Invesco Mortgage Capital Inc.
Form 10-K
February 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2014
or

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

For the Transition Period from to
Commission file number 001-34385
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	26-2749336 (I.R.S. Employer Identification No.)
1555 Peachtree Street, N.E., Suite 1800 Atlanta, Georgia	30309
(Address of principal executive offices)	(Zip Code)

(404) 892-0896
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange
7.75% Series A Cumulative Redeemable Preferred Stock	New York Stock Exchange
7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy

or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
The aggregate market value of the registrant’s common stock held by non-affiliates was $2,135,614,631 based on the closing sales price on the New York Stock Exchange on June 30, 2014. As of February 18, 2015, there were 123,112,345 outstanding shares of common stock of Invesco Mortgage Capital Inc.
Documents Incorporated by Reference
Part III of this Form 10-K incorporates by reference certain information (solely to the extent explicitly indicated) from the registrant’s proxy statement for the 2015 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A.

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Forward-Looking Statements

We make forward-looking statements in this Report and other filings we make with the SEC within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our business, investment strategies, financial condition, liquidity, results of operations, plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “ similar expressions and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would,” and any other statement that necessarily depends on future events, we intend to identify forward-looking statements. Factors that could cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- our business and investment strategy;
- our investment portfolio;
- our projected operating results;
- general volatility of financial markets and effects of governmental responses, including actions and initiatives of the U.S. governmental agencies and changes to U.S. government policies, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), mortgage loan modification programs, actions and initiatives of foreign governmental agencies and central banks, and the completion of the Federal Reserve long-term asset purchases (quantitative easing or "QE"), and our ability to respond to and comply with such actions, initiatives and changes;
- the availability of financing sources, including our ability to obtain additional financing arrangements and the terms of such arrangements;
- financing and advance rates for our target assets;
- changes to our expected leverage;
- our expected investments;
- our expected book value per share of common stock;
- interest rate mismatches between our target assets and our borrowings used to fund such investments;
- the adequacy of our cash flow from operations and borrowings to meet our short-term liquidity needs;
- our ability to maintain sufficient liquidity to meet any margin calls;
- changes in the credit rating of the U.S. government;
- changes in interest rates and interest rate spreads and the market value of our target assets;
- changes in prepayment rates on our target assets;
- the impact of any deficiencies in foreclosure practices of third parties and related uncertainty in the timing of collateral disposition;
- our reliance on third parties in connection with services related to our target assets;
- effects of hedging instruments on our target assets;
- rates of default or decreased recovery rates on our target assets;
- modifications to whole loans or loans underlying securities;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- the degree to which derivative contracts expose us to contingent liabilities;
- counterparty defaults;
- compliance with restrictive covenants in our financing arrangements;
- changes in governmental regulations, tax law and rates, and similar matters and our ability to respond to such changes;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;
- our ability to maintain our exception from the definition of “investment company” under the Investment Company Act of 1940, as amended (the “1940 Act”);

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- availability of investment opportunities in mortgage-related, real estate-related and other securities;
- availability of U.S. Government Agency guarantees with regard to payments of principal and interest on securities;
- the market price and trading volume of our capital stock;
- availability of qualified personnel of our Manager;
- the relationship with our Manager;
- estimates relating to taxable income and our ability to continue to make distributions to our stockholders in the future;
- estimates relating to fair value of our target assets and loan loss reserves;
- our understanding of our competition;
- changes to generally accepted accounting principles in the United States of America ("U.S. GAAP"); and
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

Item 1. Business.

Our Company

We are a Maryland corporation primarily focused on investing in, financing and managing residential and commercial mortgage-backed securities ("MBS") and mortgage loans. We are externally managed and advised by Invesco Advisers, Inc., our Manager, which is an indirect, wholly-owned subsidiary of Invesco Ltd. We elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under the provisions of the Internal Revenue Code of 1986, as amended (“Code”), commencing with our taxable year ended December 31, 2009. To maintain our REIT qualification, we are generally required to distribute at least 90% of our REIT taxable income to our stockholders annually. We operate our business in a manner that permits our exclusion from the definition of “Investment Company” under the 1940 Act.

Our objective is to provide attractive risk-adjusted returns to our investors, primarily through dividends and secondarily through capital appreciation. To achieve this objective, we primarily invest in the following:

- Residential mortgage-backed securities (“RMBS”) that are guaranteed by a U.S. government agency such as the Government National Mortgage Association ("Ginnie Mae") or a federally chartered corporation such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) (collectively "Agency RMBS");
- RMBS that are not guaranteed by a U.S. government agency ("non-Agency RMBS");
- Credit risk transfer securities issued by government-sponsored enterprises ("GSE CRT");
- Commercial mortgage-backed securities (“CMBS”);
- Residential and commercial mortgage loans; and
- Other real estate-related financing arrangements.

We generally finance our investments through short- and long-term borrowings structured as repurchase agreements and secured loans. We finance our residential loans held-for-investment through asset-backed securities ("ABS") issued by consolidated securitization trusts. We have also financed investments through the issuances of debt and equity and may utilize other forms of financing in the future.

Capital Activities

In September 2014, the Company completed a public offering of 6,200,000 shares of 7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at the price of $25.00 per share. Total proceeds were $149.9 million, net of issuance costs of $5.1 million.

During the three months ended December 31, 2014, we did not repurchase any shares of our common stock. During the year ended December 31, 2014, we repurchased 1,438,213 shares of our common stock at an average repurchase price of $14.69 per share for a net cost of $21.1 million, including acquisition expenses.

Our Manager

We are externally managed and advised by Invesco Advisers, Inc. (our "Manager"), a wholly owned subsidiary of Invesco Ltd. ("Invesco"). Under the terms of the management agreement, the Manager and its affiliates provide us with our management team, including its officers, along with appropriate support personnel. Each of our officers is an employee of the Manager or one of its affiliates. We do not have any employees. The Manager is not obligated to dedicate any of its employees exclusively to us, nor are the Manager or its employees obligated to dedicate any specific portion of its or their time to our business. The Manager is at all times subject to the supervision and oversight of our Board of Directors and has only such functions and authority as we delegate to it.

Our Competitive Advantages

We believe that our competitive advantages include the following:

Significant Experience of Our Manager and Our Senior Management

Our senior management team has a long track record and broad experience in managing residential and commercial mortgage-related assets through a variety of credit and interest rate environments and has demonstrated the ability to generate attractive risk-adjusted returns under different market conditions and cycles. In addition, through our Manager, we benefit from

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the insight and capabilities of WL Ross & Co. LLC (“WL Ross”) and Invesco’s real estate team. Through WL Ross and Invesco’s real estate team, we have access to broad and deep teams of experienced investment professionals in real estate and distressed investing. Through these teams, we have real time access to research and data on the mortgage and real estate industries. We believe having in-house access to these resources and expertise provides us with a competitive advantage over other companies investing in our target assets who have less internal resources and expertise.

Extensive Strategic Relationships and Experience of our Manager and its Affiliates

Our Manager maintains extensive long-term relationships with other financial intermediaries, including primary dealers, leading investment banks, brokerage firms, leading mortgage originators and commercial banks. We believe these relationships enhance our ability to source, finance and hedge investment opportunities and, thus, will enable us to grow in various credit and interest rate environments.

Disciplined Investment Approach

We seek to maximize our risk-adjusted returns through our disciplined investment approach, which relies on rigorous quantitative and qualitative analysis. Our Manager monitors our overall portfolio risk and evaluates the characteristics of our investments in our target assets including, but not limited to, asset type, interest rate, interest rate type, loan balance distribution, geographic concentration, property type, occupancy, loan-to-value ratio and credit score. In addition, with respect to any particular target asset, our Manager’s investment team evaluates, among other things, relative valuation, supply and demand trends, shape of yield curves, prepayment rates, loan delinquencies, default rates and loss severity rates. We believe this strategy and our commitment to capital preservation provide us with a competitive advantage when operating in a variety of market conditions.

Access to Our Manager’s Sophisticated Analytical Tools, Infrastructure and Expertise

Our Manager has created and maintains analytical and portfolio management capabilities to aid in asset selection and risk management. We capitalize on the market knowledge and ready access to data across our target markets that our Manager and its affiliates obtain through their established platform. We focus on in-depth analysis of the numerous factors that influence our target assets, including: (1) fundamental market and sector review; (2) rigorous cash flow analysis; (3) disciplined asset selection; (4) controlled risk exposure; and (5) prudent balance sheet management. Through the use of these tools, we analyze factors that affect the rate at which mortgage prepayments occur, including changes in the level of interest rates, trends in residential and commercial real estate prices, general economic conditions, the locations of the properties securing the mortgage loans and other social and demographic conditions in order to acquire our target assets.

We also benefit from our Manager’s and its affiliates’ comprehensive financial and administrative infrastructure, including its risk management and financial reporting operations, as well as its business development, legal and compliance teams.

Investment Strategy

We invest in a diversified pool of mortgage assets that generate attractive risk-adjusted returns. Our target assets generally include Agency RMBS, non-Agency RMBS, CMBS, residential and commercial mortgage loans and other real estate-related financing arrangements. In addition to direct purchases of our target assets, we also invest in equity investments (partnerships managed by an affiliate of the Company's Manager), which, in turn, invest in our target assets.

Agency RMBS

Agency RMBS are residential mortgage-backed securities for which a U.S. government agency such as Ginnie Mae, or a federally chartered corporation such as Fannie Mae or Freddie Mac guarantees payments of principal and interest on the securities. Payments of principal and interest on Agency RMBS, not the market value of the securities themselves, are guaranteed. Agency RMBS differ from other forms of traditional debt securities, which normally provide for periodic payments of interest in fixed amounts with principal payments at maturity or on specified call dates. Instead, Agency RMBS provide for monthly payments, which consist of both principal and interest. In effect, these payments are a “pass-through” of scheduled and prepaid principal payments and the monthly interest payments made by the individual borrowers on the mortgage loans, net of any fees paid to the servicers, guarantors or other related parties of the securities.

The principal may be prepaid at any time due to prepayments on the underlying mortgage loans. These differences can result in significantly greater price and yield volatility than is the case with other fixed-income securities.

Various factors affect the rate at which mortgage prepayments occur, including changes in the level and directional trends in housing prices, interest rates, general economic conditions, the age of the mortgage loan, the location of the property, social and demographic conditions, government initiated refinance programs, legislative regulations, and industry capacity. Generally, prepayments on Agency RMBS increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. However, this may not always be the case. We may reinvest principal repayments at a yield that is higher or lower than the yield on the repaid investment, thus affecting our net interest income by altering the average yield on our assets.

However, when interest rates are declining, the value of Agency RMBS with prepayment options may not increase as much as other fixed income securities. The rate of prepayments on underlying mortgages will affect the price and volatility of Agency RMBS and may have the effect of shortening or extending the duration of the security beyond what was anticipated at the time of purchase. When interest rates rise, our holdings of Agency RMBS may experience reduced returns if the owners of the underlying mortgages pay off their mortgages slower than anticipated. This is generally referred to as extension risk.

Mortgage pass-through certificates, CMOs, Freddie Mac Gold Certificates, Fannie Mae Certificates and Ginnie Mae Certificates are types of Agency RMBS that are collateralized by either fixed-rate mortgage loans ("FRMs"), adjustable-rate mortgage loans ("ARMs"), or hybrid ARMs. FRMs have an interest rate that is fixed for the term of the loan and do not adjust. The interest rates on ARMs generally adjust annually (although some may adjust more frequently) to an increment over a specified interest rate index. Hybrid ARMs have interest rates that are fixed for a specified period of time (typically three, five, seven or ten years) and, thereafter, adjust to an increment over a specified interest rate index. ARMs and hybrid ARMs generally have periodic and lifetime constraints on how much the loan interest rate can change on any predetermined interest rate reset date. Our allocation of our Agency RMBS collateralized by FRMs, ARMs or hybrid ARMs will depend on various factors including, but not limited to, relative value, expected future prepayment trends, supply and demand, costs of hedging, costs of financing, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. We take these factors into account when we make investments.

Non-Agency RMBS

Non-Agency RMBS are residential mortgage-backed securities that are not issued or guaranteed by a U.S. government agency. Like Agency RMBS, non-Agency RMBS represent interests in "pools" of mortgage loans secured by residential real property. The mortgage loan collateral for non-Agency RMBS generally consists of residential mortgage loans that do not conform to the U.S. government agency underwriting guidelines due to certain factors including mortgage balance in excess of such guidelines, borrower characteristics, loan characteristics and level of documentation.

A re-securitization of a real estate mortgage investment conduit ("Re-REMIC") is a transaction in which an existing security or securities is transferred to a special purpose entity that has formed a securitization vehicle that will issue multiple classes of securities secured by and payable from cash flows on the underlying securities. A number of our non-Agency RMBS are structured as Re-REMICs.

Government-Sponsored Enterprises Credit Risk Transfer Securities

GSE CRT securities are general obligations of Fannie Mae and Freddie Mac that are structured to provide credit protection to the issuer with respect to defaults and other credit events within pools of residential mortgage loans that collateralize MBS issued and guaranteed by the GSEs. This credit protection is achieved by allowing the GSEs to reduce the outstanding class principal balance of the securities as designated credit events on the loans arise. The GSEs make monthly payments of accrued interest and periodic payments of principal to the holders of the securities. To date, all GSE CRT securities have paid a floating interest rate benchmarked to one-month LIBOR.

CMBS

CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by commercial mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, retail space, office buildings, industrial or warehouse properties, hotels, apartments, nursing homes and senior living facilities.

CMBS are typically issued in multiple tranches whereby the more senior classes are entitled to priority distributions to make specified interest and principal payments on such tranches. Losses and other shortfalls from expected amounts to be received on the mortgage pool are borne by the most subordinate classes, which receive payments only after the more senior classes have received all principal and/or interest to which they are entitled. The credit quality of CMBS depends on the credit quality of the underlying mortgage loans, which is a function of factors such as the principal amount of loans relative to the value of the related properties, the mortgage loan terms, such as amortization, market assessment and geographic location, construction quality of the property, and the creditworthiness of the borrowers.

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Residential Mortgage Loans
Residential mortgage loans are loans secured by residential real properties. We generally focus our residential mortgage loan acquisition efforts on the purchase of loan portfolios that are first lien, single-family FRMs, ARMs and Hybrid ARMs with original terms to maturity of not more than 30 years and that are either fully amortizing or are interest-only for up to ten years, and fully amortizing thereafter.

Prime and Jumbo Prime Mortgage Loans
Prime mortgage loans are mortgage loans that generally require borrower credit histories, debt-to-income ratios and loan-to-value ratios similar to those dictated by GSE underwriting guidelines, though in certain cases they may not meet the same income documentation or other requirements. Jumbo prime mortgage loans are mortgage loans with requirements similar to prime mortgage loans except that the mortgage balance exceeds the maximum amount permitted by GSE underwriting guidelines.

Alt-A Mortgage Loans
Alt-A mortgage loans are mortgage loans made to borrowers whose qualifying mortgage characteristics do not conform to GSE underwriting guidelines, but whose borrower characteristics may. Generally, Alt-A mortgage loans allow homeowners to qualify for a mortgage loan with reduced or alternative forms of documentation. The credit quality of Alt-A borrowers generally exceeds the credit quality of subprime borrowers.

Subprime Mortgage Loans
Subprime mortgage loans are loans that do not conform to U.S. government agency underwriting guidelines. Subprime borrowers generally have imperfect or impaired credit histories and low credit scores.

Reperforming Mortgage Loans
Reperforming mortgage loans are residential mortgage loans that have a history of delinquency and generally have been restructured since origination. Reperforming mortgage loans may or may not have originally conformed to GSE underwriting guidelines. Due to past delinquencies, borrowers generally have impaired credit histories and low credit scores, and may have a greater than normal risk of future delinquencies and defaults.

Commercial Mortgage Loans
Commercial mortgage loans are mortgage loans secured by first or second liens on commercial properties such as regional malls, retail space, office buildings, industrial or warehouse properties, hotels, apartments, nursing homes and senior living facilities. These loans, which tend to range in term from two to ten years, can carry either fixed or floating interest rates. They generally permit pre-payments before final maturity but may require the payment to the lender of yield maintenance pre-payment penalties. First lien loans represent the senior lien on a property while second lien loans or second mortgages represent a subordinate or second lien on a property.

Mezzanine Loans
Mezzanine loans are generally structured to represent a senior position in the borrower's equity in, and subordinate to a first mortgage loan, on a property. These loans are generally secured by pledges of ownership interests, in whole or in part, in entities that directly or indirectly own the real property. At times, mezzanine loans may be secured by additional collateral, including letters of credit, personal guarantees, or collateral unrelated to the property. Mezzanine loans may be structured to carry either fixed or floating interest rates as well as carry a right to participate in a percentage of gross revenues and a percentage of the increase in the fair market value of the property securing the loan. Mezzanine loans may also contain prepayment lockouts, penalties, minimum profit hurdles and other mechanisms to protect and enhance returns to the lender. Mezzanine loans usually have maturities that match the maturity of the related mortgage loan but may have shorter or longer terms.

