes and charges that are not reimbursable by the lessee under the lease or that cannot be so reimbursed under applicable law. Our leases also generally require the lessee to indemnify the lessor for tax liabilities relating to the leases and the aircraft, including in most cases, value added tax and stamp duties, but excluding income tax or its equivalent imposed on the lessor.

Portfolio Risk Management

Our objective is to build and maintain a lease portfolio which is balanced and diversified and delivers returns commensurate with risk. We have portfolio concentration objectives to assist in portfolio risk management and highlight areas where action to mitigate risk may be appropriate, and take into account the following:

- individual lessee exposures;
- geographic concentrations;

- aircraft type concentrations;
- portfolio credit quality distribution; and
- lease maturity distribution.

We have a risk management team which undertakes detailed due diligence on lessees when aircraft are being acquired with a lease already in place and for placement of aircraft with new lessees following lease expiration or termination.

Lease Management and Remarketing

Our aircraft re-leasing strategy is to develop opportunities proactively, well in advance of scheduled lease expiration, to enable consideration of a broad set of alternatives, including deployment, sale or part-out, and to allow for reconfiguration or maintenance lead times where needed. We also take a proactive approach to monitoring the credit quality of our customers, and may seek early return and redeployment of aircraft if we feel that a lessee is unlikely to perform its obligations under a lease. We have invested significant resources in developing and implementing what we consider to be state-of-the-art lease management information systems and processes to enable efficient management of aircraft in our portfolio.

Other Aviation Assets and Alternative New Business Approaches

We believe investment opportunities may arise in related areas such as financing secured by commercial jet aircraft as well as jet engine and spare parts leasing, trading and financing. In the future, we may make opportunistic investments in these or other sectors or in other aviation-related assets, and we intend to continue to explore other income-generating activities and investments.

We source and service investments for our joint ventures with Ontario Teachers' Pension Plan ("Lancaster") and IBJ Air and provide marketing, asset management and administrative services to them. We are paid market based fees for these services, which are recorded in Other revenue in our Consolidated Statements of Income.

We believe we have a world class servicing platform and may also pursue opportunities to capitalize on these capabilities such as providing aircraft management services for third party aircraft owners.

Competition

The aircraft leasing and trading industry is highly competitive with a significant number of active participants. We face competition for the acquisition of aircraft, for the placement of aircraft and for the sale of aircraft which we may wish to divest.

Competition for aircraft acquisitions comes from many sources, ranging from large established aircraft leasing companies to smaller players and new entrants. Competition has increased across most asset types and has drawn many new investors to our business.

Larger lessors are generally more focused on acquiring new aircraft via purchase and lease-back transactions with airlines and through direct orders with the original equipment manufacturers. These larger lessors include GE Capital Aviation Services, AerCap Holdings, Air Lease Corporation, Aviation Capital Group, SMBC Aviation Capital, BOC Aviation, Avolon Holdings and Dubai Aerospace Enterprise. In addition, several major Asian financial institutions' leasing subsidiaries are aggressively pursuing business, including Industrial and Commercial Bank of China ("ICBC") and China Development Bank ("CDB"). In August 2017, Dubai Aerospace Enterprise completed its acquisition of AWAS. In December 2017, Tokyo Century Corporation, part of the Mizuho Group, acquired a 20% interest in Aviation Capital Group. In November 2018, ORIX Aviation Systems acquired 30% of Avolon Holdings from Bohai Leasing.

Competition for mid-aged and older aircraft typically comes from other competitors that, in many cases, rely on private equity or hedge fund capital sources. Such competitors include Carlyle Aviation Partners, Deucalion, Castlelake, Alterna Capital Partners and other players funded by alternative investment funds and companies. These companies are typically fund-based, rather than having permanent capital structures, and have benefited from the substantially improved availability of debt financing for mid-aged aircraft.

Competition for leasing or re-leasing of aircraft, as well as aircraft sales, is based principally upon the availability, type and condition of aircraft, user base, lease rates, prices and other lease terms. Aircraft manufacturers, airlines and other operators, distributors, equipment managers, leasing companies, financial institutions and other parties engaged in leasing,

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managing, marketing or remarketing aircraft compete with us, although their focus may be on different market segments and aircraft types.

Some of our competitors have, or may obtain, greater financial resources and may have a lower cost of capital. A number also commit to speculative orders of new aircraft to be placed on operating lease upon delivery from the manufacturer, which compete with new and used aircraft offered by other lessors. However, we believe that we are able to compete favorably in aircraft acquisition, leasing and sales activities due to the reputation of our team of experienced professionals, extensive market contacts and expertise in sourcing and acquiring aircraft. We also believe our access to unsecured debt provides us with a competitive advantage in pursuing investments quickly and reliably and in acquiring aircraft in situations where it may be more difficult to finance on a secured, non-recourse basis.

Employees

As of December 31, 2018, we had 109 employees. None of our employees are covered by a collective bargaining agreement, and we believe that we maintain excellent employee relations. We provide certain employee benefits, including retirement benefits, and health, life, disability and accident insurance plans.

Insurance

We require our lessees to carry general third-party legal liability insurance, all-risk aircraft hull insurance (both with respect to the aircraft and with respect to each engine when not installed on our aircraft) and war-risk hull and legal liability insurance. We are named as an additional insured on liability insurance policies carried by our lessees, and we or one of our lenders would typically be designated as a loss payee in the event of a total loss of the aircraft. We maintain contingent hull and liability insurance coverage with respect to our aircraft which is intended to provide coverage for certain risks, including the risk of cancellation of the hull or liability insurance maintained by any of our lessees without notice to us, but which excludes coverage for other risks such as the risk of insolvency of the primary insurer or reinsurer.

We maintain insurance policies to cover non-aviation risks related to physical damage to our equipment and property, as well as with respect to third-party liabilities arising through the course of our normal business operations (other than aircraft operations). We also maintain limited business interruption insurance to cover a portion of the costs we would expect to incur in connection with a disruption to our main facilities, and we maintain directors’ and officers’ liability insurance providing coverage for liabilities related to the service of our directors, officers and certain employees. Consistent with industry practice, our insurance policies are generally subject to deductibles or self-retention amounts.

We believe the insurance coverage currently carried by our lessees and by Aircastle provides adequate protection against the accident-related and other covered risks involved in the conduct of our business. However, there can be no assurance that we have adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that our lessees’ insurers and re-insurers will be or will remain solvent and able to satisfy any claims, that any particular claim will ultimately be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

Government Regulation

The air transportation industry is highly regulated. In general, we are not directly subject to most air transportation regulations because we do not operate aircraft. In contrast, our lessees are subject to extensive, direct regulation under the laws of the jurisdictions in which they are registered and where they operate. Such laws govern, among other things, the registration, operation, security, and maintenance of our aircraft, as well as environmental and financial oversight regulation of their operations.

Our customers may also be subject to noise or emissions regulations in the jurisdictions in which they operate our aircraft. In July 2016, the U.S. Environmental Protection Agency (“EPA”) determined that Greenhouse Gas (“GHG”) emissions from certain aircraft engines contribute to climate change and endangers the public’s health and the environment. The findings are for carbon dioxide (“CO2”), methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. At that time, the EPA indicated its intention to promulgate new rules to adopt GHG standards promulgated by the International Civil Aviation Organization (“ICAO”). In October 2016, ICAO adopted a global market-based measure to control CO2 emissions from international aviation. The pilot phase of this measure will begin in 2021, and the mandatory phase begins in 2027. In June 2017, the United States indicated that it is reviewing whether it will remain fully committed to the ICAO rules. No firm date for conclusion of this review has been announced. In addition, European countries generally have strict environmental regulations, and, in particular, the European Union (“E.U.”) has included flights originating or landing in the E.U. in the European Emissions Trading Scheme (“ETS”). The United States, China and other countries continue to oppose the inclusion of aviation emissions in ETS. Other environmental regulations our customers may be subject to include those relating to discharges to surface and subsurface waters, management of hazardous substances, oils, and waste materials, and other regulations affecting their aircraft operations.

Subsequent Events

The Company’s management has reviewed and evaluated all events or transactions for potential recognition and/or disclosure since the balance sheet date of December 31, 2018 through the date of this filing, the date on which the consolidated financial statements included in this Form 10-K were issued.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Annual Report, you should carefully consider the following factors, which could materially adversely affect our business, financial condition, results of operations or ability to pay dividends in future periods or to meet our debt obligations. The risks described below are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, results of operations or ability to pay dividends in future periods.

Risks Related to Our Business

Risks Related to Our Operations

Risks affecting the airline industry may adversely affect our customers and have a material adverse impact on our financial results.

We operate as a supplier to airlines and are indirectly impacted by all the risks facing airlines today. The ability of each lessee to perform its obligations under the relevant lease will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors beyond our control, including:

- passenger and air cargo demand;
- competition;
- passenger fare levels and air cargo rates;
- availability of financing and other circumstances affecting airline liquidity, including covenants in financings, terms imposed by credit card issuers, collateral posting requirements contained in fuel hedging contracts and the ability of airlines to make or refinance principal payments as they come due;
- operating costs, including the price and availability of jet fuel, labor costs and insurance costs and coverages;
- restrictions in labor contracts and labor difficulties, including pilot shortages;
- economic conditions, including recession, financial system distress and currency fluctuations in the countries and regions in which the lessee operates or from which the lessee obtains financing, including the uncertainty and any negative macroeconomic effects associated with the U.S. government shutdown;
- aircraft accidents;
- the continuing availability of government support, whether through subsidies, loans, guarantees, equity investments or otherwise;
- changing political conditions, including risk of rising protectionism, restrictions on immigration or imposition of new trade barriers;
- geopolitical and other events, including war, acts or threats of terrorism, outbreaks of epidemic diseases and natural disasters;
- cyber risk, including information hacking, viruses and malware; and
- governmental regulation of, or affecting the air transportation business, including noise regulations, emissions regulations, climate change initiatives, and aircraft age limitations.

These factors, and others, may lead to defaults by our customers, or may delay or prevent aircraft deliveries or transitions, result in payment restructurings or other lease term restructurings, and may increase our costs from repossessions and reduce our revenues due to downtime or lower re-lease rates.

