

WILLIS LEASE FINANCE CORP
Form 10-K/A
May 11, 2010
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
- For the fiscal year ended December 31, 2008
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-15369

WILLIS LEASE FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

773 San Marin Drive, Suite 2215, Novato, CA
(Address of principal executive offices)

68-0070656
(IRS Employer Identification No.)

94998
(Zip Code)

Registrant's telephone number, including area code (415) 408-4700

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

Title of Each Class	Name of each exchange on which registered
Common Stock	NASDAQ Stock Market, LLC
Series A cumulative redeemable Preferred Stock	NASDAQ Stock Market, LLC
Rights to Purchase Series I Junior Participating Preferred Stock	NASDAQ Stock Market, LLC

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

None.

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

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

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

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

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

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

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2008) was approximately \$61.8 million (based on a closing sale price of \$10.68 per share as reported on the NASDAQ National Market).

The number of shares of the registrant's Common Stock outstanding as of March 25, 2009 was 9,068,166.

The Company's Proxy Statement for the 2009 Annual Meeting of Stockholders is incorporated by reference into Part III of this 10-K.

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EXPLANATORY NOTE

This Form 10-K/A is filed as an amendment to the our report on Form 10-K for the year ended December 31, 2008 filed by Willis Lease Finance Corporation (the Company) on March 31, 2009 (the Original 10-K). The Company has determined to file this Amendment No. 1 (this Amendment) to the original Form 10-K to (a) amend Item 1 to provided additional disclosure regarding the Company s business objectives, competitive advantages and principal methods of competition, (b) amend Item 1A to provide additional information regarding the risks relating to the Company s role as servicer and administrative agent under the WEST facility as described herein; (c) amend Item 5 to provided explanatory information regarding our option plan; (d) amend Item 9A to clarify the Company s disclosure regarding internal control over financial reporting; (e) amend Item 11 to include expanded disclosure regarding the Company s compensation policies and practices for 2008, (f) amend Item 13 to provide additional disclosure regarding the Company s policies with respect to reviewing related party transactions; (g) amend Item 15 to update the exhibit list; and (h) amend the language in the Certifications filed as Exhibits 31.1 and 31.2. Except as presented in this Amendment, this Form 10-K/A does not reflect events occurring after the filing of the original Form 10-K or modify or update the disclosures set forth therein.

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WILLIS LEASE FINANCE CORPORATION

2008 FORM 10-K ANNUAL REPORT

AMENDMENT NO. 1

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PART I

ITEM 1. BUSINESS

INTRODUCTION

Willis Lease Finance Corporation with its subsidiaries is a leading lessor of commercial aircraft engines. Our principal business objective is to build value for our shareholders by acquiring commercial aircraft engines and managing those engines in order to provide a return on investment, primarily through lease rent and maintenance reserve revenues, as well as through management fees earned for managing aircraft engines owned by other parties. As of December 31, 2008, we had a total lease portfolio consisting of 160 engines and related equipment, four aircraft and three spare parts packages with 64 lessees in 35 countries and an aggregate net book value of \$829.7 million. As of December 31, 2008, we managed a total lease portfolio of 11 engines and related equipment for other parties. We also seek, from time to time, to act as leasing agent of engines for other parties and we also own a relatively small portfolio of aircraft that we lease.

Our strategy is to lease aircraft engines and aircraft and provide related services to a diversified group of commercial aircraft operators and maintenance, repair and overhaul organizations (MROs) worldwide. Commercial aircraft operators need engines in addition to those installed in the aircraft that they operate. These spare engines are required for various reasons including requirements that engines be inspected and repaired at regular intervals based on equipment utilization. Furthermore, unscheduled events such as mechanical failure, FAA airworthiness directives or manufacturer-recommended actions for maintenance, repair and overhaul of engines result in the need for spare engines. Commercial aircraft operators and others in the industry generally estimate that the total number of spare engines needed is between 10 and 15% of the total number of installed engines. Today it is estimated that there are nearly 47,000 engines installed on commercial aircraft. Accordingly, we estimate that there are between 4,700 and 7,100 spare engines in the market, including both owned and leased spare engines.

Our engine portfolio consists of noise-compliant Stage III commercial jet engines manufactured by CFMI, General Electric, Pratt & Whitney, Rolls Royce and International Aero Engines. These engines generally may be used on one or more aircraft types and are the most widely used engines in the world, powering Airbus, Boeing, McDonnell Douglas, Bombardier and Embraer aircraft.

The Company acquires engines for its leasing portfolio in a number of ways. It enters into sale and lease back transactions with operators of aircraft and providers of engine of maintenance cost per hour services. We also purchase both new and used engines, on a speculative basis, (i.e. without a lease attached from manufacturers or other parties which own such engines).

We hold a fifty percent membership interest in a joint venture, WOLF A340, LLC, a Delaware limited liability company, (WOLF). On December 30, 2005, WOLF completed the purchase of two Airbus A340-313 aircraft from Boeing Aircraft Holding Company for a purchase price of \$96.0 million. These aircraft are currently leased to Emirates with remaining lease terms of 54 and 56 months. Our investment in the joint venture is \$9.0 million.

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We are a Delaware corporation, incorporated in 1996. Our executive offices are located at 773 San Marin Drive, Suite 2215, Novato, California 94998. We transact business directly and through our subsidiaries unless otherwise indicated.

We maintain a website at www.willislease.com where our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are available without charge, as soon as reasonably practicable following the time they are filed with or furnished to the SEC. You may read and copy any materials we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0300. The SEC also maintains an electronic Internet site that contains our reports, proxy and information statements, and other information at <http://www.sec.gov>.

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We do not break our business into multiple segments. Instead, we consider our continuing operations to operate in one reportable segment.

The West Securitization

Willis Engine Securitization Trust, or WEST, is a special-purpose, bankruptcy-remote, Delaware statutory trust that is wholly-owned by us and consolidated in our financial statements. We established WEST in 2005 to acquire and finance engines owned by another of our wholly-owned subsidiaries, WEST Engine Funding LLC (formerly Willis Engine Funding LLC). In August 2005 and again in March 2008, WEST issued and sold notes to finance its acquisition of engines. WEST's obligations under these notes are serviced by revenues from the lease and disposition of its engines, and are secured by all its assets, including all its interests in its engines, its subsidiaries, restricted cash accounts, engine maintenance reserve accounts, all proceeds from the sale or disposition of engines, and all insurance proceeds. We have not guaranteed any obligations of WEST and none of our assets secure such obligations.

We are the servicer and administrative agent for WEST. Our annual fees for these services are 11.5% as servicer and 2.0% as administrative agent of the aggregate net rents actually received by WEST on its engines, and such fees are payable to us monthly. We are also paid a fee of 3.0% of the net proceeds from the sale of any engines. As WEST is consolidated in our financial statements these fees eliminate on consolidation. Proceeds from engine sales will be used, at WEST's election, to reduce WEST's debt or to acquire other engines.

WEST gives us the flexibility to manage the portfolio to adapt to changes in aircraft fleets and customer demand over time, benefiting both us and the investors. The Asset-Backed Securitization provides a significant improvement to our capital structure by better matching debt maturity to asset life. It includes a warehouse facility to provide additional borrowing capacity, which offers new capital to fund growth and, more importantly, provides a structure for regular placement of additional term notes in the future as the warehouse matures.

Industry Background - The Demand For Leased Aircraft Engines

Historically, commercial aircraft operators owned rather than leased their engines. As engines become more powerful and technically sophisticated, they also become more expensive to acquire and maintain. In part due to cash constraints on commercial aircraft operators and the costs associated with engine ownership, commercial aircraft operators have become more cost-conscious and now utilize operating leases for a portion of their engines and are therefore better able to manage their finances in this capital-intensive business. Engine leasing is a specialized business that has evolved into a discrete sector of the commercial aviation market. Participants in this sector need access to capital, as well as specialized technical knowledge, in order to compete successfully.

Growth in the spare engine leasing industry is dependent on two fundamental drivers:

- the number of commercial aircraft, and therefore engines, in the market; and

- the proportion of engines that are leased, rather than owned, by commercial aircraft operators.

We believe both drivers will increase over time.

Increased number of aircraft, and therefore engines, in the market

We believe that the number of commercial and cargo aircraft, and hence spare engines, will increase. Boeing estimates that there are roughly 19,000 aircraft as of 2007 and projects this will grow to approximately 36,000 aircraft by 2027. Aircraft equipment manufacturers have predicted such an increase in aircraft to address the rapid growth of both passenger and cargo traffic in the Asian markets, as well as demand for new aircraft in more mature markets.

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Increased lease penetration rate

Spare engines provide support for installed engines in the event of routine or other engine maintenance or unscheduled removal. The number of spare engines needed to service any fleet is determined by many factors. These factors include:

- the number and type of aircraft in an aircraft operator's fleet;
- the geographic scope of such aircraft operator's destinations;
- the time an engine is on-wing between removals;
- average shop visit time; and
- the number of spare engines an aircraft operator requires in order to ensure coverage for predicted and unscheduled removals.

We believe that commercial aircraft operators are increasingly considering their spare engines as significant capital assets, where operating leases may be more attractive than capital leases or ownership of spare engines. Some believe that currently as many as 25% to 30% of the spare engine market falls under the category of leased engines. Industry analysts have forecast that the percentage of leased engines is likely to increase over the next 15 years as engine leasing follows the growth of aircraft leasing. We believe this is due to the increasing cost of newer engines, the anticipated modernization of the worldwide aircraft fleet and the significant cost associated therewith, and the emergence of new niche-focused airlines which generally use leasing in order to obtain their capital assets.

Engine Leasing

As of December 31, 2008, all of our leases to air carriers, manufacturers and MROs are operating leases as opposed to finance leases. Although we have no current plans to enter into finance leases, we may decide to enter into finance leases in the future. Under operating leases, we retain the potential benefit and assume the risk of the residual value of the aircraft equipment, in contrast to capital or financing leases where the lessee has more of the potential benefits and risks of ownership. Operating leases allow commercial aircraft operators greater fleet and financial flexibility due to the relatively small initial capital outlay necessary to obtain use of the aircraft equipment, and the availability of short and long term leases to better meet their needs. Operating lease rates are generally higher than finance lease rates, in part because of the risks associated with the residual value.

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We describe all of our current leases as triple-net operating leases. A triple-net operating lease requires the lessee to make the full lease payment and pay any other expenses associated with the use of the engines, such as maintenance, casualty and liability insurance, sales or use taxes and personal property taxes. The leases contain detailed provisions specifying the lessee's responsibility for engine damage, maintenance standards and the required condition of the engine upon return at the end of the lease. During the term of the lease, we generally require the lessee to maintain the engine in accordance with an approved maintenance program designed to meet applicable regulatory requirements in the jurisdictions in which the lessee operates.

We lease our assets under both short and long term leases. Short term leases are generally for periods of less than one year. Under many of our leases the lessee pays use fees designed to cover expected future maintenance costs (often called maintenance reserves) which are reimbursable for certain maintenance expenditures. Under long term leases, at the end of the lease the accumulated use fees are retained by us to fund future maintenance not performed by the lessee as indicated by the remaining use fees. Under short-term leases and certain medium-term leases, we may undertake a portion of the maintenance and regulatory compliance risk. For these leases, the lessee has no claim to the maintenance reserves paid to us throughout the term of the lease. Use fees received are recognized in revenue as maintenance reserve revenue if they are not reimbursable to the lessee which is typically the case with short term leases. Use fees that are reimbursable under longer term leases are recorded as a maintenance reserve liability until they are reimbursed to the lessee or the lease terminates, at which time they are recognized in revenue as maintenance reserve revenue.

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We try to mitigate risk where possible. For example, we make an analysis of the credit risk associated with the lessee before entering into any significant lease transaction. Our credit analysis generally consists of evaluating the prospective lessee's financial standing by utilizing financial statements and trade and/or banking references. In certain circumstances, we may require our lessees to provide additional credit support such as a letter of credit or a guaranty from a bank or a third party or a security deposit. We also evaluate insurance and expropriation risk and evaluate and monitor the political and legal climate of the country in which a particular lessee is located in order to determine our ability to repossess our engines should the need arise. Despite these guidelines, we cannot give assurance that we will not experience collection problems or significant losses in the future. See "Risk Factors" below.

At the commencement of a lease, we may collect, in advance, a security deposit normally equal to at least one month's lease payment. Under the terms of some of our leases, during the term of the lease, the lessees pay amounts to us based on usage of the engine, which are referred to as maintenance reserves or use fees, which are designed to cover the expected future maintenance costs. The security deposit is returned to the lessee after all lease return conditions have been met. For those leases in which the maintenance reserves are reimbursable to the lessee, maintenance reserves are collected and are reimbursed to the lessee when qualifying maintenance is performed. Under longer-term leases, to the extent that cumulative use fee billings are inadequate to fund expenditures required prior to return of the engine to us, the lessee is obligated to cover the shortfall. Recovery is therefore dependent upon the financial condition of the lessee.

During the lease period, our leases require that maintenance and inspection of the leased engines be performed at qualified maintenance facilities certified by the FAA or its foreign equivalent. In addition, when an engine comes off-lease, it undergoes inspection to verify compliance with lease return conditions. Our management believes that our attention to our lessees, and our emphasis on maintenance and inspection helps preserve residual values and generally helps us to recover our investment in our leased engines.

Upon termination of a lease, we will lease, sell or part out the related engines. The demand for aftermarket engines for either sale or lease may be affected by a number of variables, including:

- general market conditions;
- regulatory changes (particularly those imposing environmental, maintenance and other requirements on the operation of engines);
- changes in demand for air travel;
- fuel costs;
- changes in the supply and cost of aircraft equipment; and

- technological developments.

In addition, the value of particular used engines varies greatly depending upon their condition, the maintenance services performed during the lease term and, as applicable, the number of hours or cycles remaining until the next major maintenance is required. If we are unable to lease, sell or part out engines on favorable terms, our financial results and our ability to service debt may be adversely affected. See Risk Factors below.

The value of a particular model of engine is heavily dependent on the status of the types of aircraft on which it is installed. We believe values of engines tend to be stable so long as the host aircraft for the engines as well as the engines themselves are still being manufactured. Prices will also tend to remain stable and even rise after a host aircraft is no longer manufactured so long as there is sufficient demand for the host aircraft. However, the value of an engine begins to decline rapidly once the host aircraft begins to be retired from service and/or parted out in significant numbers. Values of engines also may decline because of manufacturing defects that may surface subsequently.

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As of December 31, 2008, we had a total lease portfolio of 160 aircraft engines and related equipment, three spare parts packages, four aircraft and various parts and other engine-related equipment with a cost of \$968.4 million in our lease portfolio. As of December 31, 2007, we had a total lease portfolio of 144 aircraft engines and related equipment, three spare parts packages, four aircraft, two helicopters and various parts and other engine-related equipment with a cost of \$880.3 million in our lease portfolio.