Equity Investments
The Company has investments in unconsolidated ventures. In circumstances where the Company has a non-controlling interest but is deemed to be able to exert significant influence over the affairs of the enterprise, the Company utilizes the equity method of accounting. Under the equity method of accounting, the initial investment is increased each period for additional capital contributions and a proportionate share of the entity's earnings and decreased for cash distributions and a proportionate share of the entity's losses.

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Financing Strategy
We generally finance our investments through short- and long-term borrowings structured as repurchase agreements and secured loans. We finance our residential loans held-for-investment through asset-backed securities issued by consolidated securitization trusts. We have also financed investments through the issuances of debt and equity.

Repurchase Agreements
Repurchase agreements are financings pursuant to which we sell our target assets to the repurchase agreement counterparty, the buyer, for an agreed upon price with the obligation to repurchase these assets from the buyer at a future date and at a price higher than the original purchase price. The amount of financing we receive under a repurchase agreement is limited to a specified percentage of the estimated market value of the assets we sell to the buyer. The difference between the sale price and repurchase price is the cost, or interest expense, of financing under a repurchase agreement. Under repurchase agreement financing arrangements, certain buyers require us to provide additional cash collateral in the event the market value of the asset declines to maintain the ratio of value of the collateral to the amount of borrowing.

Secured Loans
In March 2014, our wholly-owned subsidiary, IAS Services LLC, became a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"). As a member of the FHLBI, IAS Services LLC may borrow funds from the FHLBI in the form of secured advances. FHLBI advances are treated as secured financing transactions and are carried at their contractual amounts.

Leverage
We use leverage on our target assets to achieve our return objectives, which are adjusted as our investment and financing opportunities change. The amount of leverage we apply to a given asset depends primarily on the expected price volatility and liquidity of the asset we use as collateral, the type of financing, the advance rate against our collateral, and the cost of financing. Shorter duration and higher quality liquid assets generally merit higher leverage due to lower price volatility, higher advance rates, and more attractive financing rates. Assets that are less liquid or exhibit higher price volatility tend to be held unlevered or with lower leverage applied.

We include a table that shows the allocation of our equity to our target assets in Item 7, "Management's Discussion and Analysis of Operations" of this Report. In addition, we present a non-GAAP financial measure of leverage, our repurchase agreement debt-to-equity ratio. Since we began using other longer-term means of financing our investments, such as our exchangeable senior notes, asset-backed securities issued by securitization trusts, and secured loans, we have reduced our reliance on repurchase agreements. We believe presenting our repurchase agreement debt-to-equity ratio. when considered with U.S. GAAP financial measures, provides information that is useful to investors in understanding the Company's refinancing risks, and gives investors a comparable statistic to other mortgage REITS who almost exclusively borrow using repurchase agreements which are short-term and subject to refinancing risk.

Risk Management Strategy
Market Risk Management
Risk management is an integral component of our strategy to deliver returns to our stockholders. Because we invest in MBS, investment losses from prepayment, interest rate volatility or other risks can meaningfully impact our earnings and our distributions to stockholders. In addition, because we employ financial leverage in funding our investment portfolio, mismatches in the maturities of our assets and liabilities can create the need to continually renew or otherwise refinance our liabilities. Our results are dependent upon a positive spread between the returns on our asset portfolio and our overall cost of funding. To minimize the risks to our portfolio, we actively employ portfolio-wide and security-specific risk measurement and management processes in our daily operations. Our Manager’s risk management tools include software and services licensed or purchased from third parties, in addition to proprietary software and analytical methods developed by Invesco.

Interest Rate Risk
We engage in a variety of interest rate management techniques that seek to mitigate the influence of interest rate changes on the costs of liabilities and help us achieve our risk management objective. Specifically, we seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing

costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, we seek to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of our financing. We may utilize various derivative financial instruments including puts and calls on securities or indices of securities, futures, interest rate swaps and swaptions, interest rate caps, exchange-traded derivatives, U.S. Treasury securities and options on U.S. Treasury securities and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our investment portfolio.

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Credit Risk

We believe that our investment strategy will generally keep our credit losses and financing costs low. However, we retain the risk of potential credit losses on all of our residential and commercial mortgage investments. We seek to manage this risk in part through our pre-acquisition due diligence process. In addition, we re-evaluate the credit risk inherent in our investments on a regular basis pursuant to fundamental considerations such as gross domestic product ("GDP"), unemployment, interest rates, retail sales, store closings/openings, corporate earnings, housing inventory, affordability and regional home price trends. We also review key loan credit metrics including, but not limited to, payment status, current loan-to-value ratios, current borrower credit scores and debt yields. These characteristics assist in determining the likelihood and severity of loan loss as well as prepayment and extension expectations. We then perform structural analysis under multiple scenarios to establish likely cash flow profiles and credit enhancement levels relative to collateral performance projections. This analysis allows us to quantify our opinions of credit quality and fundamental value, which are key drivers of portfolio management decisions.

Foreign Exchange Rate Risk

We have an investment in a commercial loan denominated in a foreign currency. We are exposed to foreign exchange risk on the balance of the loan and contractual payments of interest on the loan. We have hedged our foreign currency exposure on the loan by purchasing currency forward contracts.

Investment Guidelines

Our board of directors has adopted the following investment guidelines:

- no investment shall be made that would cause us to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause us to be regulated as an investment company under the 1940 Act;
- our assets will be invested within our target assets; and
- until appropriate investments can be identified, our Manager may pay off short-term debt or invest the proceeds of any offering in interest-bearing, short-term investments, including funds that are consistent with maintaining our REIT qualification.

These investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders.

Investment Committee

Our investment committee is comprised of certain of our officers and certain of our Manager’s investment professionals. The investment committee periodically reviews our investment portfolio for risk characteristics, investment performance, liquidity, portfolio composition, leverage and other applicable items. It also reviews its compliance with our investment policies and procedures, including our investment guidelines, and our Manager provides our board of directors an investment report at the end of each quarter in conjunction with its review of our quarterly results.

Investment Process

Our Manager’s investment team has a strong focus on asset selection and on the relative value of various sectors within the mortgage market. Our Manager utilizes this expertise to build a diversified portfolio. Our Manager incorporates its views on the economic environment and the outlook for the mortgage market, including relative valuation, supply and demand trends, the level of interest rates, the shape of the yield curve, prepayment rates, financing and liquidity, housing prices, delinquencies, default rates and loss severity rates of various collateral types.

Our investment process includes sourcing and screening investment opportunities, assessing investment suitability, conducting interest rate and prepayment analysis, evaluating cash flow and collateral performance, reviewing legal structure and servicer and originator information and investment structuring, as appropriate, to ensure an attractive return commensurate with the risk we are bearing. Upon identification of an investment opportunity, the investment will be screened and monitored by our Manager to determine its impact on maintaining our REIT qualification and our exemption from registration under the 1940 Act. We make investments in sectors where our Manager has strong core competencies and where we believe market risk and expected performance can be reasonably quantified.

Our Manager evaluates each of our investment opportunities based on its expected risk-adjusted return relative to the returns available from other, comparable investments. In addition, we evaluate new opportunities based on their relative expected returns compared to assets held in our portfolio. The terms of any leverage available to us for use in funding an investment purchase are also taken into consideration, as are any risks posed by illiquidity or correlations with other assets in

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the portfolio. Our Manager also develops a macro outlook with respect to each target asset class by examining factors in the broader economy such as gross domestic product, interest rates, unemployment rates and availability of credit, among other factors. Our Manager analyzes fundamental trends in the relevant target asset class sector to adjust or maintain its outlook for that particular target asset class. These macro decisions guide our Manager's assumptions regarding model inputs and portfolio allocations among target assets. Additionally, our Manager conducts extensive diligence with respect to each target asset class by, among other things, examining and monitoring the capabilities and financial wherewithal of the parties responsible for the origination, administration and servicing of relevant target assets.

Competition

Our net income depends, in large part, on our ability to acquire assets at favorable spreads over our borrowing costs. In acquiring our investments, we compete with other REITs, specialty finance companies, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Conditions." In addition, there are numerous REITs with similar asset acquisition objectives. These other REITs increase competition for the available supply of mortgage assets suitable for purchase. Many of our competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. Market conditions may attract more competitors, which may increase the competition for sources of financing. An increase in the competition for sources of financing could adversely affect the availability and cost of financing.

We have access to our Manager's professionals and their industry expertise, which we believe provides us with a competitive advantage. These professionals help us assess investment risks and determine appropriate pricing for certain potential investments. These relationships enable us to compete more effectively for attractive investment opportunities. Despite certain competitive advantages, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, refer to "Risk Factors — Risks Related to Our Investments — We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these securities."

Staffing

We are managed by our Manager pursuant to the management agreement between our Manager and us. Refer to "Certain Relationships, Related Transactions, and Director Independence" for a discussion of the management fee and our relationship with our Manager. All of our officers are employees of Invesco. We do not have any employees.

Our Corporate Information

Our principal executive offices are located at 1555 Peachtree Street, N.E., Suite 1800, Atlanta, Georgia 30309. Our telephone number is (404) 892-0896. Our website is www.invescomortgagecapital.com. We make available free of charge, through our corporate website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not intended to form a part of or be incorporated by reference into this Report.

Item 1A. Risk Factors.

Set forth below are the material risks and uncertainties that, if they were to occur, could materially and adversely affect our business, financial condition, results of operations and the trading price of our securities. Additional risks not presently known, or that we currently deem immaterial, also may have a material adverse effect on our business, financial condition and results of operation.

Risks Related to Our Investments

Difficult conditions in the mortgage, residential and commercial real estate markets may cause us to experience market losses related to our investments.

Our results of operations are materially affected by conditions in the mortgage market, the residential and commercial real estate markets, the financial markets and the economy generally. Ongoing concerns about the mortgage market and real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, continue to contribute to market volatility. The mortgage market has been severely affected by changes in the lending landscape and there is no

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assurance that these conditions have stabilized or that they will not worsen. The disruption in the mortgage market contributed to a decline in demand for homes, which compressed the homeownership rate and weighed heavily on home prices. There is a strong correlation between home price growth rates and mortgage loan delinquencies. Any deterioration of the real estate market may cause us to experience losses related to our assets and to sell assets at a loss.

Declines in the market values of our investments may adversely affect our results of operations and credit availability, which may reduce earnings and, in turn, cash available for distribution to our stockholders. In addition, a substantial portion of our investments are classified for accounting purposes as “available-for-sale.” Changes in the market values of those assets will be directly charged or credited to stockholders' equity. As a result, a decline in values may reduce our book value.

Because assets we acquire may experience periods of illiquidity, we may lose profits or be prevented from earning capital gains if we cannot sell mortgage-related assets at an opportune time.

We bear the risk of being unable to dispose of our target assets at advantageous times or in a timely manner because mortgage-related assets generally experience periods of illiquidity. The lack of liquidity may result from the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale or the unavailability of financing for these assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which may cause us to incur losses.

In addition, some of the assets that comprise our investment portfolio and that we acquire are not publicly traded. These securities may be less liquid than publicly-traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Our investments may be concentrated and will be subject to risk of default.

While we diversify and intend to continue to diversify our portfolio of investments, we are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors. Therefore, our investments in our target assets may at times be concentrated in certain property types that are subject to higher risk of foreclosure, or secured by properties concentrated in a limited number of geographic locations. For example, as of December 31, 2014, a significant percentage of our non-Agency RMBS, GSE CRT and CMBS was secured by property located in California, as well as New York with respect to our CMBS. Refer to “Management’s Discussion and Analysis of Financial Results - Investment Activities - Portfolio Characteristics” for additional information. To the extent that our portfolio is concentrated in any one region or type of security, downturns relating generally to such region or type of security may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of our capital stock and accordingly reduce our ability to pay dividends to our stockholders.

We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these securities.

We operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. In acquiring our target assets, we compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by Invesco), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us, such as funding from the U.S. government, if we are not eligible to participate in programs established by the U.S. government. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives.

We may invest in investments with which our stockholders may not agree.

Our stockholders will be unable to evaluate the manner in which we invest or the economic merit of our expected investments and, as a result, we may invest in investments with which our stockholders may not agree. The failure of our management to find investments that meet our investment criteria could cause a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders, and could cause the value of our capital stock to decline.

We acquire mortgage-backed securities and loans that are subject to defaults, foreclosure timeline extension, fraud and residential and commercial price depreciation, and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to us.

Mortgage-backed securities are secured by mortgage loans (primarily single family residential properties for RMBS and single commercial mortgage loans or a pool of commercial mortgage loans for CMBS). Accordingly, the MBS we invest in are subject to all the risks of the respective underlying mortgage loans, including risks of defaults, foreclosure timeline extension, fraud and price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, accompanying the underlying mortgage loans.

The ability of a borrower to repay a mortgage loan secured by a residential property is dependent in part upon the income and assets of the borrower. A number of factors over which we have no control may impair a borrower's ability to repay their loans.

Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that may be greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by a number of factors over which we have no control.

In the event of any default under a mortgage loan held directly by us, we bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. In the event of defaults on the mortgage loans that underlie our investments and the exhaustion of any underlying or any additional credit support, we may not realize our anticipated return on our investments and we may incur a loss on these investments.

Our investments include non-Agency RMBS collateralized by Alt-A and subprime mortgage loans, which are subject to increased risks.

Our investments include non-Agency RMBS backed by collateral pools of mortgage loans known as "Alt-A mortgage loans," or "subprime mortgage loans." These loans have been originated using underwriting standards that are less restrictive than those used in underwriting "prime mortgage loans." These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories, mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, a decline in home prices, and aggressive lending practices, many Alt-A and subprime mortgage loans have experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with many Alt-A and subprime mortgage loans, the performance of non-Agency RMBS backed by Alt-A and subprime mortgage loans that we may acquire could be correspondingly adversely affected, which could adversely impact our results of operations, financial condition and business.

Our subordinated MBS assets may be in the "first loss" position, subjecting us to greater risks of loss.

We invest in certain tranches of MBS that are only entitled to a portion of the principal and interest payments made on mortgage loans underlying the securities issued by the trust. In general, losses on a mortgage loan included in a RMBS trust will be borne first by the equity holder of the issuing trust if any, and then by the "first loss" subordinated security holder and then by the "second loss" subordinate holder and so on. For CMBS assets, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated security holder (generally, the "B-Piece" buyer) and then by the holder of a higher-rated security. We may acquire securities at every level of such a trust, from the equity position to the most senior tranche. In the event of default and the exhaustion of any classes of securities junior to those which we acquire, our securities will suffer losses as well. In addition, if we overvalue the underlying mortgage portfolio, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related MBS, the securities which we acquire may effectively become the "first loss" position ahead of the more senior securities, which may result in significant losses. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated securities, but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn could cause a decline in the value of lower credit quality securities because the ability of obligors of mortgages underlying MBS to make principal and interest payments may be impaired. In such event, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal on these securities.

Fluctuations in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could result in reduced earnings, affect our profitability and dividends as well as the cash available for distribution to our stockholders.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Interest rate fluctuations present a variety of risks, including the risk of a narrowing of the difference between asset yields and borrowing rates, flattening or inversion of the yield curve and fluctuating prepayment rates, and may adversely affect our income and the value of our assets and capital stock.

We invest in Agency RMBS, non-Agency RMBS, CMBS and mortgage loans that are subject to risks related to interest rate fluctuations. In a normal yield curve environment, short-term interest rates are lower than long-term interest rates. Fluctuations in short- or long-term interest rates could have adverse effects on our operations and financial condition, which may negatively affect cash available for distribution to our stockholders. Fluctuations in interest rates could impact us as follows:

- If long-term rates increased significantly, the market value of investments in our target assets would decline, and the duration and weighted average life of the investments may increase. We could realize a loss if the securities were sold. Further, declines in market value may reduce book value and ultimately reduce earnings or result in losses to us.
- An increase in short-term interest rates would increase the amount of interest owed on the repurchase agreements we enter into to finance the purchase of our investments.
- If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because we expect our investments, on average, generally will bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income.
- If short-term interest rates exceed longer-term interest rates (a yield curve inversion), our borrowing costs may exceed our interest income and we could incur operating losses.
- If interest rates fall, we may recognize losses on our swap positions that are not offset by gains on our assets, which may adversely affect our liquidity and financial position.

In a period of rising interest rates, our operating results will depend in large part on the difference between the income from our assets and financing costs. We anticipate that, in most cases, the income from such assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net income. Increases in these rates will tend to decrease our net income and the market value of our assets and may negatively affect cash available for distribution to our stockholders.

In addition, market values of our investments may decline without any general increase in interest rates for a number of reasons, such as increases or expected increases in defaults, or increases or expected increases in voluntary prepayments for those investments that are subject to prepayment risk or widening of credit spreads, which may negatively affect cash available for distribution to our stockholders.

We may not control the special servicing of the mortgage loans included in the MBS in which we invest and, in such cases, the special servicer may take actions that could adversely affect our interests.

With respect to each series of MBS in which we invest, overall control over the special servicing of the related underlying mortgage loans is held by a "directing certificate holder" or a "controlling class representative," which is appointed by the holders of the most subordinate class of MBS in such series. Depending on the class of MBS in which we invest, we may not have the right to appoint the directing certificate holder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate holder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests.