Volatile financial market conditions may adversely impact our liquidity, our access to capital and our cost of capital and may adversely impact the airline industry and the financial condition of our lessees.

The availability and pricing of capital in the commercial bank market and in the unsecured bond market remain susceptible to global events, including, for example, political changes in the U.S. and abroad, rising interest rates, a fluctuating dollar, the rate of international economic growth and implications from changes in oil prices. If we need, but cannot obtain, adequate capital on satisfactory terms, or at all, as a result of negative conditions in the capital markets or otherwise, our business, financial condition, results of operations or our ability to pay dividends to our shareholders could be materially adversely affected. Additionally, such inability to obtain capital on satisfactory terms, or at all, could prevent us from pursuing attractive future growth opportunities.

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We bear the risk of re-leasing and selling our aircraft.

We bear the risk of re-leasing or selling or otherwise disposing of our aircraft in order to continue to generate income. In certain cases we commit to purchase aircraft that are not subject to lease and therefore are subject to lease placement risk. Because only a portion of an aircraft's value is covered by contractual cash flows from an operating lease, we are exposed to the risk that the residual value of the aircraft will not be sufficient to permit us to fully recover or realize a gain on our investment in the aircraft and to the risk that we may have to record impairment charges. Further, our ability to re-lease, lease or sell aircraft on favorable terms, or at all, or without significant off-lease time and transition costs is likely to be adversely impacted by risks affecting the airline industry generally. Other factors that may affect our ability to fully realize our investment in our aircraft and that may increase the likelihood of impairment charges include credit deterioration of a lessee, declines in rental rates, residual value risk, higher fuel prices which may reduce demand for older, less fuel efficient aircraft, additional environmental regulations, age restrictions, customer preferences and other factors that may effectively shorten the useful life of older aircraft.

We own and lease long-lived assets and have written down the value of some of our assets in prior years, and if market conditions worsen, or in the event of a customer default, we may be required to record further write-downs.

We test our assets for recoverability whenever events or changes in circumstances indicate that the carrying amounts for such assets are not recoverable from their expected, undiscounted cash flows. We also perform a fleet-wide recoverability assessment annually. This recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management's experience in the aircraft leasing industry as well as from information received from third party sources.

If anticipated aircraft lease cash flows or sales values worsen due to a decline in market conditions, or if a lessee defaults, we may have to reassess the carrying value of one or more of our aircraft. As aircraft approach the end of their economic useful lives, their carrying values may be more susceptible to non-recoverable declines in value because such assets will have a shorter opportunity in which to benefit from a market recovery. We monitor our fleet for aircraft that are more susceptible to failing our recoverability assessments within one year due to their sensitivity to changes in contractual cash flows, future cash flow estimates and aircraft residual or scrap values. As of December 31, 2018, no aircraft were on our monitoring list.

Our ability to obtain debt financing and our cost of debt financing is, in part, dependent upon our credit ratings and a credit downgrade or being put on negative watch could adversely impact our financial results.

Maintaining our credit ratings depends in part on strong financial results and in part on other factors, including the outlook of the ratings agencies on our sector and on the market generally. A credit rating downgrade or being put on negative watch may make it more difficult or costly for us to raise debt financing in the unsecured bond market, or may result in higher pricing or less favorable terms under other financings. Credit rating downgrades or being put on negative watch may make it more difficult and/or more costly to satisfy our funding requirements. In addition, any future tightening or regulation of financial institutions (such as Basel 4), including increasing capital reserves, could impact our ability to raise funds in the commercial bank loan market in the future.

An increase in our borrowing costs may adversely affect our earnings and cash available for distribution to our shareholders.

Our aircraft are financed under long-term debt financings. As these financings mature, we will be required to either refinance these instruments by entering into new financings, which could result in higher borrowing costs, or repay them by using cash on hand or cash from the sale of our assets.

Departure of key officers could harm our business and financial results.

Our senior management's reputations and relationships with lessees, sellers, buyers and financiers of aircraft are a critical element of our business. We encounter intense competition for qualified employees from other companies in the aircraft leasing industry, and we believe there are only a limited number of available qualified executives in our industry. The Company seeks to retain a pipeline of senior management personnel with superior talent to provide continuity of succession, including for the Chief Executive Officer position and other senior positions. In addition, our

Board of Directors is involved in succession planning, including review of short- and long-term succession plans for the Chief Executive Officer

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and other senior positions. Our future success depends, to a significant extent, upon the continued service of our senior management personnel, including the Chief Executive Officer and his potential successors, and if we lose one or more of these individuals, our business could be adversely affected.

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

On October 30, 2018, our Board of Directors declared a regular quarterly dividend of $0.30 per common share, or an aggregate of $22.9 million, which was paid on December 14, 2018 to holders of record on November 30, 2018. This dividend may not be indicative of the amount of any future quarterly dividends. Our ability to pay, maintain or increase cash dividends to our shareholders is subject to the discretion of our Board of Directors and will depend on many factors, including: our ability to comply with financial covenants in our financing documents that limit our ability to pay dividends and make certain other restricted payments; the difficulty we may experience in raising, and the cost of, additional capital and our ability to finance our aircraft acquisition commitments; our ability to re-finance our long-term financings; our ability to negotiate and enforce favorable lease rates and other contractual terms; the level of demand for our aircraft in the lease placement or sales markets; the economic condition of the commercial aviation industry generally; the financial condition and liquidity of our lessees; unexpected or increased aircraft maintenance or other expenses; the level and timing of capital expenditures, principal repayments and other capital needs; maintaining our credit ratings, our results of operations, financial condition and liquidity; legal restrictions on the payment of dividends, including a statutory dividend test and other limitations under Bermuda law; and general business conditions and other factors that our Board of Directors deems relevant. Some of these factors are beyond our control. In the future, we may choose to not pay dividends or may not be able to pay dividends, maintain our current level of dividends, or increase them over time. The failure to maintain or pay dividends may adversely affect our share price.

We are subject to risks related to our indebtedness that may limit our operational flexibility and our ability to compete with our competitors.

As of December 31, 2018, our total indebtedness was $4.8 billion, representing approximately 70.3% of our total capitalization. Aircastle Limited is either the principal obligor or has guaranteed most of this indebtedness, and we are responsible on a full recourse basis for timely payment when due and compliance with covenants under the related debt documentation. As a result of our substantial amount of indebtedness, we may be unable to generate sufficient cash to pay, when due, the principal of, interest on or other amounts due with respect to our indebtedness, and our substantial amount of indebtedness may increase our vulnerability to adverse economic and industry conditions, reduce our flexibility in planning for or reaction to changes in the business environment or in our business or industry, and adversely affect our cash flow and our ability to operate our business and compete with our competitors.

Our indebtedness subjects us to certain risks, including:

- 18% of our net book value serves as collateral for our secured indebtedness, and the terms of certain of our indebtedness require us to use proceeds from sales of aircraft, in part, to repay amounts outstanding under such indebtedness;
- our failure to comply with the terms of our indebtedness, including restrictive covenants contained therein, may result in additional interest being due or defaults that could result in the acceleration of the principal, and unpaid interest on, the defaulted debt, as well as the forfeiture of any aircraft pledged as collateral; and
- non-compliance with covenants prohibiting certain investments and other restricted payments, including limitations on our ability to pay dividends, repurchase our common shares, raise additional capital or refinance our existing debt, may reduce our operational flexibility and limit our ability to refinance or grow the business.

The provisions of our long-term financings require us to comply with financial and other covenants. Our compliance with these ratios, tests and covenants depends upon, among other things, the timely receipt of lease payments from our lessees and upon our overall financial performance.

- *Senior Notes.* Our senior notes indentures impose operating and financial restrictions on our activities. These restrictions limit our ability to, or in certain cases prohibit us from, incurring or guaranteeing additional indebtedness, refinancing our existing indebtedness, paying dividends, repurchasing our common shares, making other restricted payments, making certain investments or entering into joint ventures and a cross-default to certain other financings of the Company.

- *ECA Financings.* Our ECA Financings contain a $500 million minimum net worth covenant and also contain, among other customary provisions, a material adverse change default and a cross-default to certain other financings of the Company.
- *Bank Financings.* Our secured bank financings contain, among other customary provisions, a $500 million minimum net worth covenant, a cross-default to certain other financings of the Company, and for one portfolio financing, a minimum debt service coverage ratio of 1.15.
- *Unsecured Revolving Credit Facilities and Loan.* Our unsecured revolving credit facilities/loan contain $750 million minimum net worth covenants, minimum unencumbered asset ratios, minimum interest coverage ratios and cross-defaults to certain other financings of the Company.

The terms of our financings also restrict our ability to incur or guarantee additional indebtedness or engage in mergers, amalgamations or consolidations among our subsidiary companies or between a subsidiary company and a third party or otherwise dispose of all or substantially all of our assets.

We are subject to various risks and requirements associated with transacting business in foreign jurisdictions.

The international nature of our business exposes us to trade and economic sanctions and other restrictions imposed by the U.S. and other governments. The U.S. Departments of Justice, Commerce and Treasury, as well as other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the Foreign Corrupt Practices Act (“FCPA”), and other federal statutes, sanctions and regulations, including those established by the Office of Foreign Assets Control (“OFAC”) and, increasingly, similar or more restrictive foreign laws, rules and regulations, including the U.K. Bribery Act (“UKBA”), which may also apply to us. By virtue of these laws and regulations, and under laws and regulations in other jurisdictions, we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance. In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws, and we expect the relevant agencies to continue to increase these activities.

We have compliance policies and training programs in place for our employees with respect to FCPA, OFAC Regulations, UKBA and similar laws, but there can be no assurance that our employees, consultants or agents will not engage in conduct for which we may be held responsible. Violations of FCPA, OFAC Regulations, UKBA and other laws, sanctions or regulations may result in severe criminal or civil penalties, and we may be subject to other liabilities.

General Data Protection Regulation (“GDPR”) took effect on May 25, 2018, requiring us to protect the privacy of certain personal data of EU citizens. While we have implemented processes and controls to comply with GDPR requirements, the manner in which the EU will interpret and enforce certain provisions remains unclear and we could incur significant fines of up to 4% of worldwide revenue, individual damages and reputational risks if the EU determines that our controls and processes are ineffective and we have failed to adequately comply with the requirements.