As of December 31, 2008, minimum future rentals under non-cancelable operating leases of these engines, parts and aircraft assets were as follows:

Year	(in thousands)
2009	\$ 64,252
2010	43,384
2011	30,404
2012	21,607
2013	12,777
Thereafter	28,133
	\$ 200,557

As of December 31, 2008, we had 64 lessees of commercial aircraft engines, aircraft, and other aircraft-related equipment in 35 countries. We operate in a global market in which our engines are easily transferable among lessees located in many countries, which stabilizes demand and allows us to recover from the loss of a particular customer. As a result, we do not believe we are dependent on a single customer or a few customers the loss of which would have a material adverse effect on our revenues.

Aircraft Leasing

As of December 31, 2008, we owned four DeHaviland DHC-8-100 turboprop aircraft, all of which we lease to Hawaii Island Air (Island Air). The leases are expected to generate lease rent revenue of approximately \$1.7 million in 2009 and \$1.4 million in 2010. These aircraft have a net book value of \$5.5 million.

Gavarnie Holding, LLC, a Delaware Limited Liability Company (Gavarnie) owned by Charles F. Willis, IV, purchased the stock of Island Air from Aloha AirGroup, Inc. (Aloha) on May 11, 2004. Charles F. Willis, IV is our President, CEO and Chairman of our Board of Directors and owns approximately 32% of our common stock as of December 31, 2008. In 2006, in response to a fare war commenced by a competitor, Island Air requested a reduction in lease rent payments. The Board of Directors subsequently approved 14 months of lease rent deferrals totaling \$784,000. All deferrals were accounted for as a reduction in lease revenue in the applicable period. Because of the question regarding collectibility of amounts due under these leases, lease rent revenue for these leases have been recorded on a cash basis until such time as collectibility becomes reasonably assured. After taking into account the deferred amounts, Island Air remains current on all obligations except for \$288,000 in overdue rent related to February and March 2009. Our leases with Island Air have been restructured and amended effective January 2009. The \$784,000 in accumulated rent deferrals have been incorporated in the lease rents for two of the aircraft for the period January 2009 – April 2012. During the difficult period in Hawaii involving uneconomic fares being charged by a competitor, Island Air, in an effort to conserve cash, deferred maintenance on engines leased by the Company. Due to concern regarding Island Air's ability to meet lease return conditions and after reviewing the current maintenance status and condition of the leased assets, the Company recorded a reduction in the carrying value of these assets of \$0.8 million in the second quarter of 2008. Including this write down, the aircraft and engines on lease to Island Air have a net book value of \$6.0 million at December 31, 2008.

Our aircraft leases are triple-net leases and the lessee is responsible for making the full lease payment and paying any other expenses associated with the use of the aircraft, such as maintenance, casualty and liability insurance, sales or use taxes and personal property taxes. In addition, the lessee is responsible for normal maintenance and repairs, engine and airframe overhauls, and compliance with return conditions of flight equipment on lease. Under the provisions of many leases, for certain engine and airframe overhauls, we reimburse the lessee for costs incurred up to but not exceeding maintenance reserves the lessee has paid to us. Maintenance reserves are

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designed to cover the expected maintenance costs. The lessee is also responsible for compliance with all applicable laws and regulations with respect to the aircraft. We require our lessees to comply with FAA requirements. We periodically inspect our leased aircraft. Generally, we 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 condition of the aircraft upon return. The lessee is required to continue to make lease payments under all circumstances, including periods during which the aircraft is not in operation due to maintenance or grounding.

We hold a fifty percent membership interest in a joint venture, WOLF A340, LLC, a Delaware limited liability company, (WOLF). On December 30, 2005, WOLF completed the purchase of two Airbus A340-313 aircraft from Boeing Aircraft Holding Company for a purchase price of \$96.0 million. These aircraft are currently on lease to Emirates until 2013. Our investment in the joint venture at December 31, 2008 is \$9.0 million.

Our Competitive Advantages

We are uniquely positioned in the market and remain competitive, in part, due to the following advantages:

- *We have an entrepreneurial culture and our size and independent ownership structure gives us a unique ability to move faster than our competition.* We were founded in 1985 as a startup venture by our Chief Executive Officer, Charles F. Willis, and we continue to foster an entrepreneurial attitude among our executives and employees. Unlike most other aircraft engine leasing companies, we are not tied to a particular manufacturer and are not part of a larger corporate entity. As a result, we can react more nimbly to customer demands and changes in the industry.
- *Our independent ownership allows us to meet our customer needs without regard to any potentially conflicting affiliate demands to use their engines or services.* Many of the aircraft engine leasing companies with which we compete are owned in whole or part by aircraft engine manufacturers. As a result, these leasing companies are inherently motivated to sell to customers the aircraft equipment that is manufactured by their owners, regardless of whether that equipment best meets the needs of their customers. As an independent public company we have the ability to work with customers to correctly identify their needs and provide them with the engines, equipment and services that are best suited to those needs.
- *We have significant technical expertise and experience.* Our management as well as our marketing and sales teams all have extensive experience in leasing aircraft engines and equipment. Our technical group makes up approximately half of our total company staff levels. As a result, we possess a deep knowledge of the technical details of commercial aircraft engines and maintenance issues associated with these engines that enables us to provide our customers with comprehensive and up to date information on the various engine types available for lease.
- *We have extensive industry contacts/relationships worldwide.* We have developed long-standing relationships with aircraft operators, equipment manufacturers and aircraft maintenance organizations around the world. Our extensive network of relationships enables us to quickly identify new leasing opportunities, procure engines and equipment and facilitate the repair of equipment owned by us and equipment

leased by our customers.

- *We have a trusted reputation for quality engines and engine records.* We have been an independent lessor of aircraft engines and engine equipment since 1985. Since that time we have focused on providing customers with high quality engines and engine records. As a result of our commitment to these high standards, a significant portion of our customer base consists of customers who have leased engines from us previously.

- *We have a diverse portfolio by customer, geography and engine type.* As of December 31, 2008, we had a total lease portfolio consisting of 160 engines and related equipment, four aircraft and three spare parts packages with 64 lessees in 35 countries and an aggregate net book value of \$829.7 million

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- *We have a diverse product offering (by engine type and types of leases).* We lease a variety of noise-compliant, Stage III commercial jet engines manufactured by CFMI, General Electric, Pratt & Whitney, Rolls Royce and International Aero Engines. These engines generally may be used on one or more aircraft types and are the most widely used engines in the world, powering Airbus, Boeing, McDonnell Douglas, Bombardier and Embraer aircraft. We offer short and long-term leases, sale/leaseback transactions and engine pooling arrangements where members of the pool have quick access to available spare engines from us or other pool members, which are typically structured as short-term leases.

Competition

The markets for our products and services are very competitive, and we face competition from a number of sources. These competitors include aircraft engine and aircraft parts manufacturers, aircraft and aircraft engine lessors, airline and aircraft service and repair companies and aircraft spare parts distributors. Many of our competitors have substantially greater resources than us. Those resources may include greater name recognition, larger product lines, complementary lines of business, greater financial, marketing, information systems and other resources. In addition, equipment manufacturers, aircraft maintenance providers, FAA certified repair facilities and other aviation aftermarket suppliers may vertically integrate into the markets that we serve, thereby significantly increasing industry competition. We can give no assurance that competitive pressures will not materially and adversely affect our business, financial condition or results of operations.

We compete primarily with aircraft engine manufacturers as well as with other aircraft engine lessors. It is common for commercial aircraft operators and MROs to utilize several leasing companies to meet their aircraft engine needs and to minimize reliance on a single leasing company.

Our competitors compete with us in many ways, including pricing, technical expertise, lease flexibility, engine availability, supply reliability, customer service and the quality and condition of engines. Some of our competitors have greater financial resources than we do, or are affiliates of larger companies. We emphasize the quality of our portfolio of aircraft engines, supply reliability and high level of customer service to our aircraft equipment lessees. We focus on ensuring adequate aircraft engine availability in high-demand locations, dedicate large portions of our organization to building relationships with lessees, maintain close day-to-day coordination with lessees and have developed an engine pooling arrangement that allows pool members quick access to available spare aircraft engines. See Risk Factors .

Insurance

In addition to requiring full indemnification under the terms of our leases, we require our lessees to carry the types of insurance customary in the air transportation industry, including comprehensive third party liability insurance and physical damage and casualty insurance. We require that we be named as an additional insured on liability insurance with ourselves and our lenders normally identified as the loss payee for damage to the equipment on policies carried by lessees. We monitor compliance with the insurance provisions of the leases. We also carry contingent physical damage and third party liability insurance as well as product liability insurance.

Government Regulation

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Our customers are subject to a high degree of regulation in the jurisdictions in which they operate. For example, the FAA regulates the manufacture, repair and operation of all aircraft operated in the United States and equivalent regulatory agencies in other countries, such as the Joint Aviation Authority (JAA) in Europe, regulate aircraft operated in those countries. Such regulations also indirectly affect our business operations. All aircraft operated in the United States must be maintained under a continuous condition-monitoring program and must periodically undergo thorough inspection and maintenance. The inspection, maintenance and repair procedures for commercial aircraft are prescribed by regulatory authorities and can be performed only by certified repair facilities utilizing certified technicians. The FAA can suspend or revoke the authority of air carriers or their licensed personnel for failure to comply with regulations and ground aircraft if their airworthiness is in question.

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While our leasing and reselling business is not regulated, the aircraft, engines and engine parts that we lease and sell to our customers must be accompanied by documentation that enables the customer to comply with applicable regulatory requirements. Furthermore, before parts may be installed in an aircraft, they must meet certain standards of condition established by the FAA and/or the equivalent regulatory agencies in other countries. Specific regulations vary from country to country, although regulatory requirements in other countries are generally satisfied by compliance with FAA requirements. Presently, whenever necessary, with respect to a particular engine or engine component, we utilize FAA and/or JAA certified repair stations to repair and certify engines and components to ensure marketability.

Effective January 1, 2000, federal regulations stipulate that all aircraft engines hold, or be capable of holding, a noise certificate issued under Chapter 3 of Volume 1, Part II of Annex 16 of the Chicago Convention, or have been shown to comply with Stage III noise levels set out in Section 36.5 of Appendix C of Part 36 of the FAA Regulations of the United States if the engines are to be used in the continental United States. Additionally, much of Europe has adopted similar regulations. As of December 31, 2008, all of the engines in our lease portfolio are Stage III engines and are generally suitable for use on one or more commonly used aircraft.

We believe that the aviation industry will be subject to continued regulatory activity. Additionally, increased oversight has and will continue to originate from the quality assurance departments of airline operators. We have been able to meet all such requirements to date, and believe that we will be able to meet any additional requirements that may be imposed. We cannot give assurance, however, that new, more stringent government regulations will not be adopted in the future or that any such new regulations, if enacted, would not have a material adverse impact on us.

Geographic Areas In Which We Operate

Approximately 81% of our engines, related aircraft parts, and equipment (all of which we sometimes refer to as equipment) by net book value are leased and operated internationally. All leases relating to this equipment are denominated and payable in U.S. dollars, which is customary in the industry. Future leases may provide for payments to be made in euros or other foreign currencies. In 2008, we leased our equipment to lessees domiciled in nine geographic regions. We are subject to a number of risks related to our foreign operations. See Risk Factors below.

The following table displays the regional profile of our lease customer base for the years ended December 31, 2008, 2007 and 2006. Other than the United States in each of 2006-2008 and China in 2008, no single country accounted for more than 10% of our lease rent revenue for any of those periods. The tables include geographic information about our leased equipment grouped by the lessee's domicile (which does not necessarily indicate the asset's actual location):

	Year Ended December 31, 2008		Year Ended December 31, 2007		Year Ended December 31, 2006	
	Lease Rent Revenue	Percentage	Lease Rent Revenue	Percentage	Lease Rent Revenue	Percentage
			(dollars in thousands)			
United States	\$ 20,933	20%	\$ 13,831	16%	\$ 9,441	14%
Mexico	6,876	7	5,863	7	4,093	6
Canada	825	1				
Australia/New Zealand					53	
Europe	31,692	31	28,863	34	25,910	37
South America	14,701	14	11,049	13	8,749	13

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Asia	22,860	22	20,705	24	12,809	18
Africa	574	1	1,212	1	1,094	2
Middle East	3,960	4	4,561	5	7,081	10
Total	\$ 102,421	100%	\$ 86,084	100%	\$ 69,230	100%

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Financing/Source Of Funds

We, directly or through WEST, typically acquire engines with a combination of equity capital and funds borrowed from financial institutions. In order to facilitate financing and leasing of engines, each engine is generally owned through a statutory or common law trust that is wholly-owned by us or our subsidiaries. We usually borrow 80% to 83% of an engine purchase price. Substantially all of our assets secure our related indebtedness. We typically acquire engines from airlines in a sale-lease back transaction, from engine manufacturers or from other lessors. From time to time, we selectively acquire engines prior to a firm commitment to lease or sell the engine, depending on the price of the engine, market demand with the expectation that we can lease or sell such engines.

Employees

As of December 31, 2008, we had 55 full-time employees (excluding consultants), in sales and marketing, technical service and administration. None of our employees is covered by a collective bargaining agreement and we believe our employee relations are satisfactory.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected.

RISKS RELATING TO OUR BUSINESS

We are affected by the risks faced by commercial aircraft operators and MROs because they are our customers.

Commercial aircraft operators are engaged in economically sensitive, highly cyclical and competitive businesses. We are a supplier to commercial aircraft operators and MROs. As a result, we are indirectly affected by all the risks facing commercial aircraft operators and MROs, which are beyond our control. Our results of operations depend, in part, on the financial strength of our customers and our customers' ability to compete effectively in the marketplace and manage their risks. These risks include, among others:

- general economic conditions in the countries in which our customers operate, including changes in gross domestic product;

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- demand for air travel and air cargo shipments;
- changes in interest rates and the availability and terms of credit available to commercial aircraft operators;
- concerns about security, terrorism, war, public health and political instability;
- environmental compliance and other regulatory costs;
- labor contracts, labor costs and stoppages at commercial aircraft operators;
- aircraft fuel prices and availability;
- technological developments;
- maintenance costs;
- airport access and air traffic control infrastructure constraints;
- insurance and other operating costs incurred by commercial aircraft operators and MROs;

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- industry capacity, utilization and general market conditions
- market prices for aviation equipment.

To the extent that our customers are negatively affected by these risk factors, we may experience:

- a decrease in demand for some engine types in our portfolio;
- greater credit risks from our customers, and a higher incidence of lessee defaults and repossessions;
- an inability to quickly lease engines and aircraft on commercially acceptable terms when these become available through our purchase commitments and regular lease terminations; and
- shorter lease terms, which may increase our expenses and reduce our utilization rates.

Our engine values and lease rates, which are dependent on the status of the types of aircraft on which engines are installed, and other factors, could decline.