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If our Manager underestimates the collateral loss on our investments, we may experience losses.
Our Manager values our potential investments based on loss-adjusted yields, taking into account estimated future losses on the mortgage loans that collateralize the investments, and the estimated impact of these losses on expected future cash flows. Our Manager's loss estimates may not prove accurate, as actual results may vary from estimates. In the event that our Manager underestimates the pool level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.
We and our third party loan originators and servicers' due diligence of potential assets may not reveal all of the liabilities associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses.
Before making an asset acquisition, we will assess the strengths and weaknesses of the originator or issuer of the asset as well as other factors and characteristics that are material to the performance of the asset. In making the assessment and otherwise conducting customary due diligence, we will rely on resources available to us, including our third party loan originators and servicers. This process is particularly important with respect to newly formed originators or issuers because there may be little or no information publicly available about these entities and assets. There can be no assurance that our due diligence process will uncover all relevant facts or that any asset acquisition will be successful, which could lead to losses in the value of our portfolio.
We depend on third-party service providers, including mortgage servicers, for a variety of services related to our RMBS. We are, therefore, subject to the risks associated with third-party service providers.
We depend on a variety of services provided by third-party service providers related to our RMBS. We rely on the mortgage servicers who service the mortgage loans backing our RMBS to, among other things, collect principal and interest payments on the underlying mortgages and perform loss mitigation services. Mortgage servicers and other service providers to our RMBS, such as trustees, bond insurance providers and custodians, may not perform in a manner that promotes our interests.
For example, recent legislation intended to reduce or prevent foreclosures through, among other things, loan modifications may reduce the value of mortgage loans underlying our RMBS. Mortgage servicers may be incentivized to pursue such loan modifications, as well as forbearance plans and other actions intended to prevent foreclosure, even if such loan modifications and other actions are not in the best interests of the beneficial owners of the mortgage loans. Similarly, legislation delaying the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limiting the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans may also reduce the value of mortgage loans underlying our RMBS. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increase servicing costs. As a consequence of the foregoing matters, our business, financial condition and results of operations may be adversely affected.
In addition, federal and state governmental and regulatory bodies have pursued settlement agreements with a number of mortgage servicers to address alleged servicing and foreclosure abuses related to deficiencies in foreclosure documentation. These agreements may result in the temporary delay of foreclosure proceedings while servicers modify their foreclosure practices. The extension of foreclosure timelines may increase the inventory backlog of distressed homes on the market and create greater uncertainty about housing prices. Prior to making investments in non-Agency RMBS, we carefully consider many factors, including housing prices and foreclosure timelines, and formulate loss assumptions. The concerns about deficiencies in foreclosure practices of servicers may impact our loss assumptions and affect the values of, and our returns on, our investments in non-Agency RMBS.
Our commercial loans held-for investment include investments that involve greater risks of loss than senior loan assets secured by income-producing properties.
We may acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt

senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our initial expenditure. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

In addition, we make commercial loans structured as preferred equity investments. These investments involve a higher degree of risk than conventional debt financing due to a variety of factors, including their non-collateralized nature and subordinated ranking to other loans and liabilities of the entity in which such preferred equity is held. Accordingly, if the issuer defaults on our investment, we would only be able to proceed against such entity in accordance with the terms of the preferred security, and not against any property owned by such entity. Furthermore, in the event of bankruptcy or foreclosure, we would only be able to recoup our investment after all lenders to, and other creditors of, such entity are paid in full. As a result, we may lose all or a significant part of our investment, which could result in significant losses.

We may acquire B-Notes, mortgage loans typically (i) secured by a first mortgage on a single large commercial property or group of related properties, and (ii) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note holders after payment to the A-Note holders. However, because each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and reflect the risks associated with significant concentration.

Significant losses related to our commercial loans held for investment would result in operating losses for us and may limit our ability to make distributions to our stockholders.

When we foreclose on an asset, we may come to own and operate the property securing the loan, which would expose us to the risks inherent in that activity.

When we foreclose on an asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as “real estate owned.” Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all. We may not manage these properties as well as they might be managed by another owner, and our returns to investors could suffer. If we foreclose on and come to own property, our financial performance and returns to stockholders could suffer.

Liability relating to environmental matters may impact the value of properties that we may acquire or foreclose on.

If we acquire or foreclose on properties with respect to which we have extended mortgage loans, we may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances may adversely affect an owner’s ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying one of our debt investments becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant mortgage asset held by us and our ability to make distributions to our stockholders. If we acquire any properties, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

An increase in interest rates may cause a decrease in the volume of certain of our target assets which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected.

We may experience a decline in the market value of our mortgage-backed securities.

A decline in the market value of our mortgage-backed securities may require us to recognize an “other-than-temporary” impairment against such assets under U.S. GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair market value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses

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at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale.

Our mortgage-backed securities are recorded at estimated fair value and, as a result, there is uncertainty as to the value of these investments.

Some of our mortgage-backed securities are in the form of securities that are not publicly or actively traded. The fair value of mortgage-backed securities that are not publicly or actively traded may not be readily determinable. We value these investments quarterly at fair value, which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of our capital stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Prepayment rates may adversely affect the value of our investment portfolio.

Pools of residential mortgage loans underlie the RMBS that we acquire. In the case of residential mortgage loans, there are seldom any restrictions on borrowers' abilities to prepay their loans. We generally receive prepayments of principal that are made on these underlying mortgage loans. When borrowers prepay their mortgage loans faster than expected, the prepayments on the RMBS are also faster than expected. Faster than expected prepayments could adversely affect our profitability, including in the following ways:

- We may purchase RMBS that have a higher interest rate than the market interest rate at the time. In exchange for this higher interest rate, we may pay a premium over the par value to acquire the security. In accordance with U.S. GAAP, we may amortize this premium over the estimated term of the RMBS. If the RMBS is prepaid in whole or in part prior to its maturity date, however, we may be required to expense the premium that was prepaid at the time of the prepayment.
- A substantial portion of our adjustable-rate RMBS may bear interest rates that are lower than their fully indexed rates, which are equivalent to the applicable index rate plus a margin. If an adjustable-rate RMBS is prepaid prior to or soon after the time of adjustment to a fully-indexed rate, we will have held that RMBS while it was least profitable and lost the opportunity to receive interest at the fully indexed rate over the remainder of its expected life.
- If we are unable to acquire new RMBS similar to the prepaid RMBS, our financial condition, results of operation and cash flow would suffer. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on FRMs and ARMs.

While we seek to minimize prepayment risk to the extent practical, in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk.

Ongoing market conditions may upset the historical relationship between interest rate changes and prepayment trends, which would make it more difficult for us to analyze our investment portfolio.

Our success depends on our ability to analyze the relationship of changing interest rates on prepayments of the mortgage loans that underlie our RMBS and mortgage loans we acquire. Changes in interest rates and prepayments affect the market price of the target assets. As part of our overall portfolio risk management, we analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our investment portfolio. In conducting our analysis, we depend on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. If dislocations in the mortgage market or other developments change the way that prepayment trends have historically responded to interest rate changes, our ability to (1) assess the market value of our investment portfolio, (2) implement our hedging strategies, and (3) implement techniques to reduce our prepayment rate volatility would be significantly affected, which could materially adversely affect our financial position and results of operations.

Risks Related to Financing and Hedging

We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are

unfavorable.
We use leverage to finance our assets through borrowings from repurchase agreements and other secured and unsecured forms of borrowing (including Federal Home Loan Bank advances), and we contribute capital to equity investments. Although we are not required to maintain any particular debt-to-equity leverage ratio, the amount of leverage we may deploy for particular assets will depend upon our Manager’s assessment of the credit and other risks of those assets.

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Our access to financing depends upon a number of factors over which we have little or no control, including:
•general market conditions;
•the lender's view of the quality of our assets, valuation of our assets and our liquidity;
•the lender's perception of our growth potential;
•regulatory requirements of the Federal Housing Finance Authority or Federal Home Loan Bank;
•our current and potential future earnings and cash distributions; and
•the market price of the shares of our capital stock.

Any weakness or volatility in the financial markets, the residential and commercial mortgage markets or the economy generally could adversely affect the factors listed above. In addition, such weakness or volatility could adversely affect one or more of our potential lenders and could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. Some of our target assets may be more difficult to finance than others and the market for such financing can change based on many factors over which we have little or no control.

The return on our assets and cash available for distribution to our stockholders may be reduced to the extent that market conditions prevent us from leveraging our assets or cause the cost of our financing to increase relative to the income that can be derived from the assets acquired. Our financing costs will reduce cash available for distributions to stockholders. We may not be able to meet our financing obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations.

As a result of ongoing market conditions, including the contraction among and failure of certain lenders, it may be more difficult for us to secure financing.

Our results of operations are materially affected by conditions in the financial markets and the economy generally. Continuing concerns over inflation, energy price volatility, geopolitical issues, unemployment, the availability and cost of credit, the mortgage market and the real estate market contribute to market volatility.

In recent years, dramatic declines in the residential and commercial real estate markets, decreased home prices and increased foreclosures and unemployment resulted in significant asset writedowns by financial institutions, which caused many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. We rely significantly on the availability of repurchase agreement financing to acquire many of our target assets. Institutions from which we seek to obtain financing may have owned or financed residential or commercial mortgage loans, real estate-related securities and real estate loans which have declined in value and caused losses. Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers, including other financial institutions. As a result of ongoing market conditions and regulatory actions, it may be more difficult for us to secure financing as there are fewer institutional lenders and those remaining lenders have tightened their lending standards. Our profitability may be adversely affected if we are unable to secure financing for our assets.

We depend on repurchase agreement financing to acquire our target assets and our inability to access this funding on acceptable terms could have a material adverse effect on our results of operations, financial condition and business.

We use repurchase agreement financing as a strategy to increase the return on our assets. However, we may not be able to achieve our desired leverage ratio for a number of reasons, including if the following events occur:
•our lenders do not make repurchase agreement financing available to us at acceptable rates;
•certain of our lenders exit the repurchase market;
•our lenders require that we pledge additional collateral to cover our borrowings, which we may be unable to do; or
•we determine that the leverage would expose us to excessive risk.

Our ability to fund our target assets may be impacted by our ability to secure repurchase agreement financing on acceptable terms. We can provide no assurance that lenders will be willing or able to provide us with sufficient financing. In addition, because repurchase agreements are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to secure continued financing. During certain periods of the credit cycle, lenders may curtail their willingness to provide financing. For example, in response to market conditions lenders have in the past and may in the future increase financing rates and decrease advance rates. Repurchase agreement counterparties have taken these steps in order to compensate themselves for a perceived increased risk due to the illiquidity of the underlying collateral. In some cases, margin calls have forced borrowers to liquidate collateral in order to meet the capital requirements of these margin calls, resulting in losses. In addition, if major market participants were to exit the repurchase agreement financing business, the value of our portfolio could be negatively impacted, thus reducing net stockholder equity, or book value. Furthermore, if many of our current or potential lenders are unwilling or unable to provide us with repurchase agreement financing, we could be forced to sell our assets at an inopportune time when prices are depressed. In addition, if the regulatory capital requirements imposed on

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our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term, if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we may incur a loss on our repurchase transactions.

When we engage in repurchase transactions, we generally sell securities to lenders (repurchase agreement counterparties) and receive cash from these lenders. The lenders are obligated to resell the same or similar securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we may incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). As of December 31, 2014, three counterparties held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $131.9 million, or 5% of our stockholders' equity. Refer to Note 7 - "Borrowings" of our consolidated financial statements for additional detail. We may incur a loss on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender can terminate the transaction and cease entering into any other repurchase transactions with us. Some of our repurchase agreements contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders.

The repurchase agreements that we use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired.

The amount of financing we receive, or may in the future receive, under our repurchase agreements and secured loans, is directly related to the lenders' valuation of the assets that secure the outstanding borrowings. Lenders under our repurchase agreements and secured loans typically have the absolute right to reevaluate the market value of the assets that secure outstanding borrowings at any time. If a lender determines in its sole discretion that the value of the assets has decreased, it has the right to initiate a margin call or increase collateral requirements. A margin call or increased collateral requirements would require us to transfer additional assets to such lender without any advance of funds from the lender for such transfer or to repay a portion of the outstanding borrowings. Any such margin call or increased collateral requirements could have a material adverse effect on our results of operations, financial condition, business, liquidity and ability to make distributions to our stockholders, and could cause the value of our capital stock to decline. We may be forced to sell assets at significantly depressed prices to meet such margin calls and to maintain adequate liquidity, which could cause us to incur losses. Moreover, to the extent we are forced to sell assets at such time, given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment and which could result in our incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our assets at any price. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for bankruptcy protection.

Further, financial institutions providing the repurchase facilities may require us to maintain a certain amount of cash uninvested or to set aside non-levered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. In addition, the FHLBI could increase our collateral requirements. As a result, we may not be able to leverage our assets as fully as desired, which could reduce our return on equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

A failure to comply with restrictive covenants in our repurchase agreements and other financing arrangements would have a material adverse effect on us, and any future financings may require us to provide additional collateral or pay down debt.

We are subject to various restrictive covenants contained in our existing financing arrangements and may become subject to additional covenants in connection with future financings. Many of our master repurchase agreements, as well as our FHLB financing arrangements, require us to maintain compliance with various financial covenants, including a minimum tangible net worth and specified financial ratios, such as total debt to total assets. These covenants may limit our flexibility to pursue certain investments or incur additional debt. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross-default and acceleration rights and, with respect to collateralized debt, the posting of additional collateral and foreclosure rights upon

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default. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our status as a REIT for U.S. federal income tax purposes.

Our use or future use of repurchase agreements to finance our target assets may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings or future borrowings under repurchase agreements for our target assets may qualify for special treatment under the U.S. Bankruptcy Code, giving our lenders the ability to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to take possession of and liquidate the assets that we have pledged under their repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the U.S. Bankruptcy Code may make it difficult for us to recover our pledged assets in the event that a lender party to such agreement files for bankruptcy. Therefore, our use of repurchase agreements to finance our investments exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

We enter into hedging transactions that could expose us to contingent liabilities in the future.

Part of our investment strategy involves entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. Such economic losses would be reflected in our results of operations, and our ability to fund these obligations would depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

We pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and currency exchange rates. Our hedging activity varies in scope based on the level and volatility of interest rates, currency exchange rates, the type of assets held and other changing market conditions. Hedging may fail to protect or could adversely affect us because, among other things:

- interest rate and/or currency hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- due to a credit loss, the duration of the hedge may not match the duration of the related liability;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a taxable REIT subsidiary (“TRS”)) to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

In addition, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Any actions taken by regulators could constrain our investment strategy and could increase our costs, either of which could materially and adversely impact our results of operations.

The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our commitments, if any, at the then current market price. Although generally we seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure you that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

We may enter into derivative contracts that expose us to contingent liabilities and those contingent liabilities may not appear on our balance sheet. We may invest in synthetic securities, credit default swaps, and other credit derivatives, which expose us to additional risks.

We have entered and may again in the future enter into derivative contracts that could require us to make cash payments in certain circumstances. Potential payment obligations would be contingent liabilities and may not appear on our balance sheet. Our ability to satisfy these contingent liabilities depends on the liquidity of our assets and our access to capital and cash. The need to fund these contingent liabilities could adversely impact our financial condition.

We may directly or through our equity investments, invest in synthetic securities, credit default swaps, and other credit derivatives that reference other real estate securities or indices. These investments may present risks in excess of those resulting from the referenced security or index. These investments are typically a contractual relationship with counterparties and not an acquisition of a referenced security or other asset. In these types of investments, we have no right to directly enforce compliance with the terms of the referenced security or other assets and we have no voting or other consensual rights of ownership with respect to the referenced security or other assets. In the event of insolvency of a counterparty, we will be treated as a general creditor of the counterparty and will have no claim of title with respect to the referenced security.

The markets for these types of investments have, in some cases, only existed for a few years and may not be liquid. Many of these investments incorporate “pay as you go” credit events which have been introduced into the market fairly recently. For example, the terms of credit default swaps are still evolving and may change significantly, which could make it more difficult to assign such an instrument or determine the “loss” pursuant to the underlying agreement. In a credit default swap, the party wishing to “buy” protection will pay a premium. When interest rates change, the spreads change, or the prevailing credit premiums on credit default swaps change, the amount of the termination payment due could change by a substantial amount. In an illiquid market, the determination of this change could be difficult to ascertain and, as a result, we may not achieve the desired benefit of entering into this contractual relationship. To date, we have entered into a limited number of these agreements. We may over time increase our exposure to these types of investments as the market for them grows and during times when acquiring other real estate loans and securities may be difficult. We may find credit default swaps and other forms of synthetic securities to be a more efficient method of providing credit-enhancement on specific pools of real estate loans. Our efforts to manage the risk associated with these investments, including counterparty risks may prove to be insufficient in enabling us to generate the returns anticipated.

Risks Related to Our Company

Maintaining 1940 Act exclusions for our subsidiaries imposes limits on our operations. Failure to maintain an exclusion could have a material negative impact on our operations.

We conduct our operations so that neither we, nor our operating partnership, IAS Operating Partnership LP (the “Operating Partnership”) nor the subsidiaries of the Operating Partnership are required to register as an investment company under the 1940 Act.

Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. We believe neither we nor our Operating Partnership will be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because neither we nor our Operating Partnership will engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our Operating Partnership’s wholly-owned or majority-owned subsidiaries, we and our Operating Partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring real property, mortgages and other interests in real estate.

Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer’s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term “investment securities,” among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We are a holding company that conducts its businesses through the Operating Partnership and the Operating Partnership’s wholly-owned or majority-owned subsidiaries. Both we and the Operating Partnership conduct our operations so that we comply with the 40% test. Accordingly, the securities issued by these subsidiaries that are excepted from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities the Operating Partnership may own, may not have a value in excess of 40% of the value of the Operating Partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Compliance with the 40% test limits the types of businesses in which we are permitted to engage through our subsidiaries. Furthermore, IAS Asset I LLC and certain of the Operating Partnership’s other subsidiaries that we may form in the future intend to rely upon an exception from the definition of investment company under Section 3(c)(5)(C) of the 1940 Act, which is available for entities “primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” This exception generally requires that at least 55% of a subsidiary’s portfolio must be comprised of qualifying assets and at least 80% of its portfolio must be comprised of qualifying assets and real estate-related assets (and no more than 20% comprised of miscellaneous assets). In analyzing a subsidiary's compliance with Section 3(c)(5)(C) of the 1940 Act, we classify investments based in large measure on SEC staff guidance, including no-action letters, and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate-related asset.

Qualification for exception from the definition of investment company under the 1940 Act will limit our ability to make certain investments, such as investments in agency partial pool certificates, which are considered real estate-related assets. Therefore, IAS Asset I LLC and the Operating Partnership’s other subsidiaries may need to adjust their respective assets and strategy from time-to-time in order to continue to rely on the exception from the definition of investment company under Section 3(c)(5)(C) of the 1940 Act. Any such adjustment in assets or strategy is not expected to have a material adverse effect on our business or strategy. There can be no assurance that we will be able to maintain this exception from the definition of investment company for IAS Asset I LLC and the Operating Partnership’s other subsidiaries intending to rely on Section 3(c)(5)(C) of the 1940 Act.

We may in the future organize one or more subsidiaries that seek to rely on other exceptions from being deemed an investment company under the 1940 Act, such as the exception provided to certain structured financing vehicles by Rule 3a-7. Any such subsidiary would need to be structured to comply with any guidance that may be issued by the SEC staff on the restrictions contained in Rule 3a-7 or any other exception on which we seek to rely.

There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including the SEC staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations or inhibits our ability to pursue our strategies. If we, the Operating Partnership or its subsidiaries fail to maintain an exception or exemption from the 1940 Act, we could, among other things, be required to (a) change the investments that we hold or the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our capital stock, the sustainability of our business model, and our ability to make distributions which could have an adverse effect on our business and the market price for our shares of capital stock. In addition, if it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties or injunctive relief imposed by the SEC.

We may be adversely affected by the current and future economic, regulatory and other actions of government bodies and their agencies.

In response to the financial crisis of 2008, the U.S. government, Federal Reserve, U.S. Treasury, Securities and Exchange Commission and other governmental and regulatory bodies have taken a number of economic actions and regulatory initiatives designed to stabilize and stimulate the economy and the financial markets, and additional actions and initiatives may occur in the future. These actions may include the development and implementation of programs that could result in a flattening in the yield curve and lower long-term interest rates, among other potential impacts. Lower long-term interest rates could result in increased prepayment rates and a narrowing of our net interest margin. In addition, foreign financial markets have experienced significant volatility related to events such as the European debt crisis, declining currencies in certain emerging markets and governments’ and central banks' responses. Such responses have included the implementation of various financial reforms including but not limited to development of the Basel III standards by the Basel Committee on Banking Supervision.

There can be no assurance that, in the long term, actions the government and regulatory bodies or central banks have taken in the past or may take in the future will improve the efficiency and stability of mortgage or financial markets. To the extent the financial markets do not respond favorably to any of these actions or such actions do not function as intended, our business may be harmed. In addition, because the programs are designed, in part, to improve the markets for certain of our target assets, the establishment of these programs may result in increased competition for attractive opportunities in our target assets or, in the case of government-backed refinancing and modification programs, may have the effect of reducing the revenues associated with certain of our target assets. We cannot predict whether or when additional actions or initiatives to stabilize and stimulate the economy and the financial markets may occur, and such actions could have an adverse effect on our business, results of operations and financial condition.

We may change any of our strategies, policies or procedures without stockholder consent.

We may change any of our strategies, policies or procedures with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time without the consent of our stockholders, which could result in an investment portfolio with a different risk profile. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations. Furthermore, a change in our asset allocation could result in our making investments in asset categories different from those described in this Report. These changes could adversely affect our business, financial condition, results of operations, the market price of our capital stock and our ability to make distributions to our stockholders.

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We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our capital stock and our ability to pay dividends.

Our business is highly dependent on third parties' information systems, including our Manager and other service providers. Any failure or interruption of such systems or cyber-attacks or security breaches could cause delays or other problems in our securities trading activities and financial, accounting and other data processing activities, which could have a material adverse effect on our operating results and negatively affect the market price of our capital stock and our ability to pay dividends to our stockholders. In addition, we also face the risk of operational failure, termination or capacity constraints of any of the third parties with which we do business or that facilitate our business activities, including clearing agents or other financial intermediaries we use to facilitate our securities transactions.

Computer malware, viruses and computer hacking and phishing attacks have become more prevalent in our industry and may occur on our Manager's and other service providers' systems in the future. We rely heavily on our and our third party providers' financial, accounting and other data processing systems. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber-attacks or security breaches of such networks or systems or any failure to maintain the performance, reliability and security of our technical infrastructure. As a result, any computer malware, viruses and computer hacking and phishing attacks may negatively affect our operations.

Risks Related to Accounting

Reclassification of mortgage-backed securities financed with repurchase agreements may adversely affect our operations and our reported profitability.

The Financial Accounting Standards Board's ("FASB") guidance regarding transactions that involve the acquisition of securities from a counterparty and the subsequent financing of these securities through repurchase agreements with the same counterparty allows for financial statement presentation on a gross basis, if certain criteria are met. If we fail to meet the criteria under guidance to account for the transactions on a gross basis, our accounting treatment would not affect the economics of these transactions, but would affect how these transactions are reported on our financial statements. Although we would not expect this change in presentation to have a material impact on our net income, it could have an adverse impact on our operations. It could have an impact on our ability to include certain securities purchased and simultaneously financed from the same counterparty as qualifying real estate interests or real estate-related assets used to qualify under the exemption to not have to register as an investment company under the 1940 Act. It could also limit our investment opportunities as we may need to limit our purchases of securities that are simultaneously financed with the same counterparty.

We have discontinued hedge accounting for interest rate swap agreements which may result in volatility in our U.S. GAAP earnings.

We enter into derivative transactions to reduce the impact that changes in interest rates will have on our net interest margin. Effective December 31, 2013, we discontinued hedge accounting for our interest rate swap agreements by de-designating the interest rate swaps as cash flow hedges. All of our interest rate swaps had previously been accounted for as cash flow hedges. As a result of discontinuing hedge accounting, beginning January 1, 2014, changes in the fair value of interest rate swap agreements are now recorded in the Company's consolidated statement of operations as "gain (loss) on derivative instruments, net" and may result in volatility in our U.S. GAAP earnings. The total changes in fair value may exceed our consolidated net income in any period or for a full year. Volatility in our net income may adversely affect the price of our capital stock.

The preparation of our financial statements involves use of estimates, judgments and assumptions, and our financial statements may be materially affected if our estimates prove to be inaccurate.

Financial statements prepared in accordance with U.S. GAAP require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include, but are not limited to, determining the fair value of investment securities and reserves for loan losses. These estimates, judgments and assumptions are inherently uncertain, and, if they prove to be wrong, then we face the risk that charges to income will be required. Any such charges could significantly harm our business, financial condition, results of operations and the price of our securities. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies” for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our business, financial condition and results of operations.

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Our reported U.S. GAAP financial results differ from our REIT taxable income that impact our dividend distribution requirements and, therefore, our U.S. GAAP results may not be an accurate indicator of future taxable income and dividend distributions.

Generally, the cumulative net income we report over the life of an asset will be the same for U.S. GAAP and tax purposes, although the timing of this income recognition over the life of the asset could be materially different. Differences exist in the accounting for U.S. GAAP net income and REIT taxable income which can lead to significant variances in the amount and timing of when income and losses are recognized under these two measures. Due to these differences, our reported U.S. GAAP financial results could materially differ from our determination of taxable income, which impacts our dividend distribution requirements. Therefore, our U.S. GAAP results may not be an accurate indicator of future REIT taxable income and dividend distributions. Capital gains and losses in a period may impact REIT taxable income and impact the dividend paid in future periods.

Risks Related to Our Relationship with Our Manager

We are dependent on our Manager and its key personnel for our success.

We have no separate facilities and are completely reliant on our Manager. We do not have any employees. Our executive officers are employees of our Manager or one of its affiliates. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of our Manager. The executive officers and key personnel of our Manager evaluate, negotiate, close and monitor our investments; therefore, our success depends on their continued service. The departure of any of the executive officers or key personnel of our Manager who provide management services to us could have a material adverse effect on our performance. In addition, we offer no assurance that our Manager will remain our investment manager or that we will continue to have access to our Manager’s principals and professionals. The initial term of our management agreement with our Manager expired on July 1, 2011. The agreement automatically renews for successive one-year terms, and the management agreement is currently in a renewal term. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Moreover, our Manager is not obligated to dedicate certain of its personnel exclusively to us nor is it obligated to dedicate any specific portion of its time to our business.

There are conflicts of interest in our relationship with our Manager and Invesco, which could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Invesco and our Manager. Specifically, each of our officers and certain members of our board of directors are employees of our Manager or one of its affiliates. Our Manager and our executive officers may have conflicts between their duties to us and their duties to, and interests in, Invesco. We compete for investment opportunities directly with other clients of our Manager or Invesco and its subsidiaries. A substantial number of separate accounts managed by our Manager have limited exposure to our target assets. In addition, in the future our Manager may have additional clients that compete directly with us for investment opportunities. Our Manager has investment allocation policies in place intended to enable us to share equitably with the other clients of our Manager or Invesco and its subsidiaries. There is no assurance that our Manager’s allocation policies that address some of the conflicts relating to our access to investment and financing sources will be adequate to address all of the conflicts that may arise. Therefore, we may compete for investment or financing opportunities sourced by our Manager and, as a result, we may either not be presented with the opportunity or have to compete with other clients of our Manager or clients of Invesco and its subsidiaries to acquire these investments or have access to these sources of financing. Our Manager and our executive officers may choose to allocate favorable investments to other clients of Invesco instead of to us. Further, when there are turbulent conditions in the mortgage markets, distress in the credit markets or other times when we will need focused support and assistance from our Manager, Invesco or entities for which our Manager also acts as an investment manager will likewise require greater focus and attention, placing our Manager’s resources in high demand. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed or if our Manager did not act as a manager for other entities.

We pay our Manager substantial management fees regardless of the performance of our portfolio. Our Manager's entitlement to a management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. This in turn could hurt both our ability to make distributions to our stockholders and the market price of our capital stock.

Our Manager would have a conflict in recommending our participation in any equity investment it manages.

Our Manager has a conflict of interest in recommending our participation in any equity investment it manages because the fees payable to it may be greater than the fees payable by us under the management agreement. With respect to equity investments we have made in partnerships managed by an affiliate of our Manager, our Manager has agreed to waive fees at the equity investment level to avoid duplication. To address any potential conflict of interest, we require the terms of any equity investment managed by our Manager to be approved by our audit committee consisting of our independent directors. However, there can be no assurance that all conflicts of interest will be eliminated.

The management agreement with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.

Our executive officers and certain members of our board of directors are employees of our Manager or one of its affiliates. Our management agreement with our Manager was negotiated between related parties and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

Termination of the management agreement with our Manager without cause is difficult and costly. Our independent directors review our Manager's performance and the management fees annually and the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors based upon: (1) our Manager's unsatisfactory performance that is materially detrimental to us, or (2) a determination that the management fees payable to our Manager are not fair, subject to our Manager's right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. Our Manager will be provided 180 days prior notice of any such termination. Additionally, upon such a termination, the management agreement provides that we will pay our Manager a termination fee equal to three times the sum of the average annual management fee received by our Manager during the prior 24-month period before such termination, calculated as of the end of the most recently completed fiscal quarter. These provisions may increase the cost of terminating the management agreement and adversely affect our ability to terminate our Manager without cause. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan.

Pursuant to the management agreement, our Manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager maintains a contractual, as opposed to a fiduciary, relationship with us. Under the terms of the management agreement, our Manager, its officers, stockholders, members, managers, partners, directors and personnel, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement, as determined by a final non-appealable order of a court of competent jurisdiction. We have agreed to indemnify our Manager, its officers, stockholders, members, managers, directors and personnel, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

Our board of directors approved very broad investment guidelines for our Manager and does not approve each investment and financing decision made by our Manager.

Our Manager is authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio but does not, and is not required to, review all of our proposed investments, except that an investment in a security structured or issued by an entity managed by Invesco must be approved by a majority of our independent directors prior to such investment. In addition, in conducting periodic reviews, our board of directors may rely primarily on information provided to them by our Manager. Furthermore, our Manager may use complex strategies, and transactions entered into by our Manager may be costly, difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within the broad parameters of our investment guidelines in determining the types and amounts of Agency RMBS, non-Agency RMBS, CMBS, mortgage loans and mortgage and real-estate financing arrangements (including mezzanine debt and private equity interests) it may decide are attractive investments for us, which could result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results.

Risks Related to Our Capital Stock

The market price and trading volume of our capital stock may be volatile.

The market price of our capital stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our capital stock may fluctuate and cause significant price variations to occur. If the market price of our capital stock declines significantly, our stockholders may be unable to resell their shares at or above the price our stockholders paid for their shares. We cannot assure you that the market price of our capital stock will not fluctuate or decline significantly in the future.

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Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our capital stock include:

- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our earnings estimates or publication of research reports about us or the real estate or specialty finance industry;
- decreases in the market valuations of our target assets;
- increased difficulty in maintaining or obtaining financing on attractive terms, or at all;
- increases in market interest rates that lead our stockholders to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- general market and economic conditions; and
- changes to U.S. federal income tax laws or regulations governing REITS or the administrative interpretation of those laws.

Common stock eligible for future sale may have adverse effects on our share price.

We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock. Also, we may issue additional shares in public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future share issuances, which may dilute existing stockholders' interests in us.

We have not established a minimum distribution payment level, and we cannot assure our stockholders of our ability to pay distributions in the future.

We pay quarterly distributions and make other distributions to our stockholders in an amount such that we distribute all or substantially all of our REIT taxable income in each year, subject to certain adjustments. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this Report. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification, applicable provisions of Maryland law and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- our ability to make profitable investments;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

We cannot assure our stockholders that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future. In addition, some of our distributions may include a return in capital.

Investing in our capital stock may involve a high degree of risk.

The investments we make in accordance with our investment objectives may result in a high amount of risk when compared to alternative investment options and volatility or loss of principal. Our investments may be highly speculative and aggressive, and therefore an investment in our capital stock may not be suitable for someone with lower risk tolerance.

A change in market interest rates may cause a material decrease in the market price of our capital stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our capital stock is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our capital stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions are likely to adversely affect the market price of our capital stock. For instance, if market rates rise without an increase in our distribution rate, the market price of our capital stock could decrease as potential investors may require a higher distribution yield or seek other securities paying higher distributions or interest.

Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock.

We have issued Series A Preferred Stock, Series B Preferred Stock and 5.00% Exchangeable Senior Notes due 2018. If we decide to issue debt or equity securities in the future, which would rank senior to our common stock, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. For example, preferred shares and debt have a preference on liquidating distributions or a preference on dividend or interest payments that could limit our ability to make a distribution to the holders of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings.

Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Thus holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us. Holders of our common stock also bear the risk of holders of our exchangeable notes making an election to exchange their notes for common stock, which could result in significant dilution to our existing stockholders. In addition, future issuances and sales of preferred stock on parity to our Series A Preferred Stock or the Series B Preferred Stock, or the perception that such issuances and sales could occur, may also cause prevailing market prices for the Series A Preferred Stock, Series B Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

Risks Related to Our Organization and Structure

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law (the “MGCL”), may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock. Under the MGCL, certain “business combinations” (including a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of our then outstanding voting capital stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting capital stock) or an affiliate thereof are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our board of directors and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of our voting capital stock; and (2) two-thirds of the votes entitled to be cast by holders of voting capital stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if our common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL also do not apply to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted business combinations between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person).

The “control share” provisions of the MGCL provide that “control shares” of a Maryland corporation (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, our officers and our employees who are also our directors. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

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The “unsolicited takeover” provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.

Ownership limitations may restrict change of control of business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to qualify as a REIT, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. “Individuals” for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. This ownership limitation could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

Our authorized but unissued shares of capital stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

The change of control conversion feature of our Series A Preferred Stock, Series B Preferred Stock and our Exchangeable Senior Notes may make it more difficult for a party to acquire us or discourage a party from acquiring us.

The change of control conversion feature of our Series A Preferred Stock, Series B Preferred Stock and our Exchangeable Senior Notes may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our common stock, Series A Preferred Stock and Series B Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that stockholders may otherwise believe is in their best interests.