We are dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration.

We are dependent upon information technology systems to manage, process, store and transmit information associated with our operations, which may include proprietary business information and personally identifiable information of our customers, suppliers and employees. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, employee error, natural disasters and defects in design. Damage, disruption, or failure of one or more information technology systems may result in interruptions to our operations in the interim or may require a significant investment to fix or replace them or may result in significant damage to our reputation. Although various measures have been implemented to manage our risks related to the information technology systems and network disruptions, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks that could lead to the payment of fraudulent claims, loss of sensitive information, including our own proprietary information or that of our customers, suppliers and employees, and could harm our reputation and result in lost revenues and additional costs and potential liabilities.

Risks Related to Our Aviation Assets

The variability of supply and demand for aircraft could depress lease rates for our aircraft, which would have an adverse effect on our financial results and growth prospects.

The aircraft leasing and sales industry has experienced periods of aircraft oversupply and undersupply. The oversupply of a specific type of aircraft in the market is likely to depress aircraft lease rates for, and the value of, that type of aircraft.

The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are not under our control, including:

- passenger and air cargo demand;
- operating costs, including fuel costs, and general economic conditions affecting our lessees' operations;
- interest rates;
- foreign exchange rates;
- the availability of credit;
- airline restructurings and bankruptcies;
- changes in control of, or restructurings of, other aircraft leasing companies;
- manufacturer production levels and technological innovation;
- discounting by manufacturers on aircraft types nearing end of production;
- manufacturers merging, exiting the industry or ceasing to produce aircraft types;
- new-entrant manufacturers producing additional aircraft models, or existing manufacturers producing newly engined aircraft models or new aircraft models, in competition with existing aircraft models;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- governmental regulation;
- climate change initiatives, technological change, aircraft noise and emissions regulations, aircraft age limits and other factors leading to reduced demand for, early retirement or obsolescence of aircraft models;
- tariffs and other restrictions on trade;
- outbreaks of communicable diseases and natural disasters;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

These and other factors may produce sharp decreases or increases in aircraft values and lease rates, which would impact our cost of acquiring aircraft and our ability to grow the business, or which may result in lease defaults and also prevent the aircraft from being re-leased or sold on favorable terms. This could have an adverse effect on our financial results and growth prospects.

Other factors that increase the risk of decline in aircraft value and lease rates could have an adverse effect on our financial results and growth prospects.

In addition to factors linked to the aviation industry generally, other factors that may affect the value and lease rates of our aircraft include:

- the age of the aircraft;
- the particular maintenance and operating history of the airframe and engines;
- the number of operators using that type of aircraft;
- whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to us;
- the demand for and availability of such aircraft at any given time;
- applicable airworthiness directives or manufacturer's service bulletins that have not yet been performed to the aircraft;
- grounding orders or other regulatory action that could prevent or limit utilization of our aircraft;

- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; and
- compatibility of our aircraft configurations or specifications with those desired by the operators of other aircraft of that type.

Any decrease in the values of and lease rates for commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on our financial results and growth prospects.

The advent of superior aircraft technology and higher production levels could cause our existing aircraft portfolio to become outdated and therefore less desirable.

As manufacturers introduce technological innovations and new types of aircraft, including the Boeing 787, the Airbus A350, the Airbus A220 (formerly the Bombardier C series) and re-engined and/or replacement types for the Boeing 737, Boeing 777, Airbus A320, Airbus A330 and Embraer E-Jet families of aircraft, certain aircraft in our existing aircraft portfolio may become less desirable to potential lessees or purchasers. This next generation of aircraft is expected to deliver improved fuel consumption and reduced noise and emissions with lower operating costs compared to current-technology aircraft. The Boeing 787 and 737 Max and the Airbus A350, A320neo and A220 are all currently in production. The first deliveries for the Airbus A330neo and Embraer’s second generation of E-Jets, the E2 family, began in 2018. The Boeing 777X is expected to enter service in 2020. Additionally, Commercial Aircraft Corporation of China Ltd., Mitsubishi and Russia’s United Aircraft Corporation are developing aircraft models that will compete with the Airbus A319, the Boeing 737 and the Embraer E-Jet.

The introduction of these new models and the potential resulting overcapacity in aircraft supply, could adversely affect the residual values and the lease rates for our aircraft, our ability to lease or sell our aircraft on favorable terms, or at all, or result in us recording future impairment charges.

The effects of energy, emissions, and noise regulations and policies may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations to us and may limit the market for certain aircraft in our portfolio.

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant aircraft is registered and operated. Jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition to the current requirements, the United States and ICAO have adopted a new, more stringent set of standards for noise levels which applies to engines manufactured or certified on or after January 1, 2006. Currently, U.S. regulations would not require any phase-out of aircraft that qualify with the older standards applicable to engines manufactured or certified prior to January 1, 2006, but the E.U. has established a framework for the imposition of operating limitations on aircraft that do not comply with the new standards. These regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell these non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to noise restrictions, the U.S. and other jurisdictions have imposed limits on aircraft engine emissions, such as NOx, CO and CO2, consistent with current ICAO standards. European countries have relatively strict environmental regulations that can restrict operational flexibility and decrease aircraft productivity. The E.U. has included the aviation sector in its emissions trading scheme (“ETS”), and has attempted to apply the ETS to flights outside of European airspace. This effort has been opposed by the U.S. and other countries. The E.U. suspended the ETS for flights from or to non- European countries in 2013, and in December 2017 further extended that suspension until December 2023. ICAO has adopted a resolution developing a global market-based measure to control CO2 emission from international aviation, which begins in 2021. As noted above, the U.S. EPA announced in 2016 its intent to promulgate and adopt a rule to incorporate these new standards into domestic law, although that decision is now under review.

In 2015, over 190 countries, including the United States, reached an agreement to reduce global GHG emissions at the United Nations Framework Convention on Climate. The agreement does not expressly reference aviation, but if the agreement is implemented in the United States and other countries there could be an adverse direct or indirect effect on the aviation industry as a whole. On June 1, 2017 the United States announced that it intends to withdraw from the

2015 agreement. That withdrawal cannot be given officially until November 4, 2019 and would be effective November 4, 2020.

Over time, it is possible that governments will adopt additional regulatory requirements and/or market-based policies that are intended to reduce energy usage, emissions, and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may also impact the global market for certain aircraft and cause behavioral shifts that result in decreased demand for air travel. These concerns could also result in greater limitations on the operation of our fleet, particularly aircraft equipped with older technology engines.

Compliance with current or future regulations, taxes or duties could cause our lessees to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel and adverse impacts on the financial condition of our lessees. Such compliance may also affect our lessees' ability to make rental and other lease payments and limit the market for aircraft in our portfolio, which could have other negative effects on our financial position.

The older age, or older technology, of some of our aircraft may expose us to higher than anticipated maintenance related expenses.

In general, the costs of operating an aircraft, including maintenance expenditures, increase with the age of the aircraft. Additionally, older aircraft typically are less fuel-efficient than newer aircraft and may be more difficult to re-lease or sell, particularly if, due to increasing production rates by aircraft manufacturers or airline insolvencies or other distress, older aircraft are competing with newer aircraft in the lease or sale market. Expenses like fuel, aging aircraft inspections, maintenance or modification programs and related airworthiness directives could make the operation of older aircraft less economically viable and may result in increased lessee defaults. We may also incur some of these increased maintenance expenses and regulatory costs upon acquisition or re-leasing of our aircraft. Re-leasing larger wide-body aircraft may result in higher reinvestment and maintenance expenditures than re-leasing narrow-body aircraft.

The concentration of aircraft types in our aircraft portfolio could lead to adverse effects on our business and financial results should any difficulties specific to these particular types of aircraft occur.

Our owned aircraft portfolio is concentrated in certain aircraft types. Should any of these aircraft types (or other types we acquire in the future) or aircraft manufacturers encounter technical, financial or other difficulties, it would cause a decrease in value of these aircraft, an inability to lease the aircraft on favorable terms or at all, or a potential grounding of these aircraft, which may adversely impact our financial results, to the extent the affected aircraft types comprise a significant percentage of our aircraft portfolio.

We operate in a highly competitive market for investment opportunities in aviation assets and for the leasing and sale of aircraft.

We compete with other operating lessors, airlines, aircraft manufacturers, financial institutions, aircraft brokers and other investors with respect to aircraft acquisitions, leasing and sales. The aircraft leasing industry is highly competitive and may be divided into three basic activities: (i) aircraft acquisition; (ii) leasing or re-leasing of aircraft; and (iii) aircraft sales. Competition varies among these three basic activities.

A number of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances, lower investment return expectations or different risk or residual value assessments, which could allow them to consider a wider variety of investments, establish more relationships, bid more aggressively on aviation assets available for sale and offer lower lease rates or sales prices than we can. Some of our competitors may provide financial services, maintenance services or other inducements to potential lessees or buyers that we cannot provide. As a result of competitive pressures, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objectives. We continue to see lessors and airlines starting to manage the transition from current to newer technology and younger aircraft. Additionally, the barriers to entry in the aircraft acquisition and leasing market are comparatively low, and new entrants with private equity, hedge fund, Asian bank or other funding sources appear from time to time. We may not be able to compete effectively against present and future competitors in the aircraft acquisition, leasing or sales market.

Risks Related to our Order of New Embraer E-Jet E2 Aircraft

We have lease commitments for three of the 25 Embraer E-Jet E2 aircraft that we contracted to purchase from Embraer and are scheduled for delivery between the third quarter of 2020 and fourth quarter of 2021. We do not yet have lease commitments for the remaining deliveries nor have we put financing in place for any of the Embraer E-Jet E2 aircraft deliveries. Our ability to lease these aircraft on favorable terms, if at all, may be adversely affected by desirability of this new aircraft type and risks to the commercial airline industry generally. If we are unable to obtain commitments for the remaining deliveries or the necessary financing, if needed, or otherwise satisfy our contractual obligations to Embraer, we will be subject to several potential risks, including:

- forfeiting advance deposits and progress payments to Embraer, as well as incurring certain significant costs related to these commitments such as contractual damages and legal, accounting and financial advisory expenses;
- defaulting on any future lease commitments we may have entered into with respect to these aircraft, which could result in monetary damages and strained relationships with lessees;
- failing to realize the benefits of purchasing and leasing such aircraft; and
- risking harm to our business reputation, which would make it more difficult to purchase and lease aircraft in the future on agreeable terms, if at all.