The value of a particular model of engine depends heavily on of the types of aircraft on which it may be installed and the supply of available engines. We believe values of engines tend to be relatively stable so long as there is sufficient demand for the host aircraft. However, we believe the value of an engine begins to decline rapidly once the host aircraft begins to be retired from service and/or used for spare parts in significant numbers. Certain types of engines may be used in significant numbers by commercial aircraft operators that are currently experiencing financial difficulties. If such operators were to go into liquidation or similar proceedings, the resulting over-supply of engines from these operators could have an adverse effect on the demand for the affected engine types and the values of such engines.

Upon termination of a lease, we may be unable to enter into new leases or sell the engine on acceptable terms.

We own the engines that we lease to customers and bear the risk of not recovering our entire investment through leasing and selling the engines. Upon termination of a lease, we seek to enter a new lease or to sell the engine. We also selectively sell engines on an opportunistic basis. We cannot give assurance that we will be able to find, in a timely manner, a lessee for our engines coming off-lease. If we do find a lessee, we may not be able to obtain satisfactory lease rates and terms (including maintenance and redelivery conditions) or rates and terms comparable to our

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current leases, and we can give no assurance that the creditworthiness of any future lessee will be equal to or better than that of the existing lessees of our engines. Because the terms of engine leases may be less than 12 months, we may frequently need to remarket engines. We face the risk that we may not be able to keep the engines on lease consistently.

We may not be able to repossess an engine when the lessee defaults, and even if we are able to repossess the engine, we may have to expend significant funds in the repossession and leasing of the engine.

When a lessee defaults we typically seek to terminate the lease and repossess the engines. If a defaulting lessee contests the termination and repossession or is under court protection, enforcement of our rights under the lease may be difficult, expensive and time-consuming. We may not realize any practical benefits from our legal rights and we may need to obtain consents to export the engine. As a result, the relevant engine may be off-lease or not producing revenue for a prolonged period. In addition, we will incur direct costs associated with repossessing our engine. These costs may include legal and similar costs, the direct costs of transporting, storing and insuring the engine, and costs associated with necessary maintenance and recordkeeping to make the engine available for lease or sale. During this time, we will realize no revenue from the leased engine, and we will continue to be obligated to pay our debt financing for the engine. If an engine is installed on an airframe, the airframe may be owned by an aircraft lessor or other third party. Our ability to recover engines installed on airframes may depend on the cooperation of the airframe owner.

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We are subject to the risks and costs of aircraft maintenance and obsolescence on the aircraft that we own.

We currently own four DeHaviland DHC-8-100 turboprop aircraft and interests through WOLF in two Airbus A340-313 aircraft. We may buy other aircraft or interests in aircraft in the future primarily to seek opportunities to realize value from the engines. Among other risks described in this Annual Report, the following risks apply when we lease or sell aircraft:

- we will be subject to the greater maintenance risks and risks of declines in value that apply to aircraft as opposed to engines, as well as the potentially greater risks of leasing or selling aircraft;
- intense competition among manufacturers, lessors, and sellers may, among other things, adversely affect the demand for, lease rates and residual values of our aircraft;
- our aircraft lessees are aircraft operators engaged in economically sensitive, highly cyclical and competitive businesses and our results of operations from aircraft leasing depend, in part, on their financial strength (for more details, see the risk factor entitled "We are affected by the risks faced by commercial aircraft operators and MROs because they are our customers" above);
- our aircraft lessees may encounter significant financial difficulties, which could result in our agreeing to amend our leases with the customer to, among other things, defer or forgive rent payments or extend lease terms as an alternative to repossession;
- our aircraft lessees may file for bankruptcy which could result in us incurring greater losses with respect to aircraft than with respect to engines; and
- aircraft technology is constantly improving and, as a result, aircraft of a particular model and type tend to become obsolete and less in demand over time, when newer, more advanced and efficient aircraft become available.

We carry the risk of maintenance for our lease assets. Our maintenance reserves may be inadequate or lessees may default on their obligations to perform maintenance, which could increase our expenses.

Under most of our engine leases, the lessee makes monthly maintenance reserve payments to us based on the engine's usage and management's estimate of maintenance costs. A certain level of maintenance reserve payments on the WEST engines are held in related engine reserve restricted cash accounts. Generally the lessee under long term leases is responsible for all scheduled maintenance costs, even if they exceed the amounts of maintenance reserves paid. Approximately 40 of our leases comprising 21.9% of the net book value of our on-lease engines at December 31, 2008 do not provide for any monthly maintenance reserve payments to be made by lessees, and we can give no assurance that

future leases of the engines will require maintenance reserves. In some cases, including engine repossessions, we may decide to pay for refurbishments or repairs if the accumulated use fees are inadequate.

We can give no assurance that our operating cash flows and available liquidity reserves, including the amounts held in the engine reserve restricted cash accounts, will be sufficient to fund necessary engine maintenance. Actual maintenance reserve payments by lessees and other cash that we receive may be significantly less than projected as a result of numerous factors, including defaults by lessees. Furthermore, we can provide no assurance that lessees will meet their obligations to make maintenance reserve payments or perform required scheduled maintenance or, to the extent that maintenance reserve payments are insufficient to cover the cost of refurbishments or repairs.

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Continuing failures by lessees to meet their maintenance and recordkeeping obligations under our leases could adversely affect the value of our leased engines and our ability to lease the engines in a timely manner following termination of the lease.

The value and income producing potential of an engine depend heavily on it being maintained in accordance with an approved maintenance system and complying with all applicable governmental directives and manufacturer requirements. In addition, for an engine to be available for service, all records, logs, licenses and documentation relating to maintenance and operations of the engine must be maintained in accordance with governmental and manufacturer specifications.

Our leases make the lessees primarily responsible for maintaining the engines, keeping related records and complying with governmental directives and manufacturer requirements. Over time, certain lessees have experienced and may experience in the future, difficulties in meeting their maintenance and recordkeeping obligations as specified by the terms of our leases.

Our ability to determine the condition of the engines and whether the lessees are properly maintaining our engines is generally limited to the lessees' reporting of monthly usage and any maintenance performed, confirmed by periodic inspections performed by us and third-parties. A lessee's failure to meet its maintenance or recordkeeping obligations under a lease could result in:

- a grounding of the related engine;

- a repossession which would likely cause us to incur additional and potentially substantial expenditures in restoring the engine to an acceptable maintenance condition, which may or not be capitalizable for accounting purposes;

- a need to incur additional costs and devote resources to recreate the records prior to the sale or lease of the engine;

- loss of lease revenue while we perform refurbishments or repairs and recreate records; and

- a lower lease rate and/or shorter lease term under a new lease entered into by us following repossession of the engine.

Any of these events may adversely affect the value of the engine, unless and until remedied, and reduce our revenues and increase our expenses. If an engine is damaged during a lease and we are unable to recover from the lessee or insurance, we may incur a loss.

Our operating results vary and comparisons to results for preceding periods may not be meaningful.

Due to a number of factors, including the risks described in this ITEM 1A, our operating results may fluctuate. These fluctuations may also be caused by:

- the timing and number of purchases and sales of engines;
- the timing and amount of maintenance reserve revenues recorded resulting from the termination of long term leases, for which significant amount of maintenance reserves may have accumulated;
- the termination or announced termination of production of particular aircraft and engine types;
- the retirement or announced retirement of particular aircraft models by aircraft operators;
- the operating history of any particular engine or engine model;
- the length of our operating leases; and
- the timing of necessary overhauls of engines.

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These risks may reduce our engine utilization rates, lease margins, maintenance reserve revenues, proceeds from engine sales, and result in higher legal, technical, maintenance, storage and insurance costs related to repossession and costs of engines being off-lease. As a result of the foregoing and other factors, the availability of engines for lease or sale periodically experiences cycles of oversupply and undersupply of given engine models. The incidence of an oversupply of engines may produce substantial decreases in engine lease rates, the appraised and resale value of engines and increase the time and costs incurred to lease or sell engines.

We anticipate that fluctuations from period to period will continue in the future. As a result, we believe that comparisons to results for preceding periods may not be meaningful and that results of prior periods should not be relied upon as an indication of our future performance.

Our customers face intense competition and some carriers are in troubled financial condition.

The commercial aviation industry deteriorated sharply in 2001 and 2002 as a result of many factors, including the September 11, 2001 terrorist attacks and the related slowdown in economic activity. Since that time, airline traffic has substantially recovered. However, in 2008, the airline industry recovery was negatively impacted by the spike in fuel prices and the deepening worldwide recession, partly caused by the recent turmoil in the credit and financial markets. We cannot give assurance that delinquencies and defaults on our leases will not increase during cyclical downturns in the economy and commercial aviation industry.

Certain lessees may be significantly delinquent in their rental payments and may default on their lease obligations. As of December 31, 2008, we had an aggregate of approximately \$2.5 million in lease rent and \$1.5 million in maintenance reserve payments more than 30 days past due. Our inability to collect receivables or to repossess engines or other leased equipment in the event of a default by a lessee could have a material adverse effect on us.

Various airlines have filed for bankruptcy, and a number of such airlines have ceased operations. Carriers often announce aircraft disposal plans which could affect the market for spare aircraft engines and the values of spare engines if they are removed from the aircraft and separately placed in the market. We also lease aircraft and engines to Hawaii Island Air, Inc. (Island Air), which operates exclusively in Hawaii, a challenging airline market in which two carriers entered bankruptcy in 2003 and 2004, and currently in the throes of a fare war. In 2006, in response to a fare war commenced by a competitor, Island Air requested a reduction in lease rent payments. The Board of Directors subsequently approved 14 months of lease rent deferrals totaling \$784,000. All deferrals were accounted for as a reduction in lease revenue in the applicable period. Because of the question regarding collectibility of amounts due under these leases, lease rent revenue for these leases have been recorded on a cash basis until such time as collectibility becomes reasonably assured. After taking into account the deferred amounts, Island Air remains current on all obligations except for \$288,000 in overdue rent related February and March 2009. Our leases with Island Air are currently being restructured and amended effective January 2009. The \$784,000 in accumulated rent deferrals have been incorporated in the lease rents for two of the aircraft for the period January 2009 April 2012. During the difficult period in Hawaii involving uneconomic fares being charged by a competitor, Island Air, in an effort to conserve cash, deferred maintenance on engines leased by the Company. Due to concern regarding Island Air's ability to meet lease return conditions and after reviewing the current maintenance status and condition of the leased assets, the Company recorded a reduction in the carrying value of these assets of \$0.8 million in the second quarter of 2008. Including this write down, the aircraft and engines on lease to Island Air have a net book value of \$6.0 million at December 31, 2008.

We and our customers operate in a highly regulated industry and changes in laws or regulations may adversely affect our ability to lease or sell our engines.

Licenses and consents

We and our customers operate in a highly regulated industry. A number of our leases require specific governmental or regulatory licenses, consents or approvals. These include consents for certain payments under the leases and for the export, import or re-export of our engines. Consents needed in connection with future leasing or sale of our engines may not be received timely or have economically feasible terms. Any of these events could adversely affect our ability to lease or sell engines.

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The U.S. Department of Commerce, or the Commerce Department, regulates exports. We are subject to the Commerce Department's and the U.S. Department of State's regulations with respect to the lease and sale of engines and aircraft to foreign entities and the export of related parts. These Departments may, in some cases, require us to obtain export licenses for engines exported to foreign countries. The U.S. Department of Homeland Security, through the U.S. Customs and Border Protection, enforces regulations related to the import of engines and aircraft into the United States for maintenance or lease and imports of parts for installation on our engines and aircraft.

We are prohibited from doing business with persons designated by the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, on its Specially Designated Nationals List, and must monitor our operations and existing and potential lessees for compliance with OFAC's rules.

Civil aviation regulation

Users of engines are subject to general civil aviation authorities, including the FAA and Joint Aviation Authorities in Europe, who regulate the maintenance of engines and issue airworthiness directives. Airworthiness directives typically set forth special maintenance actions or modifications to certain engine types or series of specific engines that must be implemented for the engine to remain in service. Also, airworthiness directives may require the lessee to make more frequent inspections of an engine or particular engine parts. Each lessee of an engine generally is responsible for complying with all airworthiness directives. However, if the engine is off lease, we may be forced to bear the cost of compliance with such airworthiness directives, and if the engine is leased, subject to the terms of the lease, if any, we may be forced to share the cost of compliance.

Environmental regulation

Governmental regulations of noise and emissions levels may be applicable where the related airframe is registered, and where the aircraft is operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with Stage III noise requirements. In addition to the current Stage III compliance requirements, the United States and the International Civil Aviation Organization, or ICAO, have adopted a new, more stringent set of Stage IV standards for noise levels which will apply to engines manufactured or certified beginning in 2006. At this time, the United States regulations would not require any phase-out of aircraft that qualify only for Stage III compliance, but the European Union has established a framework for the imposition of operating limitations on non-Stage IV aircraft. These regulations could limit the economic life of our engines or reduce their value, could limit our ability to lease or sell the non-compliant engines or, if engine modifications are permitted, require us to make significant additional investments in the engines to make them compliant.

The United States and other jurisdictions are beginning to impose more stringent limits on the emission of nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines, consistent with ICAO standards. These limits generally apply only to engines manufactured after 1999. Concerns over global warming could result in more stringent limitations on the operation of older, non-compliant engines.

Any change to current tax laws or accounting principles making operating lease financing less attractive could adversely affect our business, financial condition and results of operations.

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Our lessees enjoy favorable accounting and tax treatment by using operating leases. Changes in tax laws or accounting principles that make operating leases less attractive to our lessees could have a material adverse affect on demand for our leases and on our business.

Allegations that our aircraft, engines or parts caused bodily injury or property damage expose us to liability claims.

We are exposed to potential liability claims if the use of our aircraft, engines or parts is alleged to have caused bodily injury or property damage. Our leases require our lessees to indemnify us against these claims and to carry insurance customary in the air transportation industry, including liability, property damage and hull all risks insurance on our engines and on our aircraft at agreed upon levels. We can give no assurance that one or more

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catastrophic events will not exceed insurance coverage limits or that lessees' insurance will cover all claims that may be asserted against us. Any insurance coverage deficiency or default by lessees under their indemnification or insurance obligations may reduce our recovery of losses upon an event of loss.

We may not be adequately covered by insurance.

While we maintain contingent insurance covering losses not covered by our lessees' insurance, such coverage may not be available in circumstances where the lessee's insurance coverage is insufficient. In addition, if a lessee is not obligated to maintain sufficient insurance, we may incur the costs of additional insurance coverage during the related lease. We are required under certain of our debt facilities to obtain political risk insurance for leases to lessees in specified jurisdictions. We can give no assurance that such insurance will be available at commercially reasonable rates, if at all.

Currently, the U.S. government is still offering war risk insurance to U.S.-certificated airlines; however, most foreign governments have ceased this practice, forcing non-U.S. airlines back into the commercial insurance market for this coverage. It is unknown how long the U.S. government will continue to offer war risk insurance and whether U.S.-certificated airlines could obtain war risk insurance in the commercial markets on acceptable terms and conditions.