We are the sole general partner of our Operating Partnership and could become liable for the debts and other obligations of our Operating Partnership beyond the amount of our initial expenditure.

We are the sole general partner of our Operating Partnership and directly or indirectly conduct all of our business activities through the Operating Partnership and its subsidiaries. As the sole general partner, we are liable for our Operating Partnership’s debts and other obligations. Therefore, if our Operating Partnership is unable to pay its debts and other obligations, we will be liable for such debts and other obligations beyond the amount of our expenditure for ownership interests in our Operating Partnership. These obligations could include unforeseen contingent liabilities and could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

Our Exchangeable Senior Notes are recourse obligations to us.

In 2013, our Operating Partnership issued $400,000,000 in aggregate principal amount of 5.00% Exchangeable Senior Notes due 2018 (the “Notes”). Because the Company is the sole general partner of the Operating Partnership, these amounts are full recourse obligations of the Company. If we are not able to extend, refinance or repurchase the Notes, we may not have the ability to repay these amounts when they come due. Our inability to repay the Notes could cause

the acceleration of our other borrowings, which would have a material adverse effect on our business.
The indenture governing the Notes contains cross-default provisions whereby a default or acceleration of borrowings under other agreements could result in a default under the indenture. If a cross-default occurred, we may not be able to pay our liabilities or access capital from external sources in order to refinance our borrowings. If some or all of our borrowings default and it causes a default under other borrowings, our business, financial condition and results of operations could be materially and adversely affected.

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Tax Risks

Investment in our capital stock has various U.S. federal income tax risks.

This summary of certain tax risks is limited to the U.S. federal tax risks addressed below. Additional risks or issues may exist that are not addressed in this Report and that could affect the U.S. federal income tax treatment of us or our stockholders.

We strongly urge you to seek advice based on your particular circumstances from an independent tax advisor concerning the effects of U.S. federal, state and local income tax law on an investment in our capital stock and on your individual tax situation.

Our failure to qualify as a REIT would subject us to U.S. federal income tax and potentially increased state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

We believe that we have been organized and operated and we intend to continue to operate in a manner that enables us to qualify as a REIT for U.S. federal income tax purposes. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis.

Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

Complying with REIT requirements may cause us to forego otherwise attractive investment opportunities or financing or hedging strategies.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, and the amounts we distribute to our stockholders. To meet these tests, we may be required to forego investments we might otherwise make or financing or hedging strategies we might otherwise employ. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our investment performance.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we generally must ensure that at the end of each calendar quarter at least 75% of the value of our total assets consists of cash, cash items, government securities and qualifying real estate assets, including certain mortgage loans and MBS. The remainder of our investment in securities (other than government securities, securities of our TRSs and qualifying real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets can consist of the securities of any one issuer (other than government securities, securities of our TRSs and qualifying real estate assets), and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any quarter, we must correct the failure within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio otherwise attractive investments.

These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.
REIT distribution requirements could adversely affect our ability to execute our business plan and may require us to incur debt, sell assets or take other actions to make such distributions.
To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable

income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to make sufficient distributions to our stockholders to satisfy the 90% distribution requirement and to avoid both corporate income tax and the 4% nondeductible excise tax.

Our taxable income may be substantially different from our net income as determined by U.S. GAAP, because, for example, realized capital losses will be deducted in determining our U.S. GAAP net income, but may not be deductible in computing our taxable income. In addition, differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, we may invest in debt instruments requiring us to accrue original issue discount ("OID") or recognize market discount income that generate taxable income in excess of economic income or in advance of the corresponding cash flow referred to as "phantom income." We may also acquire distressed debt investments that are subsequently modified by agreement with the borrower. If amendments to the outstanding debt are "significant modifications" under applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification. Finally, we may be required under the terms of the indebtedness that we incur, whether to private lenders or pursuant to government programs, to use cash received from interest payments to make principal payment on that indebtedness, with the effect that we will recognize income but will not have a corresponding amount of cash available for distribution to our stockholders.

As a result of the foregoing, we may find it difficult or impossible to meet the REIT distribution requirements in certain circumstances. In such circumstances, we may be required to (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms, (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or (4) make a taxable distribution of our shares of common stock as part of a distribution in which stockholders may elect to receive shares of common stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

We may choose to pay dividends in our own stock, in which case our stockholders may be required to pay income taxes in excess of the cash dividends received.

We may distribute taxable dividends that are payable in cash and in shares of our common stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend in income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Our ownership of and relationship with any TRS that we may form or acquire is subject to limitations, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs at the end of any calendar quarter. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's length basis. There can be no assurance that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

Our domestic TRSs would pay U.S. federal, state and local income tax on its taxable income, and its after-tax net income would be available for distribution to us but would not be required to be distributed to us. If we were to organize a TRS as a non-U.S. corporation (or entity treated as a corporation for U.S. federal income tax purposes), we may generate income inclusions relating to the earnings of the non-U.S. TRS, the treatment of which under the REIT gross income tests is not clear.

Liquidation of our assets to repay obligations to our lenders may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT.

Characterization of the repurchase agreements we enter into to finance our investments as sales for tax purposes rather than as secured borrowing transactions, or the failure of a mezzanine loan to qualify as a real estate asset, could adversely affect our ability to qualify as a REIT.

We may enter into repurchase agreements with a variety of counterparties to finance assets in which we invest. When we enter into a repurchase agreement, we generally sell assets to our counterparty to the agreement and receive cash from the counterparty. The counterparty is obligated to resell the assets back to us at the end of the term of the transaction. We believe that, for U.S. federal income tax purposes, we will be treated as the owner of the assets that are the subject of repurchase agreements and that the repurchase agreements will be treated as secured borrowing transactions notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we did not own these assets during the term of the repurchase agreements, in which case we could fail to qualify as a REIT.

In addition, we may acquire mezzanine loans, which are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. We acquire or originate mezzanine loans that do not meet all of the requirements for reliance on this safe harbor. The IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and income tests, and if such a challenge were sustained, we could fail to qualify as a REIT.

The "taxable mortgage pool" rules may limit our financing options.

Certain securitizations and other financing structures could result in the creation of taxable mortgage pools for federal income tax purposes. A taxable mortgage pool owned by our Operating Partnership would be treated as a corporation for U.S. federal income tax purposes and may cause us to fail the REIT asset tests. Accordingly, if we were to consider a securitization that would create a taxable mortgage pool, we would have to undertake such securitization through a TRS or a subsidiary that qualified as a REIT. These rules may limit our financing options.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of or securitize loans in a manner that was treated as a sale of the loans for federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans at the REIT level and may limit the structures we utilize for our securitization transactions, even though the sales or such structures might otherwise be beneficial to us.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code limit our ability to enter into hedging transactions. In order to qualify as a REIT, we must satisfy two gross income tests annually. For these purposes, income with respect to certain hedges of our liabilities or foreign currency risks will be disregarded. Income from other hedges will be non-qualifying income for purposes of both gross income tests. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

Purchases of mortgages at a discount may affect our ability to satisfy the REIT asset and gross income tests.

Whether our loan holdings are treated as real estate assets and interest income thereon is treated as qualifying income for purposes of the 75% gross income test depends on whether the loans are adequately secured by real property. Treasury regulations, as interpreted in Revenue Procedure 2014-51, provide that if a mortgage loan is secured by both real property and personal property and the value of the real property at the time the REIT commits to make or acquire the loan is less than the highest principal amount (i.e., the face amount) of the loan during the year, interest on the loan will be treated as qualifying income only in proportion to the ratio of the value of the real property at the time the REIT commits to make or acquire the loan to the highest principal amount of the loan during the year. Similarly, the IRS issued guidance for determining the extent to which an interest in an "eligible REMIC" (relating to the HARP program) is treated as a real estate asset and generates qualifying income for purposes of the 75% gross income test. Failure to accurately apply these rules and manage our income and assets could cause us to fail to qualify as a REIT.

Our qualification as a REIT could be jeopardized as a result of our interest in joint ventures or investment funds.

We currently own, and may continue to acquire, interests in partnerships or limited liability companies that are joint ventures or investment funds. We may not have timely access to information from such partnerships and limited liability companies related to monitoring and managing our REIT qualification. If a partnership or limited liability company in which we own an interest but do not control takes or expects to take actions that could jeopardize our REIT qualification or require us to pay tax, we may be forced to dispose of our interest in such entity. It is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT gross income or asset test and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we are able to qualify for a statutory REIT “savings” provision , which may require us to pay a significant penalty tax to maintain our REIT qualification.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

We acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectibility rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

Some of the debt instruments that we acquire may have been issued with original issue discount. We will be required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such debt instruments will be made. If such debt instruments or MBS turn out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectibility is provable.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are "significant modifications" under the applicable Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for federal tax purposes.

Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectibility. Similarly, we may be required to accrue interest income with respect to debt instruments at its stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter.

Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage-related taxes.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our capital stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective. Any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Dividends paid by REITs do not qualify for the reduced tax rates that apply to other corporate dividends.

The maximum tax rate for “qualified dividends” paid by corporations to individuals is currently 20%. Dividends paid by REITs, however, generally are not “qualified dividends” and generally are taxed at the normal ordinary income rates, currently subject to a maximum rate of 39.6% in the case of non-corporate taxpayers. The more favorable rates applicable to qualified dividends could cause potential investors who are individuals to perceive investments in REITs to be relatively less attractive

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than investments in the stocks of non-REIT corporations that pay qualified dividends, which could adversely affect the value of the stock of REITs, including our capital stock.

Dividends paid by REITs may be subject to Unearned Income Medicare tax.

High-income U.S. individuals, estates, and trusts will be subject to an additional 3.8% tax on net investment income. For these purposes, net investment income includes dividends and gains from sales of stock. In the case of an individual, the tax will be 3.8% of the lesser of the individuals' net investment income or the excess of the individuals' modified adjusted gross income over $250,000 in the case of a married individual filing a joint return or a surviving spouse, $125,000 in the case of a married individual filing a separate return, or $200,000 in the case of a single individual.

Tax-exempt stockholders may realize unrelated business taxable income if we generate excess inclusion income.

If we acquire REMIC residual interests or equity interests in taxable mortgage pools (in a manner consistent with our REIT qualification) and generate "excess inclusion income," a portion of our dividends received by a tax-exempt stockholder will be treated as unrelated business taxable income.

Changing the nature of our assets may complicate our ability to satisfy the REIT gross income and asset tests.

We have large holdings of RMBS that are qualifying assets for purposes of the REIT asset tests and generate interest income that is qualifying income for purposes of the REIT gross income tests. The REIT asset tests do not require that all assets be qualifying assets, nor do the REIT gross income tests require that all income be qualifying income. Our substantial RMBS holdings have given us room to make investments that may not qualify, all or in part, as real estate assets or that may generate income that may not qualify, all or in part, under one or both of the gross income tests. Reductions in our RMBS holdings would reduce our room for non-qualifying assets and income. In addition, we may make investments in which the proper application of the REIT gross income and assets tests may not be clear. Mistakes in classifying assets or income for REIT purposes or in projecting the amount of qualifying and non-qualifying income could cause us to fail to qualify as a REIT.

Our qualification as a REIT may depend upon the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets we acquire.

When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining, among other things, whether such securities represent debt or equity securities for U.S. federal income tax purposes, the value of such securities, and also to what extent those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce qualified income for purposes of the 75% gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our ability to qualify as a REIT and result in significant corporate-level tax.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is located at 1555 Peachtree Street, NE, Suite 1800, Atlanta, Georgia 30309. As part of our management agreement, our Manager is responsible for providing office space and office services required in rendering services to us.

Item 3. Legal Proceedings.

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of December 31, 2014, we were not involved in any such legal proceedings.

Item 4. Mine and Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the NYSE under the symbol "IVR." The following table sets forth, for the periods indicated, the high and low sale price of our common stock as reported on the NYSE.

	High	Low
2014		
Fourth quarter	$16.66	$15.19
Third quarter	$17.64	$15.72
Second quarter	$18.00	$16.36
First quarter	$17.46	$14.64
2013		
Fourth quarter	$16.60	$14.41
Third quarter	$17.08	$14.40
Second quarter	$21.60	$16.38
First quarter	$22.26	$20.06

Holders

As of February 18, 2015, there were 114 stockholders of record.

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates on its undistributed taxable income. We intend to continue to pay regular quarterly dividends to our stockholders. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service obligations. If our cash available for distribution is less than our taxable income, we could be required to sell assets or borrow funds to make cash distributions, or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

The following table sets forth the dividends declared per share of our common stock for the periods indicated.

Date Declared	Dividends Declared Per Share	
	Amount	Date Paid
2014		
December 16, 2014	$0.45	January 27, 2015
September 15, 2014	$0.50	October 28, 2014
June 16, 2014	$0.50	July 28, 2014
March 18, 2014	$0.50	April 28, 2014
2013		
December 17, 2013	$0.50	January 28, 2014
September 16, 2013	$0.50	October 28, 2013
June 17, 2013	$0.65	July 26, 2013
March 19, 2013	$0.65	April 26, 2013

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The following table sets forth the dividends declared per share of our common stock and the related tax characterization for the fiscal tax years ended December 31, 2014 and 2013.

Fiscal Tax Year	Dividends Declared	Tax Characterization of Dividends Ordinary Dividends	Capital Gain Distribution	Carry Forward
Common Stock Dividends				
Fiscal tax year 2014	1.950000	1.776691	—	0.173309
Fiscal tax year 2013	2.300000	2.300000	—	—

Performance Graph

The following graph matches the cumulative 5-year total return of holders of Invesco Mortgage Capital Inc.'s common stock with the cumulative total returns of the S&P 500 index and the FTSE NAREIT Mortgage REITs index. The graph assumes that the value of the investment in our common stock and in each of the indices (including reinvestment of dividends) was $100 on December 31, 2009 and tracks it through December 31, 2014.

Index	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Invesco Mortgage Capital Inc.	100.00	112.38	86.68	139.10	118.34	140.26
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
FTSE NAREIT Mortgage REITs	100.00	122.60	119.63	143.43	140.62	165.76

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Use of Proceeds

We used all of the net proceeds from our common and preferred stock offerings to acquire our target assets in accordance with our objectives and strategies described in Item 1, Business - Investment Strategy. We focus on purchasing our target assets, subject to our investment guidelines and to the extent consistent with maintaining our REIT qualification. Our Manager determines the percentage of our equity that will be invested in each of our target assets.

Repurchases of Equity Securities

In December 2011, our board of directors approved a share repurchase program of up to 7,000,000 of our common shares with no stated expiration date. In December 2013, our board of directors approved an additional share repurchase of up to 20,000,000 of our common shares with no stated expiration date. As of December 31, 2014, there were 14,841,784 common shares available for repurchase. No shares of common stock were purchased during the quarter ended December 31, 2014. The shares may be repurchased from time to time through privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rules 10b5-1 and 10b-18 under Exchange Act or by any combination of such methods. The manner, price, number and timing of share repurchases will be subject to a variety of factors, including market conditions and applicable SEC rules.

Item 6. Selected Financial Data.

The selected historical financial information as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 presented in the tables below have been derived from our audited financial statements. The information presented below is not necessarily indicative of the trends in our performance.

The information presented below is only a summary and does not provide all of the information contained in our historical financial statements, including the related notes. You should read the information below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical financial statements, including the related notes, included elsewhere in this Report.

Balance Sheet Data

	As of December 31,						
$ in thousands	2014		2013		2012	2011	2010
Mortgage-backed securities, at fair value	17,248,895		17,348,657		18,470,563	14,214,149	5,578,333
Residential loans, held-for-investment	3,365,003	(1)	1,810,262	(1)	—	—	—
Commercial loans, held-for-investment	145,756		64,599		—	—	—
Total assets	21,231,017	(1)	20,350,979	(1)	18,914,760	14,772,167	5,862,399
Repurchase agreements	13,622,677		15,451,675		15,720,460	12,253,038	4,344,659
Secured loans	1,250,000		—		—	—	—
Asset-backed securities issued by securitization trusts	2,929,820	(1)	1,643,741	(1)	—	—	—
Exchangeable senior notes	400,000		400,000		—	—	—
Total stockholders’ equity	2,610,315		2,376,115		2,558,098	1,892,338	1,019,150
Non-controlling interest	28,535		27,120		31,422	25,075	31,664
Total equity	2,638,850		2,403,235		2,589,520	1,917,413	1,050,814

(1) Our consolidated balance sheets include assets of consolidated variable interest entities (“VIEs”) that can only be used to settle obligations and liabilities of the VIEs for which creditors do not have recourse to us. As of December 31, 2014 and December 31, 2013, total assets of the consolidated VIEs were $3,380,597 and $1,819,295, respectively, and total liabilities of the consolidated VIEs were $2,938,512 and $1,648,400, respectively. Refer to Note 3 - "Variable Interest Entities" of our consolidated financial statements for further discussion.

