Genesis Lease LTD
Form 20-F
March 10, 2008

Table of Contents

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2007

OR

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

OR

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

Commission file number 1-33200

GENESIS LEASE LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

4230 Atlantic Avenue
Westpark
Shannon
Co. Clare, Ireland

(Address of principal executive office)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class
Name of each exchange on which registered American Depositary Shares New York Stock Exchange Common Shares, par value of $0.001 per share New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares representing these shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

36,069,069 Common Shares, par value of $0.001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark, if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Table of Contents

PRELIMINARY NOTE

This Annual Report should be read in conjunction with the financial statements and accompanying notes included in this report.

This Annual Report contains forward-looking statements that involve risks and uncertainties. These statements include forward-looking statements both with respect to us specifically and the aircraft leasing industry generally. Statements that include the words ‘‘expect,’’ ‘‘intend,’’ ‘‘plan,’’ ‘‘believe,’’ ‘‘project,’’ ‘‘anticipate,’’ ‘‘will,’’ and similar state future or forward-looking nature identify forward-looking statements. The forward-looking statements contained in this Annual Report are based on management’s current expectations and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include, but are not limited to, those described under Item 3.D. ‘‘Risk Factors’’ and elsewhere in this Annual Report. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

We acquired our initial portfolio of 41 commercial jet aircraft (the ‘‘initial portfolio’’) from affiliates of General Electric Company (‘‘GE’’) on December 19, 2006, with the net proceeds of our initial public offering (‘‘IPO’’), a private placement of shares to GE (the ‘‘private placement’’) and the issuance of aircraft lease-backed notes in a securitization transaction (the ‘‘securitization’’). Since our IPO, we have increased our portfolio from 41 to 53 aircraft through acquisitions from affiliates of GE and from independent airlines in purchase-leaseback transactions.

Unless the context requires otherwise, when used in this Annual Report, (1) the term ‘‘Company’’ refers only to Genesis Lease Limited, (2) the terms ‘‘Genesis,’’ ‘‘we,’’ ‘‘our’’ and ‘‘us’’ refer to Genesis Lease Limited and its subsidiaries, includin Genesis Funding Limited (‘‘Genesis Funding’’) and Genesis Acquisition Limited (‘‘Genesis Acquisition’’), (3) ‘‘GECAS’’ refers to GE Commercial Aviation Services Limited, together with its subsidiaries, (4) our ‘‘predecessor’’ refers to the combination of the 41 aircraft included in our initial portfolio from the date that each aircraft was acquired by an affiliate of GE, as such aircraft were owned by affiliates of GE until the completion of our IPO on December 19, 2006, (5) all references to our shares refer to our common shares held in the form of American Depositary Shares, (‘‘ADSs’’), (6) all percentages and weighted averages of the aircraft in our portfolio have been calculated using the lower of mean or median half life appraised base values as of June 30, 2007, except for four new aircraft that were delivered to us between July and September 2007, whose appraised base values have been calculated as of the date of manufacture, and (7) percentages may not total due to rounding.

INDEX

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected unaudited financial data is derived from our combined and consolidated financial statements, prepared in conformity with accounting principles generally accepted in the United States of America (''U.S. GAAP''), and should be read in conjunction with, and is qualified by reference to, Item 5. ''Operating and Financial Review and Prospects and our combined and consolidated financial statements and related notes thereto included in Item 18. Financial Statements'' in this Annual Report.

Years Ended December 31,	Combined	Combined	Combined	Combined and Consolidated	Consolidated
	2003	2004	2005	2006	2007
(USD in thousands, except share and per share data)					
Revenues					
Rental of Flight Equipment	$ 80,118	$ 99,414	$ 117,861	$ 153,187	$ 181,333
Other income	—	—	—	—	6,771
Total revenue	80,118	99,414	117,861	153,187	188,104
Expenses:					
Depreciation	29,321	35,005	42,462	51,398	62,259
Interest	25,700	28,680	34,995	46,026	55,236
Maintenance expense	48	1,019	1,989	2,327	1,073
Selling, general and administrative	1,283	2,400	3,144	7,312	20,991
Other expenses	—	—	—	—	3,337
Total operating expenses	56,352	67,104	82,590	107,063	142,896
Income Before Taxes	23,766	32,310	35,271	46,124	45,208
Provision for income taxes	7,328	14,892	13,900	17,367	6,053
Net Income	$ 16,438	$ 17,418	$ 21,371	$ 28,757	$ 39,155

We calculate our earnings per share in accordance with Statement of Financial Accounting Standards (''SFAS'') 128, Earnings per share. Basic net earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted net earnings per share reflects the dilution potential that could occur if securities or other contracts to issue common shares were exercised resulting in the issuance of common shares that then shared in our net income.

Table of Contents

The shares used in the computation of our basic and diluted net earnings per shares are as follows:

		2006	2007
Weighted average number of shares outstanding:	Basic	1,116,296	35,859,164
	Diluted	1,118,050	35,867,105

We have presented pro forma basic and diluted net earnings per share amounts for the year ended December 31, 2006 for the number of shares that we issued in our IPO and in the subsequent exercise of the over-allotment option as if the IPO and the exercise of the over-allotment option had occurred on January 1, 2006.

The shares used in our pro forma earnings per share are as follows:

		2006 Pro forma
weighted average number of shares outstanding:	Basic	36,038,676
	Diluted	36,041,416

The following tables present the earnings per share calculated on both an actual full year and a pro forma basis, as set out in the following table as follows:

		2006	2007
Net earnings per share:	Basic	$ 25.76	$ 1.09
	Diluted	$ 25.72	$ 1.09

		2006
Pro forma net earnings per share:	Basic	$ 0.80
	Diluted	$ 0.80

As of December 31,	2003	2004	2005	2006	2007
	(USD in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ —	$ —	$ —	$ 26,855	$ 30,101
Restricted cash	—	—	—	15,471	32,982
Total assets	790,544	936,918	1,082,997	1,316,058	1,675,169
Long-term debt	—	—	—	810,000	1,050,961
Total liabilities	58,791	92,115	101,006	839,383	1,132,830
GE net investment	731,753	844,803	981,991	—	—
Total shareholders' equity	—	—	—	476,675	542,339
Total liabilities and GE net investment/shareholders' equity	790,544	936,918	1,082,997	1,316,058	1,675,169

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the following risks. These risks could materially and adversely affect our business, prospects, financial condition, results of operations, cash flows and ability to pay dividends

5

Table of Contents

and cause the trading price of our shares to decline. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, prospects, financial condition, results of operations, cash flows and ability to pay dividends.

Risks Related to Our Financial Information

The historical financial information included in this Annual Report for periods prior to December 19, 2006, the completion of our IPO, does not reflect the financial condition, results of operations or cash flows we would have achieved during the periods presented as a stand-alone company, and therefore may not be a reliable indicator of our future financial performance or ability to pay dividends.

We completed our IPO and commenced independent operations on December 19, 2006. As a result, we have a limited independent operating history, and our prospects and ability to pay dividends must be considered in light of the risks, expenses and difficulties frequently encountered when any new business is formed. The historical financial information included in this Annual Report for periods prior to December 19, 2006, the completion of our IPO, does not reflect the financial condition, results of operations or cash flows that we would have achieved as a stand-alone company during the periods presented or that we will achieve in the future. This is primarily a result of the following factors:

- The historical combined financial information included in this Annual Report for periods prior to our IPO does not reflect our ongoing cost structure, management, financing costs or business operations. Instead, this combined financial information represents the combination of results attributable to some of the aircraft included in our initial portfolio of 41 aircraft as owned, managed, financed and operated by GECAS and its affiliates. Following our acquisition of the initial portfolio, the cost of financing and operating these aircraft has changed due to:
  - the fact that the historical financial information for periods prior to the completion of our IPO reflects allocations of corporate expenses from affiliates of GE and GECAS to our initial portfolio. These allocations are different from the comparable expenses we incur as a stand-alone public company due to a number of factors, including the likelihood that we are not able to realize economies-of-scale and negotiating leverage achieved by GE and GECAS;
  - the need for additional personnel and service providers to perform services previously provided by GECAS and other affiliates of GE; and
  - legal, accounting, compliance and other costs associated with being a public company with listed equity, including compliance with the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, or the NYSE; and
  - the fact that the historical combined financial information prior to our IPO reflects only the number of aircraft included in our initial portfolio owned by affiliates of GE for the periods or as of the dates specified therein, rather than all of the aircraft currently included in our portfolio.
- Our predecessor's working capital requirements were satisfied as part of GE's corporate-wide cash management policies. Although we have access to a credit facility for the acquisition of additional aircraft, we may not be able to obtain financing on terms as favorable as our predecessor obtained from or through GE and our cost of debt will likely be higher.
- The depreciation of capitalized major maintenance costs and our maintenance expenses are higher than reflected in the historical financial information due to the aging of our aircraft.

• Our effective tax rate is lower than our predecessor's as a result of our tax residency in Ireland. Our cash tax payments are also lower as a result of our ability to depreciate aircraft under Irish tax law over eight years, which is a more accelerated rate than our predecessor used to depreciate aircraft under U.S. tax law.

6

Table of Contents

Our subsidiaries in many cases have owned their aircraft prior to our acquisition of them and may have unknown contingent liabilities that we may be required to fund.

There is a risk that our subsidiaries, many of which have owned their aircraft in our portfolio prior to our acquisition of such subsidiaries, could have material contingent liabilities that are unknown to us and that were incurred by third parties from operating and leasing the aircraft in our portfolio or for other reasons.

Affiliates of GE, from which we acquired certain aircraft in our portfolio, have made representations and warranties relating to:

- the existence of a valid and final transfer of the beneficial interests of entities that hold the aircraft or entities that hold the beneficial interests of any such entities and that were sold to us by affiliates of GE;
- the title of our aircraft-owning subsidiaries to the applicable aircraft; and
- the lack of additional liabilities of our aircraft-owning subsidiaries or liens on the aircraft other than disclosed to us or otherwise permitted.

These representations and warranties are subject to time limits. If a liability arises and we are called on to pay it but are not able to recover any amount from the sellers for such liability, our liquidity could decrease significantly and we may be unable to pay dividends to our shareholders.

Risks Related to Our Dividend Policy

We may not be able to pay or maintain dividends on our shares. The failure to do so would adversely affect the trading price of our shares.

There are a number of factors that could affect our ability to pay dividends, including, but not limited to, the following:

- lack of availability of cash to pay dividends due to changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- our inability to refinance the notes that we have issued in the securitization before December 2011, when we will be required to apply all available cash flow from our initial portfolio to repay the principal amount thereof on a monthly basis;
- our inability to make acquisitions of additional aircraft that are accretive to cash flow;
- our inability to renew, extend or repay our senior credit facility before April 2010 and to comply with the covenants in our senior credit facility, which could prevent Genesis Acquisition from making any distributions to us;
- application of funds to make and finance acquisitions of aircraft and other aviation assets;
- our inability to make acquisitions of additional aircraft that are accretive to cash flow;
- reduced levels of

demand for, or value of, our aircraft;

- increased supply of aircraft;
- obsolescence of aircraft;
- lower lease rates on new aircraft and re-leased aircraft;
- delays in re-leasing our aircraft after the expiration or early termination of existing leases;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- unexpected or increased fees and expenses payable under our agreements with GECAS and its affiliates and other service providers;

7

Table of Contents

- poor performance by GECAS and its affiliates and other service providers and our limited rights to terminate them;
- unexpected or increased maintenance, operating or other expenses or changes in the timing thereof;
- a decision by our board of directors to modify or revoke its policy to distribute a portion of our cash flow available for distribution;
- restrictions imposed by our financing arrangements, including under the notes issued in the securitization, our credit facility and any indebtedness incurred in the future to refinance our existing debt or to expand our aircraft portfolio;
- changes in Irish tax law, the tax treaty between the United States and Ireland (the ‘‘Irish Treaty’’) or our ability to qualify for the benefits of such treaty;
- cash reserves established by our board of directors;
- restrictions under Bermuda law on the amount of dividends that we may pay; and
- the other risks discussed under this Item 3.D. ‘‘Risk Factors.’’

The failure to maintain or pay dividends may adversely affect the trading price of our shares. See Item 8. ‘‘Financial Information.’’

We are a holding and a financing company and rely on our subsidiaries to provide us with funds necessary to meet our financial obligations and pay dividends.

We are a holding and a financing company and our principal asset is the equity interests we hold in our subsidiaries that hold our aircraft. As a result, we depend on dividends and other payments from these subsidiaries and from any other subsidiaries through which we may conduct operations in the future, to generate the funds necessary to meet our financial obligations and to pay dividends on our shares. The subsidiaries that hold our aircraft are legally distinct from us and are significantly restricted from paying dividends or otherwise making funds available to us pursuant to agreements governing our indebtedness. Any other subsidiaries through which we may conduct operations in the future will also be legally distinct from us and may be similarly restricted from paying dividends or otherwise making funds available to us under certain conditions. Our subsidiaries will generally be required to service their debt obligations before making distributions to us, thereby reducing the amount of our cash flow available to pay dividends, fund working capital, make capital expenditures and satisfy other needs.

Commencing December 2011, Genesis Funding will be required to apply all of its available cash flow to repay the principal of the securitization notes. If Genesis Funding’s debt service coverage ratio (as defined in the indenture for the securitization notes) is less than 1.80 to 1.00 on any two consecutive monthly payment dates occurring between November 2009 and November 2011, Genesis Funding will be required to apply all of its available cash flow to repay the principal of the securitization notes. If Genesis Funding has not refinanced the notes prior to being required to apply all available cash flow to repay the principal amount of the notes, then the cash flow from the aircraft in our initial portfolio of 41 aircraft will not be available to us to pay dividends or to finance acquisitions of additional aircraft.

The commitments under our credit facility are available until April 2010, at which time Genesis Acquisition will have the option to convert any outstanding amount under the credit facility to a term loan with a two-year maturity. If Genesis Acquisition does not exercise this option, then the outstanding amount under the credit facility at such time will be due on such date. In addition, if Genesis Acquisition’s ratio of earnings before interest, taxes, depreciation and amortization (‘‘EBITDA’’) to interest expense for any trailing period of three consecutive months fails to exceed 1.1, then Genesis Acquisition will be required to apply all of its available cash flow to repay any outstanding principal under the credit facility.

Table of Contents

We own aircraft through subsidiaries, and our rights to our aircraft are structurally subordinated to the rights of the creditors of those subsidiaries.

Our rights to the aircraft owned by our subsidiaries are structurally subordinated to the rights of the creditors of these subsidiaries. This means that the creditors of our subsidiaries will be paid from their assets, including all of our aircraft and other aviation assets, before we would have any claims to those assets.

Other Risks Related to Our Business

Under our current business model, we will need additional capital to finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to grow and compete in the aviation market.

Our liquidity needs include the financing of acquisition of additional aircraft and other aviation assets that we expect will drive our growth. We plan to finance acquisitions through borrowings under our credit facility and additional equity and debt offerings, which may include securitizations of our aircraft and other leases.

Our ability to execute our business strategy to acquire these additional assets depends to a significant degree on our ability to access debt and equity capital markets. Our access to these markets will depend on a number of factors, such as our historical and expected performance, compliance with the terms of our debt agreements, industry and market trends, the availability of capital, the cost of capital in debt and equity markets and the relative attractiveness of alternative investments. Recent turmoil in the financial markets caused by losses related to sub-prime lending has caused banks and financial institutions to decrease the amount of capital available for lending. If we are unable to raise funds through debt and equity capital markets on terms that are acceptable to us, then we may be unable to implement our growth strategy of making acquisitions of additional aircraft and other aviation assets that are accretive to cash flow. Further, if additional capital is raised through the issuance of additional equity securities, the ownership interest of our existing common shareholders would be diluted.

Unforeseen difficulties and costs associated with the acquisition, financing and/or management of our aircraft portfolio and other aviation assets could reduce or prevent our future growth and profitability.

Our growth strategy contemplates future acquisitions and leasing of additional commercial aircraft and other aviation assets. There is currently high market demand for certain aircraft, and we may encounter difficulties in acquiring aircraft on favorable terms or at all, including increased competition for assets, which could reduce our acquisition opportunities or cause us to pay higher prices. A significant increase in market interest rates would make it more difficult for us to make accretive acquisitions that would increase our distributable cash flows. Any acquisition of aircraft or other aviation assets may not be profitable to us after the acquisition and may not generate sufficient cash flow to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our business, financial condition, results of operations and cash flows, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships or cash flow enhancements;
- impair our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense and financial leverage to the extent we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the aircraft or other aviation assets that we acquire;

- incur other significant charges, including asset impairment or restructuring charges; or
- be unable to maintain our ability to pay regular dividends to our shareholders.

9

Table of Contents

Unlike new aircraft, existing aircraft typically do not carry warranties as to their conditions (although certain manufacturer warranties may still be effective and assignable when the aircraft is purchased). Although we may inspect an existing aircraft and its documented maintenance, usage, lease and other records prior to acquisition, such an inspection normally would not provide us with as much knowledge of an aircraft's condition as we would have if it had been built for us. In addition, we may not have the opportunity to inspect each aircraft that we acquire. Repairs and maintenance costs for existing aircraft are difficult to predict and generally increase as aircraft age and may have been adversely affected by prior use. These costs could decrease our cash flow and reduce our liquidity and our ability to pay regular dividends to our shareholders.

The death, incapacity or departure of senior management could harm our business and financial results.

Our future success depends to a significant extent upon our chief executive officer, John McMahon, our chief financial officer, Alan Jenkins, and our chief commercial officer, Cian Dooley. Mr. McMahon has substantial experience in the aviation industry, and his continued employment is crucial to the development of our business strategy and to the growth and development of our business. Mr. Jenkins and Mr. Dooley also have significant experience in the aviation industry on which we depend. If Mr. McMahon, Mr. Jenkins or Mr. Dooley were to die, become incapacitated for a short or long period, or leave our company, we may not be able to replace each of them, respectively, as the case may be, with another chief executive officer, chief financial officer or chief commercial officer with equivalent talent and experience, and our business, prospects, financial condition, results of operations and cash flows may suffer. Because we have a limited staff, the impact of any of Mr. McMahon's, Mr. Jenkins's or Mr. Dooley's departure could be severe to our business.

We are subject to financial and other reporting and corporate governance requirements that may be difficult for us to satisfy.

Upon the completion of our IPO, we became obligated to file with the SEC periodic reports that are specified in Section 13 of the Securities Exchange Act of 1934, and we are required to ensure that we have the ability to prepare financial statements that are compliant with all SEC reporting requirements on a timely basis. Upon completion of our IPO, we also became subject to requirements of the NYSE and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder applicable to foreign private issuers, which impose significant compliance obligations upon us. Pursuant to such obligations we are required to, among other things:

- prepare periodic reports, including financial statements, in compliance with our obligations under U.S. federal securities laws and NYSE rules;
- maintain effective internal controls over financial reporting and disclosure controls and procedures;
- establish an investor relations function; and
- establish internal compliance policies, such as those relating to insider trading.

If we fail to implement the requirements with respect to our internal accounting and audit functions, then our financial statements could contain material misstatements or omissions, we could have material weaknesses in our internal controls over financial reporting and our financial statements may not be published in a timely fashion, any of which could cause investors to lose confidence in our financial reporting and have an adverse effect on the trading price of our shares.

10

Table of Contents

Risks Related to Our Indebtedness

We may not be able to refinance the notes issued by Genesis Funding or renew, extend or repay our senior credit facility on favorable terms or at all, which may require us to seek more costly or dilutive financing for our investments or to liquidate assets.

We currently intend to refinance the notes issued by Genesis Funding in the securitization through a further securitization or other long-term financing prior to December 2011, five years after the completion of our IPO after which we will be required to apply all of the available cash flow from our initial portfolio to repay the principal thereon. The commitments under our credit facility are available until April 2010, at which time the outstanding amount under the credit facility will be due for repayment, unless we exercise the option to convert any outstanding amount under the credit facility to a term loan with a two-year maturity. We bear the risk that we will not be able to refinance our existing indebtedness on favorable terms or at all. The inability to refinance our securitization indebtedness or our credit facility may require us to seek more costly or dilutive financing for our aircraft or to liquidate assets. If we are not able to refinance indebtedness to repay the principal thereon and, as a result, excess cash available for dividends is reduced or eliminated, then our ability to continue paying dividends to our shareholders will be adversely affected if we have not developed sufficient additional sources of cash flow to replace the cash flows that will be applied to such principal amortization.

We are subject to risks related to our indebtedness that may limit our operational flexibility and our ability to pay dividends on our shares.

Our credit facility and the terms of the notes issued in the securitization subject us to certain risks and operational restrictions, including:

- our aircraft leases and several of our aircraft serve as collateral for our credit facility or the notes issued in the securitization, the terms of which restrict our ability to sell aircraft and require us to use proceeds from sales of aircraft, in part, to repay amounts outstanding under those notes;
- we are required to dedicate a significant portion of our cash flow from operations to debt service payments, thereby reducing the amount of our cash flow available to pay dividends, fund working capital, make capital expenditures and satisfy other needs;
- restrictions on our subsidiaries' ability to distribute excess cash flow to us under certain circumstances;
- lessee, geographical and other concentration limits on flexibility in leasing our aircraft;
- requirements to obtain policy provider consents and rating agency confirmations for certain actions; and
- restrictions on our ability to incur additional debt, create liens on assets, sell assets, make freighter conversions and make certain investments or capital expenditures.