We and our lenders generally are named as an additional insured on liability insurance policies carried by our lessees and are usually the loss payees for damage to the engines. We have not experienced any significant aviation-related claims or any product liability claims related to our engines or spare parts that were not insured. However, an uninsured or partially insured claim, or a claim for which third-party indemnification is not available, could have a material adverse effect upon us. A loss of an aircraft where we lease the airframe, an engine or spare parts could result in significant monetary claims.

RISKS RELATING TO OUR CAPITAL STRUCTURE

Our inability to obtain sufficient capital would constrain our ability to grow our portfolio and to increase our revenues.

Our business is capital intensive and highly leveraged. Accordingly, our ability to successfully execute our business strategy and maintain our operations depends on the availability and cost of debt and equity capital. Additionally, our ability to borrow against our portfolio of engines is dependent, in part, on the appraised value of our engines. If the appraised value of our engines declines, we may be required to reduce the principal outstanding under certain of our debt facilities. Availability under such debt facilities may also be reduced, at least temporarily, as a result of such reduced appraisals.

The recent, well publicized, worldwide disruptions in the credit and financial markets increase the risk of adverse effects on our customers and our capital providers (lenders and derivative counter-parties) and therefore on us. The disruptions may also adversely affect our ability to raise additional capital to continue our recent growth trend. Although we have adequate debt commitments from our lenders, assuming they are willing and able to meet their contractual obligation to lend to us, the market disruptions may adversely affect our ability to raise additional

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equity capital to fund future growth, requiring us to rely on internally generated funds. This would lower our rate of capital investment.

We can give no assurance that the capital we need will be available to us on favorable terms, or at all. Our inability to obtain sufficient capital, or to renew or expand our credit facilities could result in increased funding costs and would limit our ability to:

- meet the terms and maturities of our existing and future debt facilities;
- add new equipment to our portfolio;
- fund our working capital needs and maintain adequate liquidity; and
- finance other growth initiatives.

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Our financing facilities impose restrictions on our operations.

We have, and expect to continue to have, various credit and financing arrangements with third parties. These financing arrangements are secured by all or substantially all of our assets. Our existing credit and financing arrangements require us to meet certain financial condition and performance tests. Our revolving credit facility prohibits our declaring or paying dividends on shares of any class or series of our capital stock if an event of default under such facilities has or will occur and remains uncured. The agreements governing our debt, including the issuance of notes by WEST, also include restrictive financial covenants. A breach of those and other covenants could, unless waived or amended by our creditors, result in a cross-default to other indebtedness and an acceleration of all or substantially all of our debt. We have obtained such amendments and waivers to our financing agreements in the past, but we cannot provide any assurance that we will receive such amendments or waivers in the future if we request them. If our outstanding debt is accelerated at any time, we likely would have little or no cash or other assets available after payment of our debts, which could cause the value or market price of our outstanding equity securities to decline significantly and we would have few, if any, assets available for distributions to our equity holders in liquidation.

We are exposed to interest rate risk on our engine leases, which could have a negative impact on our margins.

We are affected by fluctuations in interest rates. Our lease rates are generally fixed, but nearly all our debt bears variable rate interest based on one-month LIBOR, so changes in interest rates directly affect our lease margins. We seek to reduce our interest rate volatility and uncertainty through hedging with interest rate derivative contracts with respect to a portion of our debt. Our lease margins, as well as our earnings and cash flows may be adversely affected by increases in interest rates, to the extent we do not have hedges or other derivatives in place or if our hedges or other derivatives do not mitigate our interest rate exposure from an economic standpoint. We would be adversely affected by increasing interest rates. As reported by British Bankers Association, the one-month LIBOR has decreased from approximately 4.60% on December 31, 2007 to approximately 0.44% on December 31, 2008.

We have risks in managing our portfolio of engines to meet customer needs.

The relatively long life cycles of aircraft and jet engines can be shortened by world events, government regulation or customer preferences. We seek to manage these risks by trying to anticipate demand for particular engine types, maintaining a portfolio mix of engines that we believe is diversified and that will have long-term value and will be sought by lessees in the global market for jet engines, and by selling engines that we expect will experience obsolescence or declining usefulness in the foreseeable future. The WEST securitization facility limits our sale of certain engines in that facility during any 12 month period to 10% of the average aggregate adjusted borrowing value of the engines during any 12 month period, which may inhibit engine sales that we otherwise believe should be pursued. We can give no assurance that we can successfully manage our engine portfolio to reduce these risks.

Our inability to maintain sufficient liquidity could limit our operational flexibility and also impact our ability to make payments on our obligations as they come due.

In addition to being capital intensive and highly leveraged, our business also requires that we maintain sufficient liquidity to enable us to contribute the non-financed portion of engine purchases as well as to service our payment obligations to our creditors as they become due despite the fact that the timing and amounts of payments under our leases do not match the timing under our debt service obligations. Our

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restricted cash is unavailable for general corporate purposes. Accordingly, our ability to successfully execute our business strategy and maintain our operations depends on our ability to continue to maintain sufficient liquidity, cash and available credit under our credit facilities. Our liquidity could be adversely impacted if we are subjected to one or more of the following: a significant decline in lease revenues, a material increase in interest expense that is not matched by a corresponding increase in lease rates, a significant increase in operating expenses, or a reduction in our available credit under our credit facilities. If we do not maintain sufficient liquidity, our ability to meet our payment obligations to creditors or to borrow additional funds could become impaired as could our ability to make dividend payments or other distributions to our equity holders. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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Numerous factors may affect the trading price of our common stock and our preferred stock

The trading price of our common stock and our Series A Preferred Stock may fluctuate due to many factors, including:

- risks relating to our business described in this Annual Report;
- sales of our securities by a few stockholders or even a single significant stockholder;
- general economic conditions;
- changes in accounting mandated under GAAP;
- quarterly variations in our operating results;
- our financial condition, performance and prospects;
- changes in financial estimates by us;
- level, direction and volatility of interest rates and expectations of changes in rates;
- market for securities similar to our common stock and our Series A Preferred Stock; and
- changes in our capital structure, including additional issuances by us of debt or equity securities.

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In addition, the U.S. stock markets have experienced price and volume volatility that has affected many companies' stock prices, often for reasons unrelated to the operating performance of those companies.

RISKS RELATING TO OUR FOREIGN OPERATIONS

A substantial portion of our lease revenue comes from foreign customers, subjecting us to divergent regulatory requirements.

For the year ended December 31, 2008, 80% of our lease revenue was generated by leases to foreign customers. Such international leases present risks to us because certain foreign laws, regulations and judicial procedures may not be as protective of lessor rights as those which apply in the United States. We are also subject to risks of foreign laws that affect the timing and access to courts and may limit our remedies when collecting lease payments and recovering assets. None of our leased engines have been expropriated; however, we can give no assurance that political instability abroad and changes in the policies of foreign nations will not present expropriation risks in the future that are not covered by insurance.

Our leases require payments in U.S. dollars but many of our customers operate in other currencies; if foreign currencies devalue against the U.S. dollar, our lessees may be unable to make their payments to us.

All of our current leases require that payments be made in U.S. dollars. If the currency that our lessees typically use in operating their businesses devalues against the U.S. dollar, the lessees could encounter difficulties in making payments in U.S. dollars. Furthermore, many foreign countries have currency and exchange laws regulating international payments that may impede or prevent payments from being paid to us in U.S. dollars. Future leases may provide for payments to be made in euros or other foreign currencies. Any change in the currency exchange rate that reduces the amount of U.S. dollars obtained by us upon conversion of future lease payments denominated in euros or other foreign currencies, may, if not appropriately hedged by us, have a material adverse effect on us and increase the volatility of our earnings. If payments on our leases are made in foreign currency, our risks and hedging costs will increase.

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We operate globally and are affected by our customers' local and regional economic and other risks.

We believe that our customers' growth and financial condition are driven by economic growth in their service areas. The largest portion of our lease revenues come from Europe. European airline operations are among the most heavily regulated in the world. At the same time, new low-cost carriers have exerted substantial competitive and financial pressure on major European airlines. Low-cost carriers are having similar effects in North America and elsewhere.

Our operations may also be affected by political or economic instability in the areas where we have customers.

We may not be able to enforce our rights as a creditor if a lessee files for bankruptcy outside of the United States.

When a debtor seeks protection under the United States Bankruptcy Code, creditors are automatically stayed from enforcing their rights. In the case of United States-certificated airlines, Section 1110 of the Bankruptcy Code provides certain relief to lessors of aircraft equipment. Section 1110 has been the subject of significant litigation and we can give no assurance that Section 1110 will protect our investment in an aircraft or engines in the event of a lessee's bankruptcy. In addition, Section 1110 does not apply to lessees located outside of the United States and applicable foreign laws may not provide comparable protection.

Liens on our engines could exceed the value of the engines, which could negatively affect our ability to repossess, lease or sell a particular engine.

Liens that secure the payment of repairers' charges or other liens may, depending on the jurisdiction, attach to the engines. Engines also may be installed on airframes to which liens unrelated to the engines have attached. These liens may secure substantial sums that may, in certain jurisdictions or for limited types of liens, exceed the value of the particular engine to which the liens have attached. In some jurisdictions, a lien may give the holder the right to detain or, in limited cases, sell or cause the forfeiture of the engine. Such liens may have priority over our interest as well as our creditors' interest in the engines, either because they have such priority under applicable local law or because our creditors' security interests are not filed in jurisdictions outside the United States. These liens and lien holders could impair our ability to repossess and lease or sell the engines. We cannot give assurance that our lessees will comply with their obligations to discharge third party liens on our engines. If they do not, we may, in the future, find it necessary to pay the claims secured by such liens to repossess the engines.

In certain countries, an engine affixed to an aircraft may become an accession to the aircraft and we may not be able to exercise our ownership rights over the engine.

In some jurisdictions, an engine affixed to an aircraft may become an accession to the aircraft, so that the ownership rights of the owner of the aircraft supersede the ownership rights of the owner of the engine. If an aircraft is security for the owner's obligations to a third-party, the security interest in the aircraft may supersede our rights as owner of the engine. This legal principle could limit our ability to repossess an engine in the event of a lease default while the aircraft with the engine installed remains in such a jurisdiction. We may suffer a loss if we are not able to repossess engines leased to lessees in these jurisdictions.

RISKS RELATED TO OUR SMALL SIZE AND CORPORATE STRUCTURE

Intense competition in our industry, particularly with major companies with substantially greater financial, personnel, marketing and other resources, could cause our revenues and business to suffer.

The engine leasing industry is highly competitive and global. Our primary competitors include GE Engine Leasing, Shannon Engine Support, Pratt & Whitney, Rolls-Royce Partners Finance and Engine Lease Finance.

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Our primary competitors generally have significantly greater financial, personnel and other resources, and a physical presence in more locations, than we do. In addition, competing engine lessors may have lower costs of capital and may provide financial or technical services or other inducements to customers, including the ability to sell or lease aircraft or provide other forms of financing that we do not provide. We cannot give assurance that we will be able to compete effectively or that competitive pressures will not adversely affect us.

There is no organized market for the spare engines we purchase. Typically, we purchase engines from commercial aircraft operators, engine manufacturers, MROs and other suppliers. We rely on our representatives, advertisements and reputation to generate opportunities to purchase and sell engines. The market for purchasing engine portfolios is highly competitive, generally involving an auction bidding process. We can give no assurance that engines will continue to be available to us on acceptable terms and in the types and quantities we seek consistent with the diversification requirements of our debt facilities and our portfolio diversification goals.

Substantially all of our assets are pledged to our creditors.

Substantially all of our assets are pledged to secure our obligations to creditors. Our revolving credit banks have a lien on all of our assets, including our equity in WEST. Due to WEST's bankruptcy remote structure, that equity is subject to the prior payments of WEST's debt and other obligations. Therefore, our rights and the rights of our creditors to participate in any distribution of the assets of WEST upon its liquidation, reorganization, dissolution or winding up will be subject to the prior claims of WEST's creditors. Similarly, the rights of our shareholders are subject to satisfaction of the claims of our lenders and other creditors.

We may be unable to manage the expansion of our operations.

We can give no assurance that we will be able to manage effectively the potential expansion of our operations, or that if we are successful expanding our operations that our systems, procedures or controls will be adequate to support our operations, in which event our business, financial condition, results and cash flows could be adversely affected.

Any acquisition or expansion involves various risks, which may include some or all of the following:

- incurring or assuming additional debt;

- diversion of management's time and attention from ongoing business operations;

- future charges to earnings related to the possible impairment of goodwill and the write down of other intangible assets;

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- risks of unknown or contingent liabilities;
- difficulties in the assimilation of operations, services, products and personnel;
- unanticipated costs and delays;
- risk that the acquired business does not perform consistently with our growth and profitability expectations;
- risk that growth will strain our infrastructure, staff, internal controls and management, which may require additional personnel, time and expenditures; and
- potential loss of key employees and customers.

Any of the above factors could have a material adverse effect on us.

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Compliance with the regulatory requirements imposed on us as a public company results in significant costs that will likely have an adverse effect on our results.

As a public company, we are subject to various regulatory requirements including, but not limited to, compliance with the Sarbanes-Oxley Act of 2002. Compliance with these regulations results in significant additional costs to us both directly, through increased audit and consulting fees, and indirectly, through the time required by our small staff to address the regulations. We complied with Section 404a of the Sarbanes-Oxley Act as of December 31, 2007, completing our assessment of internal controls over financial reporting. We must comply with Section 404b of the Sarbanes-Oxley Act for the fiscal year ending December 31, 2009 when our auditors will audit internal controls for the first time. Such compliance requires us to incur considerable costs on audit and consulting fees and require significant management time that will adversely affect our results of operations and cash flows.

We are effectively controlled by one principal stockholder, who has the power to contest the outcome of most matters submitted to the stockholders for approval and to affect our stock prices adversely if he were to sell substantial amounts of his common stock.

As of December 31, 2008, our principal stockholder, Chairman of the Board of Directors and Chief Executive Officer, Mr. Charles F. Willis, IV, beneficially owned or had the ability to direct the voting of 2,940,064 shares of our common stock, representing approximately 32% of the outstanding shares of our common stock. As a result, Mr. Willis effectively controls us and has the power to contest the outcome of substantially all matters submitted to our stockholders for approval, including the election of the board of directors. In addition, future sales by Mr. Willis of substantial amounts of our common stock, or the potential for such sales, could adversely affect the prevailing market price of our common stock and possibly other classes or series of our stock such as our Series A Preferred Stock.

Our business might suffer if we were to lose the services of certain key employees.

Our business operations depend upon our key employees, including our executive officers. Loss of any of these employees, particularly our Chief Executive Officer, could have a material adverse effect on our business as our key employees have knowledge of our industry and customers and would be difficult to replace. We maintain key man life insurance of \$5.0 million on Mr. Willis, but such amount is unlikely to adequately compensate us for the loss of his services.

We are the servicer and administrative agent for the WEST facility and our cash flows would be materially and adversely affected if we were removed from these positions.