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Statements of Operations Data

$ in thousands, except share amounts	For the Years ended December 31, 2014	2013	2012	2011	2010
Interest income	693,938	682,360	566,830	453,352	134,229
Interest expense	281,895	332,252	237,405	155,241	29,556
Net interest income	412,043	350,108	329,425	298,111	104,673
(Reduction in) provision for loan losses	(142)	884	—	—	—
Net interest income after provision for loan losses	412,185	349,224	329,425	298,111	104,673
Other income (loss)	(561,065)	(152,974)	54,267	18,804	11,145
Expenses	52,866	53,144	39,684	30,118	12,093
Net income (loss)	(201,746)	143,106	344,008	286,797	103,725
Net income (loss) attributable to non-controlling interest	(2,301)	1,486	4,123	4,882	5,326
Net income (loss) attributable to Invesco Mortgage Capital Inc.	(199,445)	141,620	339,885	281,915	98,399
Dividends to preferred stockholders	17,378	10,851	5,395	—	—
Net income (loss) attributable to common stockholders	(216,823)	130,769	334,490	281,915	98,399
Earnings per share:					
Net income (loss) attributable to common stockholders					
Basic	(1.76)	0.99	2.89	3.27	3.78
Diluted	(1.76)	0.99	2.89	3.27	3.78
Dividends declared per common share	1.95	2.30	2.60	3.42	3.49
Weighted average number of shares of common stock:					
Basic	123,104,934	132,714,012	115,558,668	86,364,506	26,038,628
Diluted	124,529,934	134,173,691	117,012,500	87,804,292	27,468,177

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.
The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in the Part IV, Item 15 of this Report.

Overview
We are a Maryland corporation primarily focused on investing in, financing and managing residential and commercial mortgage-backed securities ("MBS") and mortgage loans. We are externally managed and advised by Invesco Advisers, Inc., our Manager, which is an indirect, wholly-owned subsidiary of Invesco Ltd. We elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under the provisions of the Internal Revenue Code of 1986, as amended (“Code”), commencing with our taxable year ended December 31, 2009. To maintain our REIT qualification, we are generally required to distribute at least 90% of our REIT taxable income to our stockholders annually. We operate our business in a manner that permits our exclusion from the definition of “Investment Company” under the 1940 Act.
Our objective is to provide attractive risk-adjusted returns to our investors, primarily through dividends and secondarily through capital appreciation. To achieve this objective, we primarily invest in the following:

- Residential mortgage-backed securities ("RMBS") that are guaranteed by a U.S. government agency such as the Government National Mortgage Association or a federally chartered corporation such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively "Agency RMBS");

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- RMBS that are not guaranteed by a U.S. government agency ("non-Agency RMBS");
- Credit risk transfer securities issued by government-sponsored enterprises ("GSE CRT");
- Commercial mortgage-backed securities ("CMBS");
- Residential and commercial mortgage loans; and
- Other real estate-related financing arrangements.

We generally finance our investments through short- and long-term borrowings structured as repurchase agreements and secured loans. We finance our residential loans held-for-investment through asset-backed securities ("ABS") issued by consolidated securitization trusts. We have also financed investments through the issuance of debt and equity and may utilize other forms of financing in the future.

Capital Activities

In September 2014, we completed a public offering of 6,200,000 shares of 7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at the price of $25.00 per share. Total proceeds were $149.9 million, net of issuance costs of $5.1 million.

On November 4, 2014, we declared a dividend of $0.5705 per share of Series B Preferred Stock. The dividend was paid on December 29, 2014 to stockholders of record as of the close of business on December 5, 2014.

On December 16, 2014, we declared the following dividends:

- a dividend of $0.45 per share of common stock to be paid on January 27, 2015 to stockholders of record as of the close of business on December 29, 2014;
- a dividend of $0.4844 per share of Series A Preferred Stock to be paid on January 26, 2015 to stockholders of record as of the close of business on January 1, 2015; and
- a dividend of $0.4844 per share of Series B Preferred Stock to be paid on March 27, 2015 to stockholders of record as of the close of business on March 5, 2015.

During the three months ended December 31, 2014, we did not repurchase any shares of our common stock. During the year ended December 31, 2014, we repurchased 1,438,213 shares of our common stock at an average repurchase price of $14.69 per share for a net cost of $21.1 million, including acquisition expenses.

Factors Impacting Our Operating Results

Our operating results can be affected by a number of factors and primarily depend on the level of our net interest income and the market value of our assets. The market value of our assets can be impacted by asset spreads and the supply of, and demand for, target assets in which we invest. Our net interest income, which includes the amortization of purchase premiums and accretion of purchase discounts, varies primarily as a result of changes in market interest rates and prepayment speeds, as measured by the constant prepayment rate ("CPR") on our target assets. Interest rates and prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty.

Market Conditions

Macroeconomic factors that affect our business include credit spread premiums, market interest rates, Federal Reserve policy initiatives, residential and commercial real estate prices, employment conditions and inflation. After a modest increase in implied interest rate volatility early in the fourth quarter, volatility declined to end the quarter approximately unchanged and significantly lower than at the end of 2013. The yield curve continued to flatten as short maturity interest rates moved modestly higher and long-term rates moved meaningfully lower for both the fourth quarter and for the year.

Domestic economic conditions continue to improve. The November 2014 payroll report released in early December 2014 saw an increase of 321,000 jobs which is the highest of 2014, and the unemployment rate was 5.8% versus 6.7% at the end of 2013. The low interest rate environment, coupled with declining energy prices, should be supportive for U.S. economic growth as policy rates are much lower than that which would be historically indicated by unemployment and inflation indicators alone. Households are once again increasing their debt levels, albeit at a modest rate, which increases their ability to consume goods and services. Inflation data continues to indicate smaller increases than the Federal Reserve's 2% inflation target, with core personal consumption expenditures prices having increased 1.4% year-over-year through November 2014.

Despite apparent improvement in the domestic economy as described above, longer term U.S. Treasury interest rates fell in the fourth quarter of 2014. Global concerns seem to lead the list of factors that can explain the drop in market yields quarter-and year-to-date; namely weaker growth prospects and growing deflationary risks in Europe, declining growth in China, and growing concern over the economies of countries reliant on commodity exports and tensions in the Middle East. Five year government bond yields in some European countries are now negative, which should support the U.S. bond market, keeping yields low. The 10-year U.S. Treasury note yield generally fell throughout 2014 having started slightly above 3% and ending under 2.2%. The interest rate environment has been supportive for the Agency RMBS market despite lower interest rates as the prepayment option embedded in MBS is less onerous given low interest rate volatility. Further, MBS investors are much less concerned over the market impact from Federal Reserve tapering of MBS purchases since that program ended with little noticeable impact. There has been adequate demand from investors and limited supply of new MBS to offset the decline in demand from the Federal Reserve. Agency RMBS outperformed similar term U.S. Treasury notes during 2014 and performed in line for the fourth quarter. With respect to credit assets, CMBS and non-Agency RMBS spreads over comparable term interest rate swaps narrowed over the year but were little changed in the fourth quarter of 2014. Spreads in GSE CRTs issued by Fannie Mae and Freddie Mac widened over the second half of the year after tightening markedly during the first half of 2014. This spread widening had a negative impact on the value of our holdings in that sector but had only a modestly negative impact on our book value because they represent a small fraction of our assets. Wider spreads offered us the opportunity to reinvest portfolio cash flows at attractive levels.

We have reduced the interest rate sensitivity of our investment portfolio, resulting in greater book value stability, but we remain subject to volatility from credit spreads. It is possible that we may realize losses on the sale of assets in future periods and these losses may cause our GAAP earnings to be negative. In addition, as of December 31, 2013 we elected to discontinue hedge accounting for our portfolio of interest rate swaps. As a result of discontinuing hedge accounting, beginning January 1, 2014, changes in the fair value of the interest rate swap agreements are recorded in gain (loss) on derivative instruments, net in our consolidated statements of operations, rather than in accumulated other comprehensive income (loss) (“AOCI”). This change will cause our net income to be more volatile in future periods and could contribute to us recording a net loss in future periods. Refer to Note 8 - "Derivatives and Hedging Activities" of our consolidated financial statements for further information.

The impact of regulatory initiatives on the economy may also affect our business and our financial results. The Dodd-Frank Act, enacted in July 2010, contains numerous provisions affecting the financial and mortgage industries, many of which may have an impact on our operating environment and the target assets in which we invest. Consequently, the Dodd-Frank Act may affect our cost of doing business, may limit our investment opportunities and may affect the competitive balance within our industry and market areas. Under the Dodd-Frank Act, new underwriting requirements for residential mortgage loans have been adopted. The Ability-to-Repay (“ATR”) rule requires lenders to make a reasonable, good-faith determination that the borrower has a reasonable ability to repay the loan, upon its terms. In addition to the ATR rule, the Consumer Financial Protection Bureau adopted a Qualified Mortgage (“QM”) framework that provides certain legal protections to lenders related to residential mortgage loans that meet the QM criteria, which include restrictions on loan features, points and fees and borrower debt-to-income ratios. While we are not directly subject to compliance with the implementation of rules regarding the origination of residential mortgage loans, the impact of these regulations and others could affect our ability to securitize or invest in newly originated loans in the future.

There have been a number of pending legislative proposals related to the potential wind down or phaseout of the GSEs. In the second quarter of 2014 there was a bi-partisan effort in the U.S. Senate to bring about mortgage finance reform via the Johnson-Crapo bill. The bill did not receive enough votes in Committee to get to the floor for a vote. At this point it seems unlikely there will be material mortgage finance reform legislation in the near term. Moreover, meaningful resurrection of a fully functioning primary market for private label securitizations is unlikely to occur in the near term. We have been successful in participating in securitizations despite the environment, having consolidated in our financial statements five additional prime jumbo securitizations in 2014. We expect to close one additional prime jumbo securitization in the first quarter of 2015. The high credit quality of the loans underlying these securitizations is apparent via strong performance to date.

In addition, the regulatory landscape for our repurchase agreement counterparties continues to evolve following the adoption of new capital rules which generally affects the manner in which banks lend. Regulators are also focused on

liquidity requirements which will likely impact how banks fund themselves. While we are not directly subject to compliance with the implementation of rules regarding financial institutions, the effect of these regulations and others could affect our ability to finance our assets in the future.
On September 2, 2014, the Federal Housing Finance Agency ("FHFA"), proposed to revise its regulations governing Federal Home Loan Bank membership to, among other things, exclude captive insurance companies. However, the proposed rules would permit existing captive insurers, such as our captive insurance company subsidiary IAS Services LLC, to remain members for a period of five years following the effective date of the final rules. In addition, the Federal Home Loan Bank of Indianapolis ("FHLBI") would be permitted to allow outstanding advances to IAS Services LLC that were made prior to the effective date of the final rules to honor contractual terms to maturity. Therefore, under the proposed rules, we do not expect there would be any impact to our existing FHLBI borrowings. The rules are subject to change prior to their final adoption. However, if the FHFA’s rules are adopted substantially as proposed, we do not expect that the rules would have a material effect on our sources or costs of funding or our results of operations.

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Investment Activities

In 2014, we continued to position our investment portfolio to take advantage of compelling opportunities in both mortgage-backed securities and newly originated loans against a backdrop of improving housing and commercial real estate markets. During 2013 and 2014, we purchased subordinate interests in ten residential loan securitizations that are consolidated in our financial statements. We continue to invest in GSE CRT transactions issued by both Fannie Mae and Freddie Mac and hold securities with a fair value of $625.4 million as of December 31. 2014. In addition, we committed to purchase securities in one additional residential loan securitizations and anticipate this securitization will close in the first quarter of 2015. Since the inception of our commercial real estate lending program in 2013, we have invested in a first mortgage loan and six subordinated interests.

To provide economic stimulus, the Federal Reserve had been purchasing Agency RMBS through its QE program, which had the effect of holding mortgage interest rates at low levels. In 2014, the Federal Reserve ended new purchases under their QE program of U.S. Treasuries and Agency RMBS, but due to reinvestment of paydowns, they have continued buying a large percentage of issuance, which has also declined. The interest rate and credit spread premium environment and our views on how they will change have a significant impact on our portfolio decisions. We have continued to reduce our lower coupon 30 year Agency RMBS positions by nearly 29% from $6.7 billion at December 31, 2013 to $4.8 billion at December 31, 2014. We reinvested proceeds of sales and prepayments in part into agency hybrid ARM assets. We have also reduced our repurchase agreement debt from 5.8 times equity at December 31, 2013 to 5.4 times equity at December 31, 2014. In addition, we decreased the notional amount of our interest rate swaps from $12.8 billion at December 31, 2013 to $10.6 billion at December 31, 2014, or by 17.6%. As a result of all of these actions, we believe we have repositioned us to benefit from an improved residential and commercial real estate market and reduced our overall sensitivity to interest rates.

The table below shows the allocation of our equity as of December 31, 2014 and 2013:

$ in thousands	As of December 31,			
	2014		2013	
Agency RMBS	36.4	%	49.2	%
Non-Agency RMBS	32.3	%	35.6	%
GSE CRT	6.7	%	2.4	%
CMBS	32.1	%	24.4	%
Residential Loans, Held-for-Investment	0.3	%	0.3	%
Commercial Loans, Held-for-Investment	5.6	%	2.7	%
Other	(13.4	)%	(14.6	)%
Total	100.0	%	100.0	%

We have reduced our overall sensitivity to interest rates by reducing the size of our Agency MBS portfolio. Within the remaining Agency MBS portfolio we have continued to hold certain 30 year fixed-rate Agency RMBS securities that offer higher coupons and which we expect to prepay relatively slowly based on their seasoning and collateral attributes. Our sales of 30 year fixed-rate Agency RMBS were primarily in 3% and 3.5% coupons or relatively newer vintage that have not experienced a high prepayment environment. Therefore, the average coupon of our 30 year fixed-rate Agency RMBS continued to increase to 4.29% at December 31, 2014, compared to 4.11% at December 31, 2013. In addition, we hold 15 year fixed-rate Agency RMBS securities, Agency Hybrid ARM RMBS and Agency ARM RMBS that we believe have lower durations and better cash flow certainty relative to current 30 year fixed-rate Agency RMBS. Further, we own Agency collateralized mortgage obligations ("CMOs"), some of which are interest-only securities.

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The table below shows the breakdown of our investment portfolio as of December 31, 2014 and 2013:

$ in thousands	As of December 31,	
	2014	2013
Agency RMBS:		
30 year fixed-rate, at fair value	4,790,293	6,702,153
15 year fixed-rate, at fair value	1,327,101	1,744,281
Hybrid ARM, at fair value	2,976,918	1,770,558
ARM, at fair value	546,782	253,282
Agency CMO, at fair value	450,895	474,514
Non-Agency RMBS, at fair value	3,061,647	3,607,328
GSE CRT, at fair value	625,424	167,981
CMBS, at fair value	3,469,835	2,628,560
Residential loans, at amortized cost	3,365,003	1,810,262
Commercial loans, at amortized cost	145,756	64,599
Total MBS and Loans portfolio	20,759,654	19,223,518

Our portfolio of investments that have credit exposure include non-Agency RMBS, GSE CRT, CMBS and residential and commercial real estate loans. We use our proprietary models to perform a detailed review of each investment which often includes loan level analysis of expected performance. We do not place any reliance on ratings by various agencies as we believe our models more accurately evaluate the performance based on our assumptions about market conditions and are updated more frequently than agency ratings. As shown in the table above, we have increased our exposure to credit assets as we believe the improving economy will provide better risk-adjusted returns for this asset class while having lower interest rate exposure relative to Agency MBS.

With respect to our non-Agency RMBS portfolio, we primarily invest in RMBS collateralized by prime and Alt-A loans. In addition, we have invested in re-securitizations of real estate mortgage investment conduit ("Re-REMIC") RMBS and reperforming mortgage loans that we believe provide attractive risk adjusted returns. We also invest in GSE CRT. Based on our view of the improving housing market and relative value opportunities, we increased holdings in GSE CRT as paydowns from principal repayments and limited dispositions reduced our non-Agency RMBS holdings during 2014.

Our CMBS portfolio generally consists of assets originated before 2007, assets originated after 2010 (“CMBS 2.0”) and multi-family CMBS issued by Freddie Mac under their “K” program. Over the past twelve months we have primarily invested in CMBS 2.0. Since December 31, 2013, we grew our CMBS portfolio $841.3 million and grew the allocation of our CMBS holdings in our MBS portfolio to approximately 20.1% as of December 31, 2014 from approximately 15.2% as of December 31, 2013.

During 2013 and 2014, we expanded our portfolio of credit assets by adding subordinate securities backed by residential loans. The residential loans collateralizing these securities consist of prime jumbo mortgages that were generally originated in 2011 or later. We believe these loans have high credit quality based on their risk characteristics, including but not limited to high credit scores and low loan-to-value ratios based on current home values. For further details on the loan portfolio, refer to Note 3 - "Variable Interest Entities" of our consolidated financial statements.

We also added commercial real estate loans during 2013 and 2014. Our commercial real estate loan portfolio includes a first mortgage loan and subordinate interests we purchased or originated. For further details on the loan portfolio, refer to Note 5 - "Commercial Loans Held-for-Investment" of our consolidated financial statements.