The restrictions described above may impair our ability to operate and to compete effectively with our competitors. Similar restrictions may be contained in the terms of future financings that we may enter into to finance our growth, including our credit facility.

The notes issued in the securitization and our credit facility are subject to interest rate risk, which could impair our ability to pay dividends to you.

The notes that Genesis Funding issued in the securitization and Genesis Acquisition's credit facility have floating interest rates, which subjects us to the risk of an increase in interest rates and to the risk that our cash flows may be insufficient to make scheduled interest payments on the notes and the credit facility if interest rates were to increase. In addition, some of our leases have lease rentals that are tied to six-month LIBOR. To limit the risks of interest rate fluctuations, we have entered into interest rate swaps or other interest rate hedging arrangements. If any counterparty to the interest

Table of Contents

rate hedging arrangements were to default on its obligations, then a mismatch in the floating rate interest obligations and fixed rate lease payments may arise. This could impair both Genesis Funding's and Genesis Acquisition's ability to make distributions to us, which could, in turn, adversely affect our ability to meet our financial obligations and pay dividends to our shareholders.

Risks Related to Our Relationships with GECAS, Its Affiliates and Other Service Providers

We depend on GECAS to service our portfolio and additional aircraft that we acquire in the future.

We were formed in 2006 and had thirteen permanent employees as of December 31, 2007, as well as seven consultants who work with us on a contract basis. Our business strategy involves outsourcing our servicing and remarketing of aircraft to GECAS. Our initial business operations consisted of owning and leasing a portfolio of aircraft acquired from affiliates of GE. These aircraft assets were previously owned, managed and leased by GE and its affiliates as part of their larger aircraft leasing enterprise. We do not have the same infrastructure as GECAS to support these aircraft assets, and we continue to rely on GECAS for the servicing of our aircraft. Pursuant to our servicing agreements, GECAS provides us with a variety of services, including collecting rents and other payments from the lessees of our aircraft, monitoring maintenance, insurance and other obligations under our leases, enforcing rights against lessees, remarketing aircraft for re-lease or sale and other aircraft-related services. GECAS has a high level of autonomy in its servicing of our aircraft, and our operational success, revenues, aircraft and lease related costs and ability to execute our growth strategy depend significantly on GECAS's satisfactory performance of these services. GECAS's failure to perform these services satisfactorily would significantly impair our ability to maximize our lease or sale income, monitor our lessees' compliance with their lease obligations and/or comply with our contractual obligations under our leases. Our rights to terminate the servicing agreements are limited. In particular, we have no right to terminate GECAS as servicer simply because it is performing unsatisfactorily. See ''— Even if we are dissatisfied with GECAS's performance, there are only limited circumstances under which we will be able to terminate the servicing agreements and we may not terminate the servicing agreement for our initial portfolio without the prior written consent of the policy provider.''

GECAS is not obligated to service all aircraft that we acquire in the future. The servicing agreements provide that GECAS may decline to accept newly acquired aircraft for servicing for a number of specified reasons. See Item 10.C. ''Additional Information — Material Contracts — Servicing Agreements.'' For example, GECAS may decline to service an aircraft if a bank lender that finances such aircraft imposes conditions on the servicing of such aircraft to which GECAS does not agree. If GECAS declines to service any aircraft we acquire in the future, we will need to find a replacement servicer for such aircraft. The quality of any replacement services may not be as high or provided on terms as favorable as the terms currently offered by GECAS.

In addition, if any of the servicing agreements were to be terminated, or if their terms were to be altered, we will not be entitled to benefit from certain terms of the leases, such as cross-defaults and various insurance terms, that apply only if GECAS is the servicer, and we may not be able to replace these services promptly. If we are unable to maintain a strong, positive relationship with GECAS, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

GECAS's obligation to provide us with opportunities to purchase additional aircraft or other aviation assets under our business opportunities agreement is limited, and GECAS may compete with us for such acquisitions.

We have entered into a business opportunities agreement with GECAS which is designed to lead to additional opportunities to purchase aircraft from third-party sources that GECAS encounters in its global operations, as well as certain aircraft offered to us directly by GECAS. However, GECAS generally is free to decide whether to make offers to sell aircraft to the aircraft finance industry generally, whether to sell us any aircraft that we offer to purchase and whether to provide us with access to any opportunities to purchase aircraft from other sources. Although we intend to source aircraft purchases on our own, our resources are significantly less than those of GECAS. Competition from GECAS or the ability of other parties to negotiate more favorable terms with GECAS or other sources of opportunities presented to us may adversely affect our business and growth prospects.

GECAS and its affiliates may have conflicts of interest with us, and their limited contractual or other duties may not restrict them from favoring their own business interests to our detriment.

Conflicts of interest may arise between us and GECAS, as the servicer for our aircraft, with respect to our operations and business opportunities. These conflicts may arise because GECAS manages and remarkets for lease or sale aircraft for us, itself, its affiliates and for many other entities. GECAS also has extensive information about our business and operations as a result of the continued servicing of our aircraft, including access to sensitive competitive information such as lease and aircraft pricing, whereas we do not have access to similar information with respect to GECAS. If a conflict of interest arises as to one of our aircraft and other aircraft managed by GECAS, the servicing agreements provide that GECAS must perform the services in good faith, and, to the extent that either two or more of our particular aircraft or one of our aircraft and other aircraft managed by GECAS have substantially similar objectively identifiable characteristics that are relevant for purposes of the particular services to be performed, GECAS has agreed not to discriminate among our aircraft or between any of our aircraft and any other managed aircraft on an unreasonable basis. Nevertheless, despite these contractual undertakings, GECAS may favor its own interests and the interests of other managed entities over our interests.

Conflicts may arise, for example, when our aircraft are leased to entities that also lease other aircraft owned or managed by GECAS and decisions affecting some aircraft may have an adverse impact on others. For example, when a lessee in financial distress seeks to return some of its aircraft, GECAS will be required to decide which aircraft to accept for return and may favor its or another managed entity's interest over ours. Conflicts also may arise when our aircraft are being marketed for re-lease or sale at a time when other aircraft owned or managed by GECAS are being similarly marketed. These conflicts may be especially pronounced when an affiliate of GECAS is providing financing for a lessee or for the marketed aircraft or where GECAS's contractual arrangements with a third party have the effect of requiring preferential treatment for other aircraft.

Under the terms of our servicing agreements with GECAS, we are not entitled to be informed of all conflicts of interest involving GECAS and are limited in our right to replace GECAS because of conflicts of interest. Any replacement servicer may not provide the same quality of service or may not afford us terms as favorable as the terms currently offered by GECAS. Moreover, in certain situations we may incur duplicative servicing fees for services we obtain when there is a conflict of interest. If GECAS, as the servicer, makes a decision that is adverse to our interests, our business, financial condition, results of operations and cash flows could suffer. See ''— Even if we are dissatisfied with GECAS, there are only limited circumstances under which we will be able to terminate the servicing agreements and we may not terminate the servicing agreement for our initial portfolio without the prior written consent of the policy provider.''

Conflicts may also arise when GECAS decides to whom it will offer the opportunity to acquire an aircraft. Although GECAS has agreed under the business opportunities agreement to notify us of any offers that it makes to sell commercial jet aircraft to the aircraft finance industry generally, GECAS is not required to sell us any aircraft that we offer to purchase or to provide us with opportunities that become available to GECAS from other sources. Accordingly, GECAS may decide to purchase aircraft for itself or favor other managed entities that are interested in purchasing aircraft that become available from other sources. See ''— GECAS's obligation to provide us with opportunities to purchase additional aircraft or other aviation assets under our business opportunities agreement is limited, and GECAS is not prevented from competing with us for such acquisitions.''

We may compete with GECAS for acquisitions and dispositions of aircraft as well as the re-leasing of our aircraft that are not serviced by GECAS.

We may compete with GECAS in the market for aircraft acquisitions and dispositions and in re-leasing any of our aircraft that GECAS does not service. Currently, GECAS manages a fleet of approximately 1,450 aircraft owned by its affiliates and nearly 300 aircraft owned by other entities and thus has considerably greater scale than we have. GECAS also has extensive information about our business and operations as a result of the continued servicing of our aircraft, including access to sensitive competitive information such as lease and aircraft pricing, whereas we do not have access to similar information with respect to GECAS. In addition, GECAS has significantly greater financial resources than we have. As a result, we are likely to be at a competitive disadvantage to GECAS as we seek to acquire or dispose of aircraft or to re-lease any of our aircraft that GECAS does not service.

Our servicing agreements limit our remedies against GECAS for unsatisfactory performance and provide certain termination rights to the policy provider.

Under our servicing agreements with GECAS, in many cases we may not have the right to recover damages from GECAS for unsatisfactory performance. In addition, although GECAS is subject to standards of care and conflicts as provided in the servicing agreements, GECAS is not contractually responsible for:

- the transfer of aircraft, leases or other assets to our company;
- determining the adequacy of the terms of any aircraft lease, including rent payments or security deposits;
- determining the reliability or creditworthiness of any lessee; or
- our compliance with the terms of our agreements with other parties, including the indenture for the securitization and our credit facility.

We have agreed to indemnify GECAS and its affiliates for broad categories of losses arising out of the performance of services for our aircraft and leases, unless they are finally adjudicated to have been caused directly by GECAS's gross negligence or willful misconduct (including willful misconduct that constitutes fraud) in respect of GECAS's obligation to apply its standard of care or conflicts standard in the performance of its services. We have also agreed to indemnify GECAS and its affiliates for losses arising out of the disclosures in this Annual Report (except certain disclosures provided to us by GECAS and losses arising out of our compliance with our obligations to any holders of any securities issued by us or any of our subsidiaries or any governmental authorities).

Under certain circumstances the provider of the financial guarantee insurance policy with respect to the securitization notes has the right to terminate GECAS as the servicer for our initial portfolio without our consent and may terminate GECAS at a time which may be disadvantageous to us.

Even if we are dissatisfied with GECAS's performance, there are only limited circumstances under which we will be able to terminate the servicing agreements and we may not terminate the servicing agreement for our initial portfolio without the prior written consent of the policy provider.

We have the right to terminate any servicing agreement with GECAS (except in the case of the servicing agreement for our initial portfolio, which also requires the prior written consent of the policy provider) if, among other things,

- GECAS ceases to be at least majority-owned directly or indirectly by General Electric Capital Corporation, or GE Capital, or its ultimate parent, GE;

• GECAS fails in any material respect to perform any material services under the servicing agreements which results in liability of GECAS due to its gross negligence or willful misconduct (including willful misconduct constituting fraud) in respect of its obligation to apply the standard of care or conflicts standard in respect of performance of the services in a manner that is materially adverse to us and our applicable subsidiaries taken as a whole;

• GECAS fails in any material respect to perform any material services under the servicing agreements in accordance with the standard of care or the conflicts standard in a manner that is materially adverse to us and our applicable subsidiaries taken as a whole;

• GECAS, GE Capital or GE becomes subject to bankruptcy or insolvency proceedings;

Table of Contents

- with respect to the master servicing agreement, we have insufficient funds for the payment of certain dividends while a significant portion of our available aircraft remain off-lease for a specified period;
- with respect to the servicing agreement for our initial portfolio, we have insufficient funds for the payment of interest on the notes for a period of at least 60 days;
- with respect to the servicing agreement for our initial portfolio, at least 15% of the number of aircraft assets remain off-lease but available for re-lease for a period of at least three months following specified events set forth in the trust indenture; or
- with respect to the servicing agreement for our initial portfolio, without limiting GECAS's rights under the security trust agreement, GECAS takes any steps for the purpose of processing the appointment of an administrative receiver or the making of any administrative order or for instituting a bankruptcy, reorganization, arrangement, insolvency, winding up, liquidation, composition or any similar proceeding under the laws of any jurisdiction with respect to any person in the Genesis Funding, and any of its subsidiaries, or any of the aircraft assets.

In addition, in the case of the servicing agreement for our initial portfolio, the policy provider also has the right to terminate such servicing agreement under the circumstances described above.

In the absence of any of these events, neither we nor the policy provider has a right to terminate any servicing agreement, even if we are or it is dissatisfied with GECAS's performance. In addition, because of our substantial dependence on GECAS, our board of directors may be reluctant to initiate litigation against GECAS to enforce contractual rights under any servicing agreement.

GECAS may resign under any servicing agreement with respect to all aircraft serviced thereunder or any affected aircraft, as the case may be, if it reasonably determines that directions given, or services required, would, if carried out, be unlawful under applicable law, be in violation of any GE corporate policy regarding business practices or legal, ethical or social matters, be likely to lead to an investigation by any governmental authority of GECAS or its affiliates, expose GECAS to liabilities for which, in GECAS's good faith opinion, adequate bond or indemnity has not been provided or place GECAS in a conflict of interest with respect to which, in GECAS's good faith opinion, GECAS could not continue to perform its obligations under the servicing agreements with respect to all serviced aircraft or any affected aircraft, as the case may be (but with respect to the foregoing circumstances, GECAS may resign only with respect to the affected aircraft). Whether or not it resigns, GECAS is not required to take any action of the foregoing kind. GECAS may also resign if it becomes subject to taxes for which we do not indemnify GECAS. GECAS's decision to resign under any servicing agreement would significantly impair our ability to re-lease or sell our aircraft and service our leases.

We rely extensively on third-party service providers for certain administrative, accounting and other services.

We outsource significant administrative, accounting and other tasks to third-party service providers. These tasks include:

- assisting with the management of our subsidiaries
- the administration of the securitization;
- providing financial information in connection with the maintenance of our accounting ledgers;

- assisting in the preparation of quarterly and annual financial statements;
- coordinating cash management and certain other treasury functions;
- assisting in the preparation of reports to investors and to the SEC;
- arranging for the preparation of and filing of all required tax returns;
- administering payrolls; and
- assisting with investor relations.

Table of Contents

We may outsource other services that we may identify in the future. We also rely extensively on GECAS to service our aircraft.

Our operational success and ability to execute our growth strategy depend significantly upon the satisfactory performance of these services. Any service provider's failure to perform its obligations would harm our ability to perform the functions listed above.

The terms of certain agreements with GECAS and other affiliates of GE were negotiated without independent assessment on our behalf, and these terms may be less advantageous to us than if they had been the subject of arm's-length negotiations.

In connection with our IPO, we entered into various agreements with GECAS and other affiliates of GE that effected the transactions relating to our formation, the securitization, the acquisition of our initial portfolio and our ongoing operations and business. Although the pricing and other terms of these agreements were reviewed by our management and our board of directors, they were determined by GE-affiliated entities in the overall context of our IPO and the related transactions. As a result, provisions of these agreements may be less favorable to us than they might have been had they been the result of arm's-length transactions among unaffiliated third parties.

Risks Relating to Our Aircraft Portfolio

The variability of supply and demand for aircraft and other aviation assets could depress lease rates and the value of our leased assets, which would have an adverse effect on our financial results and growth prospects and on our ability to meet our debt obligations and pay dividends.

The aviation leasing and sales industry has experienced periods of aircraft oversupply and undersupply. The oversupply of a specific type of aircraft or other aviation asset in the market is likely to depress lease rates for, and the value of, that type of asset. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are not under our control, including:

- passenger air travel and air cargo demand;
- geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;
- operating costs, availability of jet fuel and general economic conditions affecting our lessees' operations;
- governmental regulation, including new airworthiness directives and environmental regulations;
- interest rates;
- airline restructurings and bankruptcies;
- cancellations of orders for aircraft;
- delays in delivery by manufacturers:
- availability of credit;
- manufacturer production levels and technological innovation;

- retirement and obsolescence of aircraft models;
- manufacturers merging or exiting the industry or ceasing to produce aircraft or engine types;
- accuracy of estimates relating to future supply and demand made by manufacturers and lessees;
- reintroduction into service of aircraft or engines previously in storage; and
- airport and air traffic control infrastructure constraints.

These factors may produce sharp decreases in asset values and achievable lease rates, which would have an impact on our cost of acquiring aircraft or other aviation assets, may result in lease

16

Table of Contents

defaults and could delay or prevent the aircraft or other aviation assets from being re-leased or re-leased on favorable terms, or, if desired, sold on favorable terms.

Factors that increase the risk of decline in aircraft value and achievable lease rates could have an adverse affect on our financial results and growth prospects and on our ability to meet our debt obligations and to pay dividends.

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

- the particular maintenance and operating history of the airframes and engines;
- the number of operators using that type of aircraft or engine;
- whether an aircraft or other aviation asset is subject to a lease and, if so, whether the lease terms are favorable to the lessor;
- the age of our aircraft and other aviation assets;
- airworthiness directives and service bulletins;
- aircraft noise and emission standards;
- any tax, customs, regulatory and other legal requirements that must be satisfied when an aircraft is purchased, sold or re-leased;
- compatibility of our aircraft configurations or specifications with other aircraft owned by operators of that type; and
- decreases in the creditworthiness of our lessees.

Any decrease in the values of and achievable lease rates for commercial aircraft or other aviation assets that may result from the above factors or other unanticipated factors may have a material adverse effect on our financial results and growth prospects and our ability to meet our debt obligations and to pay dividends.

Some of the aircraft in our portfolio have been damaged and subsequently repaired.

Some of the aircraft in our portfolio have been damaged. Even though these aircraft have been repaired, we may not be able to resell or re-lease such aircraft on terms as favorable as those for an aircraft that has not been damaged.

The advent of superior aircraft technology could cause our existing aircraft portfolio to become outdated and therefore less desirable, which could adversely affect our financial results and growth prospects and our ability to compete in the marketplace.

As manufacturers introduce technological innovations and new types of aircraft, including the Boeing 787 Dreamliner and the Airbus A350 XWB (currently scheduled to enter service in 2009 and 2013, respectively) and potential replacement types for the Boeing 737 and Airbus A320 families of aircraft, certain aircraft in our existing aircraft portfolio may become less desirable to potential lessees. In addition, although all of the aircraft in our portfolio are Stage 3 noise-compliant, the imposition of more stringent noise or emissions regulations may make certain of our aircraft less desirable in the marketplace. Any of these risks could adversely affect our ability to lease or sell our aircraft on favorable terms or at all or our ability to charge rental amounts that we would otherwise seek to charge.

Our operational costs will increase as our aircraft age, which will adversely affect the amounts available to pay dividends.

As of December 31, 2007, the weighted average age of the 53 aircraft in our portfolio was 6.0 years. In general, the cost of redelivering an aircraft under a lease, including maintenance and modification expenditures, increases with the age of the aircraft. The costs of converting an aging passenger aircraft to a cargo aircraft are also substantial. The incurrence of these greater expenses as our fleet ages could adversely affect our ability to pay dividends.

17

Table of Contents

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

Of the aircraft in our portfolio, approximately 36% are Airbus A320-200 aircraft, approximately 33% are Boeing 737-800 aircraft and approximately 31% are various other aircraft. If any of these aircraft types (or other types that we acquire in the future) should encounter technical or other difficulties, such affected aircraft types may be subject to grounding or diminution in value and we may be unable to lease such affected aircraft types on favorable terms or at all. The inability to lease the affected aircraft types may reduce our revenues and net income to the extent the affected aircraft types comprise a significant percentage of our aircraft portfolio. In addition, the abandonment or rejection of the lease of any of the types of aircraft listed above by one or more carriers in reorganization proceedings under Chapter 11 of the U.S. Bankruptcy Code or comparable statutes in non-U.S. jurisdictions may diminish the value of such aircraft and will subject us to re-leasing risks.

We operate in a highly competitive market for investment opportunities in aircraft and other aviation assets.

The leasing and remarketing of commercial jet aircraft is highly competitive. As the exclusive servicer of our aircraft, GECAS competes in leasing, re-leasing and selling our aircraft with other aircraft leasing companies, including International Lease Finance Corporation (ILFC), AerCap, Aircastle, Aviation Capital Group, AWAS, Babcock & Brown Aircraft Management, Babcock & Brown Air Limited, Boeing Capital, CIT Aerospace, Macquarie Aircraft Leasing, RBS Aviation Capital and BOC Aviation (formerly Singapore Aircraft Leasing Enterprise), among others. We also may encounter competition from other entities that selectively compete with us, including:

- airlines;
- aircraft manufacturers;
- financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices);
- aircraft brokers;
- special purpose vehicles formed for the purpose of acquiring, leasing and selling aircraft; and
- public and private partnerships, investors and funds, including private equity and hedge funds.

Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Some of our competitors have significantly greater resources than we have. In addition, some competing aircraft lessors have a lower overall cost of capital and may provide financial services, maintenance services or other inducements to potential lessees that we cannot provide. Given the financial condition of the airline industry, many airlines have reduced their capacity by eliminating select types of aircraft from their fleets. This has resulted in an increase in available aircraft of these types, a decrease in rental rates for these aircraft and a decrease in market values of these aircraft.

Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. When we decide to dispose of an aircraft, GECAS, as our servicer, will arrange the disposition pursuant to the terms of the servicing agreements for that used aircraft. In doing so, GECAS will compete with the aircraft leasing companies listed above, as well as with the other types of entities described above and other investors. GECAS is not required to assist us in the purchase of used aircraft, and therefore we also will compete with GECAS when seeking to acquire used aircraft.

Some of our competitors, such as Aercap, Aircastle, and Babcock & Brown Air Limited are newly public companies with acquisitive growth strategies similar to ours, and their entrance into the market for leasing and marketing of commercial jet aircraft may further intensify competition for acquisitions.

Table of Contents

If demand for leased aircraft does not increase, we may not be able to expand our business.