In addition, the Embraer E-Jet E2 is a new aircraft variant and first entered service in April 2018. The Embraer E-Jet E2 aircraft incorporates a modified version of the recently introduced Pratt & Whitney geared turbofan engine, which is now in production. Airframe and engine manufacturers have occasionally experienced delays and technical difficulties in bringing new aircraft and engine types to market. If any aircraft for which we have made future lease commitments is delayed or if Embraer is unable to produce the aircraft in compliance with the performance specifications, some or all of our affected lessees might be able to terminate their leases with respect to such aircraft. Our purchase agreement with Embraer and the anticipated future leases for these aircraft contain certain cancellation rights related to delays in delivery. Any such termination could strain our relations with those lessees going forward. Lastly, we will rely on Embraer to return any advance deposits and progress payments if they are unable to meet their obligations to us, and we may not be able to recover such amounts if Embraer defaults or becomes insolvent. In November 2017, Airbus and Bombardier announced a partnership for the C-series aircraft (now known as the Airbus A220 model), which competes with the E-Jet E2. In December 2018, Boeing and Embraer announced a strategic partnership, which is subject to government approval. No assurance can be given that the Boeing and Embraer strategic partnership will receive government approval, and that even if the transaction is consummated, what the implications could be for our commitments and the E-Jet E2 program. Any of these events could materially and adversely affect our financial results and operations.

Risks Related to Our Leases

If lessees are unable to fund their maintenance obligations on our aircraft, we may incur increased costs at the conclusion of the applicable lease.

The standards of maintenance observed by the various lessees and the condition of the aircraft at the time of lease or sale may affect the future values and rental rates for our aircraft.

Under our leases, the relevant lessee is responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including, without limitation, operational, maintenance, and registration requirements and airworthiness directives, although in certain cases we may agree to share certain of these costs. Failure of a lessee to perform required aircraft maintenance or required airworthiness directives could result in a decrease in value of such aircraft, an adverse effect on our ability to lease the aircraft at favorable rates or at all, or a potential grounding of such aircraft, and will likely require us to incur increased maintenance and modification costs upon the expiration or earlier termination of the applicable lease, which could be substantial, to restore such aircraft to an acceptable condition. If any of our aircraft are not subject to a lease, we would be required to bear the entire cost of maintaining that aircraft and performing any required airworthiness directives.

Certain of our leases provide that the lessee is required to make periodic payments to us during the lease term in order to provide cash reserves for the major maintenance. In these leases there is an associated liability for us to reimburse the lessee after such maintenance is performed. A substantial number of our leases do not provide for any periodic maintenance reserve payments to be made to us. Typically, these lessees are required to make payments at the end of the lease term. However, in the event such lessees default, the value of the aircraft could be negatively affected by the maintenance condition and we may be required to fund the entire cost of performing major maintenance on the relevant aircraft without, in either case, having received compensating maintenance payments from these lessees.

Even if we receive maintenance payments, these payments may not cover the entire expense of the scheduled maintenance they are intended to fund. In addition, maintenance payments typically cover only certain scheduled maintenance requirements and do not cover all required maintenance and all scheduled maintenance. As a result, we may incur unanticipated or significant costs at the conclusion of a lease.

Failure to pay certain potential additional operating costs could result in the grounding or arrest of our aircraft and prevent the re-lease, sale or other use of our aircraft.

As in the case of maintenance costs, we may incur other operational costs upon a lessee default or where the terms of the lease require us to pay a portion of those costs. Such costs include:

- the costs of casualty, liability and political risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required, or is insufficient in amount or scope;
- the costs of licensing, exporting or importing an aircraft, airport charges, customs duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions, which can be substantial;
- penalties and costs associated with the failure of lessees to keep aircraft registered under all appropriate local requirements or obtain required governmental licenses, consents and approvals; and
- carbon taxes or other fees, taxes or costs imposed under emissions limitations, climate change regulations or other initiatives.

The failure to pay certain of these costs can result in liens on the aircraft. The failure to register the aircraft can result in a loss of insurance. These matters could result in the grounding or arrest of the aircraft and prevent the re-lease, sale or other use of the aircraft until the problem is cured.

Our lessees may have inadequate insurance coverage or fail to fulfill their respective indemnity obligations, which could result in us not being covered for claims asserted against us.

By virtue of holding title to the aircraft, lessors may be held strictly liable for losses resulting from the operation of aircraft or may be held liable for those losses based on other legal theories. Liability may be placed on an aircraft lessor in certain jurisdictions around the world even under circumstances in which the lessor is not directly controlling the operation of the relevant aircraft.

Lessees are required under our leases to indemnify us for, and insure against, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Lessees are also required to maintain public liability, property damage and hull all risk and hull war risk insurance on the aircraft at agreed upon levels. However, they are not generally required to maintain political risk insurance. Following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. As a result, the amount of such third-party war risk and terrorism liability insurance that is commercially available at any time may be below the amount stipulated in our leases.

Our lessees' insurance, including any available governmental supplemental coverage, may not be sufficient to cover all types of claims that may be asserted against us. Any inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us upon an event of loss under the respective leases or upon a claim under the relevant liability insurance.

Failure to obtain certain required licenses and approvals could negatively affect our ability to re-lease or sell aircraft.

A number of our lessees must obtain licenses, consents or approvals in order to import or operate the aircraft or comply with the leases. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, export or deregistration of the aircraft. Subsequent changes in applicable law or administrative practice may increase such requirements and a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re-leasing or sale of an aircraft may not be forthcoming. Any of these events could adversely affect our ability to re-lease or sell aircraft.

Due to the fact that many of our lessees operate in emerging markets, we are indirectly subject to many of the economic and political risks associated with competing in such markets.

Emerging markets are countries which may be more vulnerable to economic and political problems, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, unfavorable legal systems, change in law regarding recognition of contracts or ownership rights, changes in governments or government policy and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by our lessees and the resulting instability may adversely affect our ownership interest in an aircraft or the ability of lessees which operate in these markets to meet their lease obligations and these lessees may be more likely to default than lessees that operate in developed economies. For the year ended December 31, 2018, 54 of our lessees, which operated 142 aircraft and generated 68% of our lease rental revenue, are domiciled or habitually based in emerging markets.

Risks Related to Our Lessees

Lessee defaults could materially adversely affect our business, financial condition and results of operations.

As a general matter, airlines with weak capital structures are more likely than well-capitalized airlines to seek operating leases, and, at any point in time, investors should expect a varying number of lessees and sub-lessees to experience payment difficulties. As a result of their weak financial condition and lack of liquidity, a portion of lessees over time may be significantly in arrears in their rental or maintenance payments. This is likely to be the case in the future, particularly in a difficult economic or operating environment. Liquidity issues are more likely to lead to airline failures in the context of financial system distress, volatile fuel prices, and economic slowdown, with additional liquidity being more difficult and expensive to source. Given the size of our aircraft portfolio, we expect that from time to time some lessees will be slow in making, or will fail to make, their payments in full under their leases.

We may not correctly assess the credit risk of a lessee or may not be in a position to charge risk-adjusted lease rates, and lessees may not be able to continue to perform their financial and other obligations under our leases in the future. A delayed, reduced or missed rental payment from a lessee decreases our revenues and cash flow and may adversely affect our ability to make payments on our indebtedness or to comply with debt service coverage or interest coverage ratios. A default, delay or deferral of payments from a lessee where we have a significant exposure or concentration risk could have a materially adverse impact on our revenue and cash flows. We may experience some level of delinquency under our leases and default levels may increase over time, particularly as our aircraft portfolio ages and if economic conditions deteriorate. A lessee may experience periodic difficulties that are not financial in nature, which could impair its performance of maintenance obligations under the leases. These difficulties may include the failure to perform required aircraft maintenance and labor-management disagreements or disputes.

In the event that a lessee defaults under a lease, any security deposit paid or letter of credit provided by the lessee may not be sufficient to cover the lessee’s outstanding or unpaid lease obligations and required maintenance and transition expenses.

If our lessees encounter financial difficulties and we decide to restructure our leases with those lessees, this could result in less favorable leases and in significant reductions in our cash flow or adversely affect our financial results.

When a lessee is late in making payments, fails to make payments in full or in part under the lease or has otherwise advised us that it will in the future fail to make payments in full or in part under the lease, we may elect to or be required to restructure the lease. Restructuring may involve anything from a simple rescheduling of payments to the termination of a lease without receiving all or any of the past due amounts. If requests for payment restructuring or rescheduling are made and granted, reduced or deferred rental payments may be payable over all or some part of the remaining term of the lease, and the terms of any revised payment schedules may be unfavorable or such payments may not be made. We may be unable to agree upon acceptable terms for any requested restructurings and as a result may be forced to exercise our remedies under those leases and we may be unable to repossess our aircraft on a timely basis. If we, in the exercise of our remedies, repossess the aircraft, we may not be able to re-lease the aircraft promptly at favorable rates, or at all.

The terms and conditions of payment restructurings or reschedulings, particularly involving lessees where we have significant exposure or concentration risk, may result in significant reductions of rental payments, which may adversely affect our cash flows or our financial results.

Significant costs resulting from lease defaults could have a material adverse effect on our business.

While we have the right to repossess the aircraft and to exercise other remedies upon a lessee default, repossession of an aircraft after a lessee default would lead to significantly increased costs for us. Those costs include legal and other expenses of court or other governmental proceedings, particularly if the lessee is contesting the proceedings or is in bankruptcy, and costs to obtain possession and/or de-registration of the aircraft and flight and export permissions. Delays resulting from any of these proceedings would increase the period of time during which the relevant aircraft is not generating revenue. We may also incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to incur or pay and that are necessary to put the aircraft in suitable condition for re-lease or sale. We may be required to pay off liens, claims, taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft for re-lease or sale. We may also incur maintenance, storage or other costs while we have physical possession of the aircraft.