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Portfolio Characteristics

The table below represents the vintage of our MBS credit assets as of December 31, 2014 as a percentage of the fair value:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Re-REMIC [(1)]	— %	— %	— %	— %	0.3 %	— %	0.6 %	3.7 %	18.0 %	8.0 %	0.5 %	1.6 %	32.7 %
Prime	0.4 %	1.3 %	4.9 %	3.7 %	9.7 %	2.1 %	— %	— %	0.2 %	— %	6.9 %	2.5 %	31.7 %
Alt-A	— %	0.5 %	8.6 %	6.0 %	7.6 %	— %	— %	— %	— %	— %	— %	— %	22.7 %
Subprime/reperforming	— %	— %	— %	0.1 %	0.5 %	— %	— %	— %	— %	— %	1.6 %	10.7 %	12.9 %
Total Non-Agency	0.4 %	1.8 %	13.5 %	9.8 %	18.1 %	2.1 %	0.6 %	3.7 %	18.2 %	8.0 %	9.0 %	14.8 %	100.0 %
GSE CRT	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	41.5 %	58.5 %	100.0 %
CMBS	— %	— %	8.8 %	9.8 %	0.6 %	— %	— %	7.5 %	21.6 %	11.8 %	13.3 %	26.6 %	100.0 %

(1) For Re-REMICs, the table reflects the year in which the resecuritizations were issued. The vintage distribution of the securities that collateralize our Re-REMIC investments is 11.0% for 2005, 34.2% for 2006 and 54.3% for 2007, 0.2% for 2009 and 0.3% for 2010.

The tables below represent the geographic concentration of the underlying collateral for our MBS portfolio as of December 31, 2014:

Non-Agency RMBS State	Percentage	GSE CRT State	Percentage	CMBS State	Percentage
California	42.7 %	California	23.1 %	California	15.9 %
Florida	7.1 %	Texas	5.4 %	New York	13.1 %
New York	6.7 %	Virginia	4.5 %	Texas	9.2 %
Virginia	3.8 %	Illinois	4.1 %	Florida	5.8 %
Maryland	3.6 %	New York	3.9 %	Illinois	4.8 %
New Jersey	3.6 %	Massachusetts	3.8 %	Pennsylvania	4.1 %
Washington	2.8 %	Colorado	3.4 %	New Jersey	3.3 %
Illinois	2.7 %	Florida	3.3 %	Ohio	3.0 %
Arizona	2.1 %	Washington	3.3 %	Virginia	2.7 %
Massachusetts	2.1 %	New Jersey	3.2 %	Maryland	2.5 %
Other	22.8 %	Other	42.0 %	Other	35.6 %
Total	100.0 %		100.0 %	Total	100.0 %

The following table summarizes residential loans held-for-investment at December 31, 2014 by year of origination.

$ in thousands	2014	2013	2012	2011	2010	2009	2008	2007	Total
Portfolio Characteristics:									
Number of Loans	622	2,746	716	99	27	7	18	18	4,253
Current Principal Balance	465,218	2,092,439	613,351	100,761	25,910	3,006	17,632	13,875	3,332,192
Net Weighted Average Coupon Rate	3.73 %	3.53 %	3.32 %	3.40 %	3.77 %	3.71 %	5.03 %	4.74 %	3.53 %
Weighted Average Maturity (years)	29.32	28.47	27.96	26.42	25.90	24.41	23.58	22.51	28.36
Current Performance:									
Current	463,704	2,089,570	612,369	100,761	25,910	3,006	17,632	13,875	3,326,827
30 Days Delinquent	1,514	2,869	982	—	—	—	—	—	5,365
60 Days Delinquent	—	—	—	—	—	—	—	—	—
90+ Days Delinquent	—	—	—	—	—	—	—	—	—
Bankruptcy/Foreclosure	—	—	—	—	—	—	—	—	—
Total	465,218	2,092,439	613,351	100,761	25,910	3,006	17,632	13,875	3,332,192

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The following table summarizes the geographic concentrations of residential loans held-for-investment at December 31, 2014 based on principal balance outstanding.

State	Percent	
California	53.2	%
New York	6.0	%
Massachusetts	4.9	%
Illinois	4.3	%
Maryland	3.0	%
Other states (none greater than 4%)	28.6	%
Total	100.0	%

Financing and Other Liabilities.

We enter into repurchase agreements to finance the majority of our target assets. These agreements are secured by our Agency RMBS, non-Agency RMBS, GSE CRT and CMBS. In addition, these agreements are generally settled on a short-term basis, usually ranging from one to twelve months, and bear interest at rates that have historically moved in close relationship to the London Interbank Offer Rate ("LIBOR"). At each settlement date, we refinance each repurchase agreement at the market interest rate at that time. As of December 31, 2014, we had entered into repurchase agreements totaling $13.6 billion (2013: $15.5 billion). The decrease in our repurchase agreement balance was due to a reallocation of our investment portfolio and replacing some of our repurchase borrowings with secured loans, as discussed below.

In March 2014, our wholly-owned subsidiary, IAS Services LLC, became a member of the FHLBI. As a member of the FHLBI, IAS Services LLC has borrowed funds from the FHLBI in the form of secured advances. As of December 31, 2014, IAS Services LLC had $1.25 billion in outstanding long-term secured advances and is approved for additional available uncommitted credit for borrowing of an amount up to $2.5 billion. Available uncommitted credit may be adjusted at the sole discretion of the FHLBI. For the year ended December 31, 2014, IAS Services LLC had average borrowings of $707.8 million with a weighted average borrowing rate of 0.36%.

We have also committed to invest up to 124.2 million in unconsolidated ventures that are sponsored by an affiliate of our Manager. As of December 31, 2014, $93.3 million of our commitment to these unconsolidated ventures has been called. We are committed to fund an additional $31.0 million in capital to cover future expenses should they occur.

We record a liability for mortgage-backed securities purchased, for which settlement has not taken place, as an investment related payable. As of December 31, 2014 and 2013, we had investment related payables of $17.0 million, and $28.8 million, respectively, of which no items were outstanding greater than thirty days. The change in balance was due to a decrease in unsettled MBS purchases and unsettled repurchase borrowings as of December 31, 2014. We record a receivable for mortgage-backed securities sold for which settlement has not taken place as an investment related receivable. As of December 31, 2014 and 2013, we had investment related receivables of $38.7 million and $515.4 million, respectively, of which no items were outstanding greater than thirty days. The change in balance was due to a decrease in unsettled sold MBS as of December 31, 2014.

Hedging Instruments. We generally hedge as much of our interest rate and foreign exchange risk as we deem prudent in light of market conditions. No assurance can be given that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Our investment policies do not contain specific requirements as to the percentages or amount of risk that we are required to hedge.

Hedging may fail to protect or could adversely affect us because, among other things:

- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives used for hedging may be adjusted from time-to-time in accordance with accounting rules to reflect changes in fair value. Downward adjustments or mark-to-market losses would reduce our stockholders' equity.

On December 31, 2013, we discontinued hedge accounting for our interest rate swap agreements by de-designating the interest rate swaps as cash flow hedges. No interest rate swaps were terminated in conjunction with this action, and our risk management and hedging practices are not impacted. However, our accounting for these transactions changed prospectively. All of our interest rate swaps had previously been accounted for as cash flow hedges under the applicable guidance. As a result of discontinuing hedge accounting, beginning January 1, 2014, changes in the fair value of the interest rate swap agreements are recorded in gain (loss) on derivative instruments, net in our consolidated statements of operations, rather than in AOCI. Also, net interest paid or received under the interest rate swaps, which up through December 31, 2013 was recognized in interest expense, repurchase agreements is recognized in gain (loss) on derivatives, net in our consolidated statements of operations. Refer to Note 8 - "Derivatives and Hedging Activities" of our consolidated financial statements for further information.

As of December 31, 2014, we have entered into interest rate swap agreements designed to mitigate the effects of increases in interest rates under a portion of our borrowings. These swap agreements provide for fixed interest rates indexed off of one-month LIBOR and effectively fix the floating interest rates on

October 11, 2024

14,688,143.48 0.00 760,859.82 0.00

April 11, 2025

13,927,160.97 0.00 760,982.51 0.00

October 11, 2025

13,166,047.48 0.00 761,113.49 0.00

April 11, 2026

0.00 0.00 13,166,047.48 0.00

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	N68836			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 28,998,000.00	$ 8,377,000.00	$ 0.00	$ 0.00
October 11, 2014	28,998,000.00	8,377,000.00	0.00	0.00
April 11, 2015	28,998,000.00	8,377,000.00	0.00	0.00
October 11, 2015	28,370,389.40	8,042,375.65	627,610.60	334,624.35
April 11, 2016	27,610,814.08	7,669,405.88	759,575.32	372,969.77
October 11, 2016	26,851,190.70	7,296,398.87	759,623.38	373,007.01
April 11, 2017	26,091,516.92	6,923,352.81	759,673.78	373,046.06
October 11, 2017	25,331,790.22	6,550,265.74	759,726.70	373,087.07
April 11, 2018	24,572,007.93	6,177,135.61	759,782.29	373,130.13
October 11, 2018	23,812,167.20	5,803,960.20	759,840.73	373,175.41
April 11, 2019	23,052,264.97	5,430,737.13	759,902.23	373,223.07
October 11, 2019	22,292,297.97	5,057,463.88	759,967.00	373,273.25
April 11, 2020	21,532,262.69	4,684,137.73	760,035.28	373,326.15
October 11, 2020	20,772,155.35	4,310,755.75	760,107.34	373,381.98
April 11, 2021	20,011,971.92	3,937,314.80	760,183.43	373,440.95
October 11, 2021	19,251,708.02	3,563,811.51	760,263.90	373,503.29
April 11, 2022	18,491,358.97	0.00	760,349.05	3,563,811.51
October 11, 2022	17,730,919.68	0.00	760,439.29	0.00
April 11, 2023	16,970,384.69	0.00	760,534.99	0.00
October 11, 2023	16,209,748.04	0.00	760,636.65	0.00
April 11, 2024	15,449,003.30	0.00	760,744.74	0.00
October 11, 2024	14,688,143.48	0.00	760,859.82	0.00
April 11, 2025	13,927,160.97	0.00	760,982.51	0.00
October 11, 2025	13,166,047.48	0.00	761,113.49	0.00
April 11, 2026	0.00	0.00	13,166,047.48	0.00

	N66837			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 28,998,000.00	$ 8,377,000.00	$ 0.00	$ 0.00
October 11, 2014	28,998,000.00	8,377,000.00	0.00	0.00
April 11, 2015	28,998,000.00	8,377,000.00	0.00	0.00
October 11, 2015	28,370,389.40	8,042,375.65	627,610.60	334,624.35
April 11, 2016	27,610,814.08	7,669,405.88	759,575.32	372,969.77
October 11, 2016	26,851,190.70	7,296,398.87	759,623.38	373,007.01
April 11, 2017	26,091,516.92	6,923,352.81	759,673.78	373,046.06
October 11, 2017	25,331,790.22	6,550,265.74	759,726.70	373,087.07
April 11, 2018	24,572,007.93	6,177,135.61	759,782.29	373,130.13
October 11, 2018	23,812,167.20	5,803,960.20	759,840.73	373,175.41
April 11, 2019	23,052,264.97	5,430,737.13	759,902.23	373,223.07
October 11, 2019	22,292,297.97	5,057,463.88	759,967.00	373,273.25
April 11, 2020	21,532,262.69	4,684,137.73	760,035.28	373,326.15

October 11, 2020	20,772,155.35	4,310,755.75	760,107.34	373,381.98
April 11, 2021	20,011,971.92	3,937,314.80	760,183.43	373,440.95
October 11, 2021	19,251,708.02	3,563,811.51	760,263.90	373,503.29
April 11, 2022	18,491,358.97	0.00	760,349.05	3,563,811.51
October 11, 2022	17,730,919.68	0.00	760,439.29	0.00
April 11, 2023	16,970,384.69	0.00	760,534.99	0.00
October 11, 2023	16,209,748.04	0.00	760,636.65	0.00
April 11, 2024	15,449,003.30	0.00	760,744.74	0.00
October 11, 2024	14,688,143.48	0.00	760,859.82	0.00
April 11, 2025	13,927,160.97	0.00	760,982.51	0.00
October 11, 2025	13,166,047.48	0.00	761,113.49	0.00
April 11, 2026	0.00	0.00	13,166,047.48	0.00

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N69838

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 28,998,000.00	$ 8,377,000.00	$ 0.00	$ 0.00
October 11, 2014	28,998,000.00	8,377,000.00	0.00	0.00
April 11, 2015	28,998,000.00	8,377,000.00	0.00	0.00
October 11, 2015	28,370,389.40	8,042,375.65	627,610.60	334,624.35
April 11, 2016	27,610,814.08	7,669,405.88	759,575.32	372,969.77
October 11, 2016	26,851,190.70	7,296,398.87	759,623.38	373,007.01
April 11, 2017	26,091,516.92	6,923,352.81	759,673.78	373,046.06
October 11, 2017	25,331,790.22	6,550,265.74	759,726.70	373,087.07
April 11, 2018	24,572,007.93	6,177,135.61	759,782.29	373,130.13
October 11, 2018	23,812,167.20	5,803,960.20	759,840.73	373,175.41
April 11, 2019	23,052,264.97	5,430,737.13	759,902.23	373,223.07
October 11, 2019	22,292,297.97	5,057,463.88	759,967.00	373,273.25
April 11, 2020	21,532,262.69	4,684,137.73	760,035.28	373,326.15
October 11, 2020	20,772,155.35	4,310,755.75	760,107.34	373,381.98
April 11, 2021	20,011,971.92	3,937,314.80	760,183.43	373,440.95
October 11, 2021	19,251,708.02	3,563,811.51	760,263.90	373,503.29
April 11, 2022	18,491,358.97	0.00	760,349.05	3,563,811.51
October 11, 2022	17,730,919.68	0.00	760,439.29	0.00
April 11, 2023	16,970,384.69	0.00	760,534.99	0.00
October 11, 2023	16,209,748.04	0.00	760,636.65	0.00
April 11, 2024	15,449,003.30	0.00	760,744.74	0.00
October 11, 2024	14,688,143.48	0.00	760,859.82	0.00
April 11, 2025	13,927,160.97	0.00	760,982.51	0.00
October 11, 2025	13,166,047.48	0.00	761,113.49	0.00
April 11, 2026	0.00	0.00	13,166,047.48	0.00

N69839

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 28,998,000.00	$ 8,377,000.00	$ 0.00	$ 0.00
October 11, 2014	28,998,000.00	8,377,000.00	0.00	0.00
April 11, 2015	28,998,000.00	8,377,000.00	0.00	0.00
October 11, 2015	28,370,389.40	8,042,375.65	627,610.60	334,624.35
April 11, 2016	27,610,814.08	7,669,405.88	759,575.32	372,969.77
October 11, 2016	26,851,190.70	7,296,398.87	759,623.38	373,007.01
April 11, 2017	26,091,516.92	6,923,352.81	759,673.78	373,046.06
October 11, 2017	25,331,790.22	6,550,265.74	759,726.70	373,087.07
April 11, 2018	24,572,007.93	6,177,135.61	759,782.29	373,130.13
October 11, 2018	23,812,167.20	5,803,960.20	759,840.73	373,175.41
April 11, 2019	23,052,264.97	5,430,737.13	759,902.23	373,223.07
October 11, 2019	22,292,297.97	5,057,463.88	759,967.00	373,273.25
April 11, 2020	21,532,262.69	4,684,137.73	760,035.28	373,326.15

October 11, 2020	20,772,155.35	4,310,755.75	760,107.34	373,381.98
April 11, 2021	20,011,971.92	3,937,314.80	760,183.43	373,440.95
October 11, 2021	19,251,708.02	3,563,811.51	760,263.90	373,503.29
April 11, 2022	18,491,358.97	0.00	760,349.05	3,563,811.51
October 11, 2022	17,730,919.68	0.00	760,439.29	0.00
April 11, 2023	16,970,384.69	0.00	760,534.99	0.00
October 11, 2023	16,209,748.04	0.00	760,636.65	0.00
April 11, 2024	15,449,003.30	0.00	760,744.74	0.00
October 11, 2024	14,688,143.48	0.00	760,859.82	0.00
April 11, 2025	13,927,160.97	0.00	760,982.51	0.00
October 11, 2025	13,166,047.48	0.00	761,113.49	0.00
April 11, 2026	0.00	0.00	13,166,047.48	0.00

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Boeing 787-8

N49911

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 69,313,000.00	$ 20,024,000.00	$ 0.00	$ 0.00
October 11, 2014	69,313,000.00	20,024,000.00	0.00	0.00
April 11, 2015	69,313,000.00	20,024,000.00	0.00	0.00
October 11, 2015	66,763,804.78	18,926,056.68	2,549,195.22	1,097,943.32
April 11, 2016	64,960,272.52	18,043,897.38	1,803,532.26	882,159.30
October 11, 2016	63,157,011.66	17,161,948.37	1,803,260.86	881,949.01
April 11, 2017	61,354,035.47	16,280,219.93	1,802,976.19	881,728.44
October 11, 2017	59,551,358.12	15,398,723.02	1,802,677.35	881,496.91
April 11, 2018	57,748,994.68	14,517,469.33	1,802,363.44	881,253.69
October 11, 2018	55,946,961.30	13,636,471.38	1,802,033.38	880,997.95
April 11, 2019	54,145,275.24	12,755,742.54	1,801,686.06	880,728.84
October 11, 2019	52,343,954.98	11,875,297.12	1,801,320.26	880,445.42
April 11, 2020	50,543,020.35	10,995,150.48	1,800,934.63	880,146.64
October 11, 2020	48,742,492.61	10,115,319.11	1,800,527.74	879,831.37
April 11, 2021	46,942,394.65	9,235,820.74	1,800,097.96	879,498.37
October 11, 2021	45,142,751.07	8,356,674.42	1,799,643.58	879,146.32
April 11, 2022	43,343,588.43	0.00	1,799,162.64	8,356,674.42
October 11, 2022	41,544,935.36	0.00	1,798,653.07	0.00
April 11, 2023	39,746,822.83	0.00	1,798,112.53	0.00
October 11, 2023	37,949,284.36	0.00	1,797,538.47	0.00
April 11, 2024	36,152,356.31	0.00	1,796,928.05	0.00
October 11, 2024	34,356,078.18	0.00	1,796,278.13	0.00
April 11, 2025	32,560,492.93	0.00	1,795,585.25	0.00
October 11, 2025	30,765,647.43	0.00	1,794,845.50	0.00
April 11, 2026	0.00	0.00	30,765,647.43	0.00