We are the servicer and administrative agent with respect to engines in the WEST facility. We receive annual fees of 11.5% as servicer and 2.0% as administrative agent of the aggregate net rents actually received by WEST on its engines. We may be removed as servicer and administrative agent by the affirmative vote of a requisite number of holders of WEST facility notes upon the occurrence of certain specified events, including the following events, subject to WEST following certain specified procedures and providing us certain cure rights as set forth in the servicing agreement:

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- We fail to perform the requisite services set forth in the servicing agreement or administrative agent agreement;
- We fail to provide adequate insurance or otherwise materially and adversely affects the rights of WEST;
- We cease to be engaged in the aircraft engine leasing business;
- We become subject to an insolvency or bankruptcy proceeding, either voluntarily or involuntarily;
- We fail to maintain the following financial covenants set forth in the servicing agreement:
- Maintain a ratio of total indebtedness to tangible net worth ratio of less than 5.0-to-1.0; and
- Maintain a ratio of earnings before interest, taxes to interest (excluding any extraordinary gains or losses and pre-WEST engine financing costs) of at least 1.2-to-1.0 on a rolling-four-quarter basis;

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- We undergo one of certain of change of control transactions set forth in the servicing agreement; and
- We default in the payment of other indebtedness of \$10.0 million or more or indebtedness in such amount shall have been accelerated as a result of an event of default under the applicable agreements.

As of December 31, 2008 we were in compliance with the financial covenants set forth above. There can be no assurance that we will be in compliance with these covenants in the future or will not otherwise be terminated as service or administrative agent for the West facility. If we are removed, our expenses would increase since our consolidated subsidiary, WEST, would have to hire an outside provider to replace the servicer and administrative agent functions, and we would be materially and adversely affected. Consequently, our business, financial condition, results of operations and cash flows would be adversely affected.

Provisions in Delaware law and our charter and bylaws might prevent or delay a change of control.

Certain provisions of law, our amended certificate of incorporation, bylaws and amended rights agreement could make the following more difficult: (1) an acquisition of us by means of a tender offer, a proxy contest or otherwise, and (2) the removal of incumbent officers and directors.

Our board of directors has authorized the issuance of shares of Series I Preferred Stock pursuant to our amended rights agreement, by and between us and American Stock Transfer and Trust Company, as rights agent. The rights agreement could make it more difficult to proceed with and tend to discourage a merger, tender offer or proxy contest. Our amended certificate of incorporation also provides that stockholder action can be taken only at an annual or special meeting of stockholders and may not be taken by written consent and, in certain circumstances relating to acquisitions or other changes in control, requires an 80% supermajority vote of all outstanding shares of our common stock. Our bylaws also limit the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following information relates to our Common Stock, which is listed on the NASDAQ National Market under the symbol WLFC. As of March 23, 2009 there were approximately 1,326 stockholders of our Common Stock.

The high and low closing sales price of the Common Stock for each quarter of 2008 and 2007, as reported by NASDAQ, are set forth below:

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	2008				2007			
	High	Low	High	Low	High	Low	High	Low
First Quarter	\$ 14.11	\$ 11.96	\$ 10.60	\$ 10.09				
Second Quarter	13.59	10.00	11.92	10.20				
Third Quarter	12.88	8.85	14.84	11.19				
Fourth Quarter	13.37	8.13	16.40	11.18				

During the years ended December 31, 2008 and 2007 we did not pay cash dividends to our common stockholders. We have not made any dividend payments to our common stockholders since our inception as all available cash has been utilized for the business. We have no intention of paying dividends on our common stock in the foreseeable future. In addition, certain of our debt facilities contain negative covenants which prohibit us from paying any dividends or making distributions of any kind with respect to our common stock.

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The following table outlines our Equity Compensation Plan Information.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
1996 Stock Option/Stock Issuance Plan*	1,204,407 \$	7.01	
2007 Stock Incentive Plan		n/a	1,203,181
Total	1,204,407 \$	7.01	1,203,181

* Plan expired

The 1996 Stock Option/Stock Issuance Plan and the 2007 Stock Incentive Plan were approved by security holders. The 2007 Stock Incentive Plan authorized 2,000,000 shares of common stock. 829,862 shares of restricted stock were granted under the 2007 Stock Incentive Plan by December 31, 2008. Of this amount, 33,043 shares of restricted stock were withheld or forfeited and returned to the pool of shares which could be granted under the 2007 Stock Incentive Plan resulting in a net number of 1,203,181 shares which were available as of December 31, 2008 for future issuance under the 2007 Incentive Plan.

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Based on management's evaluation (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations on Controls. Management, including the CEO and CFO, does not expect that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal

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control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial

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statements. Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on this assessment our management believes that, as of December 31, 2008, our internal control over financial reporting is effective under those criteria. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation discussion and analysis describes the material elements of our compensation program for Named Executive Officers. The Compensation Committee of the Board of Directors (the "Compensation Committee") oversees the design and administration of our executive compensation programs. The Compensation Committee is comprised of four independent directors: Gérard Laviec (Chair), W. William Coon, Jr., Hans Joerg Hunziker and Robert T. Morris. The Compensation Committee meets formally twice per year, and more often if needed. Each meeting includes an executive session, with no member of management present. The Compensation Committee's charter is available on the Company's web site (www.willislease.com).

The Compensation Committee retains compensation consultants from time to time to evaluate executive compensation levels and advise on specific programs; the consultants report directly to the Compensation Committee. For the past two years, the Compensation Committee has retained Smith Consulting to advise on various compensation issues. Smith Consulting has no other contract or business relationship with Willis Lease.

Compensation Philosophy and Objectives

The objectives of our compensation programs are to attract and retain high performing executives, to provide a substantial link between the company's performance and executive pay, and to provide shareholders with a superior rate of return.

It is difficult to determine a precise peer group because the vast majority of the Company's direct competitors are business units within much larger corporations such as General Electric, United Technologies and Bank of Tokyo Mitsubishi such that the heads of the leasing divisions do not appear in proxy statements as Named Executive Officers therefore, the Compensation Committee makes its decisions based primarily on its understanding of compensation practices in the aviation services and leasing markets, generally, and for companies of comparable size. Accordingly, with the help of Smith Consulting, the Company has developed information on executive pay practices in financial services companies similar in size to the Company, primarily using surveys including, Watson Wyatt Data Services Top Management Compensation Report published annually by Watson Wyatt Worldwide.

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The 2008 Watson Wyatt survey (last used by our consultant to compare top executive compensation at the Company) included data on 17,900 executives in over 2,500 organizations. The Watson Wyatt survey was used primarily to compare base salaries and annual incentive compensation levels. The comparison groups from which Watson Wyatt survey data was drawn included industrial companies with sales revenues from \$50 to \$200 million, all industrial companies with sales under \$1 billion, and financial institutions with assets under \$2 billion. Since the organizations included were most comparable to the business of the Company, the Smith Consulting analysis focused primarily on the third group – financial companies with assets under \$2 billion. The companies included in this third grouping were:

- Amalgamated Bank of Chicago
- American Bank
- Bank of Blue Valley
- Bankers Bank
- Educational Employees Credit Union - Ft Worth
- Elevations Credit Union
- Federal Reserve Bank of Boston
- First Bank Holding Company, Colorado
- Liberty Bank
- National Chiropractic Malpractice Insurance Company
- SAC Federal Credit Union
- The Bank of Tampa
- Thrivent Financial for Lutherans
- United Bankers Bank
- University Federal Credit Union

The individual elements of compensation are targeted at different areas. Base salaries are sufficiently competitive to attract and retain highly capable executives; annual incentive bonuses are intended to reward meeting budgeted earnings goals each year; long-term incentives, now primarily in the form of grants of restricted stock, are intended to align executive and shareholder interest, reward long term growth of revenues and earnings, and provide an incentive for key executives to stay with the organization over the long term.

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Our intention is to provide total compensation opportunity targeted at the 75th percentile of prevailing market compensation, and to pay that level of compensation only when the Company's financial goals are achieved or exceeded. At the time of the Smith Consulting review, the base salaries of Company executives compared to the 75th percentile of the financial institutions peer group as follows:

Executive	Base Salary as a % of 75th Percentile
Mr. Willis:	92%
Mr. Beaumont	71%
Mr. Forsyth	69%
Mr. Nord	78%

Smith Consulting also compared annual incentive bonus opportunity to the survey groupings, to determine whether the Company's target bonuses (the amount intended to be paid when budget and other organizational goals are met) were reasonable and competitive. The following table shows targeted bonus percentage for top Company positions and two industry groupings, expressed as a percentage of base salary:

Executive	Company	General Industry	Financial Institutions
Chief Executive	100%	90%	98%
COO	85%	77%	64%
CFO	60%	62%	59%
CLO	50%	44%	49%

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In order to account for the differences in bonuses actually paid among companies and as an additional data point, a comparison of the total annual cash compensation (assuming target bonuses) for the Named Executive Officers to the total annual cash compensation actually paid for the survey group was made as follows:

Executive	Annual Cash Compensation as a % of 75th Percentile
Mr. Willis:	93%
Mr. Beaumont	80%
Mr. Forsyth	69%
Mr. Nord	78%

At the time of the Smith Consulting study, the comparative annual cash compensation (salary and bonus) levels for the four executives above compared as follows to the survey data:

- Chief Executive: Mr. Willis' then base salary and target bonus totaled \$1,236,250, or 93% of the 75th percentile for the financial industry survey group. The Compensation Committee felt that Mr. Willis' annual cash compensation should be targeted at 100% of the peer group 75th percentile, given his many years of excellent leadership and the Company's outstanding results.
- COO: Mr. Beaumont's targeted annual cash compensation represented 80% of the survey group's 75th percentile. At the time, the Compensation Committee believed that this was appropriate, given that Mr. Beaumont was new in his position and the expectation that his performance would improve as time progressed.
- CFO: While Mr. Forsyth's targeted annual cash compensation was only 69% of the 75th percentile, the Compensation Committee believed that this was appropriate given Mr. Forsyth's relatively short tenure and that this was his first position as a Chief Financial Officer.
- CLO: Mr. Nord's targeted annual cash compensation was 78% of the peer group 75th percentile. In the Compensation Committee's judgment, this was an unreasonably low level of compensation given Mr. Nord's experience and performance and the fact that he has management responsibilities that go beyond the legal function alone. The Compensation Committee's intention was to move Mr. Nord's compensation to a more competitive position over time.

Because of the transition in Mr. Nunemaker's duties from COO to General Manager Leasing, the Compensation Committee determined not to adjust his base salary.

Mr. Willis and Mr. Nunemaker determined the base salary increase for Ms. Webber in their discretion based on their subjective evaluation of her performance.

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The total annual cash compensation (based on the actual bonuses paid) for the listed Named Executive Officers to (i) the total annual cash compensation actually paid for the survey group as well as to (ii) the Named Executive Officer's target total annual cash compensation (assuming target bonus) is set forth in the columns of the chart below. Such percentages result because Mr. Beaumont received no bonus since he was not employed on December 31, 2008 and the other Named Executive Officers received approximately a 186.9% payout of 2008 target bonuses based on the extent to which the Company exceeded the target return on equity of 11.6% as described below.

Executive	Annual Cash Compensation as a % of 75th Percentile	Annual Cash Compensation as a % of Target Annual Cash Compensation
Mr. Willis	133%	143%
Mr. Beaumont	43%	54%
Mr. Forsyth	91%	133%
Mr. Nord	101%	129%

To compare long term incentives in the marketplace, Smith Consulting used data from a composite survey obtained through Watson Wyatt that blended long term incentive market data as reported by Towers Perrin, Mercer, and Watson Wyatt surveys. These surveys represent data collected from hundreds of companies in various industries, and thus provide a broad sample from which to determine competitive long-term incentive grants for

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executives. The composite data base shows the dollar value of typical long-term incentive grants as a percentage of base pay at the 25th, 50th, and 75th percentiles at various salary levels. In its assessment, the Compensation Committee decided to focus on the 50th percentile level in determining long-term incentive grants for Company executives. Since base salary levels were already targeted at the 75th percentile, the result would produce total compensation targeted at approximately the 75th percentile, on a blended basis.

The following table shows the survey data points used by the Compensation Committee in determining restricted stock grants for top Willis Lease executives:

Salary Level	LTI Grant as Multiple of Base Pay		Target \$ Value of Grant
\$	600,000	1.68x	\$ 1,008,000
\$	300,000	.81x	\$ 243,000
\$	200,000	.42x	\$ 134,000

These target values are general guidelines used by the Compensation Committee. Although the Compensation Committee models its grants on these guidelines, the actual grants vary based on the Compensation Committee's and Mr. Willis's subjective evaluation of each executive's performance and potential and the Company's overall financial position and performance.

Governance of Compensation Programs

Our CEO, in conjunction with human resources, develops recommended annual salaries, incentive targets and long-term incentive compensation for the Named Executive Officers. Using the published survey and comparator group information described above under Compensation Philosophy and Objectives, and based on competitive market information provided by the Compensation Committee's outside consultant, the Compensation Committee approves the annual salaries, incentive targets and long-term incentive compensation for the Named Executive Officers.

In 2006 and early 2007, with the advice of Smith Consulting, the Compensation Committee approved the terms of employment contracts negotiated with Messrs. Beaumont and Forsyth as being consistent with current market for their respective positions. The Compensation Committee also approved increases in Messrs. Willis and Nord's base salaries. In Mr. Willis's case the increase represents the Committee's assessment of his performance and input from its consultant. In Mr. Nord's case the Compensation Committee considered Mr. Willis's recommendation and input from its consultant and increased his compensation over a two-year period because it believed that it was out of step with the market. Effective January 1, 2008 the Compensation Committee increased Mr. Willis' and Mr. Forsyth's base salary. The Compensation Committee decided to increase Mr. Willis' base salary in recognition of his continued outstanding performance in leading the organization and to bring it in line with the desired position (75th percentile of market), taking into account the fact that in 2007 under Mr. Willis's leadership the Company's total revenue increased \$16 million or 15%, lease portfolio assets increased \$142 million or 23%, and earnings per diluted share increased \$0.10 to \$1.66. Mr. Forsyth's base salary was increased in recognition of his excellent performance, his growth in the CFO position, his increasing role as a part of the senior management team, and the relatively low position of his salary in the marketplace. Mr. Forsyth's base salary at his hire date of January 2007 was lower than market reflecting the fact that this was his first CFO position. In addition to increasing his salary to reflect his experience and growth in the role, the Compensation Committee took note that in addition to effectively managing the company's regular auditing and public reporting activities, he upgraded the staff of the accounting group in a majority of positions, successfully negotiated a new warehouse financing facility in conjunction with our WEST securitization and oversaw the implementation of a significant change in Company's accounting for maintenance reserves paid under its leases.

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On December 16, 2008 the Compensation Committee approved a revised Employment Agreement for Mr. Willis which superseded his previous agreement entered into in 2000. Mr. Willis' employment agreement was amended and restated to update its terms since the prior employment agreement was entered into in 2000. In addition, in connection with such amendment and restatement, the bonus provisions were clarified such that it was made clear that there was no guaranteed minimum bonus.