We may suffer other adverse consequences as a result of a lessee default and the termination of the lease and the repossession of the related aircraft. Our rights upon a lessee default vary significantly depending upon the jurisdiction, including the need to obtain a court order for repossession of the aircraft and/or consents for de-registration or re-export of the aircraft. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft without paying lease rentals or without performing all or some of the obligations under the relevant lease. There can be no assurance that jurisdictions that have adopted the Cape Town Convention, which provides for uniformity and certainty for repossession of aircraft, will enforce it as written. Certain of our lessees are owned in whole or in part by government-related entities, which could complicate our efforts to repossess the relevant aircraft. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing or selling the affected aircraft.

If we repossess an aircraft, we may not necessarily be able to export or de-register and profitably redeploy the aircraft. When a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist de-registration. Significant costs may also be incurred in retrieving or recreating aircraft records required for registration of the aircraft and obtaining a certificate of airworthiness for the aircraft. A default and exercise of remedies involving a lessee where we have a significant exposure or concentration risk could have a materially adverse impact on our future revenue and cash flows.

Adverse currency movements could negatively affect our lessees' ability to honor the terms of their leases and could materially adversely affect our business, financial condition and results of operations.

Many of our lessees are exposed to currency risk due to the fact that they earn revenues in their local currencies while a significant portion of their liabilities and expenses, including fuel, debt service, and lease payments are denominated in U.S. dollars. In the case of a devaluation of the local currency, our lessees may not be able to increase revenue sufficiently to offset the impact of exchange rates on these expenses. This is particularly true for non-U.S. airlines whose operations are primarily domestic. This difference is magnified in the event of an appreciating U.S. dollar. Currency volatility, particularly in emerging market countries, could impact the ability of some of our customers to meet their contractual obligations in a timely manner. Shifts in foreign exchange rates can be significant, are difficult to predict, and can occur quickly.

Airline reorganizations could have an adverse effect on our financial results.

As a result of economic conditions, significant volatility in oil prices and financial markets distress, airlines may be forced to reorganize. In the past, airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. Such fare discounting can lead to lower profitability for all airlines. Bankruptcies and reduced demand may lead to the grounding of significant numbers of aircraft and negotiated reductions in aircraft lease rental rates, with the effect of depressing aircraft market values. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft on favorable terms, or at all, or re-lease other aircraft at favorable rates comparable to the then current market conditions, which collectively would have an adverse effect on our financial results. We may not recover any of our claims or damages against an airline under bankruptcy or insolvency protection.

If our lessees fail to appropriately discharge aircraft liens, we might find it necessary to pay such claims.
In the normal course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges (including charges imposed by Eurocontrol), landing charges, crew wages, repairer's charges, salvage or other liens, are likely, depending on the jurisdiction, to attach to the aircraft. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens (particularly "fleet liens"), exceed the value of the relevant aircraft. Although the financial obligations relating to these liens are the responsibility of our lessees, if they fail to fulfill their obligations, these liens may attach to our aircraft and ultimately become our responsibility. Until these liens are discharged, we may be unable to repossess, re-lease or sell the aircraft or unable to avoid detention or forfeiture of the aircraft.
Our lessees may not comply with their obligations under their respective leases to discharge liens arising during the terms of their leases, whether or not due to financial difficulties. If they do not do so, we may, in some cases, find it necessary to pay the claims secured by any liens in order to repossess the aircraft.
Risks associated with the concentration of our lessees in certain geographical regions could harm our business or financial results.
Our business is sensitive to local economic and political conditions that can influence the performance of lessees located in a particular region.
European Concentration
Thirty-one lessees in Europe accounted for 87 aircraft, totaling 27% of the net book value of our aircraft at December 31, 2018. Five lessees, accounting for 30 aircraft, are based in the U.K. The final terms of the U.K.'s departure from the E.U. remain unclear and could potentially negatively impact carriers based in the U.K. and to a lesser extent elsewhere in the E.U.
Asian Concentration
Twenty-three lessees in Asia accounted for 78 aircraft totaling, 36% of the net book value of our aircraft at December 31, 2018. Growth in Asia has been strong, driven in large part by Southeast Asia and India. Eight lessees accounting for 25 aircraft are based in Southeast Asia and four lessees accounting for 26 aircraft are based in India. There is also risk of oversupply in the future driven by large outstanding order books of certain Southeast Asian and Indian carriers as well as infrastructure constraints. In general, Asian airlines continue to face competition from new entrants and the growth of low cost carriers in the region.
North American Concentration
Eleven lessees in North America accounted for 35 aircraft, totaling 10% of the net book value of our aircraft at December 31, 2018. Consolidation among major airlines in the U.S. has helped drive capacity discipline and pricing power.
South American Concentration
Nine lessees in South America accounted for 16 aircraft, totaling 10% of the net book value of our aircraft at December 31, 2018. Two lessees in Brazil accounted for fourteen aircraft, totaling 8% of the net book value of our aircraft at December 31, 2018. One of these carriers, Avianca Brazil, sought bankruptcy protection in December 2018. We are currently in the process of recovering the aircraft that had been on lease to Avianca Brazil.
Middle East and African Concentration
Eight lessees in the Middle East and Africa accounted for seventeen aircraft totaling 8% of the net book value of our aircraft at December 31, 2018.

Risks Related to the Aviation Industry

Fuel prices significantly impact the profitability of the airline industry. If fuel prices rise in the future, our lessees might not be able to meet their lease payment obligations, which would have an adverse effect on our financial results and growth prospects.

Fuel costs represent a major expense to airlines. Fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and currency/exchange rates. As a result, fuel costs are not within the control of lessees and significant changes would materially affect their operating results.

Due to the competitive nature of the airline industry, airlines may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully compensates for the costs incurred. Higher and more volatile fuel prices may also have an impact on consumer confidence and spending, and thus may adversely impact demand for air transportation. In addition, airlines may not be able to successfully manage their exposure to fuel price fluctuations. If fuel prices increase due to future terrorist attacks, acts of war, armed hostilities, rebellion or political instability, natural disasters or for any other reason, they are likely to cause our lessees to incur higher costs and/or generate lower revenues, resulting in an adverse impact on their financial condition and liquidity. Fuel cost volatility may contribute to the reluctance of airlines to make future commitments to leased aircraft and reduce the demand for lease aircraft. Consequently, these conditions may: (i) affect our lessees' ability to make rental and other lease payments; (ii) result in lease restructurings and/or aircraft repossessions; (iii) increase our costs of re-leasing or selling our aircraft; or (iv) impair our ability to re-lease or sell our aircraft on a timely basis at favorable rates or terms, or at all.

The effects of terrorist attacks and geopolitical conditions might adversely impact the financial condition of the airlines and our lessees might not be able to meet their lease payment obligations.

War, armed hostilities or terrorist attacks, or the fear of such events, could decrease demand for air travel or increase the operating costs of our customers. Terrorist incidents and other international tensions may lead to regional or broader international instability. Future terrorist attacks, war or armed hostilities, large protests or government instability, or the fear of such events, could further negatively impact the airline industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft values and rental rates and may lead to lease restructurings or aircraft repossessions, all of which could adversely affect our financial results.

Terrorist attacks and geopolitical conditions have negatively affected the airline industry, and concerns about geopolitical conditions and further terrorist attacks could continue to negatively affect airlines (including our lessees) for the foreseeable future, depending upon various factors, including: (i) higher costs to the airlines due to the increased security measures; (ii) decreased passenger demand and revenue due to safety concerns or the inconvenience of additional security measures; (iii) the price and availability of jet fuel; (iv) higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, or at all; (v) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available; (vi) the ability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and (vii) special charges recognized by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the above conditions.

Economic conditions and regulatory changes resulting from the United Kingdom's ("U.K.") probable exit from the E.U. could have an adverse effect on our business.

In June 2016, voters in the U.K. approved a referendum to exit from the E.U., known as Brexit. The effects of Brexit on us will depend on the resulting agreements regarding trade and travel made between the U.K. and the E.U. Brexit could result in adverse consequences, such as instability in financial markets, deterioration in economic conditions, volatility in currency exchange rates or adverse impact to air travel and the air freight market. These impacts may negatively impact the airline and finance industries and may have an adverse effect on our ability to borrow, the financial condition of our lessees, aircraft values and rental rates and may lead to lease restructurings or aircraft repossessions, all of which could adversely affect our financial results. The conditions under which the U.K. leaves the E.U., and even whether it ultimately does, are still being negotiated. The final results of the negations remain unclear and could span a broad range of potential outcomes.

Epidemic diseases, severe weather conditions, natural disasters or their perceived effects may negatively impact the airline industry and our lessees' ability to meet their lease payment obligations to us.

If an outbreak of epidemic diseases were to occur, numerous responses, including travel restrictions, might be necessary to combat the spread of the disease. Even if restrictions are not implemented, passengers may voluntarily choose to reduce travel. There have been several outbreaks of epidemic diseases which have spread to other parts of the world, although their impact was relatively limited. Additional outbreaks of epidemic diseases, or the fear of such events, could result in travel bans or could have an adverse effect on our financial results. Similarly, demand for air travel or the inability of airlines to operate to or from certain regions due to severe weather conditions or natural disasters, such as floods, earthquakes or volcanic eruptions, could have an adverse effect on our lessees' ability to their lease payment obligations to us, which could negatively impact our financial results.

Risks Related to Our Organization and Structure

If the ownership of our common shares continues to be highly concentrated, it may prevent minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.