Over the past 20 years, the world's airlines have leased a growing proportion of their aircraft. According to market data, the proportion of the global fleet under operating lease has increased from 17% in 1990 to more than 30% in recent years. Our growth strategy contemplates future acquisitions and leasing of additional commercial aircraft and other aviation assets. If, however, the aggregate demand for leased aircraft does not expand, then we may be unable to implement our growth strategy through aircraft acquisitions. Failure to expand our aircraft portfolio would impair our ability to sustain our revenues or support our expected dividend payments.

Depreciation expenses and impairment charges could have a material adverse effect on our financial condition and results of operations.

Our aircraft have finite economic lives, their values depreciate in the ordinary course over time and their ability to generate earnings and cash flow for our business declines over time. If depreciated aircraft are not replaced with newer aircraft, our ability to generate earnings and cash to pay dividends will be reduced. In addition, we depreciate our aircraft for accounting purposes on a straight-line basis to the aircraft's estimated residual value over its estimated useful life. If we dispose of an aircraft for a price that is less than its depreciated value, then we would be required to recognize a loss that would reduce our net income during the period of the disposition and reduce our total assets.

In addition, aircraft in our portfolio and any other aircraft and other aviation assets that we acquire in the future are expected to be under operating leases that are subject to periodic review for impairment for accounting purposes. We believe the carrying value of the aircraft in our portfolio is currently recoverable through the cash flows expected to result from their use and eventual disposition. However, if these expected cash flows are adversely affected by factors including credit deterioration of a lessee, declines in rental rates, other market conditions and residual values, then we may be required to recognize material impairment charges that would reduce our net earnings or increase our net losses. Under U.S. GAAP, once an impairment results in a reduction to the carrying value of an asset, the carrying value of such asset cannot thereafter be increased.

Aircraft liens could impair our ability to repossess, re-lease or resell the aircraft.

In the normal course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairers' charges, salvage or other obligations are likely, depending on the laws of the jurisdictions where aircraft operate, to attach to the aircraft (or, if applicable, to the engines separately). The liens may secure substantial sums that may, in certain jurisdictions or for limited types of liens (particularly fleet liens), exceed the value of any particular aircraft to which the liens have attached. Until they are discharged, the liens described above could impair our ability to repossess, re-lease or resell our aircraft.

Although financial obligations are the responsibilities of the lessees, if they fail to fulfill their obligations, liens may attach. In some jurisdictions, aircraft liens or separate engine liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft (or, if applicable, the engines separately). We cannot assure you that the lessees will comply with their obligations under the leases to discharge liens arising during the terms of the leases. We may, in some cases, find it necessary to pay the claims secured by such liens in order to repossess the aircraft or obtain the aircraft or engines from a creditor thereof. These payments would be a required expense for us and would reduce our net income and our cash flows.

We cannot assure you that all lessees will comply with the registration requirements in the jurisdictions where they operate.

All of our aircraft are required to be registered at all times with appropriate governmental authorities. Generally, in jurisdictions outside the United States, failure by a lessee to maintain the registration of a leased aircraft would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder. If an aircraft were to be operated without a valid registration, the lessee operator or, in some cases, the owner or lessor might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Failure to comply with registration requirements also could have other adverse effects, including inability to operate the aircraft and loss of insurance. We cannot assure you that all lessees will comply with these requirements.

Government regulations could require substantial expenditures, reduce our profitability and limit our growth.

Certain aspects of our business are subject to regulation and require the oversight and regulation by state, federal and foreign governmental authorities. Aircraft are subject to regulations imposed by aviation authorities regarding aircraft maintenance and airworthiness. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft manufacturers may also issue their own recommendations. Airworthiness directives and similar requirements typically set forth particular special maintenance actions or modifications to certain aircraft types or models that the owners or operators of aircraft must implement.

Each lessee generally is responsible for complying with airworthiness directives with respect to its aircraft and is required to maintain the aircraft’s airworthiness. To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, we may have to bear the cost of such compliance. Under many leases, we have agreed to share with our lessees the cost of obligations under airworthiness directives (or similar requirements). In addition, if the aircraft is not subject to a lease, we may be forced to bear (or, to induce a prospective lessee to take the aircraft on lease, have to agree to pay) the cost of compliance with airworthiness directives. These expenditures can be substantial, and, to the extent we are required to pay them, our cash flow and ability to pay dividends could be substantially adversely affected.

In addition to these expenditures, which may be substantial, significant new requirements with respect to noise standards, emission standards and other aspects of our aircraft or their operation could cause our costs to increase and could cause the value of our aircraft portfolio to decrease. Other governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which the aircraft are registered, possibly as part of the airworthiness requirements, but also by other jurisdictions where the aircraft operate. In addition, most countries’ aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are off lease or a lessee defaults in effecting such compliance, we are required to comply with such requirements at our expense.

It may be difficult or impossible to obtain title to one of the aircraft in our portfolio upon a bankruptcy or default by its owner and manager.

One of the aircraft in our portfolio (with a net book value of $35.7 million as of December 31, 2007) is on lease to a lessee based in Japan. Under Japanese law, legal title to each aircraft registered in Japan must be held by a Japanese entity. In order to permit the registration of this aircraft in Japan, legal title to the aircraft is held by a third-party Japanese corporation owned and managed by one of the major trading companies in Japan. However, beneficial ownership of the aircraft is effectively held by an entity in which the beneficial interest is held by us. Title to this aircraft will be transferred under the terms of a conditional sales agreement to such entity upon payment by such entity to the third-party Japanese owner of remaining installment in the amount of one U.S. dollar on the date the lease of the aircraft expires or any earlier date elected by such entity provided that (1) there is no continuing default by such entity and certain representations and warranties of such entity remain true and accurate and (2) the third-party Japanese owner is indemnified by the lessee for costs and taxes that arise as a result of the title transfer. Because Genesis Funding has not relinquished control over the aircraft upon transfer of the aircraft's title to the Japanese entity, as evidenced by the one dollar purchase option in the conditional sale agreement which is exercisable at any time, and has retained all of the risks and rewards of ownership of the aircraft, Genesis Funding has not recognized this transaction as a sale for accounting purposes and continues to recognize the aircraft as ‘‘Flight equipment under operating lease’’ in the financial statements.

While these liabilities are the responsibility of the lessee, if they are not paid, the entity holding the beneficial interest may effectively have to pay such amounts in order for title to be transferred. Under the conditional sale agreement, Genesis Funding effectively holds the beneficial ownership interest of the aircraft, including all of the risks and rewards of ownership and has full control over the leasing of the aircraft to the lessee, but full liability to the Japanese title owner with respect to the aircraft if the lessee does not perform its indemnity or other obligations. The obligation of the third-party Japanese owner to transfer title to such entity is secured by a mortgage over the leased aircraft and a share pledge over the entire share capital of the third-party Japanese owner, each in favor of such entity. Although the conditional sale agreement provides for title to transfer automatically, a bill of sale may be required to legally effect such transfer of title. There may be tax related considerations or issues relating to the validity of the method of title transfer depending on the location of the aircraft (and the related engines) at the time of transfer that may need to be considered at the time of transfer and which may affect the decision as to when to transfer title. It is also possible that the Japanese title owner or its manager parent company could breach its obligation to provide a bill of sale to document properly the title transfer to Genesis Funding, which could also result in possible impairment of our ability to obtain such evidence of title to the aircraft in a timely fashion or at all.

In the event of a bankruptcy proceeding involving the Japanese manager of this aircraft, the separateness of the corporate existence of the Japanese owner of the aircraft and the Japanese manager may be disregarded and this aircraft, if the third-party Japanese owner still holds legal title to it, may be consolidated with the assets of the Japanese manager and may become part of the bankruptcy estate, resulting in the possible impairment of our ability to obtain title to the aircraft in a timely fashion or at all.

Risks Relating to Our Leases

We will need to re-lease or sell aircraft as leases expire to continue to generate sufficient funds to meet our debt obligations, finance our growth and operations and pay dividends. We may not be able to re-lease or sell aircraft on favorable terms, or at all.

Our business strategy entails the need to re-lease aircraft as our current leases expire to generate sufficient revenues to meet our debt obligations, finance our growth and operations and pay dividends to our shareholders. The ability to re-lease aircraft depends on general market and competitive conditions. Some of our competitors may have greater access to financial resources and, as a result of restrictions on us contained in the terms of our indebtedness, may have greater operational flexibility. If we are not able to re-lease an aircraft or to do so on favorable terms, we may be required to attempt to sell the aircraft to provide funds for debt service or operating expenses. Our ability to re-lease or sell aircraft on favorable terms or without significant off-lease time could be adversely affected by depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war, the sale of other aircraft by financial institutions or other factors.

We rely on our lessees’ continuing performance of their lease obligations.

We operate as a supplier to airlines and are indirectly impacted by the risks facing airlines today. Our success depends upon the financial strength of our lessees, our ability to assess the credit risk of our lessees and the ability of lessees to perform their contractual obligations to us. The ability of each lessee to perform its obligations under its lease will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors beyond our control, including:

- competition;
- fare levels;

21

Table of Contents

- air cargo rates;
- passenger air travel and air cargo demand;
- geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;
- operating costs, availability and cost of jet fuel and general economic conditions affecting our lessees' operations;
- labor difficulties;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates; and
- governmental regulation of, or affecting, the air transportation business.

Some of our lessees may experience payment difficulties. A delayed, missed or reduced rental payment from a lessee decreases our revenues and cash flow and may adversely affect our ability to make payments on our indebtedness and pay dividends to shareholders. We may experience delinquencies, particularly if economic conditions deteriorate. In addition, the demand for aircraft generally diminishes as they age, and the creditworthiness of the lessees of older aircraft is generally lower than the creditworthiness of the lessees of newer aircraft.

We are typically not in possession of any aircraft while the aircraft are on lease to the lessees. Consequently, our ability to determine the condition of the aircraft or whether the lessees are properly maintaining the aircraft is be limited to periodic inspections that we perform or that are performed on our behalf by third-party service providers or aircraft inspectors. A lessee's failure to meet its maintenance obligations under a lease could:

- result in a grounding of the aircraft;
- cause us to incur costs in restoring the aircraft to an acceptable maintenance condition to re-lease the aircraft;
- adversely affect lease terms in the re-lease of the aircraft; and
- adversely affect the value of the aircraft.

We cannot assure you that, in the event that a lessee defaults under a lease, any security deposit paid or letter of credit provided by the lessee will be sufficient to cover the lessee's outstanding or unpaid lease obligations and required maintenance expenses, or be sufficient to discharge liens that may have attached to our aircraft.

Because some airlines are in a weak financial condition and suffer liquidity problems, we may have trouble collecting lease payments on a timely basis or at all, which would adversely affect our revenues and cash flows and may adversely affect our ability to meet our debt obligations and pay dividends.

Some airlines are in a weak financial condition and suffer liquidity problems, and this is likely to be the case in the future with other airlines. In addition, many airlines are exposed to currency risk due to the fact that they earn revenues in their local currencies and certain of their liabilities and expenses are denominated in U.S. dollars, including lease payments to us. Given the size of our aircraft portfolio, we expect that some lessees from time to time, and possibly in the near future, will be slow in making or will fail to make their payments in full under the leases. Some lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions such as a decrease in their contribution toward maintenance obligations. A delayed, missed or reduced rental payment from a lessee would reduce our revenues and may adversely affect our ability to make payments on the notes issued in the securitization and pay dividends on our shares. While we may experience some level of delinquency under our leases, default levels may increase over time, particularly as our aircraft portfolio ages and if economic conditions deteriorate.

If our lessees encounter financial difficulties and we decide to restructure our leases with those lessees, this could result in less favorable leases, significant reductions in our cash flows and adversely affect our ability to meet our debt obligations and pay dividends on our shares.

We may be required to restructure a lease when a lessee is late in making payments, fails to make required payments or has otherwise advised us that it expects to default in making required payments. 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. The terms and conditions of possible lease restructurings could result in significant reductions of rental payments, which would have an adverse impact on our cash flow available for distribution and reduced dividends to shareholders.

Because 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 have developing economies that are vulnerable to business and political disturbances, such as significant economic instability, interest and exchange rate fluctuations, civil unrest, government instability and the nationalization or expropriation of private assets. The occurrence of any of these events in markets served by our lessees domiciled in emerging markets and the resulting instability may adversely affect our ownership interest in 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.

We may be required to purchase repossession insurance if GECAS re-leases any of our aircraft to lessees located in certain jurisdictions.

Under the servicing agreements, GECAS has broad discretion to re-lease aircraft to lessees around the world, subject to the concentration limits and other restrictions in the indenture. Under the indenture for the notes issued in the securitization, if an aircraft is leased to a lessee in certain specified jurisdictions (including, among others, Belarus, Bhutan, Kazakhstan and Mongolia) we may be required to purchase insurance to ensure our ability to repossess the aircraft. If GECAS re-leases any of our aircraft to lessees in these jurisdictions, our expenses may increase due to the need to purchase repossession insurance.

Lease defaults could result in significant expenses and loss of revenues.

If we are unable to agree upon acceptable terms for a lease restructuring, then we have the right to repossess aircraft and to exercise other remedies upon a lessee default. However, repossession, re-registration and flight and export permissions after a lessee default typically result in greater costs than those incurred when an aircraft is returned at the end of a lease. These costs include legal expenses that could be significant, particularly if the lessee is contesting the proceedings or is in bankruptcy. Delays resulting from repossession proceedings also would increase the period of time during which an aircraft or other aviation asset does not generate rental revenue. In addition, we may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the aircraft in a condition suitable for re-lease or sale, and we may need to pay off liens, taxes and governmental charges on the aircraft or other aviation asset to obtain clear possession and to remarket the asset effectively.

If we repossess an aircraft or other aviation asset, we will not necessarily be able to export or deregister and profitably redeploy the asset. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which an aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. 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 or engine.

Our lessees' failure to fund their maintenance requirements on our aircraft could significantly harm our revenues, cash flows and ability to pay dividends.

The standards of maintenance observed by our lessees and the condition of aircraft at the time of sale or lease may affect the values and rental rates of our aircraft. Under each of our leases, the lessee

Table of Contents

is primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and to the aircraft, including operational, maintenance and registration requirements and airworthiness directives. A lessee's failure to perform required maintenance during the term of a lease could result in a diminution in the value of an aircraft, an inability to lease the aircraft at favorable rates or at all, or a potential grounding of the aircraft, and would likely require us to incur maintenance and modification costs upon the expiration or earlier termination of the lease to restore the aircraft to an acceptable condition prior to sale or re-leasing.

Failure to pay certain potential additional operating costs could result in the grounding of our aircraft and prevent the re-lease, sale or other use of our aircraft, which would negatively affect our business, financial condition and results of operations.

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, which can be substantial, include:

- the costs of casualty, liability, war 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, costs of storing and operating an aircraft, airport taxes, customs duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and
- penalties and costs associated with the failure of lessees to keep the aircraft registered under all appropriate local requirements or obtain required governmental licenses, consents and approvals.

The failure to pay some of these costs can result in liens on the aircraft or a loss of insurance. Any of these events could result in the grounding 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 and may negatively affect our business, financial condition and results of operations.

Although we do not expect to control the operation of our leased aircraft, our ownership of the aircraft could give rise, in some jurisdictions, to strict liability for losses resulting from their operation. Our lessees are required 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 risks and hull war risks 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 available at any time may be below the amount required under the initial leases and required by the market in general.

We cannot assure you that the insurance maintained by our lessees will 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, as well as the lack of available insurance, could reduce the proceeds upon an event of loss and could subject us to uninsured liabilities, either of which could adversely affect our business, financial condition and results of operations.

Table of Contents

Failure to obtain certain required licenses, consents and approvals could negatively affect our ability to re-lease or sell aircraft, which would negatively affect our business, financial condition and results of operations.

Aircraft leases often require specific licenses, consents or approvals. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or deregistration of the aircraft. Subsequent changes in applicable law or administrative practice may increase or otherwise modify these requirements. In addition, 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, which would negatively affect our business, financial condition and results of operations.

Some of our leases provide the lessees with early termination rights.

Seventeen of the leases in our portfolio provide the lessees with early termination rights. We also could enter into leases in the future that provide lessees with early termination rights. If any lease is terminated early at a time when we could not re-lease the aircraft at rates at least as favorable to us as the terminated lease, our results of operations and ability to pay dividends could be adversely affected. See Item 4.D. ''Property, Plants and Equipment — Our Leases — Early Termination Rights.''

Risks associated with the concentration of our lessees in certain geographical regions could harm our business.

Our business is exposed to local economic and political conditions that can influence the performance of lessees located in a particular region. The effect of these conditions on payments to us will be more or less pronounced, depending on the concentration of lessees in the region with adverse conditions.

European concentration. Lease rental revenues from lessees based in Europe accounted for 33% of total rental revenues for the year ended December 31, 2007. Commercial airlines in Europe face, and can be expected to continue to face, increased competitive pressures, in part as a result of the deregulation of the airline industry by the European Union and the development of low-cost carriers. European countries generally have relatively strict environmental regulations and traffic constraints that can restrict operational flexibility and decrease aircraft productivity, which could significantly increase aircraft operating costs.

Asian concentration. Lease rental revenues from lessees based in Asia (including China and India) accounted for 37% of total rental revenues for the year ended December 31, 2007. There are significant obstacles to the development of Chinese and Indian airline industries, including continuing government control and regulation over the industry. In addition, India faces poor aviation infrastructure and continuing losses from operations due to overcapacity. If these difficulties persist or expand, the Chinese and Indian airline industries likely would experience a significant decrease in growth or restrictions on future growth.

North American concentration. Lease rental revenues from lessees based in North America accounted for 16% of total rental revenues for the year ended December 31, 2007. During the past 15 years a number of North American passenger airlines filed Chapter 11 bankruptcy proceedings and several major U.S. airlines ceased operations altogether. High labor costs, high fuel costs, the strength of labor unions in collective bargaining negotiations, the war and prolonged conflict in Iraq and the September 11, 2001 terrorist attacks in the United States have imposed additional financial burdens on most U.S. airlines.

The geographic classifications and revenue information for the lessees discussed above are based on the financial statements as of and for the year ended December 31, 2007 which are included at Item 18 in this Annual Report.

Table of Contents

Risks Related to the Aviation Industry

The passenger aviation industry is inherently cyclical and a significant downturn in the industry would adversely impact our lessees' ability to make payments to us, which would adversely affect our financial results and growth prospects.

The passenger aviation industry is inherently cyclical. The years 2001 through 2004 were characterized by falling demand and rising costs. This industry downturn was exacerbated by the terrorist attacks on September 11, 2001, prolonged military action in Iraq and Afghanistan, rising fuel prices, SARS and avian influenza. As a result, the global airline industry experienced significant financial losses. Many airlines, including some of our lessees, announced or implemented reductions in capacity, service and workforce. Additionally, many airlines sought protection under bankruptcy laws. The airline bankruptcies and the reduction in demand led to the grounding of significant numbers of aircraft and engines and the negotiation of reductions in lease rental rates, which depressed aircraft and engine market values.

While the down cycle has ended and many of the world's airlines are experiencing improved financial performance, there are recent indications that there may be a recession developing in the United States economy which could trigger a slowdown or recession in other economies. Although the potential impact of these events on the aviation industry is unclear, an industry downturn is likely to occur again in the future, and the impact could be similar to the impact of downturns. Such a downturn would likely place already financially weakened lessees under further duress, once again exerting downward pressure on lease rates. As in the previous downturn, the grounding of undesirable older aircraft would also play a role in depressing aircraft and engine market values.

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

The financial condition of the commercial airline industry is of particular importance to us because we lease most of our aircraft to commercial airline customers. Our ability to achieve our primary business objectives of growing our lease portfolio and increasing distributable cash flow per share will depend on the financial condition and growth of the commercial airline industry. The risks affecting our airline customers are generally out of our control, but because they have a significant impact on our customers they affect us as well. The risk factors that follow describe risks that affect the commercial airline industry generally and therefore have an impact on our business, financial condition and results of operations. These risks are generally not within our control. Our ability to succeed depends on the financial strength of our customers and their ability to manage these risks. To the extent that our customers are adversely affected by these risk factors, we may experience:

- downward pressure on demand for the aircraft in our fleet and reduced market lease rates and lease margins;
- a higher incidence of lessee defaults, lease restructurings, repossessions and airline bankruptcies and restructurings, resulting in lower lease margins due to maintenance, legal and other costs associated with the repossession, as well as lost revenue for the time the aircraft are off lease and possibly lower lease rates from the new lessees;
- an inability to lease aircraft on commercially acceptable terms, resulting in lower lease margins due to aircraft not earning revenue and resulting in storage, insurance and maintenance costs; and
- a loss if our aircraft is damaged or destroyed by an event specifically excluded from an insurance policy, such as dirty bombs,

bio-hazardous materials and electromagnetic pulsing.

Airline reorganizations could impair our lessees' ability to comply with their lease payment obligations to us.

In recent years, several U.S. airlines have sought to reorganize under Chapter 11, and numerous other airlines filed for similar protection under their local laws. Historically, airlines involved in

Table of Contents

reorganizations have undertaken substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. This fare discounting has led to lower yields for all airlines, including certain of our lessees. Bankruptcies may lead to the grounding of significant numbers of aircraft, rejections of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values.