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Mr. Willis and Mr. Nunemaker determined the base salary increase for Ms. Webber in their discretion based on their subjective evaluation of her performance, resulting in a merit increase recognizing her continued excellent performance managing the company's technical group, which is critically important to the Company's overall success.

Elements of Compensation

Each element of compensation has a different purpose, although in combination they are intended to make sure that Willis Lease has a competitive compensation package that attracts top talent and provides incentives that encourage a high level of short- and long-term performance for the benefit of shareholders.

The Compensation Committee looks at these elements both individually (to ensure that each element is achieving its objective) and collectively (to ensure that the total compensation package is competitive). In the Compensation Committee's view, all three of the primary compensation elements—salary, annual incentive bonus, and long term incentives through restricted stock grants—are balanced. In other words, the intention is to have each element paid at the 75th percentile for high performers, not favoring any one element over the other. Thus, failure to achieve annual incentive goals in one year (or surpassing these goals) would not result in a Compensation Committee decision to increase (or reduce) other aspects of compensation.

Components of the total executive compensation package include:

Base Salary: Each officer's base salary is set on the basis of the Compensation Committee's assessment of salary levels in effect for comparable positions in the labor market, the officer's personal performance, and internal comparability considerations. The weight given these factors may vary from individual to individual. Base salaries are reviewed annually, and adjustments are made in accordance with the factors described above. Base salary increases depend in part on market competitiveness, time in position, individual performance and growth during the year, and expected future performance. (See Compensation Philosophy and Objectives for a discussion of the Compensation Committee's rationale for salary increases for individual Named Executive Officers).

Internal equity is also an important consideration in setting compensation levels for Company executives. Since the Company is different in some respects from the other industrial and financial companies in the survey samples, and since to some degree responsibilities of the Company's executive officers differ from those in typical companies (for example our General Counsel is also responsible for Human Resources and Ms. Webber manages critical functions that represent about one half of the Company's employees), the Compensation Committee gives some consideration to relative internal responsibilities when determining salaries, annual incentive bonus targets, and long term incentive grants. For example, since Mr. Forsyth and Mr. Nord both manage key staff functions for the Company, the Compensation Committee believes it is important that their compensation be generally in the same range.

Annual Incentive Compensation: The Compensation Committee has established an annual incentive program designed to reward both the achievement of specific financial goals and individual performance. Executives participate in a company-wide bonus plan with each employee participant having an individual target bonus based on a percentage of base salary. The bonus plan rewards the achievement of a financial goal set by the Board on an annual basis. A bonus pool is determined in the annual budgeting process which will be funded if we achieve the financial goal.

In 2008 the bonus plan provided for a bonus pool based on the achievement of a 11.6% return on equity, which was the goal established by the Board. Return on equity is calculated as net income attributable to common shareholders divided by common equity, calculated as total shareholders' equity less preferred stock. If the Company achieved 11.6% return on equity, the bonus pool would be fully funded and all employees, including the executives, would receive essentially 100% of their target bonuses which range from 100% (in the case of the CEO) to 15% of base salary. If return on equity was less than 11.6%, the bonus pool would be correspondingly reduced. If return on equity was less than 80% of this goal, the bonus pool would be eliminated and no bonuses would be paid. Under the 2008 Bonus Plan, increases in Company return on equity in excess of 11.6% resulted in an additional 20% of such increase for the 2008 bonus pool to be distributed to all employees participating in the Company-wide plan. The Compensation Committee also approved up to \$100,000 in discretionary awards for the 2008 year which could

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be awarded by the Compensation Committee to senior management based on the recommendation of the Chief Executive Officer for his reports and based on the determination of the Compensation Committee for the Chief Executive Officer and up to an additional \$100,000 for discretionary bonus grants to others.

The Company achieved a return on equity for 2008 of 14.6%. Because of the favorable Company return on equity results for 2008 and the resulting impact on bonuses for all eligible participants, the Compensation Committee determined that no additional discretionary bonuses were needed for Named Executive Officers or others and did not grant any of the \$200,000 in discretionary bonus awards. Therefore, the entire bonus pool became available for payment to eligible participants based on their target bonus percentages. Each participant's target bonus percentage multiplied by the participant's base salary paid while a participant during 2008 was calculated to be the participant's target bonus amount. Each participant's share of the bonus pool was a fraction (expressed as a percentage) of the bonus pool, the numerator of which is the participant's target bonus amount and the denominator of which is the target bonus amount of all participants. This percentage is multiplied by the total bonus pool to determine each participant's share of the bonus pool. The net effect of these calculations resulted in all eligible participants, including the Named Executive Officers, receiving a bonus of approximately 186.9% of their target bonus amount.

The determination of the target bonus percentages for the Named Executive Officers (other than Ms. Webber) started with the target bonus percentage set forth in their employment agreements, which percentages were determined in part by compensation negotiations at hire and in part by evaluating competitive target incentive levels as reported by the Watson Wyatt survey data. (See Compensation Philosophy and Objectives). The employment agreement for Messrs. Willis, Forsyth, Nord and Beaumont provided for target bonus percentages of 100%, 60%, 50% and 85%, respectively, and are supported by the survey comparisons described above. The employment agreement for Mr. Nunemaker provided for a target bonus percentage of up to 85% of base salary for the 2000 bonus program. Because of the transfer of certain chief operating officer duties, Mr. Nunemaker's target bonus percentage has since been set at 50% of base salary. Although Ms. Webber does not have an employment agreement, Ms. Webber's target bonus percentage has been set at 30%.

Long-term Incentive Compensation: To reward executives for the long term growth in the value of the Company's shares, the Compensation Committee also makes annual long-term incentive grants. Grants of restricted stock awarded to officers, including all Named Executive Officers, are based primarily on competitive grant practices in industry as determined in the blended long term incentive survey (using Mercer, Towers Perrin, and Watson Wyatt data) as described above. Also, as explained above, each element of compensation is determined separately and therefore other forms of compensation paid to Named Executive Officers do not directly influence the amount of long-term incentive compensation that the Company awards.

Prior to June 2006, stock options (non-qualified and incentive stock options) were the primary form of long-term incentives for our executives. Because the 1996 Stock Option Plan expired in June 2006, no option grants were made after that date. The Incentive Plan approved by the stockholders in 2007 provided the flexibility to grant a variety of types of equity awards to provide long-term incentives to employees rather than being limited to options as the prior plan required. In conjunction with the approval of the new incentive plan, the Compensation Committee shifted its primary type of long-term incentive grants from options to restricted stock. The Compensation Committee, after consulting with its compensation consultant, has used as a general guide a 1-to-3 ratio for restricted stock in comparison to options—a guideline of one share of restricted stock is roughly equivalent to 3 options. In the Compensation Committee's judgment, restricted stock reduces the dilution of stockholders' interest by giving approximately the same value with only 1/3 of the number of shares as would be involved in an option grant. The introduction of the requirement to expense option awards for financial statement reporting purposes also makes restricted stock more attractive in both an absolute dollar sense and simplicity in calculating the accounting expense of the grants. The Compensation Committee also believes that restricted stock has a stronger retention value than do options which can expire without providing any incentive benefit. The current expectation is that restricted stock awards will be the primary form of long term incentives for our executives.

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The January 2008 restricted stock grants were made as the long-term incentive compensation for 2008 and the December 2008 restricted stock grants were made as the long-term incentive for 2009 in accordance with the Compensation Committee's review of competitive grant practices in industry as described above. The Compensation Committee and Mr. Willis reviewed the long-term incentive guidelines discussed above and made a

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subjective overall assessment with respect to the executives (other than Mr. Willis) to determine the size of the January 2008 and December 2008 restricted stock grants to such executives. The Compensation Committee made a similar subjective assessment with respect to Mr. Willis to determine the size of his restricted stock grants.

The July 2008 restricted stock grants were made to certain executives instrumental in the successful completion of a significant refinancing of our WEST securitization (discussed in Item 1 above and the following paragraph). The completion of the significant refinancing of the Company's WEST securitization was treated as similar in importance to the initial WEST transaction. The number of restricted stock grants made was based on the number of options granted in 2005 in recognition of the original WEST financing. In recognition of the difference between restricted stock and options (in conformity with the general guideline discussed above of 1 to 3 ratio for restricted stock in comparison to stock), the number of restricted stock grants made in 2008 was approximately 1/3 of the options granted in 2005.

The WEST transaction involved the Willis Engine Securitization Trust, or WEST, a special-purpose, bankruptcy-remote, Delaware statutory trust that is wholly-owned by the Company and consolidated in the Company's financial statements. The Company established WEST in 2005 to acquire and finance engines owned by another of the Company's wholly-owned subsidiaries, WEST Engine Funding LLC. In August 2005 and again in March 2008, WEST issued and sold notes to finance its acquisition of engines. WEST's obligations under these notes are serviced by revenues from the lease and disposition of its engines, and are secured by all its assets, including all its interests in its engines, its subsidiaries, restricted cash accounts, engine maintenance reserve accounts, all proceeds from the sale or disposition of engines, and all insurance proceeds. WEST gives the Company the flexibility to manage the portfolio to adapt to changes in aircraft fleets and customer demand over time, benefiting both the Company and the investors. The asset-backed securitization provides a significant improvement to the Company's capital structure by better matching debt maturity to asset life. It includes a warehouse facility to provide additional borrowing capacity, which offers new capital to fund growth and provides a structure for regular placement of additional term notes in the future as the warehouse matures.

Employee Stock Purchase Plan: With the exception of the CEO, whose ownership level precludes his participation under IRS regulations, our Named Executive Officers, as well as all other eligible employees, may purchase Company shares at a discount under the Employee Stock Purchase Plan.

Under the 1996 Employee Stock Purchase Plan (the ESPP) 175,000 shares of common stock have been reserved for issuance. Participants may purchase not more than 1,000 shares or \$25,000 of common stock in any one calendar year. Each January 31 and July 31, shares of common stock are purchased with the employees' payroll deductions from the immediately preceding six months at a price per share of 85% of the lesser of the market price of the common stock on the purchase date or the market price of the common stock on the date of entry into an offering period. The weighted average per share fair value of the employee's purchase rights under the ESPP for the rights granted in 2008 was \$2.77.

Executive Stock Ownership

While the Company promotes share ownership by its executives, and encourages them to acquire shares through the ESPP (in which all eligible executives participate) and long-term stock incentives in the form of restricted stock and stock options, there are currently no specific guidelines for executive stock ownership.

Deferred Compensation

We maintained a Deferred Compensation Plan through September 19, 2007. That Plan permitted participating executives to defer payment of up to 80% of their base salaries and/or part or all of their bonuses. Mr. Willis was the only executive who elected to participate in the Deferred Compensation Plan. In 2006 he terminated his participation and in early 2007 withdrew the balance of his previous deferred compensation. As a result he has no accumulated deferrals. Because of the lack of utilization of the plan, it was terminated by the Board on September 19, 2007.

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Employment Agreements and Severance Payments

Employment agreements have been entered into with Messrs. Willis, Forsyth, Nunemaker and Nord. In addition to providing for severance as described below, such agreements provide for base salary (subject to increase but not decrease unless part of a salary reduction program affecting all senior executive officers), bonus compensation (as described in the Annual Incentive Compensation section of the Elements of Compensation portion of the Compensation and Discussion Analysis) and certain benefits. As described in detail below, the employment contracts specify certain severance benefits to be paid in the event of an involuntary termination or termination after a change of control. Consistent with our compensation philosophy, the Compensation Committee believes that the interests of stockholders are best served if the interests of senior management are aligned with those of the stockholders. To this end, we provide enhanced change of control severance benefits to certain of our executive officers to reduce any reluctance of the executive officers to pursue or support potential change in control transactions that would be beneficial to our stockholders. The agreement to pay such severance resulted from negotiations of employment terms with our Named Executive Officers. For further details, please refer to the section Termination and Change in Control Payments elsewhere in this proxy statement. The employment agreements also provide a nondisclosure and nonsolicitation of employees covenant for three years after termination of employment (except for Mr. Forsyth whose nonsolicitation covenant period is 2 years after termination of employment).

Mr. Beaumont's severance payments were determined in accordance with his employment agreement as described in footnote 8 to the Summary Compensation Table - one year annual base salary as severance, one year annual base salary in lieu of notice and accrued vacation and sick pay.

Report of the Compensation Committee

The Compensation Committee of the Board of Directors has submitted the following amended report for inclusion in this Form 10-K/A:

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Form 10-K/A with management. Based on our review of and the discussions with management with respect to the Compensation Discussion and Analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2008 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Compensation Committee:

Compensation Committee

Gérard Lavieć, Committee Chair

W. William Coon, Jr.

Hans Joerg Hunziker

Robert T. Morris

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of the following four independent directors: Gérard Laviec, Chairman, W. William Coon, Jr., Hans Joerg Hunziker and Robert T. Morris. None of our executive officers currently serves on our Compensation Committee. None of our executive officers is, or was during 2008, serving as a director of or member of the compensation committee of another entity, one of whose executive officers serves, or served, as a director of or on our Compensation Committee.

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth certain information with respect to the compensation of our Chief Executive Officer, Chief Financial Officer, the three most highly compensated executive officers other than the CEO and CFO and one individual for whom information would have been provided but for the fact that he was not serving as an executive officer at the end of the year, based on total compensation for their services with us in all capacities.

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards \$(1) (e)	Option Grants (\$) (f)	Non-Equity Incentive Plan Compensation \$(3) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (h)	All Other Compensation \$(4) (i)	Total (\$) (j)
Charles F. Willis, IV PRES., CEO	2006	618,125				584,391		38,011(5)	1,240,527
	2007	650,000		88,559		920,527	200,379	53,486(5)	1,912,951
	2008	682,500		565,000		1,275,475		113,439(5)	2,636,414
Bradley S. Forsyth SVP, CFO	2006								
	2007	230,000		20,891		245,435		57,966(6)	554,292
	2008	260,000		147,733	45,200(2)	291,537		8,002	752,472
Donald A. Nunemaker EVP, GM- Leasing	2006	297,275				238,894		19,423	555,592
	2007	297,275		13,511		210,500		24,287(5)	545,573
	2008	297,275		100,788		277,778		21,991(5)	697,832
Thomas C. Nord SVP, GC, SEC	2006	237,040				113,914		12,850	363,804
	2007	265,000		26,341		187,646		13,527	492,514
	2008	290,000		158,487		270,980		14,164	733,631
Judith M. Webber SVP, Technical Svcs	2006	168,050				47,664		9,810	225,524
	2007	173,537		7,632		88,729		10,972	280,870
	2008	190,000		50,054		106,523		10,972	357,549
Lee G. Beaumont EVP, COO	2006	182,474				150,580		35,284(7)	368,338
	2007	360,000		27,340	241,500(2)	433,355		27,762(5)	1,089,957
	2008	297,050		76,320				775,543(5)(8)	1,148,913

(1) The amounts in this column represent the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123(R). These amounts may reflect options and awards granted in years prior to 2008.