As of February 8, 2019, Marubeni owns 21,605,347 shares, or 28.8% of our common shares. Although the Shareholder Agreement, dated as of June 6, 2013, among us, Marubeni and a subsidiary of Marubeni (as amended and restated from time to time, the "Shareholder Agreement"), imposes certain restrictions on Marubeni's and its affiliates' ability to make additional acquisitions of our common shares, Marubeni, nonetheless, may be able to influence fundamental corporate matters and transactions, including the election of directors; mergers or amalgamations (subject to prior board approval); consolidations or acquisitions; the sale of all or substantially all of our assets; in certain circumstances, the amendment of our bye-laws; and our winding up and dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other shareholders. The interests of Marubeni may not always coincide with our interests or the interests of our other shareholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our company. Also, Marubeni may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to our other shareholders or adversely affect us or our other shareholders. In addition, under the Shareholder Agreement, based on the current ownership of our common shares by Marubeni and the current size of our Board of Directors, Marubeni is entitled to designate three directors for election to our Board of Directors. As a result of these or other factors, the market price of our common shares could decline or shareholders might not receive a premium over the then-current market price of our common shares upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our common shares because investors may perceive disadvantages in owning shares in a company with a significant shareholder.

We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay dividends to our shareholders. Although there are currently no material legal restrictions on our operating subsidiaries ability to distribute assets to us, legal restrictions, including governmental regulations and contractual obligations, could restrict or impair our operating subsidiaries ability to pay dividends or make loan or other distributions to us. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.

We are a Bermuda company, and it may be difficult for securityholders to enforce judgments against us or our directors and executive officers.

We are a Bermuda exempted company and, as such, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of securityholders under Bermuda law may differ from the rights of securityholders of companies incorporated in other jurisdictions. A substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

We have anti-takeover provisions in our bye-laws that may discourage a change of control.

Our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions include:

- provisions providing for a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors and amalgamations to be rescinded, altered or amended only upon approval by a resolution of the directors and by a resolution of our shareholders, including the affirmative votes of at least 66% of the votes attaching to all shares in issue entitling the holder to vote on such resolution;
- provisions in our bye-laws dealing with the removal of directors and corporate opportunity to be rescinded, altered or amended only upon approval by a resolution of the directors and by a resolution of our shareholders, including the affirmative votes of at least 80% of the votes attaching to all shares in issue entitling the holder to vote on such resolution;
- provisions providing for the removal of directors by a resolution, including the affirmative votes of at least 80% of all votes attaching to all shares in issue entitling the holder to vote on such resolution;
- provisions providing for our Board of Directors to determine the powers, preferences and rights of our preference shares and to issue such preference shares without shareholder approval;
- provisions providing for advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings; and
- no provision for cumulative voting in the election of directors; all the directors standing for election may be elected by our shareholders by a plurality of votes cast at a duly convened annual general meeting, the quorum for which is two or more persons present in person or by proxy at the start of the meeting and representing in excess of 50% of all votes attaching to all shares in issue entitling the holder to vote at the meeting.

In addition, these provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and/or our Board of Directors. Public shareholders who might desire to participate in these types of transactions may not have an opportunity to do so. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control or change our management and Board of Directors and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

There are provisions in our bye-laws that may require certain of our non-U.S. shareholders to sell their shares to us or to a third party.

Our bye-laws provide that if our Board of Directors determines that we or any of our subsidiaries do not meet, or in the absence of repurchases of shares will fail to meet, the ownership requirements of a limitation on benefits article of any bilateral income tax treaty with the U.S. applicable to us, and that such tax treaty would provide material benefits to us or any of our subsidiaries, we generally have the right, but not the obligation, to repurchase, at fair market value (as determined pursuant to the method set forth in our bye-laws), common shares from any shareholder who beneficially owns more than 5% of our issued and outstanding common shares and who fails to demonstrate to our satisfaction that such shareholder is either a U.S. citizen or a qualified resident of the U.S. or the other contracting state of any applicable tax treaty with the U.S. (as determined for purposes of the relevant provision of the limitation on benefits article of such treaty).

We will have the option, but not the obligation, to purchase all or a part of the shares held by such shareholder (to the extent the Board of Directors, in the reasonable exercise of its discretion, determines it is necessary to avoid or cure adverse consequences), provided that the Board of Directors will use its reasonable efforts to exercise this option equitably among similarly situated shareholders (to the extent feasible under the circumstances).

Instead of exercising the repurchase right described above, we will have the right, but not the obligation, to cause the transfer to, and procure the purchase by, any U.S. citizen or a qualified resident of the U.S. or the other contracting state of the applicable tax treaty (as determined for purposes of the relevant provision of the limitation on benefits article of such treaty) of the number of issued and outstanding common shares beneficially owned by any shareholder that are otherwise subject to repurchase under our bye-laws as described above, at fair market value (as determined in the good faith discretion of our Board of Directors).

Our joint ventures may have an adverse effect on our business.

Our joint ventures involve significant risks that may not be present with other methods of ownership, including:

- we may not realize a satisfactory return on our investment or the joint ventures may divert management's attention from our business;
- our joint venture partners could have investment goals that are not consistent with our investment objectives, including the timing, terms and strategies for any investments;
- our joint venture partners might fail to fund their share of required capital contributions or fail to fulfill their obligations as a joint venture partner;
- decisions of our partners to sell aircraft in one of our joint ventures may have an impact on our financial performance; and
- our joint venture partners may have competing interests in our markets that could create conflict of interest issues, particularly if aircraft owned by the joint ventures are being marketed for lease or sale at a time when the Company also has comparable aircraft available for lease or sale.

Risks Related to Our Common Shares

The market price and trading volume of our common shares may be volatile or may decline regardless of our operating performance, which could result in rapid and substantial losses for our shareholders.

If the market price of our common shares declines significantly, shareholders may be unable to resell their shares at or above their purchase price. The market price or trading volume of our common shares could be highly volatile and may decline significantly in the future in response to various factors, many of which are beyond our control, including:

- variations in our quarterly or annual operating results;
- failure to meet any earnings estimates;
- actual or perceived reduction in our growth or expected future growth;
- actual or anticipated accounting issues;
- publication of research reports about us, other aircraft lessors or the aviation industry or the failure of securities analysts to cover our common shares or the decision to suspend or terminate coverage in the future;
- additions or departures of key management personnel;
- increased volatility in the capital markets and more limited or no access to debt financing, which may result in an increased cost of, or less favorable terms for, debt financing or may result in sales to satisfy collateral calls or other pressure on holders to sell our shares;
- redemptions, or similar events affecting funds or other investors holding our shares, which may result in large block trades that could significantly impact the price of our common shares;
- adverse market reaction to any indebtedness we may incur or preference or common shares we may issue in the future;
- changes in or elimination of our dividend;
- actions by shareholders;
- changes in market valuations of similar companies;
- announcements by us, our competitors or our suppliers of significant contracts, acquisitions, disposals, strategic partnerships, joint ventures or capital commitments;

- speculation in the press or investment community;
- changes or proposed changes in laws or regulations affecting the aviation industry or enforcement of these laws and regulations, or announcements relating to these matters; and
- general market, political and economic conditions and local conditions in the markets in which our lessees are located.

In addition, the equity markets in general have frequently experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies traded in those markets. Changes in economic conditions in the U.S., Europe or globally could also impact our ability to grow profitably. These broad market and industry factors may materially affect the market price of our common shares, regardless of our business or operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

Future additional debt, which would be senior to our common shares upon liquidation, and additional equity securities, which would dilute the percentage ownership of our then current common shareholders and may be senior to our common shares for the purposes of dividends and liquidation distributions, may adversely affect the market price of our common shares.

In the future, we may attempt to increase our capital resources by incurring debt or issuing additional equity securities, including commercial paper, medium-term notes, senior or subordinated notes or loans and series of preference shares or common shares. Upon liquidation, holders of our debt investments and preference shares and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common shares. Additional equity offerings would dilute the holdings of our then current common shareholders and could reduce the market price of our common shares, or both. Preference shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments. Restrictive provisions in our debt and/or preference shares could limit our ability to make a distribution to the holders of our common shares. Because our decision to incur more debt or issue additional equity securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future capital raising activities. Thus, holders of our common shares bear the risk of our future debt and equity issuances reducing the market price of our common shares and diluting their percentage ownership.

The market price of our common shares could be negatively affected by sales of substantial amounts of our common shares in the public markets.

As of February 8, 2019, there were 75,126,240 shares issued and outstanding, all of which are freely transferable, except for any shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Approximately 28.8% of our outstanding common shares are held by our affiliate, Marubeni, and can be resold into the public markets in the future in accordance with the requirements of Rule 144 under the Securities Act.

Beginning in July 2016, pursuant to the occurrence of certain events set forth in the Shareholders Agreement, Marubeni and permitted third-party transferees have the ability to cause us to register the resale of their common shares into the public markets. We cannot assure you if or when any such registration or offering may occur.

The issuance of additional common shares in connection with acquisitions or otherwise will dilute all other shareholdings.

As of February 8, 2019, we had an aggregate of 149,683,900 common shares authorized but unissued and not reserved for issuance under our incentive plan. We may issue all of these common shares without any action or approval by our shareholders. We intend to continue to actively pursue acquisitions of aviation assets and may issue common shares in connection with these acquisitions. Any common shares issued in connection with our acquisitions, our incentive plan, and the exercise of outstanding share options or otherwise would dilute the percentage ownership held by existing shareholders.

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Risks Related to Taxation

If Aircastle were treated as engaged in a trade or business in the United States, it would be subject to U.S. federal income taxation on a net income basis, which would adversely affect our business and result in decreased cash available for distribution to our shareholders.

If, contrary to expectations, Aircastle were treated as engaged in a trade or business in the United States, the portion of its net income, if any, that was "effectively connected" with such trade or business would be subject to U.S. federal income taxation at a maximum rate of 35% for taxable years ending on or prior to December 31, 2017 and 21% for taxable years beginning after December 31, 2017 (such rate, the "Federal Rate"). Such reduction in the Federal Rate occurred as a result of the recent passage of The Tax Cuts and Jobs Act on December 22, 2017 (the "Tax Act"). In addition, Aircastle would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes would adversely affect our business and would result in decreased cash available for distribution to our shareholders.

If there is not sufficient trading in our shares, or if 50% of our shares are held by certain 5% shareholders, we could lose our eligibility for an exemption from U.S. federal income taxation on rental income from our aircraft used in "international traffic" and could be subject to U.S. federal income taxation which would adversely affect our business and result in decreased cash available for distribution to our shareholders.