Additional reorganizations or liquidations by airlines under applicable bankruptcy or reorganization laws or rejection or abandonment of aircraft by airlines in bankruptcy proceedings may depress aircraft values and aircraft lease rates. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

As high fuel prices continue to affect the profitability of the airline industry, our lessees might not be able to meet their lease payment obligations to us.

Fuel costs represent a major expense to companies operating within the airline industry, and fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. In addition, natural disasters can significantly affect fuel availability and prices. For example, in August and September 2005, Hurricanes Katrina and Rita inflicted widespread damage along the Gulf Coast of the United States, causing significant disruptions to oil production, refinery operations and pipeline capacity in the region and to oil production in the Gulf of Mexico. These disruptions resulted in decreased fuel availability and higher fuel prices.

Fuel prices have remained at historically high levels. The continuing high cost of fuel will likely have a material adverse impact on airline profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. If they pass on the higher costs, it may adversely affect demand for air travel, which would reduce revenues to our customers. In addition, airlines may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices remain at historically high levels or increase further, they are likely to cause our lessees to incur higher costs or experience reduced revenues. Consequently, these conditions may:

- affect our lessees' ability to make rental and other lease payments;
- result in lease restructurings and aircraft and engine repossessions;
- increase our costs of servicing and marketing aircraft;
- impair our ability to re-lease the aircraft and other aviation assets or re-lease or otherwise dispose of the assets on a timely basis at favorable rates; and
- reduce the proceeds received for the aircraft or other aviation assets upon any disposition.

The effects of various environmental regulations may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations to us.

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant aircraft is registered and operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition to the current requirements, the United

States and the International Civil Aviation Organization, or 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 European Union 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 the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

Table of Contents

In addition to more stringent noise restrictions, the United States and other jurisdictions are beginning to impose more stringent limits on nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines, consistent with current ICAO standards. These limits generally apply only to engines manufactured after 1999. Many of the aircraft engines owned by us were manufactured after 1999. Because aircraft engines are replaced from time to time in the usual course, it is likely that the number of such engines may increase over time. Concerns over global warming could result in more stringent limitations on the operation of aircraft powered by older, non-compliant engines.

European countries generally have relatively strict environmental regulations that can restrict operational flexibility and decrease aircraft productivity. The European Parliament has confirmed that aviation is to be included in the European Union's Emissions Trading Scheme starting from 2012. This inclusion could possibly distort the European air transport market leading to higher ticket prices and ultimately a reduction in the number of airline passengers. As an answer to these concerns, European airlines have established the Committee for Environmentally Friendly Aviation to promote the positive environmental performance of airlines. The United Kingdom has doubled its air passenger duties, effective February 1, 2007, in recognition of the environmental costs of air travel. Similar measures may be implemented in other jurisdictions as a result of environmental concerns.

Compliance with current or future regulations, taxes or duties imposed to deal with environmental concerns could cause the lessees to incur higher costs and to generate lower net revenues, resulting in an adverse impact on their financial conditions. Consequently, such compliance may affect the lessees' ability to make rental and other lease payments and reduce the value received for the aircraft upon any disposition, which could have an adverse effect on our ability to pay the interest on and principal of the securitization notes in full or on a timely basis.

The effects of terrorist attacks and geopolitical conditions may negatively affect the airline industry. This may cause our lessees to default on their lease payment obligations to us.

As a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, airports have increased security restrictions, airline costs for aircraft insurance and enhanced security measures have increased and airlines have faced increased difficulties in acquiring war risk and other insurance at reasonable costs. Terrorist attacks and geopolitical conditions have harmed the airline industry, and concerns about geopolitical conditions and further terrorist attacks could harm airlines in the future as a result of various factors, including:

- higher costs to airlines because of increased security measures;
- the inconvenience of additional security measures;
- the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges under current market conditions; and
- significantly higher costs of aircraft insurance coverage for 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.

Future terrorist attacks, war or armed hostilities, or the fear of such events, may further increase airline costs, depress air travel demand, cause certain aviation insurance to become available only at significantly increased premiums or not be available at all and could have a further adverse impact on the airline industry and on the financial condition and liquidity of our lessees, aircraft values and rental rates, all of which could adversely affect our financial results, growth prospects and ability to pay dividends.

The effects of war or armed hostilities may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations to us.

War or armed hostilities in the Middle East, North Korea, or elsewhere, or the fear of such events, could reasonably be expected to further exacerbate many of the problems experienced by the aviation industry as a result of the terrorist attacks on September 11, 2001. The situation in Iraq

28

Table of Contents

continues to be uncertain and tension over Iran’s nuclear program continues, and either or both may lead to further instability in the region. Potential problems include increased security restrictions on air travel in the United States and elsewhere, increased airline costs for, and restricted availability of, aircraft insurance and fuel, enhanced security measures, a decline in passenger demand for air travel, increased difficulties in acquiring war risk and other insurance at reasonable costs, and additional lessee restructurings.

The effects of pandemic diseases may negatively affect the airline industry. This may cause our lessees to default on their lease payment obligations to us.

The 2003 outbreak of SARS was linked to air travel early in its development and had a severe adverse impact on the aviation industry, which was evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. In addition, since 2003, there have been several outbreaks of avian influenza, or the bird flu, beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Additional outbreaks of SARS or other pandemic diseases, or the fear of such events, could provoke responses, including government-imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry.

We depend on aircraft and engine manufacturers’ success in remaining financially stable and producing aircraft.

The supply of aircraft, which we purchase and lease, is dominated by two airframe manufacturers, Boeing and Airbus, and a limited number of engine manufacturers. We therefore depend on these manufacturers’ success in remaining financially stable and producing aircraft and related components which meet airlines’ demands and providing customer support. Further, competition between the manufacturers for market share is escalating and may cause instances of deep discounting for certain aircraft types and may have a negative impact on our competitive pricing when we sell or lease aircraft. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfill their contractual obligations, we may experience:

- an inability to acquire aircraft and related components on terms that will allow us to lease those aircraft and related components to customers at our anticipated profit levels, resulting in lower growth rates or a contraction in our fleet;
- poor customer support from the manufacturers of aircraft and components resulting in reduced demand for a particular manufacturer’s product, creating downward pressure on demand for those aircraft and components in our fleet and reduced market lease rates for those aircraft; and
- reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and may adversely affect the value of our portfolio and our ability to remarket or sell some of the aircraft in our fleet.

Risks Related to the Ownership of Our Shares

Market interest rates may have an effect on the trading value of our shares.

One of the factors that investors may consider in deciding whether to buy or sell our shares is our dividend rate as a percentage of our share price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend yield on our shares or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market value of our shares. For instance, if interest rates rise, it is likely that the market price of our shares will decrease as market rates on interest-bearing securities, such as bonds, increase.

Table of Contents

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 include:

- provisions that permit us to require any competitor of GECAS that acquires beneficial ownership of more than 10% of our common shares either to tender for all of our remaining common shares for no less than their fair market value, or sell such number of common shares to us or to third parties as would reduce its beneficial ownership to less than 10%, in either case within 90 days of our request to so tender or sell;
- provisions that reduce the vote of each common share held by a competitor of GECAS that beneficially owns 10% or more, but less than 50%, of our common shares to one-fifth of one vote per share on all matters upon which shareholders may vote;
- provisions that permit our board of directors to determine the powers, preferences and rights of our preference shares and to issue such preference shares without shareholder approval;
- 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, such that 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.

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 shares and your ability to realize any potential change of control premium.

We are a Bermuda company that is managed and controlled in Ireland. It may be difficult for investors to enforce judgments against us or against our directors and executive officers.

We were incorporated under the laws of Bermuda and are managed and controlled in Ireland. Our business is based outside the United States, a majority of our directors and officers, and some of the experts named in this Annual Report, reside outside the United States and a majority of our assets and some or all of the assets of such persons are located outside the United States. As a result, it may be difficult or impossible to effect service of process within the United States upon us or those persons, or to recover against us or them on judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. Further, no claim may be brought in Bermuda or Ireland against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial application under Bermuda or Irish law and do not have force of law in Bermuda or Ireland. However, a Bermuda or Irish court may impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda or Irish law.

There is doubt as to whether the courts of Bermuda or Ireland would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws, or entertain actions brought in Bermuda or Ireland against us or such persons predicated solely upon U.S. federal securities laws. Further, there is no treaty in effect between the United States and Bermuda or Ireland providing for the enforcement of judgments of U.S. courts in civil and commercial matters, and there are grounds upon which Bermuda or Irish courts may decline to enforce the judgments of U.S. courts.

Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda or Irish courts as contrary to public policy in Bermuda or Ireland. Because judgments of U.S. courts are not automatically enforceable in Bermuda or Ireland, it may be difficult for you to recover against us or our directors and officers based upon such judgments.

Shareholders of our company may have greater difficulties in protecting their interests than shareholders of U.S. corporations.

The Companies Act 1981 of Bermuda, as amended, which we refer to as the ‘‘Companies Act,’’ applies to our company and differs in material respects from laws generally applicable to U.S. corporations and their shareholders. Taken together with the provisions of our bye-laws, some of these differences may result in greater difficulties in protecting the interests of shareholders of our company than of shareholders of a U.S. corporation. This affects, among other things, the circumstances under which transactions involving an interested director are voidable, whether an interested director can be held accountable for any benefit realized in a transaction with our company, what approvals are required for business combinations by our company with a large shareholder or a wholly-owned subsidiary, what rights shareholders may have to enforce specified provisions of the Companies Act or our bye-laws, and the circumstances under which we may indemnify our directors and officers.

Risks Related to Taxation

We are a passive foreign investment company, or PFIC. Unless U.S. holders of our shares make certain elections under U.S. federal income tax rules, they are subject to certain adverse U.S. federal income tax rules.

Because we are a PFIC, U.S. holders of our shares are subject to certain adverse U.S. federal income tax rules. Under the PFIC rules, a U.S. holder who disposes or is deemed to dispose of our shares at a gain, or who receives or is deemed to receive certain distributions with respect to our shares, generally will be required to treat such gain or distributions as ordinary income and pay an interest charge on the tax imposed. Certain elections may be used to reduce or eliminate the adverse impact of the PFIC rules for holders of our shares (‘‘QEF elections’’ and ‘‘mark-to-market’’ elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income in excess of amounts distributed to you. In addition, because we are a PFIC, our distributions will not qualify for the reduced rate of U.S. federal income tax that applies to qualified dividends paid to non-corporate U.S. taxpayers. The PFIC rules are extremely complex, and prospective U.S. investors are urged to consult their own tax advisers regarding the potential consequences to them of our being classified as a PFIC. See Item 10.E. ‘‘Taxation Considerations — U.S. Federal Income Tax Considerations — Taxation of U.S. Holders of Shares.’’

We may fail to qualify for tax treaty benefits and U.S. statutory tax exemptions which would reduce our net income and cash flow by the amount of the applicable tax.

Special U.S. tax rules apply to U.S. source transportation income. U.S. source gross rental income that is not connected with a U.S. trade or business may be subject to 30% withholding tax. Alternatively, certain U.S. source rental income could be subject to a 4% tax on gross transportation income. U.S. source transportation income connected with a U.S. trade or business would be taxed on a net basis. In order for us to be exempt from U.S. federal income taxation on all categories of U.S. source rental income, we and our Irish tax resident subsidiaries must qualify for benefits of the Irish Treaty. Qualification for Irish Treaty benefits depends on many factors, including that at least 50% of the vote and value of each of our Irish tax resident subsidiaries continues to be held by us and that our principal class of shares be substantially and regularly traded on one or more recognized stock exchanges. We may not satisfy all the requirements of the Irish Treaty and thereby may not qualify each year for the benefits of the Irish

Treaty. Failure to so qualify could result in the income attributable to aircraft used for flights to, from or within the United States being subject to U.S. federal income taxation. The imposition of such taxes would adversely affect our business and would reduce cash available for distribution to our shareholders. See Item 10.E. ‘‘Taxation Considerations — U.S. Federal Income Tax Considerations — Taxation of Genesis Lease Limited and

Table of Contents

Our Subsidiaries''. In addition, we cannot assure you that the Irish Treaty would not be re-negotiated in the future and the current tax treaty benefits may no longer be available.

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

We and our Irish tax resident subsidiaries are subject to the income tax laws of Ireland. In addition, we may be, or become, subject to income or other taxes in other jurisdictions by reason of our activities and operations or those of our service providers, where our aircraft operate or where the lessees of our aircraft (or others in possession of our aircraft) are located. The imposition of such taxes would adversely affect our business and would reduce earnings available for distribution to our shareholders.

In addition, because Ireland does not have tax treaties with all jurisdictions, we may find it necessary to establish subsidiaries in other jurisdictions to lease or sublease aircraft to customers in those jurisdictions. Such subsidiaries may be subject to taxation in the jurisdictions in which they are organized, which would reduce our net income and have an adverse impact on our cash flow available for distribution to our shareholders.

The tax rate applicable to us and our Irish tax resident subsidiaries would be higher than we expect if we or they were considered not to be carrying on a trade in Ireland for the purposes of Irish law.

Because we are managed and controlled in Ireland, we and our Irish resident subsidiaries are subject to Irish corporation tax on our net trading income at the rate of 12.5%. Under Irish tax law, non-trading income is taxed at the rate of 25% and capital gains are taxed at the rate of 20%. Each of us intend to carry on sufficient activity in Ireland, directly and indirectly, through a servicer, so as to be treated as carrying on a trade in Ireland for the purposes of Irish tax law. In calculating our net trading income we deduct tax depreciation on the aircraft. Whether we and our Irish tax-resident subsidiaries are carrying on a trade for the purposes of Irish tax are questions of fact and we cannot assure you that we or they will qualify, and we will depend on the Irish Revenue authorities accepting that we are engaged in an active business in Ireland.

One of the grounds for our Irish tax resident subsidiaries being treated as engaged in an active business in Ireland is that GECAS, as servicer for the initial portfolio, is an Irish company, and GECAS performs a major part of its obligations under the servicing agreement for the initial portfolio in Ireland. However, the servicing agreement does not require that GECAS perform any of its obligations in Ireland, and GECAS could relocate its operations in the future and not perform any such obligations in Ireland. If that happens, the Irish Revenue Authorities may reexamine the eligibility of our Irish tax resident subsidiaries for the 12.5% tax rate, and, if they were found to be not engaged in an active business in Ireland, all of their net income from leasing would be subject to the higher Irish corporate tax rate of 25%. As a result, our Irish tax resident subsidiaries would be liable earlier and in greater amounts for tax on such income.

If we or any of our Irish tax resident subsidiaries were considered not to be carrying on a trade in Ireland, we or they may be subject to additional Irish tax liabilities. The application of a higher tax rate (25% instead of 12.5%) on taxable income could reduce the cash flow available for distribution to our shareholders. In addition, we cannot assure you that the 12.5% tax rate applicable to trading income, the 20% tax rate applicable to capital gains or the 25% tax rate applicable to non-trading income will not be changed in the future.

Table of Contents

Item 4. Information on the Company

A. History and Development of the Company

We are Genesis Lease Limited, a Bermuda exempted company incorporated on July 17, 2006 under the provisions of Section 14 of the Companies Act 1981 of Bermuda. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Although we are organized under the laws of Bermuda, we are resident in Ireland for Irish tax purposes and thus are subject to Irish corporation tax on our income in the same way, and to the same extent, as if we were organized under the laws of Ireland. Our principal executive offices are located at 4230 Atlantic Avenue, Westpark, Shannon, Co. Clare, Ireland. Our telephone number at that address is +353 61 233 300.

We were formed at the direction of GECAS to acquire our initial portfolio from affiliates of GE and to develop an independent aircraft leasing business. On December 19, 2006, we (1) completed our IPO and issued 27,860,000 shares at a public offering price of $23.00 per share, (2) issued 3,450,000 shares to an affiliate of GE, in a private placement, for a price of $23.00 per share, (3) issued $810.0 million of aircraft lease-backed notes as part of a securitization transaction, and (4) used the net proceeds of the IPO, the private placement and the securitization to finance the acquisition of our initial portfolio of 41 commercial aircraft from affiliates of GE.

The purchase price for our initial portfolio was $1,459.4 million, which was the sum of the net proceeds of our IPO, our private placement and the securitization, less the portion of such proceeds that was used to fund our formation and offering-related expenses, up-front costs and expenses related to our securitization, and a cash balance of $20.0 million that we retained for general corporate purposes.

On January 16, 2007, we sold 4,179,000 additional shares at a public offering price of $23.00 after the underwriters of our IPO exercised their over-allotment option in full, as well as 517,500 additional shares at a price of $23.00 per share in a private placement to GE.

Since our IPO, we have increased our portfolio from 41 to 53 aircraft through the following acquisitions:

- On April 20, 2007, we agreed to acquire two aircraft from Deccan Aviation Limited, or Air Deccan, of India, one of which was delivered in July 2007 and the other in September 2007;
- On June 12, 2007, we agreed to acquire two aircraft from InterGlobe Aviation Limited, or IndiGo of India, one of which was delivered in July 2007 and the other in September 2007; and
- On September 26, 2007, we agreed to acquire eight additional aircraft from affiliates of GE, seven of which were delivered in September 2007 and the other in November 2007.

B. Business Overview

Our Company

We are an aviation company that acquires and leases commercial jet aircraft and other aviation assets. Our aircraft are leased under long-term contracts to a diverse group of airlines throughout the world. We leverage the worldwide platform of GECAS to service our portfolio of leases, allowing our management to focus on executing our growth strategy. Our strategy is to grow our portfolio through accretive acquisitions of aircraft from both third parties, such as airlines and financial investors, including affiliates of GE, while paying regular quarterly dividends to our shareholders.

The aircraft in our portfolio are modern, operationally efficient passenger and cargo jet aircraft that have long expected remaining useful lives. As of December 31, 2007, the weighted average age of our aircraft was 6.0 years, and the weighted average remaining lease term on our aircraft was 5.3 years. All of our aircraft are subject to net operating leases under which the lessee is responsible for most operational and insurance costs, and 46 of the 53 leases in our portfolio are subject to fixed rental rates. Others have floating rate rentals based on six-month LIBOR. The terms of our leases provide us with a stable source of revenues and cash flows.

Table of Contents

We believe we can continue to capitalize on the overall size and growth of the global aircraft market by acquiring and leasing additional aircraft. According to Airline Monitor, between 1990 and 2006, global passenger traffic, measured in revenue passenger miles, increased by 126%, or 5.2% per year. ACAS, a leading aviation information database, estimated that, as of June 2007, the current world commercial jet fleet consisted of more than 20,500 aircraft, and Boeing forecasts that the world fleet will reach 36,420 aircraft by 2026. Over the past 20 years, the world's airlines have leased a growing share of their aircraft instead of owning them outright, and, according to market data, the proportion of the global fleet under operating lease has increased from 17% in 1990 to approximately 30% in recent years and may reach 40% over the next ten years. We believe these industry trends provide a large and growing available pool of aircraft and other aviation assets to acquire and lease in the future.

Our long-term agreements with GECAS enable our management team to focus primarily on pursuing acquisitions of additional aircraft and other aviation assets. Pursuant to such arrangements, GECAS provides us with most services related to leasing our fleet, including marketing aircraft for lease and re-lease, collecting rents and other payments from the lessees of our aircraft, monitoring maintenance, insurance and other obligations under our leases and enforcing rights against lessees.

GECAS, the U.S. and Irish commercial aircraft financing and leasing businesses of GE, has a fleet of approximately 1,450 owned aircraft it leases to more than 230 airlines in some 70 countries, and it manages nearly 300 aircraft for others. GECAS offers a wide range of aircraft types and financing options, including operating leases and secured debt financing, and also offers productivity solutions including spare engine leasing and spare parts financing and management. GECAS, a unit of GE Infrastructure, has offices in 28 cities around the world. We believe GECAS's broad regional presence and industry expertise as the owner and servicer of one of the world's largest portfolios of commercial aircraft, enhance our ability to manage our portfolio effectively, to acquire and lease additional aircraft and to remarket our aircraft when leases expire.

Our Acquisition Strategy

We intend to pursue acquisitions of additional aircraft and other aviation assets through our relationships with aircraft operators, manufacturers, financial institutions, private investors and third-party lessors and through our business opportunities agreement with GECAS. We may acquire aircraft for lease directly from manufacturers, in the secondary market or pursuant to sale-leaseback transactions with aircraft operators.

Our management has extensive experience in the aircraft leasing industry and maintains strong relationships with a wide variety of market participants throughout the world. Each potential acquisition will be evaluated to determine if it supports our primary objective of growing our distributable cash flow while maintaining desired portfolio characteristics. We expect that key considerations in our decision to purchase an aircraft will include its price, market value, specification/configuration, condition and maintenance history, operating efficiency, lease terms, financial condition and creditworthiness of the lessee, jurisdiction, industry trends, and the potential for future redeployment and conversion into freighter configuration. We believe that careful analysis of these factors will enable us to maintain a diversified portfolio that maximizes our returns and minimizes our risk profile.

Our aim is to maintain a diversified portfolio of aircraft that can be deployed worldwide across a large operator base. We seek to acquire aircraft that are both accretive to our distributable cash flow per share and enable us to maintain a portfolio of high-utility aircraft with long remaining useful lives and a diverse lessee base. We focus on aircraft acquisitions that are expected to yield attractive rates of return over the period that we intend to own the aircraft.

As part of our growth strategy, we have entered into a business opportunities agreement with GECAS which we expect will lead to opportunities to purchase aircraft from third-party sources that GECAS encounters in its global operations, as well as certain aircraft offered directly by GECAS. For a description of this agreement, see Item 10.C. ‘‘Additional Information — Material Contracts — Business Opportunities Agreement.’’