(2) Grant date value of stock appreciation right granted in 2007, computed in accordance with SFAS 123(R) and in accordance with SEC rules.

(3) Reflects cash bonuses paid to our Named Executive Officers pursuant to the annual incentive program. For a description of the program, see Compensation of Executive Officers Compensation Discussion & Analysis Elements of Compensation Annual Incentive Compensation elsewhere in this Form 10-K/A.

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(4) Unless otherwise noted, amounts shown represent the following payments made on behalf of the officers: a 401(k) matching contribution, life insurance premium, and perquisites (if applicable).

(5) As part of an employment agreement executed in 2008, Mr. Willis is provided a company car, three club memberships to facilitate his role as a Company representative in the community, and financial, tax and estate planning services with a maximum value of \$30,000 per year. The amount of perquisites for Mr. Willis, Mr. Nunemaker and Mr. Beaumont are included because the aggregate amount, in each case, exceeds \$10,000. The perquisites are valued as follows:

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			Financial Planning	Perquisites Company Car	Club Memberships
Charles F. Willis, IV (aa)	2006	\$	15,000	\$ 3,239	\$ 6,840
	2007		15,000	17,886	7,254
	2008		30,000	11,458	7,093
Donald A. Nunemaker	2006				
	2007			12,079	
	2008			9,783	
Lee G. Beaumont	2006				
	2007			18,452	
	2008			12,305	

(aa) The methodology used for computing Mr. Willis' financial planning and club memberships was to set forth the actual dollars reimbursed or paid for such costs. The \$11,458 listed for 2008 company car usage was a proration (based on personal use as a percentage of total use) of total lease payments, maintenance costs, registration, insurance and fuel costs. If such personal percentage was applied only to the fuel costs as the incremental cost, such incremental cost for the use of the company car would have been \$469. In addition, Mr. Willis had guests accompany him on the Company's plane on business trips during 2008 with no or *de minimis* incremental cost. The Company paid \$8,282 for an individual accidental death and dismemberment policy for Mr. Willis. In addition, Mr. Willis participated in certain group life, disability, and accidental death and dismemberment insurance where his portion of the premium paid approximated \$3,327 in total.

- (6) Includes relocation reimbursement in the amount of \$50,000 to assist with relocation to the Company's headquarters.
- (7) Includes relocation reimbursement in the amount of \$35,000 to assist with relocation to the Company's headquarters.
- (8) Includes \$754,000 under Mr. Beaumont's Employment Agreement for severance and payment in lieu of notice.

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The following table sets forth certain information with respect to the grant of non-equity incentive plan awards under our Annual Incentive Program in 2008.

**GRANTS OF PLAN-BASED AWARDS
For Fiscal Year Ended 2008**

Name	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Target (\$)	Maximum (\$)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards \$(2)	Grant Date
Charles F. Willis, IV PRES., CEO	341,250	682,500		77,504	957,949	1/15/08
				17,666	165,000	7/17/08
				97,500	853,125	12/17/08
Bradley S. Forsyth SVP, CFO	78,000	156,000		20,668	255,456	1/15/08
				11,777	109,997	7/17/08
				31,200	273,000	12/17/08
Donald A. Nunemaker EVP, GM-Leasing	74,319	148,638		17,723	219,056	1/15/08
				33,974	297,272	12/17/08
Thomas C. Nord SVP, GC, SEC	72,500	145,000		17,289	213,692	1/15/08
				11,777	109,997	7/17/08
				24,857	217,499	12/17/08
Judith M. Webber SVP, Technical Svcs	28,500	57,000		7,552	93,343	1/15/08
				16,286	142,502	12/17/08
Lee G. Beaumont EVP, COO(3)	148,750	297,500		11,777	109,997	7/17/08

(1) Reflects potential awards from the 2008 annual incentive programs.

(2) The amounts in this column represent the grant date fair value of restricted stock granted during 2008. Such restricted stock was subject to vesting requirements as set forth in footnote 2 of the Outstanding Equity Awards at Fiscal 2008 Year-End table. The 2008 grant of shares of restricted stock to Mr. Beaumont was forfeited upon his termination of employment as well as the remaining unvested shares of prior grants.

(3) The grant date value of the one restricted stock award made to Mr. Beaumont in 2008 was \$109,997. This grant date value was calculated by multiplying the 11,777 shares of restricted stock by the market value (\$9.34) on the grant date.

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The following table sets forth certain information with respect to the outstanding equity awards held by the Named Executive Officers at the end of 2008.

OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR-END

Name (a)	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (j)
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price(\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)(2)	Market Value of Shares or Units of Stock That Have Not Vested(\$) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	
Charles F. Willis, IV PRES, CEO	44,250	14,750		9.20	8/5/2015				
	127,954			5.01	3/3/2013				
	36,614			4.68	5/8/2012				
	150,000			5.40	10/12/2011				
	140,000			10.00	2/27/2011				
	66,942			5.50	10/13/2010	261,556	\$ 2,424,624		
	565,760	14,750		6.71		261,556			
Bradley S. Forsyth SVP, CFO						79,895	\$ 740,627		
						79,895			
Donald A. Nunemaker EVP, GM-Leasing	21,000	7,000		9.20	8/5/2015				
	14,560			5.01	3/3/2013				
	35,440			5.01	3/3/2013				
	26,106			4.68	5/8/2012				
	50,544			4.68	5/8/2012				
	31,713			5.40	10/12/2011				
	18,287			5.40	10/12/2011				
	56,000			10.00	2/27/2011				
	37,500			5.50	10/13/2010				
	24,107			15.56	4/22/2009				
	5,893			15.56	4/22/2009	62,206	\$ 576,650		
	321,150	7,000		7.18		62,206			
Thomas C. Nord SVP, GC, SEC.	16,500	5,500		9.20	8/5/2015				
	30,000			5.07	8/7/2013	74,412	\$ 689,799		
	46,500	5,500		6.54		74,412			
Judith M. Webber SVP, Technical Svcs.	11,250	3,750		9.20	8/5/2015				
	15,000			5.40	10/12/2011				
	15,000			5.50	10/13/2010				

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5,000		15.56	4/22/2009	29,774	\$	276,004
46,250	3,750	7.46		29,774		

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- (1) Options vest in four equal annual installments on each anniversary of the grant date.
- (2) Shares of restricted stock vest in four or five equal annual installments on each anniversary of the grant date. The restricted stock grants that vest over 4 annual installments beginning on the first anniversary date of the award grant date are as follows:

Award Grant Date:	10/1/07*	1/15/08	7/17/08
Charles Willis	91,848	77,504	17,666
Bradley Forsyth	21,667	20,668	11,777
Donald Nunemaker	14,013	17,723	
Thomas Nord	27,319	17,289	11,777
Judith Webber	7,915	7,552	

*One fourth of the number listed in this column vested on 10/1/08 and therefore is not listed in the Outstanding Equity Award at Fiscal 2008 Year-End table.

The following shares of restricted stock vest over 5 annual installments beginning on the first anniversary date of the award grant date of 12/17/08:

Charles Willis	97,500
Bradley Forsyth	31,200
Donald Nunemaker	33,974
Thomas Nord	24,857
Judith Webber	16,286

The following table sets forth certain information with respect to options exercised by the named executive officer and stock that vested during fiscal year 2008.

OPTION EXERCISES AND STOCK VESTED

For Fiscal Year Ended 2008

Name of Executive Officer	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
(a)	(b)	(c)	(d)	(e)
Charles F. Willis, IV PRES., CEO	22,046	\$ 159,393	22,962	\$ 256,486
Bradley S. Forsyth			5,417	\$ 60,508

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SVP, CFO					
Donald A. Nunemaker	22,500	\$	173,031	3,504	\$ 39,140
EVP, GM-Leasing					
Thomas C. Nord				6,830	\$ 76,291
SVP, GC, SEC.					
Judith M. Webber	14,906	\$	113,645	1,979	\$ 22,105
SVP, Technical Svcs					
Lee G. Beaumont				7,089	\$ 79,184
EVP, COO					

We do not offer pension benefits and have, therefore, omitted the Pension Benefits table.

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Termination and Change in Control Payments

Employment contracts for Messrs. Willis, Forsyth, Nunemaker and Nord specify certain severance benefits to be paid in the event of an involuntary termination or a change of control.

The maximum of these benefits, payable to Mr. Willis, would represent three times his base salary and the average annual incentives he earned during the three years prior to his termination, plus payment of unvested annual incentives due during the year of termination, distribution of unpaid deferred compensation, immediate vesting of all stock options and restricted stock, and continued coverage for three years under the Company's employee group benefit plans.

The maximum of these benefits, payable to Mr. Forsyth, would represent one year of his base salary for termination without cause or 18 months salary upon a change of control, plus, in case of a change in control, the average annual incentives he earned during two years prior to his termination, plus payment of unvested annual incentives due during the year of termination. In addition immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage for one year under the Company's employee group benefit plans.

The maximum of these benefits payable to Mr. Nunemaker would represent one year of his base salary for termination without cause or 18 months salary upon a change in control, plus, in case of a change in control, the average annual incentive he earned during the two years prior to his termination or one and one half times the average annual incentives earned during the two years prior to his termination upon a change of control, plus a prorated portion of his annual incentives due during the year of termination. In addition immediate vesting of all stock options and restricted stock, and continued coverage for one year under the Company's employee group benefit plans or 18 months if a change of control.

The maximum of these benefits, payable to Mr. Nord, would represent six months of his base salary for termination without cause or one year's salary upon a change in control, plus, in case of a change in control, the average annual incentive he earned during the two years prior to his termination, plus payment of annual incentives due during the year of termination. In addition immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage for six months under the Company's employee group benefit plans.

However, if any of these payments or benefits would constitute a parachute payment within the meaning of Section 280G of the Internal Revenue Code of 1986 (the Code), as amended, and would be subject to the Excise Tax imposed by Section 4999 of the Code, the contract stipulates that payments to Messrs. Willis, Forsyth, Nunemaker and Nord will be reduced to an amount equal to the larger of the amount the executive would receive if their payment were reduced to a level that would not trigger the parachute payment excise tax, or the full payment subject to the excise tax.

If a named executive officer ceases to be employed by us because of his resignation or retirement, no severance payments are owed by us.

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The following table shows potential payments to our Named Executive Officers under existing contracts for termination without cause or in connection with a change in control in each case, on December 31, 2008.

Table of Contents**Potential Payments on Termination or Change of Control**

	Willis		Forsyth		Nunemaker		Nord	
	Termination	Change of Control	Termination	Change of Control	Termination	Change	Termination	Change of Control
Severance payment	\$ 2,047,500	2,047,500	\$ 260,000	\$ 390,000	\$ 297,275	\$ 445,913	\$ 145,000	\$ 290,000
In lieu of notice	682,500	682,500	260,000	260,000	148,638	148,638	145,000	145,000
Annual incentives	3,149,375	3,149,375	536,973	536,973	502,475	614,824	421,760	421,760
Accrued Vacation and Sick Pay	105,000	105,000	28,520	28,520	28,585	28,585	44,615	44,615
Continued Coverage under all group plans	78,049	78,049	15,750	23,625	31,907	47,860	6,590	13,179
Club Memberships	21,780	21,780	0	0	0	0	0	0
Financial/Tax/Estate Planning	90,000	90,000	0	0	5,000	5,000	0	0
Accelerated Vesting of Restricted Stock Awards and Options(1)	2,424,624	2,424,624	366,508	366,508	576,650	576,650	353,539	353,509
Total	8,598,828	8,598,828	1,467,751	1,605,626	1,590,530	1,867,470	1,116,504	1,268,063

(1) The value of the unvested restricted stock awards as of December 31, 2008 was set forth in the Outstanding Equity Awards at Fiscal 2008 Year-End table and based on the Company's closing stock price on December 31, 2008 of \$9.27. The value of unvested options as of December 31, 2008 is calculated by subtracting the exercise price of the unvested options (\$9.20) from the closing stock price on December 31, 2008 (\$9.27) for a spread of \$.07. This spread is then multiplied by the number of such outstanding unvested options as set forth in the Outstanding Equity Awards at Fiscal 2008 Year-End table. These values would be the same for both a termination without cause and a change of control. The additional aggregate value of equity vesting acceleration as of December 31, 2008 for both a termination of employment without cause as well a change of control which in the case of Messrs. Forsyth and Nord, is limited to awards vesting in the two years following termination.

Mr. Beaumont's severance payment was comprised of severance in an amount equal to his annual base salary (\$350,000), payment in lieu of notice equal to his annual base salary (\$350,000) and accrued vacation and sick pay equal to \$54,000.

Director Compensation

Our outside, independent (non-employee) directors are compensated by a combination of an annual cash retainer, and restricted stock, with additional stipends for the Chairs of the Audit and the Compensation Committees. In addition, new independent directors are granted 5,000 shares of restricted Company stock on their appointment.

The Company does not provide additional compensation to executives who serve on the Board.

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In July 2008, based on an analysis of market levels for board compensation in companies the size of Willis Lease conducted by Smith Consulting, the Board voted to adopt a new schedule for independent director compensation, to be effective January 1, 2008. The total fee was increased to \$94,000 per year, one-half payable in cash and one-half in the form of an award of restricted stock based on the closing price of the Company's shares on the date of the Annual Meeting of Stockholders. The Chair of the Audit Committee continues to receive a \$10,000 stipend and the Compensation Chair receives a \$5,000 stipend. Also in July 2008 in recognition of the disparity between their home currencies and the U.S. dollar the Board voted to modify the directors' fees payable to Messrs. Laviec and Hunziker, effective January 1, 2008. Their fees were adjusted to reflect the ratio between their home currency and the U.S. dollar at the date of their first election as an independent director. The amounts of such payments are reflected in the table below.

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The following table summarizes compensation by individual independent director for 2008.

DIRECTOR COMPENSATION**For Fiscal Year Ended 2008**

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
(a)	(\$) (b)	(\$)(1) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)
Gérard Laviec	111,638	45,629					157,267
Hans Joerg Hunziker	56,871	45,629					102,500
W. William Coon, Jr.	47,000	58,915					105,915
Robert T. Morris	57,000	58,915					115,915
Austin C. Willis	4,121	405					4,526

(1) The amounts in this column represent the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123(R). These amounts may reflect options granted in years prior to 2008.

Under the 2007 Plan each non-employee Board member received a restricted stock grant of 5,000 shares of common stock when they first become a non-employee Board member. In addition each individual who is to continue to serve as an independent director is granted \$47,000 worth of restricted stock based on the market price of our common stock on the date of the Company's Annual Meeting of Stockholders.