We expect that we are currently eligible for an exemption under Section 883 of the Internal Revenue Code of 1986, as amended (the "Code"), which provides an exemption from U.S. federal income taxation with respect to rental income derived from aircraft used in international traffic by certain foreign corporations. No assurances can be given that we will continue to be eligible for this exemption as our stock is traded on the market and changes in our ownership or the amount of our shares that are traded could cause us to cease to be eligible for such exemption. To qualify for this exemption in respect of rental income, the lessor of the aircraft must be organized in a country that grants a comparable exemption to U.S. lessors (Bermuda and Ireland each do), and certain other requirements must be satisfied. We can satisfy these requirements in any year if, for more than half the days of such year, our shares are primarily and regularly traded on a recognized exchange and certain shareholders, each of whom owns 5% or more of our shares (applying certain attribution rules), do not collectively own more than 50% of our shares. Our shares will be considered to be primarily and regularly traded on a recognized exchange in any year if: (i) the number of trades in our shares effected on such recognized stock exchanges exceed the number of our shares (or direct interests in our shares) that are traded during the year on all securities markets; (ii) trades in our shares are effected on such stock exchanges in more than de minimis quantities on at least 60 days during every calendar quarter in the year; and (iii) the aggregate number of our shares traded on such stock exchanges during the taxable year is at least 10% of the average number of our shares outstanding in that class during that year. If our shares cease to satisfy these requirements, then we may no longer be eligible for the Section 883 exemption with respect to rental income earned by aircraft used in international traffic. If we were not eligible for the exemption under Section 883 of the Code, we expect that the U.S. source rental income of Aircastle Bermuda generally would be subject to U.S. federal taxation, on a gross income basis, at a rate of not in excess of 4% as provided in Section 887 of the Code. If, contrary to expectations, Aircastle Bermuda did not comply with certain administrative guidelines of the Internal Revenue Service, such that 90% or more of Aircastle Bermuda's U.S. source rental income were attributable to the activities of personnel based in the United States, Aircastle Bermuda's U.S. source rental income would be treated as income effectively connected with the conduct of a trade or business in the United States. In such case, Aircastle Bermuda's U.S. source rental income would be subject to U.S. federal income taxation on its net income at the Federal Rate as well as state and local taxation. In addition, Aircastle Bermuda would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes would adversely affect our business and would result in decreased cash available for distribution to our shareholders.

Bermuda Economic Substance Act 2018

During 2017, the European Union ("EU") Economic and Financial Affairs Council ("ECOFIN") released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. Bermuda was not on the list of non-cooperative jurisdictions, but did feature in the report as having committed to address concerns relating to economic substance by December 31, 2018.

In accordance with that commitment, Bermuda enacted the Economic Substance Act 2018 (the “ESA”) in December 2018. Under the ESA, if a Bermuda company is carrying on as a business one or more “relevant activity” (including: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property or holding company) it will be required to maintain a substantial economic presence in Bermuda and to comply with the economic substance requirements set forth in the ESA.

Companies subject to the economic substance requirements will be required to file an economic substance declaration with the Registrar of Companies in Bermuda on an annual basis.

At present, the impact of the ESA is unclear and it is impossible to predict the nature and effect of these requirements on the Company and its subsidiaries incorporated in Bermuda. We are currently evaluating the potential effect ESA will have on the Company or its Bermuda subsidiaries.

One or more of our Irish subsidiaries could fail to qualify for treaty benefits, which would subject certain of their income to U.S. federal income taxation, which would adversely affect our business and result in decreased cash available for distribution to our shareholders.

Qualification for the benefits of the double tax treaty between the United States and Ireland (the “Irish Treaty”) depends on many factors, including being able to establish the identity of the ultimate beneficial owners of our common shares. Each of the Irish subsidiaries may not satisfy all the requirements of the Irish Treaty and thereby may not qualify each year for the benefits of the Irish Treaty or may be deemed to have a permanent establishment in the United States. Moreover, the provisions of the Irish Treaty may change. Failure to so qualify, or to be deemed to have a permanent establishment in the United States, could result in the rental income from aircraft used for flights within the United States being subject to increased U.S. federal income taxation. The imposition of such taxes would adversely affect our business and would result in decreased cash available for distribution to our shareholders.

We may become subject to an increased rate of Irish taxation which would adversely affect our business and would result in decreased earnings available for distribution to our shareholders.

Our Irish subsidiaries and affiliates are expected to be subject to corporation tax on their income from leasing, managing and servicing aircraft at the 12.5% tax rate applicable to trading income. This expectation is based on certain assumptions, including that we will maintain at least the current level of our business operations in Ireland. If we are not successful in achieving trading status in Ireland, the non-trading income activities of our Irish subsidiaries and affiliates would be subject to tax at the rate of 25% and capital gains would be taxed at the rate of 35%, which would adversely affect our business and would result in decreased earnings available for distribution to our shareholders.

We may be subject to an increased rate of Singapore taxation which would adversely affect our business and would result in decreased earnings available for distribution to our shareholders.

Our Singapore subsidiaries are subject to Singapore income tax on their income from leasing, managing and servicing aircraft. Our Singapore subsidiaries had obtained a reduced rate of tax from the Singapore authorities through June 30, 2017. Beginning on July 1, 2017 and effective to June 30, 2022, the Singapore authorities renewed the reduced rate of tax to our Singapore subsidiaries, provided we satisfy certain conditions and requirements. If we cannot meet such conditions and requirements, or if the award is not renewed after June 30, 2022, we would be subject to additional Singapore income tax. This would adversely affect our business and would result in decreased earnings available for distribution to our shareholders.

We may become subject to income or other taxes in the non-U.S. jurisdictions in which our aircraft operate, where our lessees are located or where we perform certain services which would adversely affect our business and result in decreased cash available for distributions to shareholders.

Certain Aircastle entities are expected to be subject to the income tax laws of Ireland, Mauritius, Singapore and the United States. In addition, we may be subject to income or other taxes in other jurisdictions by reason of our activities and operations, where our aircraft operate or where the lessees of our aircraft (or others in possession of our aircraft) are located. Although we have adopted operating procedures to reduce the exposure to such taxation, we may be subject to such taxes in the future and such taxes may be substantial. In addition, if we do not follow separate operating guidelines relating to managing a portion of our aircraft portfolio through offices in Ireland and Singapore, income from aircraft not owned in such jurisdictions would be subject to local tax. Changes in tax law could impose withholding taxes on lease payments during the term of a lease. Our leases typically require our lessees to indemnify us in respect of taxes but some leases may not require such indemnification or a lessee may fail to make such indemnification payment. The imposition of such taxes could adversely affect our business and result in decreased earnings available for distribution to our shareholders.

In addition, the Organization for Economic Co-operation and Development has undertaken the Base Erosion and Profit Shifting (“BEPS”) project, which aims to restructure the taxation scheme currently affecting multinational entities. If the proposals recommended under BEPS are implemented, the tax rules to which we are subject may increase our liability for non-U.S. taxes.

We expect to continue to be a passive foreign investment company (“PFIC”) and may be a controlled foreign corporation (“CFC”) for U.S. federal income tax purposes.

We expect to continue to be treated as a PFIC and may be a CFC for U.S. federal income tax purposes. If you are a U.S. person and do not make a qualified electing fund (“QEF”) election with respect to us and each of our PFIC subsidiaries, unless we are a CFC and you own 10% of our shares (by vote or value), you would be subject to special deferred tax and interest charges with respect to certain distributions on our common shares, any gain realized on a disposition of our common shares and certain other events. The effect of these deferred tax and interest charges could be materially adverse to you. Alternatively, if you are such a shareholder and make a QEF election for us and each of our PFIC subsidiaries, or if we are a CFC and you own 10% or more of our shares (by vote or value), you will not be subject to those charges, but could recognize taxable income in a taxable year with respect to our common shares in excess of any distributions that we make to you in that year, thus giving rise to so-called “phantom income” and to a potential out-of-pocket tax liability.

Distributions made to a U.S. person that is an individual will not be eligible for taxation at reduced tax rates generally applicable to dividends paid by certain United States corporations and “qualified foreign corporations.” The more favorable rates applicable to regular corporate dividends could cause individuals to perceive investment in our shares to be relatively less attractive than investment in the shares of other corporations, which could adversely affect the value of our shares.

Impact of U.S. Tax Reform

We have evaluated the effect that the Tax Act will have on our operations and cash flows. As a non-U.S. company that earns a majority of its income outside of the United States, the Tax Act reduced our U.S. deferred taxes by $2.8 million.

We also do not expect to incur income taxes on future distributions of undistributed earnings on non-U.S. subsidiaries and accordingly, no deferred income taxes have been provided for the distributions of such earnings. The Tax Act’s Participation exemption and Transition tax are not applicable to us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office space in Stamford, Connecticut, Dublin, Ireland and in Singapore. The lease for our current office in Stamford, Connecticut expires in August 2028. The lease for our Dublin office expires in June 2026 and the lease on our Singapore office expires in July 2019.

We believe our current facilities are adequate for our current needs and that suitable additional space will be available as and when needed.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal or adverse regulatory proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers of the Registrant

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the board or until their successors are elected and have been duly qualified. There are no family relationships among our executive officers.

Set forth below is information pertaining to our executive officers who held office as of February 8, 2019:

Michael Inglese, 57, became our Chief Executive Officer and a member of our Board in June 2017, having served as our Acting Chief Executive Officer from January 2017. He was previously our Chief Financial Officer from April 2007. Prior to joining the Company, Mr. Inglese served as an Executive Vice President and Chief Financial Officer of PanAmSat Holding Corporation, where he served as Chief Financial Officer from June 2000 until the closing of PanAmSat's sale to Intelsat in July 2006. Mr. Inglese joined PanAmSat in May 1998 as Vice President, Finance after serving as Chief Financial Officer for DIRECTV Japan, Inc. He is a Chartered Financial Analyst who holds a B.S. in Mechanical Engineering from Rutgers University College of Engineering and his MBA from Rutgers Graduate School of Business Management.

Aaron Dahlke, 50, became our Chief Financial Officer in June 2017. Prior to that, he was our Chief Accounting Officer from June 2005. Prior to joining the Company, Mr. Dahlke was Vice President and Controller of Boullioun Aviation Services Inc. from January 2003 to May 2005. Prior to Boullioun, Mr. Dahlke was at ImageX.com, Inc. and Ernst & Young LLP. He received a B.S. in Accounting from California State University, San Bernardino. He is a Certified Public Accountant.