Table of Contents

Competition

The leasing and remarketing of commercial jet aircraft is highly competitive. As the exclusive servicer of our aircraft, GECAS competes in leasing, re-leasing and selling our aircraft with other aircraft leasing companies, including ILFC, AerCap, Aircastle, Aviation Capital Group, AWAS, Babcock & Brown Aircraft Management, Babcock & Brown Air Limited, Boeing Capital, CIT Aerospace, Macquarie Aircraft Leasing, RBS Aviation Capital, and BOC Aviation (formerly Singapore Aircraft Leasing Enterprise), among others. We also may encounter competition from other entities that selectively compete with us, including:

- airlines;
- aircraft manufacturers;
- financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices);
- aircraft brokers;
- special purpose vehicles formed for the purpose of acquiring, leasing and selling aircraft; and
- public and private partnerships, investors and funds, including private equity and hedge funds.

Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. We believe we compete favorably in leasing our aircraft due to the reputation and experience of our management, our access to market opportunities through our servicing agreements with GECAS and our ability to structure lease rates and other lease terms to respond to market dynamics and customer needs. However, some of our competitors have significantly greater resources than we have. In addition, some competing aircraft lessors have a lower overall cost of capital and may provide financial services, maintenance services or other inducements to potential lessees that we cannot provide. Given the financial condition of the airline industry, many airlines have reduced their capacity by eliminating select aircraft from their fleets. This has resulted in an increase in available aircraft of these eliminated types, a decrease in rental rates for these aircraft and a decrease in market values of these aircraft.

Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. When we decide to dispose of an aircraft, GECAS, as our servicer, will arrange the disposition pursuant to the terms of the servicing agreement for that aircraft. In doing so, GECAS will compete with the aircraft leasing companies listed above, as well as with the other types of entities described above and other investors. GECAS is not required to assist us in the purchase of used aircraft, and therefore, in addition to competing with the entities identified above, we may compete with GECAS when seeking to acquire used aircraft.

Some of our competitors, such as Aercap, Aircastle and Babcock & Brown Air Limited are newly public companies with acquisitive growth strategies similar to ours, and their entrance into the market for leasing and marketing of commercial jet aircraft may intensify competition for acquisitions.

Insurance

We require our lessees to carry those types of insurance which are customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance covering risks such as hijacking, terrorism (but excluding cover for weapons of mass destruction and nuclear events), confiscation, expropriation, seizure and nationalization. In general, we are named as an additional insured on liability policies carried by our lessees, and we usually are designated as a loss payee in the event of a total loss of the aircraft. The servicer will obtain certificates of insurance from the lessees' insurance brokers to evidence the existence of such insurance. These certificates of insurance generally contain a breach of warranty endorsement so that, subject to certain standard exceptions, our interests are not prejudiced by any act or omission of the

Table of Contents

lessee. Coverage under liability policies generally is not subject to deductibles except those as to baggage and cargo that are standard in the airline industry, and coverage under all-risk aircraft hull insurance policies generally is subject to agreed deductible levels in respect of partial damage to the aircraft. In addition, we maintain contingent liability insurance and contingent hull insurance with respect to our aircraft, which is intended to provide coverage in the event that the insurance maintained by any of our lessees should not be available for our benefit as required pursuant to the terms of the contract.

Insurance premiums are generally paid by the lessee, with coverage acknowledged by the broker or carrier. The certificates of insurance contain, among other provisions, a ‘‘no co-insurance’’ clause and a provision prohibiting cancellation or material change without a reasonable period of advance written notice to the insurance broker, who is obligated to give us prompt notice. War and allied perils insurance policies customarily provide seven days advance written notice for cancellation and may be subject to lesser notice under certain market conditions. Furthermore, the insurance is primary and not contributory, and insurance carriers generally are required to waive rights of subrogation against us.

The stipulated loss value schedule under aircraft hull insurance policies is on an agreed value basis. In all cases, the sum of the stipulated loss value and our own additional coverage in place is at least equal to the appraised value of the aircraft. In cases where the servicer believes that the agreed value stated in the lease is not sufficient, the servicer will purchase additional total loss only coverage for the deficiency. Aircraft hull policies contain standard clauses covering aircraft engines. They also contain deductibles and in various cases and under certain circumstances the lessee has the right to self-insure some or all of the risk (which has the effect of significantly increasing the deductible amounts). The lessee is required to pay all deductibles, and would be responsible for payment of amounts self-insured. Furthermore, the aircraft hull policies contain war-risk endorsements and/or supplemental war-risk policies, including, but not limited to, confiscation, seizure, hijacking and similar forms of retention or terrorist acts (where available).

The comprehensive liability insurance listed on certificates of insurance include provisions for bodily injury, property damage, passenger liability, cargo liability and such other provisions reasonably necessary in commercial passenger and cargo airline operations. As a result of the terrorist attacks on September 11, 2001, the insurance market unilaterally terminated war risk liability coverage for a short period of time. When it became available again, the insurance market imposed a sub limit on each operator’s policy for third-party war risk liability, which is currently between $50 million and $150 million on the customary war-risk liability endorsement available in the London market. U.S., Canadian and certain other non-European Community-based airlines have government war-risk insurance programs available in which they currently participate. Although we currently require each lessee to purchase third party war risk liability in amounts greater than such sublimits, or obtain an indemnity from their government, the market or applicable governments may discontinue to make such excess coverage available for premiums that are acceptable to carriers. As a result, it is possible that we may be required to permit lessees to operate with considerably less third-party war risk liability coverage than currently carried, which could have a material adverse effect on the financial condition of our lessees and on us in the event of an uncovered claim. In late 2005, the international aviation insurance market unilaterally introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, bio-hazardous materials, electromagnetic pulsing and similar causes of loss. It is possible that exclusions for the same types of perils may be introduced into liability policies in the future.

We cannot assure you that we have adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Consistent with industry practice, our insurance policies are subject to commercially reasonable deductibles or self-retention amounts.

Table of Contents

Government Regulation

The air transportation industry is highly regulated. Because we do not operate aircraft, we generally are not directly subject to most of these laws. However, our lessees are subject to extensive regulation under the laws of the jurisdiction in which they are registered or under which they operate. These laws govern, among other things, the registration, operation, maintenance and condition of our aircraft.

Most of our aircraft are registered in the jurisdictions in which the lessees of our aircraft are certified as air operators. As a result, our aircraft are subject to the airworthiness and other standards imposed by these jurisdictions. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft manufacturers may also issue their own recommendations.

Each lessee generally is responsible for complying with airworthiness directives with respect to its aircraft and is required to maintain the aircraft’s airworthiness. To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft, we may have to bear the cost of such compliance. Under many leases, we have agreed to share with our lessees the cost of obligations under airworthiness directives (or similar requirements).In addition, if an aircraft is not subject to a lease, we may be forced to bear (or, to induce a prospective lessee to take the aircraft on lease, may have to agree to pay) the cost of compliance with airworthiness directives.

In addition to these direct cost expenditures, which may be substantial, significant new requirements with respect to noise standards, emission standards and other aspects of our aircraft or their operation could cause the value of our aircraft portfolio to decrease. Other governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which the aircraft are registered, possibly as part of the airworthiness requirements, but also in other jurisdictions where the aircraft operate. In addition, most countries’ aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are off lease or a lessee defaults in effecting such compliance, we will be required to comply with such requirements at our expense.

Corporate Services Provider

We have entered into corporate services agreements with AIB International Financial Services Limited (AIBIFS), pursuant to which AIBIFS performs certain accounting, administrative and other corporate services for us, including:

- assisting in establishing our books of account and recording transactions;
- assisting in preparing monthly management accounts;
- assisting in preparing quarterly and annual consolidated financial statements;
- providing assistance to our independent registered accounting firm;
- assisting in preparing earnings releases and reports required by the U.S. Securities Exchange Act of 1934 and the rules thereunder;
- directing tax advisers to prepare tax returns;

- assisting in opening and monitoring bank accounts;
- assisting in arranging board meetings;
- administering payroll; and
- assisting in preparing reports on compliance with covenants in debt agreements.

AIBIFS is an experienced provider of outsourced treasury, financial and administrative services to corporations, banks and other financial institutions in Ireland.

Table of Contents

We pay AIBIFS approximately €0.6 million per annum for these services. We have indemnified AIBIFS for losses arising out of the performances of their services for us and related matters, except where such loss arises directly as a result of a material breach of AIBIFS's duties or from fraud, gross negligence or willful misconduct on the part of AIBIFS, its employees or agents.

C. Organizational Structure

Genesis Funding is organized under the laws of Bermuda and is tax resident in Ireland. We own 100% of Genesis Funding's Class A common stock. A charitable trust holds shares of Class B common stock of Genesis Funding having limited voting rights and representing less than 0.001% of the economic interest in Genesis Funding.

Genesis Acquisition is organized under the laws of Bermuda and is tax resident in Ireland. We own 100% of Genesis Acquisition's Class A common stock. A charitable trust holds shares of Class B common stock of Genesis Acquisition having limited voting rights and representing less than 0.001% of the economic interest in Genesis Acquisition.

D. Property, Plants and Equipment

Our Aircraft Portfolio

Our portfolio consists of 53 aircraft on lease to 34 airlines located in 17 countries. Most of the leases in our portfolio are subject to fixed rental rates and, as of December 31, 2007, the weighted average remaining lease term on those aircraft was 5.3 years. Our portfolio includes 46 narrow-body aircraft (Boeing 737-400, 500, 700 and 800, Airbus A319-100 and A320-200), four cargo aircraft (Boeing 747-400SF and 767-200PC), two regional jets (ERJ170-100) and one wide-body passenger aircraft (Airbus A330-200). These aircraft are typically compliant with noise (Stage 3) and other environmental standards, relatively fuel efficient and technologically advanced.

In this annual report, all percentages and weighted averages of the aircraft in our portfolio have been calculated using the lower of mean or median half-life appraised base values as of June 30, 2007 except for four new aircraft that were delivered to us between July and September 2007, whose appraised base values have been calculated as of the date of manufacture. We obtained more recent appraisals for our aircraft in January 2008. The average of those appraised base values of the aircraft in our portfolio (assuming that each aircraft is in half-life condition) is $1.61 billion. The following table presents the aircraft in our portfolio:

Our Portfolio

Lessee	Equipment Type	Airframe Type	Engine Type(1)	Build Date	Percent
ABX Air	767-200PC	Cargo(2)	CF6-80A	November 1984	0.7%
ABX Air	767-200PC	Cargo(3)	CF6-80A	February 1985	0.7%
Air Baltic	737-500	Narrow-body	CFM56-3C1	October 1991	0.5%
Air Berlin	737-700	Narrow-body	CFM56-7B26	November 2001	1.7%
Air Berlin	737-700	Narrow-body	CFM56-7B26	October 2001	1.7%
Air Canada	A319-100	Narrow-body	CFM56-5B6/P	March 2003	1.7%
Air China Cargo	747-400SF	Cargo(4)	PW 4056-3	January 1991	3.3%
Air China Cargo	747-400SF	Cargo(5)	PW 4056-3	August 1991	3.3%
Air Deccan	A320-200	Narrow-body	V2527-A5	July 2007	2.5%
Air Deccan	A320-200	Narrow-body	V2527-A5	September 2007	2.5%
Air Europa	737-800	Narrow-body	CFM56-7B26	November 2005	2.4%
Aloha	737-700	Narrow-body	CFM56-7B26	November 1999	1.5%
Aloha	737-700	Narrow-body			

CFM56-7B26 September 1999 1.4% American 737-800 Narrow-body CFM56-7B27 September 2001 2.0% American 737-800 Narrow-body CFM56-7B27 September 2001 1.9%
38

Table of Contents

Lessee	Equipment Type	Airframe Type	Engine Type(1)	Build Date	Percent
China Southern	737-800	Narrow-body	CFM56-7B26	November 2005	2.4%
China Southern	737-800	Narrow-body	CFM56-7B26	September 2005	2.4%
El Al	737-800	Narrow-body	CFM56-7B26	February 1999	1.6%
EVA Airways	A330-200	Wide-body	CF6-80E1A3	February 2005	5.1%
Futura	737-800	Narrow-body	CFM56-7B26	May 2000	1.8%
Futura	737-800	Narrow-body	CFM56-7B27	June 2000	1.8%
Garuda	737-400	Narrow-body	CFM56-3C1	July 1998	0.9%
Germanwings	A319-100	Narrow-body	CFM56-5B6/P	November 1999	1.4%
Germanwings	A319-100	Narrow-body	CFM56-5B6/P	December 1999	1.4%
GOL	737-800	Narrow-body	CFM56-7B27	August 2006	2.6%
GOL	737-800	Narrow-body	CFM56-7B27	August 2006	2.6%
Iberworld	A320-200	Narrow-body	CFM56-5B4/P	March 2002	1.9%
IndiGo	A320-200	Narrow-body	V2527-A5	July 2007	2.5%
IndiGo	A320-200	Narrow-body	V2527-A5	September 2007	2.5%
KTHY	737-800	Narrow-body	CFM56-7B26	May 2001	1.9%
Lion Air	737-400	Narrow-body	CFM56-3C1	January 1991	0.7%
LOT	ERJ170-100	Regional Jet	CF34-8E5	April 2004	1.1%
LOT	ERJ170-100	Regional Jet	CF34-8E5	February 2004	1.1%
LTU	A320-200	Narrow-body	CFM56-5B4/P	February 2001	1.7%
LTU	A320-200	Narrow-body	CFM56-5B4/P	May 2001	1.7%
MyTravel	A320-200	Narrow-body	CFM56-5B4/P	January 2003	2.0%
MyTravel	A320-200	Narrow-body	CFM56-5B4/P	February 2003	2.0%
MyTravel	A320-200	Narrow-body	CFM56-5B4/P	February 2003	2.0%
Pegasus	737-800	Narrow-body	CFM56-7B26	April 2001	1.9%
PAL	A320-200	Narrow-body	CFM56-5B4/P	December 1998	1.4%
Sichuan Airlines	A320-200	Narrow-body	V2527E-A5	May 2001	1.7%
Skymark	737-800	Narrow-body	CFM56-7B26	December 2005	2.4%
Sun Express	737-800	Narrow-body	CFM56-7B26	March 2001	1.9%
TAM	A320-200	Narrow-body	V2527-A5	September 2001	1.7%
Travel Service	737-800	Narrow-body	CFM56-7B26	April 2000	1.8%
Travel Service	737-800	Narrow-body	CFM56-7B26	June 2001	1.9%
United	A320-200	Narrow-body	V2527-A5	October 2001	1.7%
United	A320-200	Narrow-body	V2527-A5	September 2001	1.7%
United	A320-200	Narrow-body	V2527-A5	September 2001	1.7%
UEAir	A319-100	Narrow-body	CFM56-5B6/P	January 1999	1.3%
UEAir	A319-100	Narrow-body	CFM56-5B6/P	January 1999	1.3%
USA 3000	A320-200	Narrow-body	CFM56-5B4/P	August 2002	1.9%
Vueling	A320-200	Narrow-body	CFM56-5B4/P	February 2005	2.3%
					100%

(1) Engine manufacturer key:

CFM	CFM International
CF34/CF6	General Electric
V	International Aero Engines
PW	Pratt & Whitney

(2) Converted to cargo in December 2000. However, the aircraft does not have a main deck cargo door installed as the current lessee’s operations as a package carrier do not require such door. (3) Converted to cargo in March 2001. However, the aircraft does not have a main deck cargo door installed as the current lessee’s operations as a package carrier do not require such door.

39

Table of Contents (4) Converted to cargo in June 2006. (5) Converted to cargo in September 2006.

Our portfolio consists of high-utility commercial jet aircraft that were manufactured between 1984 and 2007. As of December 31, 2007, the weighted average age of these aircraft was 6.0 years (5.0 years excluding cargo aircraft). We believe the high utility and young age of these aircraft ensure a long remaining useful life and increase our ability to redeploy aircraft at attractive lease rates. The following table presents the composition of our portfolio based on age, as of December 31, 2007:

	Aircraft Age	Number	Percent of Total Appraised Value
Passenger	0 to 5 years	18	42.4%
	5 to 10 years	29	48.4%
	10 to 15 years	—	—
	15+ years	2	1.2%
Cargo(1)		4	8.0%
Total		53	100%

(1) The cargo aircraft were converted from passenger configuration in December 2000, March 2001, June 2006 and September 2006.

The following table presents the years in which the aircraft in our portfolio were manufactured:

(1) The four cargo aircraft in our portfolio were manufactured in 1984, 1985 and 1991 (2 aircraft).

Our portfolio contains ten different types of airframes, including a variety of narrow-body, wide-body, and cargo airframe configurations. Boeing aircraft account for 49.7% of the portfolio, Airbus aircraft account for 48.0% of the portfolio and Embraer regional jets account for the remaining 2.3% of the portfolio.

Of the ten different aircraft types contained in our portfolio, six are passenger narrow-body, one is passenger wide-body, one is regional passenger jet, and two are cargo wide-body. Although the Boeing 767-200PC is classified as a cargo wide-body frame, aircraft of this type do not have main deck cargo doors installed because they were converted for use by the current lessee as package carriers. The initial leases of these aircraft provide that if the lessee installs main deck cargo doors on these aircraft, the lessor will contribute an amount equivalent to $1.5 million (as of December 31, 2007) per aircraft, which reflects a portion of the rent designated and deferred for this purpose. Although the lessee may not install such doors, GE has transferred to us the amounts of rent so designated as of the closing of our IPO, and we are obligated to make the applicable required payments (including in respect of the applicable portion of the rent) to the lessee if it installs such a cargo door on either of these aircraft. Approximately 84.6% of the aircraft in our portfolio are members of the narrow-body

Table of Contents

Airbus A319, Airbus A320 and Boeing 737 families, all of which enjoy high worldwide demand due to their fuel-efficient design, relatively low maintenance costs, and an increase in customer demand for point-to-point destination service. These aircraft are used on more routes around the world than any other airframe and thus have the largest installed base. As a result, we believe they are easier to lease and market than wide-body jets or other specialized types of aircraft. The table below presents the composition of our portfolio based on airframe type:

Airframe Type		Number	Percent of Total Appraised Value
Passenger narrow-body	A320-200	18	35.7%
	737-800	16	33.4%
	A319-100	5	7.2%
	737-700	4	6.2%
	737-400	2	1.6%
	737-500	1	0.5%
Total narrow-body		46	84.6%
Passenger wide-body	A330-200	1	5.1%
Total wide-body		1	5.1%
Regional passenger	ERJ-170-100	2	2.3%
Total regional jet		2	2.3%
Cargo wide-body	747-400SF	2	6.6%
	767-200PC(1)	2	1.4%
Total cargo		4	8.0%
Total		53	100%

(1) These aircraft do not have main deck cargo doors installed as the current lessee's operations as a package carrier do not require such doors.

The lessees of the aircraft in our portfolio are dispersed across 18 countries. Approximately 38.1% of our portfolio is leased to European carriers, 36.4% to Asian carriers, and 17.0% to North American carriers. Aircraft based in China, the United States, Spain and India comprise 15.8%, 15.2%, 10.2% and 10.1% of our portfolio, respectively. The table below presents the composition of our portfolio based on the geographic location of our lessees:

Geographic Profile	Number	Percent of Total Appraised Value
Europe	22	38.1%
Asia/Pacific	16	36.4%
United States and Canada	11	17.0%
Central and South America and Mexico	3	6.9%
Africa/Middle East	1	1.6%
Total	53	100%

Table of Contents

Our Leases

Lease Terms

All of the aircraft in our portfolio are subject to operating leases. Our lease maturities range from 2008 to 2019. As of December 31, 2007, the weighted average remaining lease term of our portfolio was 5.3 years. The following table presents the scheduled lease maturity of the aircraft in our portfolio:

(1) The maturity schedule assumes that neither the lessee nor lessor exercises any extension or early terminations options. (2) New long-term lease agreements are in place with new customers for the two leases expiring in 2008 and for one of the leases expiring in 2009.

Under our leases, the lessees agree to lease the aircraft for a fixed term, although in some cases the lessees have purchase options, termination rights or extension rights. Most lease rentals are payable monthly in advance, but some lease rentals are payable quarterly, in arrears or on an individually negotiated schedule. Of our leases, 46 have fixed rental rates and seven have floating rental rates based on six-month LIBOR. Thirty-one of our leases also currently require the lessees to pay additional rent amounts, monthly or annually in arrears, based on usage. All leases are on a ‘‘net’’ basis with the lessee generally responsible for all operating expenses, which customarily include maintenance, fuel, crews, airport and navigation charges, taxes, licenses, aircraft registration and insurance premiums.

Most of our leases generally provide that the lessee’s payment obligations are absolute and unconditional under any and all circumstances. Lessees are generally required to make payment without deduction on account of any amounts that we may owe the lessee or any claims that the lessee may have against us. Most of our leases also require lessees to gross up lease payments where they are subject to withholdings and other taxes, including withholdings that arise out of transfers of the aircraft to or by us or due to our corporate 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 reimbursed under applicable law. Furthermore, lessees may fail to reimburse us even when obligated under the lease to do so. Our leases also require lessees to indemnify us for certain other tax liabilities relating to the leases and the aircraft, including, in most cases, value added tax and stamp duties.