Each 5,000 share initial restricted stock grant vests in a series of four successive equal annual installments over the recipient's period of continued service as a Board member measured from the option grant date. Each \$47,000 value annual restricted stock grant vests in one installment on the recipient's completion of one year of Board service measured from the grant date.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As required by NASDAQ rules, all material discretionary transactions between us and our Directors, executive officers or known principal stockholders (or their respective affiliates) must be approved by the Audit Committee. The Audit Committee does not intend to approve any such transactions unless it believes that they are on terms no less favorable to us than could be obtained from unaffiliated third parties. The Company's written Audit Committee Charter provides that the Audit Committee has responsibility to review related party transactions.

Gavarnie Holding, LLC, a Delaware Limited Liability Company (Gavarnie) owned by Charles F. Willis, IV, purchased the stock of Aloha Island Air, Inc., a Delaware Corporation, (Island Air) from Aloha AirGroup, Inc. (Aloha) on May 11, 2004. Charles F. Willis, IV is the President, CEO and Chairman of our Board of Directors and owns approximately 36% of our common stock as of December 31, 2008. Island Air leases four DeHaviland DHC-8-100 aircraft and two spare engines from us, which are expected to generate lease rent revenue of approximately \$1.9 million in 2009 and \$1.6 million in 2010. In 2006, in response to a fare war commenced by a competitor, Island Air requested a reduction in lease rent payments. The Board of Directors subsequently approved 14 months of lease rent deferrals totaling \$784,000. All deferrals were accounted for as a reduction in lease revenue in the applicable period. Because of the question regarding collectability of amounts due under these leases, lease rent revenue for these leases have been recorded on a cash basis until such time as collectability becomes reasonably assured. After taking into account the deferred amounts, Island Air remains current on all obligations except for \$288,000 in overdue rent related to February and March 2009. Our leases with Island Air are currently being restructured and amended effective January 2009. The \$784,000 in accumulated rent deferrals have been incorporated in the lease rents for two of the aircraft for the period January 2009 April 2012. During the difficult period in Hawaii involving uneconomic fares being charged by a competitor, Island Air, in an effort to conserve cash, deferred maintenance on engines leased by the Company. Due to concern regarding Island Air's ability to meet lease return conditions and after reviewing the current maintenance status and condition of the leased assets, the Company recorded a reduction in the carrying value of these assets of \$0.8 million in the second quarter of 2008. Including this write down, the aircraft and engines on lease to Island Air have a net book value of \$6.0 million at December 31, 2008. Subsequently Island Air has overhauled most of the leased engines.

The Company has entered into several agreements with J.T. Power LLC (J.T. Power), an entity whose majority shareholder, Austin C. Willis, is the son of our President and Chief Executive Officer, and directly and indirectly, a shareholder of ours who became a Director of the Company on December 16, 2008. On November 17, 2008, the Company entered into a Consignment Agreement with J.T. Power in which they are responsible to market and sell parts from the teardown of one engine with a book value of \$1.0 million. On January 22, 2008, the Company entered into a Consignment Agreement with J.T. Power in which they are responsible to market and sell parts from the teardown of three engines with a book value of \$4.2 million. During the year ended December 31, 2008, sales of consigned parts under these agreements were \$2.6 million and commissions paid to J.T. Power were \$0.4 million. The book value for the remaining parts consigned to J.T. Power as of December 31, 2008 was \$3.6 million. On July 27, 2006, the Company entered into an Aircraft Engine Agency Agreement with J.T. Power, in which the Company will, on a non-exclusive basis, provide engine lease opportunities with respect to available spare engines at J.T. Power. J.T. Power will pay the Company a fee based on a percentage of the rent collected by J.T. Power for the duration of the lease including renewals thereof. In 2008, we earned revenue of \$33,500 and paid \$0 in commission under this program.

Under a Time Sharing Agreement dated as of March 1, 2005 between the Company and Charles F. Willis, Mr. Willis has the ability to lease the Company's Canadair Challenger aircraft from time to time for his personal use on an as needed as available basis. During 2007 he leased the aircraft for a total of 5.7 hours and paid the Company \$12,150 for expenses related to the operation of the aircraft. During 2008 he did not lease the aircraft from the Company.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(3) and (b) and (c): Exhibits: The response to this portion of Item 15 is submitted below.

EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation, dated March 12, 1998, as amended by the Certificate of Amendment of Certificate of Incorporation, dated May 6, 1998 (incorporated by reference to Exhibit 3.1 to our report on Form 10-K filed on March 31, 2009).
3.2	Bylaws, dated April 18, 2001 as amended by (1) Amendment to Bylaws, dated November 13, 2001, and (2) Amendment to Bylaws, dated December 16, 2008 (incorporated by reference to Exhibit 3.2 to our report on Form 10-K filed on March 31, 2009).
4.1	Specimen of Series A Cumulative Redeemable Preferred Stock Certificate (incorporated by reference to Exhibit 4.1 to Form S-1 Registration Statement Amendment No. 2 filed on January 27, 2006).
4.2	Form of Certificate of Designations of the Registrant with respect to the Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.2 to Form S-1 Registration Statement Amendment No. 2 filed on January 27, 2006).
4.3	Form of Amendment No. 1 to Certificate of Designations of the Registrant with respect to the Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.3 to our report on Form 10-K filed on March 31, 2009).
4.4	Rights Agreement dated as of September 24, 1999, by and between Willis Lease Finance Corporation and American Stock Transfer and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to our report on Form 8-K filed on October 4, 1999).
4.5	Second Amendment to Rights Agreement dated as of December 15, 2005, by and between Willis Lease Finance Corporation and American Stock Transfer and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.5 to our report on Form 10-K filed on March 31, 2009).
4.6	Third Amendment to Rights Agreement dated as of September 30, 2008, by and between Willis Lease Finance Corporation and American Stock Transfer and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.6 to our report on Form 10-K filed on March 31, 2009).
4.7	Form of Certificate of Designations of the Registrant with respect to the Series I Junior Participating Preferred Stock (formerly known as Series A Junior Participating Preferred Stock) (incorporated by reference to Exhibit 4.7 to our report on Form 10-K filed on March 31, 2009).
4.8	Form of Amendment No. 1 to Certificate of Designations of the Registrant with respect to Series I Junior Participating Preferred Stock (incorporated by reference to Exhibit 4.7 to our report on Form 10-K filed on March 31, 2009).
10.1	Form of Indemnification Agreement entered into between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.3 to our Registration Statement No. 333-5126-LA filed on June 21, 1996).
10.2	1996 Stock Option/Stock Issuance Plan, as amended and restated as of March 1, 2003 (incorporated by reference to Exhibit 99.1 to our registration statement (No. 333-109140) on Form S-8 filed on September 26, 2003).
10.3	2007 Stock Incentive Plan (incorporated by reference to our Proxy Statement for our 2007 Annual Meeting of Stockholders filed on April 30, 2007).
10.4	Amended and Restated Employment Agreement between the Registrant and Charles F. Willis IV dated as of December 1, 2008 (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed on December 22, 2008).
10.5	Employment Agreement between the Registrant and Donald A. Nunemaker dated November 21, 2000 (incorporated by reference to Exhibit 10.3 to our report on Form 10-K for the year ended December 31, 2000).
10.6	Employment Agreement between the Registrant and Thomas C. Nord dated September 19, 2005 (incorporated by reference to Exhibit 10.1 to our report Form 8-K filed on September 23, 2005).
10.7	Employment Agreement between the Registrant and Bradley S. Forsyth February 20, 2007 (incorporated by reference to Exhibit 10.2 to our report on Form 8-K filed on February 21, 2007).

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- 10.8 Loan and Aircraft Security Agreement dated October 29, 2004 between Fleet Capital Corporation and Willis Lease Finance Corporation (incorporated by reference to Exhibit 10.42 to our report on Form 10-K filed on March 31, 2005).
- 10.9 Amendment No. 1 to Loan and Aircraft Security Agreement dated as of December 9, 2004 between Fleet Capital Corporation and Willis Lease Finance Corporation (incorporated by reference to Exhibit 10.44 to our report on Form 10-K filed on March 31, 2005).
- 10.10 Amendment No. 2 to Loan and Aircraft Security Agreement dated as of February 14, 2007 between Fleet Capital Corporation and Willis Lease Finance Corporation (incorporated by reference to Exhibit 10.10 to our report on Form 10-K filed on March 31, 2009).
- 10.11 Amendment No. 3 to Loan and Aircraft Security Agreement dated as of August 28, 2008 between Fleet Capital Corporation and Willis Lease Finance Corporation (incorporated by reference to Exhibit 10.11 to our report on Form 10-K filed on March 31, 2009).
- 10.12 Series 2005-A1 Note Purchase Agreement, dated as of July 28, 2005, among the Registrant, Willis Engine Securitization Trust, UBS Securities LLC and UBS Limited (incorporated by reference to Exhibit 10.35 to our report on Form 10-Q filed on November 29, 2005).
- 10.13 Series 2005-B1 Note Purchase Agreement, dated as of August 9, 2005, among the Registrant, Willis Engine Securitization Trust, Fortis Capital and HSH Nordbank AG (incorporated by reference to Exhibit 10.36 to our report on Form 10-Q filed on November 29, 2005).
- 10.14 Series 2007-A2 Note Purchase and Loan Agreement dated as of December 13, 2007, among Willis Engine Securitization Trust, Willis Lease Finance Corporation and the initial Series 2007-A2 Holders (incorporated by reference to Exhibit 10.59 to our report on Form 10-K filed on March 31, 2008).
- 10.15 Series 2007-B2 Note Purchase and Loan Agreement dated as of December 13, 2007 among Willis Engine Securitization Trust, Willis Lease Finance Corporation and the initial Series 2007-B2 Holders (incorporated by reference to Exhibit 10.60 to our report on Form 10-K filed on March 31, 2008).
- 10.16 Series 2008-A1 Note Purchase and Loan Agreement dated as of March 25, 2008, among Willis Engine Securitization Trust, Willis Lease Finance Corporation and the initial Series 2008-A1 Holders (incorporated by reference to Exhibit 10.16 to our report on Form 10-K filed on March 31, 2009).
- 10.17 Series 2008-B1 Note Purchase and Loan Agreement dated as of March 25, 2008, among Willis Engine Securitization Trust, Willis Lease Finance Corporation and the initial Series 2008-B1 Holders (incorporated by reference to Exhibit 10.17 to our report on Form 10-K filed on March 31, 2009).
- 10.18* Amended and Restated Indenture, dated December 13, 2007, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.18 to our report on Form 10-K filed on March 31, 2009).
- 10.19 Series A1 Indenture Supplement, dated August 9, 2005, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.40 to our report on Form 10-Q filed on November 29, 2005).
- 10.20 Series B1 Indenture Supplement, dated August 9, 2005, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.41 to our report on Form 10-Q filed on November 29, 2005).
- 10.21 Series 2007-A2 Supplement, dated as of December 13, 2007, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.21 to our report on Form 10-K filed on March 31, 2009).
- 10.22 Series 2007-B2 Supplement, dated as of December 13, 2007, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.22 to our report on Form 10-K filed on March 31, 2009).
- 10.23 Series 2008-A1 Supplement, dated as of March 28, 2008, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.23 to our report on Form 10-K filed on March 31, 2009).
- 10.24 Series 2008-B1 Supplement, dated as of March 28, 2008, by and between Willis Engine Securitization Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.24 to our report on Form 10-K filed on March 31, 2009).
- 10.25 General Supplement 2008-1 dated as of March 28, 2008 (incorporated by reference to Exhibit 10.25 to our report on Form 10-K filed on March 31, 2009).
- 10.26 General Supplement 2009-1 dated as of March 20, 2009 (incorporated by reference to Exhibit 10.26 to our report on Form 10-K filed on March 31, 2009).

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- 10.27 Servicing Agreement, dated as of August 9, 2005, among the Registrant, Willis Engine Securitization Trust, WEST Engine Funding and 59 engine owning trusts named therein (incorporated by reference to Exhibit 10.44 of our report in Form 10-Q filed on November 29, 2005).
- 10.28 Administrative Agency Agreement, dated as of August 9, 2005, among the Registrant, Willis Engine Securitization Trust, WEST Engine Funding and 59 engine owning trusts named therein (incorporated by reference to Exhibit 10.45 of our report in Form 10-Q filed on November 29, 2005).
- 10.29 Limited Liability Company Agreement of WOLF A340 LLC, dated as of December 8, 2005, between Oasis International Leasing (USA), Inc. and the Registrant (incorporated by reference to Exhibit 10.49 to our Form S-1 Registration Statement (No. 333-130511) Amendment No. 1 filed on January 9, 2006).
- 10.30* Second Amended and Restated Credit Agreement, dated as of June 30, 2006 among Willis Lease Finance Corporation, and Certain Banking Institutions named therein with National City Bank and Fortis Bank (Nederland) N.V. (incorporated by reference to Exhibit 10.52 of our report in Form 10-Q filed on August 14, 2006).
- 10.31 First Amendment to Second Amended and Restated Credit Agreement, dated as of December 13, 2006 (incorporated by reference to Exhibit 10.31 to our report on Form 10-K filed on March 31, 2009).
- 10.32 Second Amendment to Second Amended and Restated Credit Agreement, dated as of June 7, 2007 among Willis Lease Finance Corporation, National City Bank and Certain Banking Institutions (incorporated by reference to Exhibit 10.58 to our report on Form 10-K filed on March 31, 2008).
- 11.1 Statement re Computation of Per Share Earnings (incorporated by reference to Exhibit 11.1 to our report on Form 10-K filed on March 31, 2009).
- 12.1 Statements re Computation of Ratios (incorporated by reference to Exhibit 12.1 to our report on Form 10-K filed on March 31, 2009).
- 14.1 Code of Ethics (incorporated by reference to our report on Form 10-K filed on March 31, 2006).
- 21.1 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our report on Form 10-K filed on March 31, 2009).
- 23.1 Consent and Report of KPMG LLP (incorporated by reference to Exhibit 23.1 to our report on Form 10-K filed on March 31, 2009).
- 31.1 Certification of Charles F. Willis, IV, pursuant to Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Bradley S. Forsyth, pursuant to Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Portions of these exhibits have been omitted pursuant to a request for confidential treatment and the redacted material has been filed separately with the Commission

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amended Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 11, 2010

Willis Lease Finance Corporation

By: /s/ Charles F. Willis, IV
 Charles F. Willis, IV
 Chairman of the Board, President, and Chief Executive Officer

Dated:	Title	Signature
Date: May 11, 2010	Chief Executive Officer and Director (Principal Executive Officer)	/s/ Charles F. Willis, IV Charles F. Willis, IV
Date: May 11, 2010	Chief Financial Officer and Senior Vice President (Principal Finance and Accounting Officer)	/s/ Bradley S. Forsyth Bradley S. Forsyth
Date: May 11, 2010	Director	/s/ Robert T. Morris Robert T. Morris
Date: May 11, 2010	Director	/s/ Hans Joerg Hunziker Hans Joerg Hunziker
Date: May 11, 2010	Director	/s/ W. William Coon, Jr. W. William Coon, Jr.
Date: May 11, 2010	Director	/s/ Austin C. Willis Austin C. Willis
Date: May 11, 2010	Director	/s/ Gerard Laviec Gerard Laviec