Michael Kriedberg, 57, became our Chief Commercial Officer in April 2013. Prior to joining the Company, Mr. Kriedberg served as an Executive Vice President, Aviation Financing Operations of GECAS from August 2009. From January 2008 to August 2009, Mr. Kriedberg was the Chief Investment Officer of GE Capital Corporation ("GECC") and President of the Bank Loan Group division of GECC from August 2006 to January 2008. Mr. Kriedberg holds a B.S. in Economics from SUNY Albany and a Master's degree in Accounting from Pace University. In September 2018, we announced that Mr. Kriedberg intends to retire in the beginning of 2020 and the Company is in the process of identifying his successor.

Christopher L. Beers, 54*,* is our Chief Legal Officer & Secretary and became our General Counsel in November 2014. Prior to joining the Company, Mr. Beers held senior positions at GE Capital since 2000, including Senior Vice President and Associate General Counsel at GECAS from 2009 to 2014, and Senior Vice President and General Counsel of GE Transportation Finance from 2006 to 2009. Previously, Mr. Beers was a Senior Associate at the law firm of Milbank Tweed Hadley and McCloy in New York City. Mr. Beers holds a B.S. in Economics from Arizona State University and a J.D. from Pace Law School.

Joseph Schreiner, 61, became our Executive Vice President, Technical in October 2004. Prior to joining the Company, Mr. Schreiner oversaw the technical department at AAR Corp, a provider of products and services to the aviation and defense industries from 1998 to 2004 where he managed aircraft and engine evaluations and inspections, aircraft lease transitions, reconfiguration and heavy maintenance. Prior to AAR, Mr. Schreiner spent nineteen years at Boeing (McDonnell-Douglas) in various technical management positions. Mr. Schreiner received a B.S. from the University of Illinois and an MBA from Pepperdine University.

Roy Chandran, 55, became our Executive Vice President, Corporate Finance and Strategy in June 2017. He previously served as Executive Vice President of Capital Markets from May 2008. Prior to joining the Company, Mr. Chandran was a Director at Citi in the Global Structured Solutions Group, having originally joined Salomon Brothers in 1997. Mr. Chandran is responsible for all of the Company's fundraising activities and strategy and has extensive experience in US and international capital markets. Before 1997, Mr. Chandran spent eight years in Hong Kong focusing on tax-based cross border leasing of transportation equipment for clients in the Asia Pacific region. Mr. Chandran holds a B.S. in Chemical Engineering from the Royal Melbourne Institute of Technology, Australia and obtained his MBA from the International Institute of Management Development ("IMD"), Switzerland.

James C. Connelly, 46, became our Chief Accounting Officer in September 2018. Mr. Connelly has been Aircastle's Controller since January 2013. He joined Aircastle in May 2007 as Assistant Controller, Operational Accounting. Prior to joining Aircastle, Mr. Connelly was with Lehman Brothers as a Controller in their Finance Division, beginning in January 2001. Mr. Connelly received a B.S. in Accounting from Syracuse University.

PART II
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTER AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares are listed for trading on the NYSE under the symbol "AYR." As of February 1, 2019, there were 27,000 record holders of our common shares.

Our ability to pay, maintain or increase cash dividends to our shareholders is subject to the discretion of our Board of Directors and will depend on many factors, including the difficulty we may experience in raising capital in a market that has experienced significant volatility in recent years and our ability to finance our aircraft acquisition commitments; our ability to negotiate favorable lease and other contractual terms; the level of demand for our aircraft; the economic condition of the commercial aviation industry generally; the financial condition and liquidity of our lessees; the lease rates we are able to charge and realize; our leasing costs; unexpected or increased expenses; the level and timing of capital expenditures; principal repayments and other capital needs; the value of our aircraft portfolio; our compliance with loan to value, debt service coverage, interest rate coverage and other financial covenants in our financings; our results of operations, financial condition and liquidity; general business conditions; restrictions imposed by our senior notes and other financings; legal restrictions on the payment of dividends, including a statutory dividend test and other limitations under Bermuda law; and other factors that our Board of Directors deems relevant. Some of these factors are beyond our control and a change in any such factor could affect our ability to pay dividends on our common shares. In the future we may not choose to pay dividends or may not be able to pay dividends, maintain our current level of dividends, or increase them over time. Increases in demand for our aircraft and operating lease payments may not occur and may not increase our actual cash available for dividends to our common shareholders. The failure to maintain or pay dividends may adversely affect our share price.

Issuer Purchases of Equity Securities

On October 30, 2018, our Board of Directors increased the authorization to repurchase the Company's common shares to $100.0 million from the $42.2 million that was remaining under the previous authorization. During the fourth quarter of 2018, we purchased our common shares as follows:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**[1]	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs**[1]
	(Dollars in thousands, except per share amounts)			
October 1 through 31	952,488	$ 20.18	952,488	$ 100,000
November 1 through 30	1,594	0.01	—	100,000
December 1 through 31	900,792	16.93	900,792	84,752
Total	1,854,874	$ 18.60	1,853,280	$ 84,752

(1) We repurchased an additional 496,920 shares at a total cost of $8.7 million, including commissions, during January 2019. Under our current repurchase program, we have purchased an aggregate of 1,397,712 common shares at an aggregate cost of $24.0 million, including commissions. The remaining dollar value of common shares that may be repurchased under the program is $76.0 million.

Performance Graph

The following stock performance graph shall not be deemed "filed" with the SEC or subject to Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act of 1933, as amended.

The following graph compares the cumulative five year total return to holders of our common shares relative to the cumulative total returns of the S&P Midcap 400 Index and a customized peer group over the five year period ended

December 31, 2018. The peer group consists of three companies: AerCap Holdings NV (NYSE: AER), Air Lease Corporation

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(NYSE: AL) and FLY Leasing Limited (NYSE: FLY). An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common shares, the S&P Midcap 400 Index and in the peer group on December 31, 2013, and the relative performance of each is tracked through December 31, 2018. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance. We believe that the S&P Midcap 400 Index is more representative of our peers and as such, we utilize the S&P Midcap 400 Index as one of the metrics for our performance share-based compensation as part of our long-term incentive plan.

* $100 invested on December 31, 2013 in stock or index, including reinvestment of dividends.

	12/31/13	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**
Aircastle Limited	$ 100.00	$ 116.42	$ 118.54	$ 123.91	$ 145.50	$ 113.45
S&P Midcap 400	100.00	109.77	107.38	129.65	150.71	134.01
Peer Group	100.00	103.84	111.52	109.65	142.15	101.15

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ITEM 6. SELECTED FINANCIAL DATA

The selected historical consolidated financial, operating and other data as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 presented in this table are derived from our audited consolidated financial statements and related notes thereto appearing elsewhere in this Annual Report. The selected consolidated financial data as of December 31, 2015 and 2014 presented in this table are derived from our audited consolidated financial statements and related notes thereto, which are not included in this Annual Report. You should read these tables along with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the related notes thereto included elsewhere in this Annual Report.

	Year Ended December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
	(Dollars in thousands, except share data)				
Selected Financial Data:					
Consolidated Statements of Income:					
Lease rental revenue	$722,694	$721,302	$725,220	$733,417	$714,654
Total revenues[(1)]	890,351	851,787	812,084	877,219	841,748
Selling, general and administrative expenses	76,025	73,604	61,872	56,198	55,773
Depreciation	310,850	298,664	305,216	318,783	299,365
Interest, net	234,504	241,231	255,660	243,577	238,378
Net income	247,919	147,874	151,453	121,729	100,828
Earnings per common share — Basic:					
Net income per share	$3.18	$1.88	$1.92	$1.50	$1.25
Earnings per common share — Diluted:					
Net income per share	$3.17	$1.87	$1.92	$1.50	$1.25
Cash dividends declared per share	$1.14	$1.06	$0.98	$0.90	$0.82
Other Operating Data:					
EBITDA	$814,184	$705,525	$734,989	$707,524	$658,606
Adjusted EBITDA	839,831	801,584	767,953	832,105	792,283
Adjusted net income	257,237	169,566	168,527	142,271	167,642
Consolidated Statements of Cash Flows:					
Cash flows provided by operations	$522,592	$490,871	$468,092	$526,285	$458,786
Cash flows used in investing activities	(974,687)	(517,107)	(663,155)	(847,662)	(861,602)
Cash flows provided by (used in) financing activities	386,091	(248,724)	449,839	306,878	(106,030)
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$152,719	$211,922	$455,579	$155,904	$169,656
Flight equipment held for lease, net of accumulated depreciation	6,935,585	6,188,469	6,247,585	5,867,062	5,579,718
Net investment in finance and sales-type leases	469,180	545,750	260,853	201,211	106,651
Total assets	7,871,181	7,199,083	7,244,665	6,569,964	6,175,146
Borrowings from secured and unsecured financings, net of debt issuance costs	4,761,353	4,313,606	4,506,245	4,041,156	3,744,587
Shareholders' equity	2,008,681	1,907,564	1,834,314	1,779,500	1,720,335
Other Data:					
Number of aircraft owned and managed on behalf of our joint ventures (at the end of period)	261	236	206	167	152
Total debt to total capitalization	70.3%	69.3%	71.1%	69.4%	68.5%

Total unencumbered assets	$6,207,411	$5,558,294	$5,069,955	$4,084,134	$3,510,588

(1) See Organization and Basis of Presentation in the Notes to Consolidated Financial Statements.

We define EBITDA as income (loss) from continuing operations before income taxes, interest expense, and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non-U.S. GAAP measure is helpful in identifying trends in our performance. This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieving optimal financial performance. It provides an indicator for management to determine if adjustments to current spending decisions are needed. EBITDA provides us with a measure of operating performance because it assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily interest charges on our outstanding debt) and asset base (primarily depreciation and amortization) from our operating results. Accordingly, this metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure, or expenses, of the organization. EBITDA is one of the metrics used by senior management and the Board of Directors to review the consolidated financial performance of our business.