The cost of an aircraft typically is not fully recovered over the term of the initial lease. We therefore retain the benefit and assume the risk of the rent at which we can re-lease the aircraft upon expiration or early termination of the lease and of the ultimate residual value. Operating leases allow airlines greater fleet and financial flexibility than outright ownership because of the relatively

Table of Contents

shorter-term nature of operating leases, the relatively small initial capital outlay necessary to obtain use of the aircraft and the significant reduction in aircraft residual value risk.

Purchase Options. Five of the leases in our portfolio provide the lessee with an option to purchase the aircraft during or at the end of the lease term. Purchase options vary with the individual leases and include fixed price options to purchase the aircraft at a set period prior to the expiration of the lease and/or a continuous option to purchase the aircraft upon the occurrence of certain tax indemnity events.

Extension Options. Eleven of our leases give the lessee an option to extend the term of the lease. In addition, one of the leases provides us with an extension option, but the lessee is entitled to buy out our extension option.

Early Termination Rights. Twelve of our leases provide the lessees with early termination rights. Early termination rights generally require the lessee to provide sufficient notice of termination to enable us to remarket or otherwise dispose of the aircraft before lease expiration. Early termination may trigger substantial financial penalties payable by the lessee which we believe will reduce the potential that the lessees will terminate early.

Certain leases with shorter notice periods permit early termination for obsolescence on 90 days' notice, but unless we elect otherwise, the affected aircraft will be sold and the lessee is obligated to pay an amount by which the net sales proceeds are less than the then-applicable agreed value.

Certain leases do not have a specified notice period but can be terminated early only upon the lessee's inability to obtain and maintain necessary governmental approvals and only upon payment of termination compensation equal to the lesser of two years' rent or the rent remaining payable under the lease.

Operating Costs and Expenses. The lessee is liable through various operational indemnities for operating costs and expenses accrued or payable during the term of the relevant lease, which would normally include costs and expenses associated with the maintenance and operation of the aircraft, airport and navigation charges, certain taxes, licenses, consents and approvals, aircraft registration and hull all risk and public liability insurance programs.

Security Deposits and Letters of Credit. Forty-five of our leases provide for cash security deposits and/or letters of credit which may be drawn down in the event that a lessee defaults under any of these leases. These security deposits and/or letters of credit may mitigate losses we may incur while attempting to re-lease the aircraft. Under certain circumstances, the lessee may be required to obtain guarantees or other financial support from an acceptable financial institution or other third parties.

Maintenance Obligations. Under our leases, the lessee is generally responsible for normal maintenance and repairs, airframe and engine overhauls, obtaining consents and approvals and compliance with return conditions of aircraft on lease. In connection with the lease of a used aircraft we sometimes agree to contribute specific additional amounts to the cost of certain major overhauls or modifications, which usually reflect the usage of the aircraft prior to the commencement of the lease. In many cases, we also agree to share with our lessees the cost of compliance with airworthiness directives.

Our portfolio includes 31 leases pursuant to which we collect additional rent that is determined based on usage of the aircraft measured by hours flown or cycles operated and we are obligated to make contributions to the lessee for expenses incurred for certain planned major maintenance, up to a maximum amount that is typically determined based on additional rent paid by the lessee. Such major planned maintenance includes heavy airframe, off-wing engine, landing gear and auxiliary power unit overhauls. We are not obligated to make maintenance contributions under such leases at any time that a lessee default is continuing.

Under the remaining 22 leases in our portfolio we are not obligated to make any maintenance contributions. However, most of these 22 leases provide for a lease-end adjustment payment by the lessee or us at the end of the lease based on the usage of the aircraft during the lease and its condition upon return.

Table of Contents

Compliance with Laws. The lessee is responsible for compliance with all applicable laws and regulations with respect to the aircraft. We generally require our lessees to comply with the standards of either the U.S. Federal Aviation Administration or its non-U.S. equivalent. We often require a deposit as security for the lessee's performance of obligations under the lease and the condition of the aircraft upon return. In addition, the leases contain extensive provisions regarding our remedies and rights in the event of a default by the lessee and specific provisions regarding the return condition of the aircraft. Except at the commencement of the term of a lease of a used aircraft, the lessee generally is required to continue to make lease payments during any period in which the aircraft is not in operation due to maintenance or grounding.

General. Each aircraft generally must remain in the possession of the applicable lessee and any sublessees of the aircraft generally must be approved by the lessor unless, in some leases, certain conditions are met. Under most of our leases, the lessees may enter into charter or ''wet lease'' arrangements in respect of the aircraft (i.e., a lease with crew and services provided by the lessor under the lease), provided the lessee does not part with operational control of the aircraft. One of the aircraft is currently subject to a wet lease. Under some of our leases, the lessee is permitted to enter into subleases with specified operators or types of operators without the lessor's consent, provided certain conditions are met. We are aware that nine of the aircraft are currently subject to subleases. Our leases also generally permit the lessees to subject the equipment or components to removal or replacement and, in certain cases, to pooling arrangements (temporary borrowing of equipment), without the lessor's consent but subject to conditions and criteria set forth in the applicable lease. Under our leases, the lessee may deliver possession of the aircraft, engines and other equipment or components to the relevant manufacturer for testing or similar purposes, or to a third party for service, maintenance, repair or other work required or permitted under the lease.

Some foreign countries have currency and exchange laws regulating the international transfer of currencies. When necessary, we will require as a condition to any foreign transaction, that the lessee or purchaser in a foreign country obtain the necessary approvals of the appropriate government agency, finance ministry or central bank for the remittance of all funds contractually owed in U.S. dollars. We attempt to minimize our currency and exchange risks by negotiating most of our aircraft leases in U.S. dollars. The terms of the securitization permit Genesis Funding to have up to 5% of its leases denominated in Euros. All of our leases are currently payable in U.S. dollars.

Lease Restructurings. During the term of a lease, a lessee's business circumstances may change to the point where it is economically sensible for us to consider restructuring the terms of the lease. Restructurings may involve the voluntary termination of leases prior to contracted lease expiration, the arrangement of subleases from the primary lessee to another airline, the rescheduling of lease payments, the forgiveness and/or reduction of lease obligations and the extension of the lease terms.

Aircraft Repossessions. If a restructuring is not possible, we may seek to terminate the lease and gain possession of the aircraft for remarketing. Although the majority of repossessions are accomplished through negotiation, if we cannot obtain the lessee's cooperation we would have to take legal action in the appropriate jurisdiction. This legal process could delay the ultimate return of the aircraft. In addition, in connection with the repossession of an aircraft, we may be required to pay outstanding mechanics, airport, navigation and other liens on the repossessed aircraft. These charges could relate to other aircraft that we do not own but were operated by the lessee. In contested repossessions, we likely would incur substantial additional costs for maintenance, refurbishment and remarketing of the aircraft.

Lease Management and Remarketing

We outsource our lease management and aircraft remarketing activities to GECAS, enabling our senior management to focus primarily on sourcing and executing aircraft acquisitions. Pursuant to our servicing agreements with GECAS, GECAS provides us with most services related to leasing our fleet, including marketing aircraft for lease and re-lease or sale, collecting rents and other payments from the lessees of our aircraft, monitoring maintenance, insurance and other obligations under our leases and enforcing our rights against lessees. See Item 10.C. ‘‘Additional Information — Material Contracts — Servicing Agreements.’’

Table of Contents

GECAS, the U.S. and Irish commercial aircraft financing and leasing businesses of GE, has a fleet of approximately 1,450 owned aircraft it leases to more than 230 airlines in some 70 countries, and it manages nearly 300 aircraft for others. GECAS offers a wide range of aircraft types and financing options, including operating leases and secured debt financing, and also offers productivity solutions including spare engine leasing and spare parts financing and management. GECAS, a unit of GE Infrastructure, has offices in 28 cities around the world. We believe GECAS's broad regional presence and industry expertise as the owner and servicer of one of the world's largest portfolios of commercial aircraft, enhance our ability to manage our portfolio effectively, to acquire and lease additional aircraft and to remarket our aircraft when leases expire.

From time to time, we may decide to dispose of our leased aircraft at or before the expiration of their leases. As with acquisitions, our primary objective of growing our distributable cash flow while maintaining desired portfolio characteristics will guide our analysis of aircraft disposition opportunities. Although our management will decide whether or not to make any such dispositions, dispositions will be executed on our behalf by GECAS pursuant to our servicing agreements.

Properties

We lease office space in Shannon, Co. Clare, Ireland. We expect to incur approximately $200,000 in lease expense during 2008.

Item 4A. Unresolved Staff Comments

Not applicable.

Table of Contents

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our combined and consolidated financial statements and related notes included elsewhere in this Annual Report. The combined and consolidated financial statements for each of the three years ended December 31, 2007 have been prepared in accordance with U.S. GAAP, and are presented in U.S. dollars. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. See ‘‘Preliminary Note’’ and Item 3.D.‘‘Risk Factors.’’

A. Results of Operations

History

We are Genesis Lease Limited, a Bermuda exempted company incorporated on July 17, 2006 under the provisions of Section 14 of the Companies Act 1981 of Bermuda. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Although we are organized under the laws of Bermuda, we are resident in Ireland for Irish tax purposes and thus are subject to Irish corporation tax on our income in the same way, and to the same extent, as if we were organized under the laws of Ireland. Our principal executive offices are located at 4230 Atlantic Avenue, Westpark, Shannon, Co. Clare, Ireland. Our telephone number at that address is +353 61 233 300.

We were formed at the direction of GECAS to acquire our initial portfolio of aircraft from affiliates of GE and to develop an independent aircraft leasing business.

Our aircraft are leased under long-term contracts to a diverse group of airlines throughout the world. We leverage the worldwide platform of GECAS to service our portfolio of leases, allowing our management to focus on executing our growth strategy. Our strategy is to grow our portfolio through accretive acquisitions of aircraft from third parties, such airlines and financial investors, as well as affiliates of GE, while paying regular quarterly dividends to our shareholders.

We acquired our initial portfolio of 41 aircraft pursuant to the asset purchase agreement, dated as of December 19, 2006 (the ‘‘Closing Date’’), between Genesis Funding, GE Capital and certain affiliates of GE that owned the aircraft (or the equity interests therein) on the Closing Date. Under the terms of the asset purchase agreement, we acquired our initial portfolio of 41 aircraft. We paid $1,459.4 million as consideration for the 41 aircraft (or the beneficial interest in those aircraft) on the Closing Date.

Pursuant to the asset purchase agreement, GE and its affiliates were obligated to deliver the aircraft in our initial portfolio within 210 days of the completion of our IPO. In the period from the Closing Date to the date that each aircraft was delivered (the ‘‘Delivery Date’’), the aircraft in the initial portfolio were delivered to us (each, a ‘‘Delivery Date’’), we received the rental income (base rent and additional rent) from all of the 41 aircraft in our initial portfolio, and GE received full credit for the investment earnings on the proceeds of the sale of the initial portfolio to us. We were also liable for the maintenance and other payments due under the operating lease, as lessor and beneficial owner, of each aircraft in our initial portfolio. The effect of the asset purchase agreement was that as at the Delivery Date of each aircraft, both we and GE would be in the same position as we would have been had such aircraft been delivered on the Closing Date. All the aircraft in our initial portfolio were delivered by June 30, 2007.

The purchase of each aircraft (or the beneficial interest therein) was deemed to occur at the Closing Date rather than at the Delivery Date, reflecting the substantial economic interest in the aircraft that we acquired on the Closing Date and the commercial substance of the asset purchase agreement. The combined and consolidated financial statements reflect our continuing interest in the aircraft following our IPO and the aircraft continue to be depreciated following the Closing Date.

Table of Contents

Since our IPO we have increased our portfolio from 41 to 53 aircraft through the following acquisitions:

- On April 20, 2007, we agreed to acquire two aircraft from Deccan Aviation Limited, or Air Deccan, of India, one of which was delivered in July 2007 and the other in September 2007;
- On June 12, 2007, we agreed to acquire two aircraft from InterGlobe Aviation Limited, or IndiGo, of India, one of which was delivered in July 2007 and the other in September 2007; and
- On September 26, 2007, we agreed to acquire eight additional aircraft from affiliates of GE, seven of which were delivered in September 2007 and the other in November 2007.

As of December 31, 2007, the weighted average age of the aircraft in our portfolio was 6.0 years, and the weighted average remaining lease term of our portfolio was 5.3 years. All of the aircraft are subject to net operating leases under which the lessee is responsible for most operational, maintenance and insurance costs. The terms of our leases provide us with a stable source of revenues and cash flows.

The table below presents the number of aircraft included in Genesis's financial statements as at December 31, 2006 and 2007 and the number of aircraft included in the Predecessor's financial statements as at December 31, 2004 and 2005.

December 31,	Number of Aircraft
2004	31
2005	37
2006	41
2007	53

The combined and consolidated financial statements have been prepared to reflect the combination of the aircraft and their financial position, results of operations and cash flows pursuant to the terms of the asset purchase agreement, entered into between Genesis Funding, GE Capital and certain affiliates of GE that owned the aircraft (or the equity interests therein) at the Closing Date.

The acquisition of our initial portfolio was accounted for as a transaction between entities under common control. The transfer of the aircraft from affiliates of GE to us in substance constituted an issuance of subsidiary stock, and as such, the transfer was accounted for at historical cost similar to a transaction between entities under common control. Results for each aircraft in the initial portfolio have been included in the combined financial statements from the dates that such aircraft came under GE's ownership and control. ''Push down'' accounting was not required because no single investor or collaborative group of investors held more than 95% of our outstanding shares upon completion of our IPO. The excess of the amount paid to GE to transfer the initial portfolio of 41 aircraft over the net book value has been treated as a reduction in equity (i.e. a special distribution).

Our combined financial statements for periods prior to the completion of our IPO on December 19, 2006, reflect the combination of the aircraft included in our initial portfolio and the related leases as owned and operated by affiliates of GE until December 18, 2006. The combined financial statements have been prepared on a ''carve out'' basis derived from GE's consolidated financial statements. All intercompany transactions have been eliminated in the combined financial statements included herein. Because a direct ownership relationship did not exist among the various GE aircraft-owning entities prior to our IPO, GE's interest in the predecessor, including intercompany debt, was shown in the combined balance sheet and the statement of shareholders' equity in the combined financial statements. The combined financial statements do not reflect the financial condition, results of operations or cash flows that we would have achieved during the periods presented. GE has not indemnified us for any material misstatements or omissions in the combined financial statements included within this Annual Report.

Table of Contents

Prior to our IPO, certain services had been provided or procured by GE with respect to the aircraft in the initial portfolio. These services include the following:

- marketing, technical and operating management services relating to the aircraft;
- risk management approvals and services relating to the aircraft;
- insurance for general corporate, property, casualty and hull coverage;
- information technology services;
- human resources, including employee benefit processing and payroll administration;
- financial advisory services such as tax consulting, capital markets services and financial and accounting support services;
- legal services;
- occupancy costs such as rent and utilities; and
- other corporate services.

The combined financial statements for all periods prior to the completion of our IPO include allocations of costs for these services based on the cost to GE of providing or procuring such services. The method used to allocate these costs to our aircraft was a multi-step process, whereby the costs were first allocated to GECAS as one of GE's divisions based on the relative book values of net assets, and then further allocated to our predecessor based on the total number of aircraft owned by our predecessor at a particular time. Costs included in the financial statements for such services provided to our predecessor are included in ''Selling, general and administrative expenses.''

In addition, although GE did not allocate any indebtedness to the predecessor's aircraft or to the predecessor, GE did allocate interest cost to each of its divisions, including GECAS. GE made the interest allocations based upon its net investment in a particular business, the debt-to-equity ratio for that business and the business's borrowing costs. The combined financial statements include an allocation of interest expense using the same methodology as described above. Costs included in the financial statements for such interest charges are included in interest expense.

Our consolidated financial statements for periods since the completion of our IPO on December 19, 2006 include all of our majority-owned subsidiaries, assets and liabilities.

Critical Accounting Policies and Estimates

Our consolidated and combined financial statements have been prepared in accordance with U.S. GAAP, which requires the application of accounting policies based on assumptions, estimates, judgments and opinions. Our predecessor applied, and we have applied and will continue to apply, these policies based on the best information available at the time and on assumptions believed to be reasonable under the circumstances.

The following is a discussion of the critical accounting policies and the methods of their application. For a further description of our significant accounting policies, please read note 2 to our combined and consolidated financial statements included at Item 18 of this Annual Report.

Revenue — Rental of Flight Equipment

We lease flight equipment (also referred to as ‘‘aircraft’’) under operating leases and record rental income on a straight-line basis over the term of the lease. Rentals received but unearned under the lease agreements are recorded in ‘‘Rentals received in advance’’ on the Balance Sheet and included in other liabilities until earned. In certain cases, leases provide for additional rentals based on usage which is recorded as revenue as it is earned under the terms of the lease. The usage is calculated based on hourly usage or cycles operated, depending on the lease agreement. Usage is typically reported monthly by the lessee and is non-refundable. Other leases provide for a lease-end adjustment payment by us or the lessee at the end of the lease based on usage of the aircraft and its condition upon return. Lease-end adjustment payments received are included in rental of flight equipment. Lease-end adjustment payments made are capitalized in ‘‘Flight equipment under operating leases, net’’ when they relate to planned major maintenance activities or expensed when they relate to light maintenance activities.

Past-due rentals are recognized on the basis of management’s assessment of collectibility. No revenues are recognized, and no receivable is recorded, from a lessee when collectibility is not reasonably assured. Estimating whether collectibility is reasonably assured requires some level of subjectivity and judgment. When collectibility of rental payments is not certain, revenue is recognized when cash payments are received. Collectibility is evaluated based on factors such as the lessee’s credit rating, payment performance, financial condition and requests for modifications of lease terms and conditions as well as security received from the lessee in the form of guarantees and/or letters of credit.

Flight Equipment under Operating Leases

Flight equipment under operating leases is recorded at cost less accumulated depreciation and amortization. Costs related to lessee specific modifications are capitalized as part of ‘‘Flight equipment under operating leases, net’’ and amortized over either the term of the lease or the depreciable life of the aircraft depending upon the nature of the improvement. Pre-delivery payments made in advance of purchase of flight equipment are included in ‘‘Other assets’’ and are reclassified to ‘‘Flight equipment under operating leases, net’’ when the asset is delivered. Interest related to pre-delivery deposits on aircraft purchase contracts is capitalized as part of the aircraft cost.

For planned major maintenance activities, we capitalize the actual maintenance costs by applying the deferral method in accordance with the Financial Accounting Standards Board (‘‘FASB’’) Staff Position (FSP) No. AUG AIR-1, Accounting for Planned Major Maintenance Activities. We capitalize the actual cost of major overhauls, which is depreciated on a straight-line basis over the period until the next overhaul is required.

Depreciation is computed on a straight-line basis to the aircraft’s estimated residual value over a period of up to 20 years from the date of acquisition of the aircraft. Residual values are determined based on estimated market values at the end of the depreciation period received from independent appraisers.

In accounting for flight equipment under operating lease, management makes estimates on the estimated residual values. Estimated residual values are determined based on independent appraisals of the aircraft’s estimated market value at the end of the depreciation period. Exceptions may be made to this policy on a case-by-case basis when, in management’s judgment, based on various factors, the residual value calculated pursuant to this policy does not appear to reflect current expectations of the residual value of a particular aircraft. Such factors include, but are not limited to, the extent of cash flows generated from future lease arrangements as a result of changes in global and regional economic and political conditions resulting in lower demand for our aircraft, the effect of government regulations including noise or emission standards, which may make certain aircraft less desirable in the marketplace, incidents of lease restructuring, which result in lower lease rates for troubled lessees, and other factors, many of which are outside of our control.

Flight equipment under operating leases is tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable in accordance with Statement of Financial Accounting Standards (‘‘SFAS’’) 144, Accounting for the Impairment or Disposal of Long-lived Assets. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Once an impairment results in a reduction in the carrying value of an asset, the carrying value of such asset cannot thereafter be increased. Fair value is determined based on current market values received from independent appraisers. No impairment losses were recognized for the years ended December 31, 2005, 2006 or 2007.

Flight equipment under operating lease includes aircraft in which we and our subsidiaries hold legal title and beneficial interest and one aircraft on lease to an airline in Japan in which, we and our subsidiaries, in accordance with local laws, hold beneficial interest but not legal title.

Under Japanese law, legal title to each aircraft registered in Japan must be held by a Japanese entity. In order to facilitate the lease to the airline and to meet Japanese registration requirements, the predecessor, with the cooperation of the airline and in accordance with the terms of a sales agreement, sold title to this aircraft to a Japanese entity that is owned and managed by a Japanese corporation. However, beneficial ownership of the aircraft is effectively held by an entity in which the beneficial interest is held by us. Concurrently with such sale, the predecessor and the Japanese entity entered into a conditional sale agreement whereby the predecessor repurchased the aircraft from the entity. The predecessor has paid the entire repurchase price under the conditional sale agreement except one remaining installment in the amount of one U.S. dollar. Under the conditional sales agreement, the predecessor effectively holds the beneficial ownership interest of the aircraft, including all of the risks and rewards of ownership.

Because the predecessor has not relinquished control over the aircraft upon transfer of the aircraft's title to the Japanese entity, as evidenced by the one dollar purchase option in the conditional sale agreement which is exercisable at any time, and has retained all of the risks and rewards of ownership of the aircraft, the predecessor has not recognized this transaction as a sale for accounting purposes and continues to recognize the aircraft as ''Flight equipment under operating lease'' in the financial statements.

Business Combinations and Goodwill

The acquisition of an aircraft under a business combination is accounted for using the purchase method in accordance with SFAS 141, Business Combinations. We apply the purchase price of aircraft acquired to the fair value of assets acquired and liabilities assumed by major balance sheet caption, including identifiable intangible assets and liabilities, as of the acquisition date. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase businesses combination. Goodwill is reviewed for impairment at least annually in accordance with the provisions of SFAS 142, Goodwill and Other Intangible Assets. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS 141, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

During the year ended December 31, 2007, we did not record any goodwill on acquisition of flight equipment accounted for as business combinations, as the purchase price paid reflected the fair value of the tangible and intangible assets acquired and liabilities assumed.

In accounting for flight equipment acquired under a business combination, management makes estimates of the fair value of the attached leases separate from the fair value of the underlying aircraft. Determining the fair value of attached leases requires us to make assumptions regarding the current fair value of leases attaching to specific aircraft. Management estimates a range of fair values of similar aircraft in order to determine if the attached lease is within a fair value range. If a lease is above market terms, the present value of the estimated amount above the fair value range is calculated over the remaining contractual lease term of the lease. Any resulting lease premium assets are amortized on a straight line basis as a reduction of rental income over the remaining useful life of the lease. If a lease is below market terms, the present value of the estimated amount below the fair value range is calculated over the remaining contractual lease term of the lease. Related assets and liabilities representing such values are reported in Other assets and Other liabilities, respectively. Any resulting lease discounts are amortized as an addition to rental income over the remaining useful life of the lease. We consider lease renewals on a lease by lease basis.

Maintenance Expense

We record a charge for light maintenance expense when incurred in ‘‘Maintenance expense’’ on the Statement of Income. These light maintenance costs relate primarily to those incurred in the re-leasing of aircraft and during the transition between leases. For planned major maintenance activities, we capitalize and depreciate the actual costs by applying the deferral method. These amounts capitalized are included in ‘‘Flight equipment under operating leases, net’’ and are depreciated over the period until the next overhaul is required.

Income taxes

We apply SFAS 109, Accounting for Income Taxes, which requires the asset and liability method of accounting for income taxes. Deferred income tax asset and liabilities are recognized for the future tax consequences attributed to differences between the financial statements and tax basis of existing assets and liabilities using enacted rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The recoverability of these future tax deductions is evaluated by assessing the adequacy of future taxable income from all sources, including the reversal of temporary differences and forecasted operating earnings. No valuation allowance has been provided as it is more likely than not that the deferred tax assets will be realized. Income taxes have been provided for all items included in the Statements of Income regardless of when such items were reported for tax purposes or when the taxes were actually paid or refunded.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, ‘‘Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109’’ (FIN 48), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. We are subject to the provisions of FIN 48 as of January 1, 2007, and have analyzed filing positions in all of the jurisdictions where we are required to file tax returns, as well as all open tax years in these jurisdictions. Beginning with the adoption of FIN 48 as of January 1 2007, we recognize the effect of income tax positions only if those positions are more likely than not of being ‘‘sustained’’. FIN 48 requires that we measure the benefit using a ‘‘cumulative probability’’ analysis, and requires the measurement to be based on management’s best judgment about the amount the taxpayer would accept to settle the issue. Recognized income tax positions are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Changes in recognition or measurement are reflected in a period in which the change occurs. Prior to the adoption of FIN 48, we recognized the effect of income tax positions only if such positions were probable of being sustained.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, we will need to generate future taxable income of approximately $230.0 million. Based upon projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes

51

Table of Contents

it is more likely than not that we will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

We have identified Ireland to be our only ‘‘major’’ tax jurisdiction, as defined. We and our subsidiaries will file our first tax filings in 2008. Under Irish tax law, tax returns remain open for 5 years after the tax period and therefore no tax periods are closed yet. We have reviewed all of our tax positions taken to date and believe that the positions taken and deductions therein would be sustained on audit and do not anticipate any adjustments that could result in a material adverse effect on our financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, we did not record a cumulative effect adjustment related to the adoption of FIN 48.

Our policy for recording interest and penalties associated with audits by the Irish Revenue Commissioners is to record such items as a component of income before taxes. For the year ended December 31, 2007, we recorded no amounts in respect of interest and penalties associated with such audits.

Share-based based compensation

Compensation costs relating to share-based payments are recognized based on the fair value of the equity instruments issued in accordance with SFAS 123(R), Share-Based Payment. Fair value of the equity instruments are determined based on a valuation using an option pricing model which takes into account various assumptions that are subjective. Key assumptions used in developing the valuation include the expected term of the equity award taking into account both the contractual term of the award, the effects of employees’ expected exercise and post-vesting termination behavior, expected volatility, expected dividends and the risk-free interest rate for the expected term of the award. Key assumptions used in developing valuations are discussed with independent third party valuation experts.

Derivative financial instruments

We have entered into derivative instruments to hedge the risk of variability in the cash flows associated with the floating interest rate payments on the borrowings incurred to finance a portion of the consideration paid for our portfolio of aircraft. We account for derivative instruments in accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted. In accordance with SFAS 133, all derivatives are recognized on the balance sheet at their fair value. Fair value may depend on the credit rating and risk attaching to the counterparty of the derivative contracts. When cashflow hedge accounting treatment is achieved under SFAS 133, the changes in fair values related to the effective portion of the derivatives are recorded in accumulated other comprehensive income, and the ineffective portion is recognized immediately in income. Changes in fair value related to the effective portion of the derivatives are reclassified out of accumulated other comprehensive income into income for any ineffective portion of the derivative contract which is calculated at each quarter end. Amounts reflected in accumulated other comprehensive income related to the effective portion are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Table of Contents

Results of Operations

The following table reflects the combined and consolidated Statement of Income for the years ended December 31, 2005, 2006 and 2007. The year ended December 31, 2007 is presented on a consolidated basis, while the 2005 and 2006 comparative periods are presented on a combined and combined and consolidated basis respectively to allow for a twelve-month comparison to prior full fiscal years. The combined results do not purport to reflect the results that would have been obtained had the IPO occurred at the beginning of 2006.

	Combined	Combined and Consolidated	Consolidated
Years Ended December 31,	2005	2006	2007
(USD in thousands, except share and per share data)			
Revenues			
Rental of Flight Equipment	$ 117,861	$ 153,187	$ 181,333
Other income	—	—	6,771
Total revenue	117,861	153,187	188,104
Expenses:			
Depreciation	42,462	51,398	62,259
Interest	34,995	46,026	55,236
Maintenance expense	1,989	2,327	1,073
Selling, general and administrative	3,144	7,312	20,991
Other expenses	—	—	3,337
Total operating expenses	82,590	107,063	142,896
Income Before Taxes	35,271	46,124	45,208
Provision for income taxes	13,900	17,367	6,053
Net Income	$ 21,371	$ 28,757	$ 39,155

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The number of aircraft in our fleet increased from 41 as of December 31, 2006 to 53 as of December 31, 2007.

Rental revenues were $181.3 million for the year ended December 31, 2007, which increased 18.4% from $153.2 million for the year end December 31, 2006. This increase was primarily due to (1) the purchase of four aircraft in 2006 that generated an additional $13.3 million of revenue during the year ended December 31, 2007, and (2) the purchase of 12 aircraft in 2007 that generated additional revenue of $14.8 million during the year ended December 31, 2007.

Other income was $6.8 million for the year ended December 31, 2007 compared to nil for the year ended December 31, 2006. The increase was due to interest income generated on cash investments.

Depreciation of flight equipment was $62.3 million for the year ended December 31, 2007 which increased by 21.1% from $51.4 million for the year ended December 31, 2006. This increase was due primarily to (1) additional depreciation of $4.6 million on the four aircraft acquired during the year ended December 31, 2006, (2) additional depreciation of $4.6 million on the 12 aircraft during the year ended December 31, 2007, and (3) additional depreciation related to capitalized maintenance for the year ended December 31, 2007.

Interest expense was $55.2 million for the year ended December 31, 2007, which increased by 20.0% from $46.0 million for the year ended December 31, 2006. The predecessor's combined financial statements for the year ended December 31, 2006 include an allocation from GE of interest expense of $44.5 million. On December 19, 2006, we issued $810 million of aircraft lease-backed notes as part

Table of Contents

of a securitization transaction. The interest expense of $55.2 million for the year ended December 31, 2007 includes the amortization of financing costs of $3.9 million and reflects the costs associated with our borrowings under the securitization notes and our senior secured credit facility.

Maintenance expense was $1.1 million for the year ended December 31, 2007, which decreased by 53.9% from $2.3 million recorded for the year ended December 31, 2006. The decrease was related to the reduced expense associated with transitioning aircraft for delivery to new lessees.

Selling, general and administrative expenses were $21.0 million for the year ended December 31, 2007, which increased by 187.1% from $7.3 million for the year ended December 31, 2006. The predecessor's condensed combined financial statements for the year ended December 31, 2006 include an expense allocation from GE of expense of $3.9 million. This increase of $13.7 million was due to the additional costs of establishing and operating as an independent standalone company, including increased employee and facilities expenses as well as public company expenses, as well as costs associated with servicing the additional aircraft that we acquired during 2006 and 2007.

Other expenses increased by $3.3 million for the year ended December 31, 2007 compared to nil in the year ended December 31, 2006. These costs relate to a transaction where the likelihood of proceeding with this transaction within the foreseeable future is considered remote.

Provision for income taxes was $6.1 million for the year ended December 31, 2007, which decreased by 65.1% from $17.4 million recorded for the year ended December 31, 2006. The predecessor's condensed combined financial statements for the year ended December 31, 2006 reflect income taxes as if the predecessor had been a separate taxable entity resident in the United States with an effective tax rate of 37.1%. The provision for income taxes of $6.1 million reported by Genesis for the year ended December 31, 2007 reflects the fact that Genesis is a separate taxable entity, resident in Ireland.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

The number of aircraft in our fleet increased from 37 as of December 31, 2005 to 41 as of December 31, 2006.

Rental revenues were $153.2 million for the year ended December 31, 2006, which increased 30.0% from $117.9 million for the year end December 31, 2005. This increase was due to (1) the purchase of four additional aircraft in 2006 that generated $8.2 million of revenues during the year ended December 31, 2006, (2) an additional $15.8 million of incremental revenues on six aircraft acquired during the year ended December 31, 2005 for which results were only partially included in the year ended December 31, 2005, (3) an $8.0 million increase in additional rent primarily reflecting the increase in the number of aircraft during the years ended December 31, 2005 and December 31, 2006, and (4) a $3.3 million increase on aircraft re-leased, extended, or whose lease rentals adjust bi-annually based on six-month LIBOR.

Depreciation of flight equipment was $51.4 million for the year ended December 31, 2006, which increased by 21.1% from $42.5 million for the year ended December 31, 2005. This increase was due to (1) an additional $3.0 million from four aircraft purchased during the year ended December 31, 2006, and (2) additional depreciation of $5.9 million on six aircraft acquired during the year ended December 31, 2005 for which results were only partially included in the year ended December 31, 2005.

Interest expense was $46.1 million for the year ended December 31, 2006, including $44.5 million reported by our predecessor to December 18, 2006 and $1.6 million reported by us for the 13-day period from December 19, 2006 to

December 31, 2006. The predecessor combined financial statements to December 18, 2006 include an allocation of interest expense based on the methodology described under Item 5.A and Item 18 of this Annual Report. On December 19, 2006, we issued $810.0 million of aircraft lease-backed notes as part of a securitization transaction and the interest expense of $1.6 million for the 13-day period reflects the cost associated with these borrowings. The increase of $11.1 million, or 31%, from $35.0 million for the year ended December 31, 2005 primarily reflects additional interest cost allocated to our predecessor from GE for the funding of additional investment in aircraft of $194.3 million.

Table of Contents

Maintenance expense was $2.3 million for the year ended December 31, 2006, which increased by 16.9% from $1.9 million recorded for the year ended December 31, 2005 due primarily to the re-lease of four aircraft to new lessees during the year ended December 31, 2006.

Selling, general and administrative expenses were $7.3 million for the year ended December 31, 2006. This includes an amount of $3.9 million reported by our predecessor to December 18, 2006 and an amount of $3.4 million reported by us for the 13-day period from December 19, 2006 to December 31, 2006. Our predecessor's combined financial statements to December 18, 2006 include an allocation of expense based on the methodology described under Item 5.A and Item 18 of this Annual Report. Selling, general and administrative expense increased by $4.2 million, or 132.6%, from $3.1 million for the year ended December 31, 2005. This increase was due to (1) an increase in operational expenses as a result of the increase in the number of aircraft during the year ended December 31, 2005, (2) the additional expense that we incurred in relation to the commencement of our operations, including a non-cash charge of $0.7 million relating to share-based compensation granted upon the pricing of the IPO, and (3) costs associated with servicing the additional aircraft that we acquired during 2005 and 2006.

Provision for income taxes was $17.4 million for the year ended December 31, 2006. This includes a tax provision of $17.5 million reported by our predecessor to December 18, 2006 and a benefit of $0.1 million reported by us for the 13-day period from December 19, 2006 to December 31, 2006. The predecessor's combined financial statements reflect income taxes as if the predecessor had been a separate taxable entity resident in the United States. The predecessor's effective and actual tax rate from January 1, 2006 to December 18, 2006 was 37.1% compared to 39.4% for the year ended December 31, 2005. The predecessor's tax rate was higher in 2005 due primarily to the fact that during 2005 one aircraft that had been subject to rules applicable to foreign sales corporations was transferred out of the foreign sales corporation to an Irish company that did not qualify under the foreign sales corporation rules. This transfer resulted in a one-time requirement to increase the deferred tax liability related to the transferred aircraft to the non-foreign sales corporation rate. In addition, the income from the lease of such aircraft became subject to the higher tax rate after the transfer.

The benefit of $0.1 million reported by Genesis for the period from December 19, 2006 to December 31, 2006 reflects the fact that Genesis is a separate taxable entity, resident in Ireland.

B. Liquidity and Capital Resources

Our Cash Flows

Year Ended December 31, 2007 compared to Year Ended December 31, 2006

Cash flows generated from operations were $118.7 million for the year ended December 31, 2007 compared with $89.5 million for the year ended December 31, 2006. The increase in operating cash flows in 2007 compared with 2006 was primarily the result of (1) $14.2 million of increased cash flows from leasing activities, (2) $1.6 million of lower cash taxes paid than in 2006, and (3) a decrease of $13.4 million in restricted cash.

Cash flows from investing activities relate primarily to the acquisition of aircraft and the designation of certain cash balances as restricted cash. Cash used in investing activities in 2007 was $405.6 million compared with cash used in investing activities of $194.2 million in 2006.

Cash flows from financing activities were $290.2 million for the year ended December 31, 2007 compared with $131.6 million for the year ended December 31, 2006. Cash flows from financing activities in 2007 primarily relate to

(1) aggregate net proceeds of $102.9 million from the sale of shares pursuant to the underwriters' exercise of the over-allotment option in the IPO, (2) the proceeds raised from borrowings of $241.0 million under our credit facility to fund the acquisition of additional aircraft and (3) offset by dividends paid of $53.0 million.

Year Ended December 31, 2006 compared to Year Ended December 31, 2005

Cash flows generated from operations were $89.5 million in 2006 compared with $73.7 million in 2005. The increase in operating cash flows in 2006 compared with 2005 was primarily the result of

Table of Contents

(1) $16.9 million of increased cash flows from leasing activities, and (2) $14.4 million of lower cash taxes paid than in 2005, partially offset by (1) the designation of $15.5 million as restricted cash as a result of the securitization transaction and the requirement to hold certain amounts in separate accounts.

Cash flows from investing activities relate to the acquisition of aircraft or pre-delivery payments on aircraft. Cash used in investing activities in 2006 was $194.2 million compared with cash used in investing activities of $186.7 million in 2005.

Cash flows from financing activities relate to proceeds received by the predecessor from GE to fund aircraft investments and general corporate purposes to December 18, 2006. Cash flows from financing activities also reflect the transactions that occurred on December 19, 2006. On December 19, 2006, we raised aggregate net proceeds of $1,479.4 million through (1) the IPO, (2) the private placement of shares to an affiliate of GE and (3) the issuance of $810.0 million of aircraft lease-backed notes as part of a securitization transaction, less the portion of such proceeds that was used to fund our formation and offering-related expenses, up-front costs and expenses related to our securitization. These net proceeds were used to purchase our initial portfolio for $1,459.4 million from affiliates of GE and to retain a cash balance of $20.0 million for corporate purposes. The net cash payment to GE on December 19, 2006 was $1,441.5 million as we received $17.9 million from GE in respect of the assumption of certain aircraft-related liabilities.

Our Future Sources of Liquidity

We operate in a capital-intensive industry. Our predecessor financed the purchase of aircraft and pre-delivery payments for aircraft with cash received from GE. We expect to fund our capital needs from retained cash flow and debt and equity financing, including borrowings under our $1 billion credit facility.

Our short-term liquidity needs include working capital for operations associated with our aircraft and cash to pay dividends to our shareholders. We expect that cash on hand, cash flow provided by operations and the availability of borrowings under our liquidity facility will satisfy our short-term liquidity needs with respect to our portfolio and dividend payments through at least the next 12 months.

Our sole source of operating cash flows is currently from distributions and interest payments made to us by our subsidiaries, through which we hold all of the aircraft in our portfolio. Distributions of cash to us by our subsidiaries are subject to compliance with covenants contained in the agreements governing the securitization and our senior secured credit facility described below.

Our liquidity needs also include the financing of the acquisition of additional aircraft and other aviation assets that we expect will drive our growth. We plan to finance acquisitions through borrowings under our credit facility and additional equity and debt offerings, which may include securitizations of our aircraft and leases.

Our ability to execute our business strategy to acquire these additional assets therefore depends to a significant degree on our ability to access debt and equity capital markets. Our access to these markets will depend on a number of factors, such as our historical and expected performance, compliance with the terms of our debt agreements, industry and market trends, the availability of capital and relative attractiveness of alternative investments. If we are unable to raise funds through debt and equity capital markets on terms that are acceptable to us, then we may be unable to implement our growth strategy of making acquisitions of additional aircraft that are accretive to cash flow.

Capital Expenditures

On April 20, 2007, we signed an agreement to purchase two new Airbus A320 aircraft from Air Deccan of India. One of these aircraft was delivered in July 2007, and the other was delivered in September 2007. Both aircraft have been leased back on long-term leases to Air Deccan.

Table of Contents

On June 12, 2007, we signed an agreement to purchase two new Airbus A320 aircraft from IndiGo Airlines of India. One of these aircraft was delivered in July 2007, and the other was delivered in September 2007. Both aircraft have been leased back on long-term leases to IndiGo Airlines.

On September 26, 2007, we signed an asset purchase agreement to acquire a portfolio of eight modern, narrow-body commercial aircraft from affiliates of GE, which are on lease to six airlines in three countries (the ‘‘Acquisition’’). Seven of the aircraft were delivered in September 2007, and the other was delivered in November 2007.

All of these aircraft were delivered to Genesis before December 31, 2007.

The Acquisition has been treated as a purchase in conformity with Statement Financial Accounting Standard SFAS 141, Business Combinations. In connection with the Acquisition, the assets and liabilities relating to the delivered aircraft were stated at fair value upon their respective acquisition dates.

The Acquisition consists of the following aircraft:

Lessee	Aircraft Type	Country
Air Berlin (2 aircraft)	B737-700	Germany
Aloha Airlines	B737-700	United States
Germanwings (2 aircraft)	A319-100	Germany
LTU	A320-200	Germany
MyTravel	A320-200	United Kingdom
United Airlines	A320-200	United States

In addition to acquisitions of additional aircraft and other aviation assets, we expect to make capital expenditures from time to time in connection with improvements to our aircraft. These expenditures include the cost of major overhauls and modifications. As of December 31, 2007, the average weighted age of the aircraft in our portfolio was 6.0 years. In general, the costs of operating an aircraft, including capital expenditures, increase with the age of the aircraft.

Maintenance

Under our leases, the lessee is generally responsible for maintenance and repairs, airframe and engine overhauls, obtaining consents and approvals and compliance with return conditions of aircraft on lease. In connection with the lease of a used aircraft we may agree to contribute specific additional amounts to the cost of certain major overhauls or modifications, which usually reflect the usage of the aircraft prior to the commencement of the lease. In many cases, we also agree to share with our lessees the cost of compliance with airworthiness directives.

Our portfolio includes 31 leases pursuant to which we collect additional rent that is determined based on usage of the aircraft measured by hours flown or cycles operated and we are obligated to make contributions to the lessee for expenses incurred for certain planned major maintenance, including amounts typically determined based on additional rent paid by the lessee. Such major planned maintenance includes heavy airframe, off-wing engine, landing gear and auxiliary power unit overhauls and replacements of engine life limited parts. We are not obligated to make maintenance contributions under such leases at any time that a lessee default is continuing. Due to the timing of the required contributions on these 31 aircraft, we expect that maintenance contributions in 2008 will be substantially higher than in 2007, although we are unable to estimate the exact amounts of those contributions with certainty.

Under the remaining 22 leases in our portfolio, we are not obligated to make any maintenance contributions. However, most of these 22 leases provide for a lease-end adjustment payment based on the usage of the aircraft during the lease and its condition upon return. Most such payments are likely to be made by the lessee to us, although payments may be required to be made by us.

Seasonality

Our aircraft are leased under long term contracts and are not subject to the effect of seasonal variation in demand.

57

Table of Contents

Securitization

Concurrently with the completion of our IPO, our subsidiary Genesis Funding completed a securitization transaction that generated net proceeds of approximately $794.3 million after deducting initial purchasers' discounts and fees. Genesis Funding is a special purpose exempted company that was organized under the laws of the Bermuda to purchase our initial portfolio. Although Genesis Funding is organized under the laws of the Bermuda, it is a resident in Ireland for Irish tax purposes and thus subject to Irish corporation tax on its income in the same way, and to the same extent, as if it were organized under the laws of Ireland. The authorized business of Genesis Funding is limited to acquiring, buying, leasing, maintaining, operating and selling aircraft and entering into hedge agreements and credit facilities related to such activities. We own 100% of the Class A Shares of Genesis Funding, through which we are the beneficiary of more than 99.99% of the equity interest in the property of Genesis Funding. A charitable trust established for the benefit of identified charities, which we refer to as the Charitable Trust, indirectly owns 100% of the Class B Shares of Genesis Funding entitling it to a nominal equity interest in the property of Genesis Funding. Holders of the Class A Shares are entitled to vote on all matters on which shareholders of Genesis Funding are entitled to vote. Holders of the Class B Shares are entitled to vote solely on matters relating to a winding-up, a dissolution, merger, consolidation, transfer of assets and certain limitations on the issuance, transfer and sale of ownership interests, and certain matters with respect to bankruptcy and corporate governance of Genesis Funding. Under the terms of the securitization, a single class of notes, or the notes, were initially issued by Genesis Funding. The notes are direct obligations of Genesis Funding and are not obligations of, or guaranteed by, GE, any of its affiliates or us. The proceeds from the sale of the notes, together with the proceeds from our IPO and the private placement of shares to GE, less certain expenses related to the securitization and our IPO and a cash balance we retained, were used by Genesis Funding to finance the acquisition of our initial portfolio under the asset purchase agreement. See Item 10.C. ''Additional Information — Material Contracts — Asset Purchase Agreement.''

The notes have the benefit of a financial guaranty insurance policy issued by Financial Guaranty Insurance Company, or FGIC, which has issued a financial guaranty insurance policy to support the payment of interest when due on the notes and the payment of the outstanding principal balance of the notes on the final maturity date of the notes and, under certain other circumstances, prior thereto.

The notes initially were rated Aaa and AAA by Moody's Investors Service, Inc., or Moody's, and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or S&P, respectively. This rating was based on FGIC's rating, which was downgraded since the issuance of the notes. As a result of FGIC's downgrade, the notes are currently rated A3 and A by Moody's and S&P, respectively.

The notes were issued pursuant to the terms of a trust indenture, dated December 19, 2006, the date of the completion of our IPO, which we refer to as the indenture, among Genesis Funding, a cash manager, a trustee, an operating bank, a liquidity facility provider and the policy provider.

We acquired the title or beneficial interest in all the aircraft in our initial portfolio through Genesis Funding and its subsidiaries. As a result, our rights to these aircraft are structurally subordinated to the rights of the creditors of Genesis Funding. This means that the creditors of Genesis Funding will be paid from its assets before we would have any claims to those assets. The obligations of Genesis Funding in connection with the securitization are without recourse to us or our other subsidiaries. In addition, the terms of the indenture impose restrictions on the ability to lease or sell the aircraft in the initial portfolio and require Genesis Funding to apply its cash flow in accordance with the priorities established in the indenture as described below.

Management of Genesis Funding

Genesis Funding is governed by a board of directors comprised of three directors. One of these directors is Mr. McMahon, and the other two directors are independent of us and GE and its affiliates. In the event that an independent director steps down, the remaining directors will jointly nominate five candidates for approval by the security trustee, acting reasonably, to fill the vacant position. The

Table of Contents

replacement director will be selected by the holders of the Class A Shares from such approved candidates. In the event that both of the independent director positions are vacant at the same time, the holders of the Class A Shares will nominate seven candidates for approval by the security trustee, acting reasonably, to fill the vacant independent director positions. Upon receipt of approval by the security trustee, the holders of the Class A Shares may then elect two such candidates as independent directors. We refer to the director who is not independent (initially Mr. McMahon) as the equity director. The board is responsible for the management of the property and affairs of Genesis Funding. The consent of the equity director is required in order to, among other things, dispose of or acquire aircraft, incur additional indebtedness or cause a merger or consolidation of Genesis Funding or any of its subsidiaries with third parties, us or our other affiliates that are not Genesis Funding or any of its subsidiaries. We act as manager with respect to Genesis Funding in connection with the securitization. In connection therewith, we or a third party hired by us provide certain administrative, accounting and other services to Genesis Funding, prepare budgets for Genesis Funding's approval and prepare and arrange for all regulatory and other filings on behalf of Genesis Funding. Certain administrative services to be performed by us may be delegated to an administrative agent under a separate administrative agreement.

Interest Rate

The notes bear interest at one-month LIBOR plus 0.24%. Interest expense for the securitization also includes amounts payable to the policy provider and the liquidity facility provider thereunder. Genesis Funding has also entered into an interest rate swap agreement intended to hedge the interest rate exposure associated with issuing the floating-rate obligations of the notes.

Maturity Date

The final maturity date of the notes is December 19, 2032.

Payment Terms

Principal payments during 2010 and 2011, the fourth and fifth years following the closing date of the securitization, and interest on the notes are due and payable on a monthly basis. During the first three years, there are no scheduled principal payments on the notes and for each month during the fourth and fifth years following the closing date of securitization, there are scheduled principal payments in fixed amounts, in each case subject to satisfying certain debt service coverage ratios and other covenants. Thereafter, if the notes are not refinanced, cash flow generally will not be available for distribution to us for the payment of dividends because principal payments are not fixed in amount but rather are determined monthly based on revenues collected and costs and other liabilities incurred prior to the relevant payment date. Effectively, after the fifth anniversary of the closing date of the securitization, all revenues collected during each monthly period will be applied to repay the outstanding principal balance of the notes, after the payment of certain expenses and other liabilities, including the fees of the service providers (including GECAS as servicer and us in our role as manager), the liquidity facility provider and the policy provider, interest on the notes and interest rate swap payments, all in accordance with the priority of payments set forth in the indenture.

Available Cash

Genesis Funding is required to maintain as of each monthly payment date cash in an amount sufficient to cover its operating expenses for a period of one month or, in the case of maintenance expenditures, three months, following such payment date. In addition, during the three years after completion of our IPO, additional rent is deposited in a separate account to be used for major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls. All cash flows attributable to the underlying aircraft after the payment of amounts due and owing in respect of, among other things, maintenance and repair expenditures with respect to the aircraft, insurance costs and taxes and all repossession and remarketing costs, certain amounts due to any credit support providers, swap providers, the policy

Table of Contents

provider, trustees, directors and various service providers (including GECAS as servicer and us as manager) will be distributed in accordance with the priority of payments set forth in the indenture. Genesis Funding, however, is required to use the amount of excess securitization cash flows to repay principal under the notes instead of paying dividends upon the occurrence of certain events, including failure to maintain a specified debt service coverage ratio, certain events of bankruptcy or liquidation and any acceleration of the notes after the occurrence of other events of default.

We expect to refinance the notes on or prior to December 2011, the fifth anniversary of the completion of our IPO. In the event that the notes are not refinanced on or prior to that month, any excess securitization cash flow will be used to repay the principal amount of the notes and will not be available to us to pay dividends to our shareholders.

Redemption

We may, on any payment date, redeem the notes by giving the required notices and depositing the necessary funds with the trustee. A redemption prior to acceleration of the notes may be of the whole or any part of the notes. A redemption after acceleration of the notes upon default may only be for the whole of the notes.

We may, on any payment date, redeem the notes in whole or from time to time in part, at the following redemption prices, expressed as percentages of principal amount, together with accrued and unpaid interest to, but excluding, the date fixed for redemption, if redeemed on the dates indicated below:

Redemption Date	Price
On or after December 19, 2007 but before December 19, 2008	102%
On or after December 19, 2008 but before December 19, 2009	101%
On or after December 19, 2009	100%

Collateral

The notes are secured by first priority, perfected security interests in and pledges or assignments of equity ownership and beneficial interests in the subsidiaries of Genesis Funding, their interests in the leases of the aircraft they own, cash held by or for them and by their rights under agreements with GECAS, the initial liquidity facility provider, hedge counterparties and the policy provider. The notes are also secured by a lien or similar interest in any of the aircraft in the initial portfolio that are registered in the United States or Ireland and in any additional aircraft of Genesis Funding so registered at any time prior to the second anniversary of the closing date of the securitization. Genesis Funding agreed not to encumber the aircraft in our initial portfolio with any other liens except the leases and liens created or permitted thereunder, under the indenture or under the security trust agreement. Genesis Funding also agreed not to incur any indebtedness, except as permitted under the indenture, other than the notes, any permitted credit and liquidity enhancement facilities and the obligations related to the policy.

Default and Remedies

Genesis Funding will be in default under the transaction documents in the event that, among other things, interest on the notes is not paid on any payment date (after a grace period of five business days) or principal due on the final maturity date is not paid, certain other covenants are not complied with and such noncompliance materially adversely affects the noteholders, Genesis Funding or any of its significant subsidiaries becomes the subject of insolvency proceedings or a judgment for the payment of money exceeding five percent of the depreciated base value of the initial portfolio is entered and remains unstayed for a period of time. Following any such default and acceleration of the notes by the controlling party (initially, the policy provider), the security trustee may, at the direction of the controlling party, exercise such remedies in relation to the collateral as may be available to it under applicable law, including the sale of any of the aircraft at public or private sale. After the occurrence of certain bankruptcy and insolvency related events of default, or any acceleration of the notes after the occurrence of any event of default, all cash generated by Genesis Funding will be used to prepay the notes and will not be available to us to make distributions to our shareholders.

Certain Covenants

Genesis Funding is subject to certain operating covenants including relating to the maintenance, registration and insurance of the aircraft as set forth in the indenture. The indenture also contains certain conditions and constraints which relate to the servicing and management of the initial portfolio including covenants relating to the disposition of aircraft, lease concentration limits, restrictions on the acquisition of additional aircraft and restrictions on the modification of aircraft and capital expenditures as described below. GECAS has agreed to use commercially reasonable efforts to perform its services pursuant to the servicing agreement for our initial portfolio, subject to certain provisions of the indenture as they relate to the services provided by GECAS thereunder.

Aircraft Dispositions.   The ability of Genesis Funding to sell aircraft is limited under the securitization documentation. Genesis Funding may sell up to six aircraft without the consent of the policy provider and additional aircraft with the consent of the policy provider provided that such sales do not violate the concentration limits discussed below and the price is above 107% of the obligations of the notes allocable to such aircraft. Genesis Funding may also sell aircraft provided that (1) sales in any one year do not exceed 10% of the initial average base value of all our aircraft as adjusted for depreciation as provided in the indenture, (2) such sales do not violate the concentration limits or Moody’s confirms its rating on the notes, and (3) the policy provider consents.

Concentration Limits.   Genesis Funding may only enter into a future lease (other than a renewal, extension or restructuring of any lease) if, after entering into such future lease, Genesis Funding is in compliance with certain criteria in respect of limits based on, among other things, the proportion of our portfolio leased to our largest lessees, the regional concentration of our lessees and the sovereign ratings of the countries in which our lessees are located. We will be permitted to vary from these limits if Genesis Funding receives a confirmation from Moody’s that it will not lower, qualify or withdraw its ratings on the notes as a result of such lease and the policy provider consents to such lease. These limits may place limits on Genesis Funding’s ability (absent a third-party consent) to re-lease the aircraft in our portfolio to certain customers at certain times, even if to do so would provide the best risk-adjusted cash flow and would be within our risk policies then in effect.

Leases.   When re-leasing any aircraft, Genesis Funding must do so in accordance with certain core lease provisions set forth in the indenture. The core lease provisions include, but are not limited to, maintenance, return conditions in respect of the aircraft, lease termination events and prohibitions on the assignments of the leases. These core lease provisions may not be amended without the consent of the policy provider.

Additional Aircraft.   Genesis Funding is not permitted to acquire any aircraft other than the aircraft in the initial portfolio unless certain conditions are satisfied, including that the acquisition does not result in an event of default under the transaction documents and does not result in a default under the applicable concentration limits. We have the right to contribute additional aircraft from time to time to Genesis Funding. In the event that additional notes are issued to finance the acquisition of additional aircraft, Genesis Funding must obtain the prior written consent of the policy provider and liquidity facility provider and a confirmation from the rating agencies rating the notes that they will not lower, qualify or withdraw their ratings on the notes as a result of the acquisition. Additional aircraft may include, among other things, aircraft, engines and entities with an ownership or leasehold interest in aircraft or engines. Any additional notes issued rank pari passu in right of payment of principal and interest with Genesis Funding’s outstanding notes. The acquisition of additional aircraft also requires the approval of the directors (including the equity director) of Genesis Funding.

Modification of Aircraft and Capital Expenditures. Genesis Funding is generally not permitted to make capital expenditures in respect of any optional improvement or modification of an aircraft in the initial portfolio, including aircraft conversions from passenger to cargo aircraft, or for the purpose of purchasing or otherwise acquiring any engines or parts outside of the ordinary course of business, excluding any capital expenditures made in the ordinary course of business in connection with an existing or new lease or the sale of an aircraft, and excluding capital expenditures where: (1) conversions or modifications are funded by capital contributions from Genesis Lease, (2) modification payments are made the aggregate net cash cost of which do not exceed 5% of the aggregate initial average base value of the initial portfolio (other than modification payments funded, with capital contributions from Genesis Lease) or (3) modification payments are permitted under the servicing agreements without express prior written approval of Genesis Funding. The foregoing limitations on modification payments does not apply to lessor contributions, if any, to be made with respect to the installation of main deck cargo doors on the two Boeing 767-200PC cargo wide-body airframes, as described in Item 4.D. ‘‘Property, Plants and Equipment — Our Aircraft Portfolio,’’ to the extent funded from capital contributions or available collections pursuant to the priority of payments in the indenture.

Other Covenants. The indenture contains other covenants customary for a securitization, including covenants that restrict the investment and business activities of Genesis Funding, maintain the special purpose and bankruptcy remoteness characteristics of Genesis Funding, limit the amount and type of debt, guarantees or other indebtedness that can be assumed by Genesis Funding entities, restrict Genesis Funding’s ability to grant liens or other encumbrances, require the maintenance of certain airline hull, liability, war risk and repossession insurance and limit the ability of the members of Genesis Funding to merge, amalgamate, consolidate or transfer assets.

Liquidity Facility

Genesis Funding and Calyon are parties to a revolving credit facility, which we refer to as the liquidity facility. The aggregate amounts available under the liquidity facility is $75 million, $60 million of which may be drawn to cover certain expenses of Genesis Funding, including maintenance expenses, swap payments and interest on the notes issued under the indenture and the remaining $15 million of which is available for three years from the completion of our IPO to cover any shortfalls in the separate account set aside for overhauls and certain parts replacements. Genesis Funding is required to reimburse the provider of the liquidity facility for the amount of such drawing plus accrued interest on such drawing in accordance with the order of priority specified in the indenture. In the event any amounts under the liquidity facility advanced for shortfalls for overhauls and replacements remains outstanding after such three-year period Genesis Funding will pay a principal amount equal to $625,000 per month to repay such advances. Upon the occurrence of certain events, including a downgrade of the provider of the liquidity facility below a certain ratings threshold, the liquidity facility will be drawn in full and the proceeds will be deposited in an account established under the indenture and will be available for the same purposes as drawings under the liquidity facility. Drawings under the initial liquidity facility bear interest at one-month LIBOR plus a spread of 120 basis points. Genesis Funding also is required to pay an annual commitment fee of 60 basis points on each payment date to the provider of the liquidity facility.

Credit Facility

On April 5, 2007, Genesis Acquisition entered into a $1 billion senior secured credit facility with a syndicate of lenders. The credit facility permits initial loans in an aggregate principal amount of up to $250 million, with an option for Genesis Acquisition to increase the aggregate principal amount of available loans by an additional amount of up to $750 million prior to October 4, 2008, for a total commitment amount of up to $1 billion. The credit facility will provide funding for 65.0-72.5% (depending on aircraft type) of the agreed value of the aircraft that Genesis Acquisition may acquire. As at December 31, 2007, $759 million remains available under this facility.

Commitment Fees. The following fees relate to the credit facility:

- 1.25% upfront fee on the initial commitment of $250 million, payable by GECAS on the closing of the facility;
- 0.375% per year on the unused amount of the initial commitment of up to $250 million, payable quarterly by Genesis Acquisition in arrears;

62

Table of Contents

- 1.25% fee on the unused amount of $750 million, payable upon exercise of our option to increase the commitment amount to $1 billion; and
- 0.375% per year on the unused amount of $750 million (1) for a period of 12 months from the signing date, paid by GECAS in advance on the signing date, (2) thereafter for a period of 6 months, payable quarterly by Genesis Acquisition in arrears, in each case of (1) and (2) whether or not the option to increase the commitment amount to $1 billion is exercised, and (3) thereafter, if Genesis Acquisition exercises the option to increase the commitment amount to $1 billion, payable quarterly by Genesis Acquisition in arrears.

In connection with the closing of the credit facility, GECAS refunded fees and related expenses of $7.2 million initially borne by Genesis Acquisition. We recorded this amount as deferred financing costs with an offsetting credit to Additional paid-in capital. An amount of $3.2 million was amortized for the year ended December 31, 2007.

Interest Rate. Borrowings under the credit facility bear interest at one- or three-month LIBOR plus an applicable margin. The applicable margin is between 1.50% and 1.75%, depending on the Genesis Acquisition's portfolio composition and the principal amount outstanding under the credit facility during the revolving period and 2.75% during the term period (if Genesis Acquisition exercises its option to convert the credit facility to a term loan). Genesis Acquisition has also entered into an interest rate swap agreement intended to hedge the interest rate exposure associated with issuing the floating-rate obligations of the notes.

Maturity Date; Payment Terms. The commitments under the credit facility are available until April 2010, at which time Genesis Acquisition will have the option to convert any outstanding amount under the credit facility to a term loan with a two-year maturity. If Genesis Acquisition does not exercise this option, then the outstanding amount under the credit facility at such time will be due on such date.

Prepayment. Genesis Acquisition has the right to prepay any amounts outstanding under the credit facility or to reduce the commitment thereunder. In addition, Genesis Acquisition will be required to make partial prepayments of borrowings under the credit facility upon the total loss, sale or other disposition of aircraft financed with borrowings under the credit facility, or if the aggregate amount of the loans outstanding under the credit facility exceeds the borrowing base, (as defined in the credit facility), including as a result of a decrease in the value of an aircraft financed with borrowings thereunder as determined by mandatory periodic appraisals.

Collateral. Pursuant to a security trust agreement, dated as of April 5, 2007, among Genesis Acquisition, certain affiliates of Genesis Acquisition, Citibank, N.A., as administrative agent, and Deutsche Bank Trust Company Americas, as security trustee and account bank, borrowings under the credit facility are secured by first priority, perfected security interests in and pledges or assignments of (1) the equity ownership and beneficial interests of each subsidiary of Genesis Acquisition, (2) leases of the aircraft financed under the credit facility, (3) rights under the casualty insurance on such aircraft, (4) accounts under the sole dominion and control of the administrative agent under the credit facility into which lease rentals, insurance proceeds, sale proceeds and other amounts will be paid, and (5) where possible, an international interest under the Cape Town Convention in each eligible airframe, engine and lease.

Covenants. The credit facility contains customary covenants, including the following:

- a requirement that Genesis Acquisition deliver periodic financial and other reports to the administrative agent;
- limitations on the incurrence of additional indebtedness;
- limitations on

consolidation, acquisition, merger and transfer of assets;

- a requirement that the aircraft in Genesis Acquisition's portfolio comply with lessee and geographic concentration limits;
- a requirement that the weighted average age of Genesis Acquisition's aircraft portfolio not exceed ten years until the option to increase the commitment amount to up to $1 billion is exercised, and eight years thereafter; and

63

Table of Contents

- a requirement that the ratio of earnings before interest, taxes, depreciation and amortization (‘‘EBITDA’’) to interest expense for any trailing period of three consecutive months exceeds (i) 1.1 at all times and (ii) 1.5 for advances to be available under the credit facility.

C. Research and Development

Not applicable.

D. Trend Information

Our growth strategy contemplates future acquisitions and leasing of additional commercial aircraft and other aviation assets. The following trends in the aircraft finance and leasing industries will have an impact on our ability to implement this growth strategy:

- Large and growing commercial aircraft fleet to meet global demand. Globalization and economic growth throughout the developing world have led to increased demand for air travel. We expect that economic development in emerging markets, competitive pricing resulting from the continued growth of low-cost carriers and relaxation of regulatory constraints will drive further increases in air travel and aircraft demand. Boeing has forecasted that by 2026 the fleet will reach 36,420 aircraft, of which 28,260 will be mainline passenger jets with 90 passenger seats or more. Airbus has estimated that the commercial jet aircraft fleet will increase to 33,479 aircraft by 2025, of which 27,307 will be mainline passenger jets of more than 100 seats. In dollar terms, the current global fleet has an estimated value of more than $350 billion and is estimated to grow by at least $40 billion per year for the next 20 years. Nevertheless, the aircraft industry is subject to demand shifts, and any downturn in discretionary business or consumer spending or increased costs could have a significant impact on air traffic and, consequently, on a