N28912

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 69,881,000.00	$ 20,188,000.00	$ 0.00	$ 0.00
October 11, 2014	69,881,000.00	20,188,000.00	0.00	0.00
April 11, 2015	69,881,000.00	20,188,000.00	0.00	0.00
October 11, 2015	68,368,940.26	19,381,076.96	1,512,059.74	806,923.04
April 11, 2016	66,538,462.76	18,482,268.43	1,830,477.50	898,808.53
October 11, 2016	64,707,869.44	17,583,370.16	1,830,593.32	898,898.27
April 11, 2017	62,877,154.64	16,684,377.78	1,830,714.80	898,992.38
October 11, 2017	61,046,312.33	15,785,286.59	1,830,842.31	899,091.19
April 11, 2018	59,215,336.06	14,886,091.61	1,830,976.27	899,194.98

October 11, 2018	57,384,218.95	13,986,787.51	1,831,117.11	899,304.10
April 11, 2019	55,552,953.64	13,087,368.58	1,831,265.31	899,418.93
October 11, 2019	53,721,532.23	12,187,828.70	1,831,421.41	899,539.88
April 11, 2020	51,889,946.27	11,288,161.33	1,831,585.96	899,667.37
October 11, 2020	50,058,186.67	10,388,359.42	1,831,759.60	899,801.91
April 11, 2021	48,226,243.68	9,488,415.42	1,831,942.99	899,944.00
October 11, 2021	46,394,106.80	8,588,321.19	1,832,136.88	900,094.23
April 11, 2022	44,561,764.69	0.00	1,832,342.11	8,588,321.19
October 11, 2022	42,729,205.14	0.00	1,832,559.55	0.00
April 11, 2023	40,896,414.94	0.00	1,832,790.20	0.00
October 11, 2023	39,063,379.77	0.00	1,833,035.17	0.00
April 11, 2024	37,230,084.12	0.00	1,833,295.65	0.00
October 11, 2024	35,396,511.14	0.00	1,833,572.98	0.00
April 11, 2025	33,562,642.49	0.00	1,833,868.65	0.00
October 11, 2025	31,728,458.18	0.00	1,834,184.31	0.00
April 11, 2026	0.00	0.00	31,728,458.18	0.00

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	N19951			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 79,245,000.00	$ 22,893,000.00	$ 0.00	$ 0.00
October 11, 2014	79,245,000.00	22,893,000.00	0.00	0.00
April 11, 2015	79,245,000.00	22,893,000.00	0.00	0.00
October 11, 2015	77,529,881.64	21,978,000.49	1,715,118.36	914,999.51
April 11, 2016	75,454,133.45	20,958,758.15	2,075,748.19	1,019,242.34
October 11, 2016	73,378,253.92	19,939,414.04	2,075,879.53	1,019,344.11
April 11, 2017	71,302,236.64	18,919,963.21	2,076,017.28	1,019,450.83
October 11, 2017	69,226,074.76	17,900,400.33	2,076,161.88	1,019,562.88
April 11, 2018	67,149,760.97	16,880,719.76	2,076,313.79	1,019,680.57
October 11, 2018	65,073,287.47	15,860,915.44	2,076,473.50	1,019,804.32
April 11, 2019	62,996,645.90	14,840,980.90	2,076,641.57	1,019,934.54
October 11, 2019	60,919,827.33	13,820,909.22	2,076,818.57	1,020,071.68
April 11, 2020	58,842,822.15	12,800,692.95	2,077,005.18	1,020,216.27
October 11, 2020	56,765,620.08	11,780,324.13	2,077,202.07	1,020,368.82
April 11, 2021	54,688,210.04	10,759,794.17	2,077,410.04	1,020,529.96
October 11, 2021	52,610,580.12	9,739,093.85	2,077,629.92	1,020,700.32
April 11, 2022	50,532,717.48	0.00	2,077,862.64	9,739,093.85
October 11, 2022	48,454,608.26	0.00	2,078,109.22	0.00
April 11, 2023	46,376,237.48	0.00	2,078,370.78	0.00
October 11, 2023	44,297,588.91	0.00	2,078,648.57	0.00
April 11, 2024	42,218,644.96	0.00	2,078,943.95	0.00
October 11, 2024	40,139,386.52	0.00	2,079,258.44	0.00
April 11, 2025	38,059,792.79	0.00	2,079,593.73	0.00
October 11, 2025	35,979,841.11	0.00	2,079,951.68	0.00
April 11, 2026	0.00	0.00	35,979,841.11	0.00

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	N88301			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,817,000.00	$ 4,569,000.00	$ 0.00	$ 0.00
October 11, 2014	15,817,000.00	4,569,000.00	0.00	0.00
April 11, 2015	15,817,000.00	4,569,000.00	0.00	0.00
October 11, 2015	14,876,045.19	4,217,028.60	940,954.81	351,971.40
April 11, 2016	14,350,344.21	3,986,069.15	525,700.98	230,959.45
October 11, 2016	13,827,674.35	3,757,458.23	522,669.86	228,610.92
April 11, 2017	13,308,183.78	3,531,310.65	519,490.57	226,147.58

October 11, 2017	12,792,030.49	3,307,748.81	516,153.29	223,561.84
April 11, 2018	12,279,383.12	3,086,903.40	512,647.37	220,845.41
October 11, 2018	11,770,421.88	2,868,914.01	508,961.24	217,989.39
April 11, 2019	11,265,339.49	2,653,930.00	505,082.39	214,984.01
October 11, 2019	10,764,342.41	2,442,111.31	500,997.08	211,818.69
April 11, 2020	10,267,651.99	2,233,629.45	496,690.42	208,481.86
October 11, 2020	9,775,505.84	2,028,668.54	492,146.15	204,960.91
April 11, 2021	9,288,159.44	1,827,426.49	487,346.40	201,242.05
October 11, 2021	8,805,887.73	1,630,116.35	482,271.71	197,310.14
April 11, 2022	8,328,987.06	0.00	476,900.67	1,630,116.35
October 11, 2022	7,857,777.34	0.00	471,209.72	0.00
April 11, 2023	7,392,604.39	0.00	465,172.95	0.00
October 11, 2023	6,933,842.64	0.00	458,761.75	0.00
April 11, 2024	6,481,898.11	0.00	451,944.53	0.00
October 11, 2024	6,037,211.86	0.00	444,686.25	0.00
April 11, 2025	5,600,263.84	0.00	436,948.02	0.00
October 11, 2025	5,171,577.27	0.00	428,686.57	0.00
April 11, 2026	0.00	0.00	5,171,577.27	0.00

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	N87302			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,827,000.00	$ 4,572,000.00	$ 0.00	$ 0.00
October 11, 2014	15,827,000.00	4,572,000.00	0.00	0.00
April 11, 2015	15,827,000.00	4,572,000.00	0.00	0.00
October 11, 2015	14,886,202.95	4,219,908.10	940,797.05	352,091.90
April 11, 2016	14,360,143.01	3,988,790.95	526,059.94	231,117.15
October 11, 2016	13,837,116.26	3,760,023.92	523,026.75	228,767.03
April 11, 2017	13,317,270.97	3,533,721.93	519,845.29	226,301.99
October 11, 2017	12,800,765.23	3,310,007.44	516,505.74	223,714.49
April 11, 2018	12,287,767.82	3,089,011.22	512,997.41	220,996.22
October 11, 2018	11,778,459.03	2,870,872.98	509,308.79	218,138.24
April 11, 2019	11,273,031.76	2,655,742.17	505,427.27	215,130.81
October 11, 2019	10,771,692.59	2,443,778.85	501,339.17	211,963.32
April 11, 2020	10,274,663.01	2,235,154.63	497,029.58	208,624.22
October 11, 2020	9,782,180.82	2,030,053.76	492,482.19	205,100.87
April 11, 2021	9,294,501.65	1,828,674.31	487,679.17	201,379.45
October 11, 2021	8,811,900.62	1,631,229.44	482,601.03	197,444.87
April 11, 2022	8,334,674.31	0.00	477,226.31	1,631,229.44
October 11, 2022	7,863,142.83	0.00	471,531.48	0.00
April 11, 2023	7,397,652.26	0.00	465,490.57	0.00
October 11, 2023	6,938,577.25	0.00	459,075.01	0.00
April 11, 2024	6,486,324.12	0.00	452,253.13	0.00
October 11, 2024	6,041,334.23	0.00	444,989.89	0.00
April 11, 2025	5,604,087.85	0.00	437,246.38	0.00
October 11, 2025	5,175,108.56	0.00	428,979.29	0.00
April 11, 2026	0.00	0.00	5,175,108.56	0.00

	N87303			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,827,000.00	$ 4,572,000.00	$ 0.00	$ 0.00
October 11, 2014	15,827,000.00	4,572,000.00	0.00	0.00
April 11, 2015	15,827,000.00	4,572,000.00	0.00	0.00
October 11, 2015	14,886,202.95	4,219,908.10	940,797.05	352,091.90
April 11, 2016	14,360,143.01	3,988,790.95	526,059.94	231,117.15
October 11, 2016	13,837,116.26	3,760,023.92	523,026.75	228,767.03
April 11, 2017	13,317,270.97	3,533,721.93	519,845.29	226,301.99
October 11, 2017	12,800,765.23	3,310,007.44	516,505.74	223,714.49
April 11, 2018	12,287,767.82	3,089,011.22	512,997.41	220,996.22
October 11, 2018	11,778,459.03	2,870,872.98	509,308.79	218,138.24
April 11, 2019	11,273,031.76	2,655,742.17	505,427.27	215,130.81
October 11, 2019	10,771,692.59	2,443,778.85	501,339.17	211,963.32

April 11, 2020	10,274,663.01	2,235,154.63	497,029.58	208,624.22
October 11, 2020	9,782,180.82	2,030,053.76	492,482.19	205,100.87
April 11, 2021	9,294,501.65	1,828,674.31	487,679.17	201,379.45
October 11, 2021	8,811,900.62	1,631,229.44	482,601.03	197,444.87
April 11, 2022	8,334,674.31	0.00	477,226.31	1,631,229.44
October 11, 2022	7,863,142.83	0.00	471,531.48	0.00
April 11, 2023	7,397,652.26	0.00	465,490.57	0.00
October 11, 2023	6,938,577.25	0.00	459,075.01	0.00
April 11, 2024	6,486,324.12	0.00	452,253.13	0.00
October 11, 2024	6,041,334.23	0.00	444,989.89	0.00
April 11, 2025	5,604,087.85	0.00	437,246.38	0.00
October 11, 2025	5,175,108.56	0.00	428,979.29	0.00
April 11, 2026	0.00	0.00	5,175,108.56	0.00

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N89304

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 15,854,000.00	$ 4,580,000.00	$ 0.00	$ 0.00
October 11, 2014	15,854,000.00	4,580,000.00	0.00	0.00
April 11, 2015	15,854,000.00	4,580,000.00	0.00	0.00
October 11, 2015	14,911,597.36	4,227,106.85	942,402.64	352,893.15
April 11, 2016	14,384,640.02	3,995,595.43	526,957.34	231,511.42
October 11, 2016	13,860,721.03	3,766,438.16	523,918.99	229,157.27
April 11, 2017	13,339,988.94	3,539,750.11	520,732.09	226,688.05
October 11, 2017	12,822,602.09	3,315,653.99	517,386.85	224,096.12
April 11, 2018	12,308,729.55	3,094,280.77	513,872.54	221,373.22
October 11, 2018	11,798,551.93	2,875,770.41	510,177.62	218,510.36
April 11, 2019	11,292,262.46	2,660,272.60	506,289.47	215,497.81
October 11, 2019	10,790,068.05	2,447,947.69	502,194.41	212,324.91
April 11, 2020	10,292,190.58	2,238,967.59	497,877.47	208,980.10
October 11, 2020	9,798,868.27	2,033,516.84	493,322.31	205,450.75
April 11, 2021	9,310,357.16	1,831,793.85	488,511.11	201,722.99
October 11, 2021	8,826,932.86	1,634,012.16	483,424.30	197,781.69
April 11, 2022	8,348,892.45	0.00	478,040.41	1,634,012.16
October 11, 2022	7,876,556.59	0.00	472,335.86	0.00
April 11, 2023	7,410,271.94	0.00	466,284.65	0.00
October 11, 2023	6,950,413.79	0.00	459,858.15	0.00
April 11, 2024	6,497,389.16	0.00	453,024.63	0.00
October 11, 2024	6,051,640.15	0.00	445,749.01	0.00
April 11, 2025	5,613,647.87	0.00	437,992.28	0.00
October 11, 2025	5,183,936.79	0.00	429,711.08	0.00
April 11, 2026	0.00	0.00	5,183,936.79	0.00

N93305

Date	Equipment Note Ending Balance Series A Equipment Note	Equipment Note Ending Balance Series B Equipment Note	Scheduled Payments of Principal Series A Equipment Note	Scheduled Payments of Principal Series B Equipment Note
At Issuance	$ 15,870,000.00	$ 4,585,000.00	$ 0.00	$ 0.00
October 11, 2014	15,870,000.00	4,585,000.00	0.00	0.00
April 11, 2015	15,870,000.00	4,585,000.00	0.00	0.00
October 11, 2015	15,286,998.91	4,333,524.86	583,001.09	251,475.14
April 11, 2016	14,755,365.81	4,098,571.27	531,633.10	234,953.59
October 11, 2016	14,226,641.51	3,865,871.43	528,724.30	232,699.84
April 11, 2017	13,700,968.20	3,635,535.53	525,673.31	230,335.90
October 11, 2017	13,178,497.49	3,407,681.02	522,470.71	227,854.51
April 11, 2018	12,659,391.22	3,182,433.30	519,106.27	225,247.72
October 11, 2018	12,143,822.31	2,959,926.35	515,568.91	222,506.95
April 11, 2019	11,631,975.74	2,740,303.50	511,846.57	219,622.85
October 11, 2019	11,124,049.60	2,523,718.24	507,926.14	216,585.26

April 11, 2020	10,620,256.32	2,310,335.15	503,793.28	213,383.09
October 11, 2020	10,120,823.94	2,100,330.91	499,432.38	210,004.24
April 11, 2021	9,625,997.60	1,893,895.47	494,826.34	206,435.44
October 11, 2021	9,136,041.15	1,691,233.25	489,956.45	202,662.22
April 11, 2022	8,651,239.00	0.00	484,802.15	1,691,233.25
October 11, 2022	8,171,898.14	0.00	479,340.86	0.00
April 11, 2023	7,698,350.44	0.00	473,547.70	0.00
October 11, 2023	7,230,955.19	0.00	467,395.25	0.00
April 11, 2024	6,770,102.06	0.00	460,853.13	0.00
October 11, 2024	6,316,214.29	0.00	453,887.77	0.00
April 11, 2025	5,869,752.48	0.00	446,461.81	0.00
October 11, 2025	5,431,218.72	0.00	438,533.76	0.00
April 11, 2026	0.00	0.00	5,431,218.72	0.00

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	N87306			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,870,000.00	$ 4,585,000.00	$ 0.00	$ 0.00
October 11, 2014	15,870,000.00	4,585,000.00	0.00	0.00
April 11, 2015	15,870,000.00	4,585,000.00	0.00	0.00
October 11, 2015	15,286,998.91	4,333,524.86	583,001.09	251,475.14
April 11, 2016	14,755,365.81	4,098,571.27	531,633.10	234,953.59
October 11, 2016	14,226,641.51	3,865,871.43	528,724.30	232,699.84
April 11, 2017	13,700,968.20	3,635,535.53	525,673.31	230,335.90
October 11, 2017	13,178,497.49	3,407,681.02	522,470.71	227,854.51
April 11, 2018	12,659,391.22	3,182,433.30	519,106.27	225,247.72
October 11, 2018	12,143,822.31	2,959,926.35	515,568.91	222,506.95
April 11, 2019	11,631,975.74	2,740,303.50	511,846.57	219,622.85
October 11, 2019	11,124,049.60	2,523,718.24	507,926.14	216,585.26
April 11, 2020	10,620,256.32	2,310,335.15	503,793.28	213,383.09
October 11, 2020	10,120,823.94	2,100,330.91	499,432.38	210,004.24
April 11, 2021	9,625,997.60	1,893,895.47	494,826.34	206,435.44
October 11, 2021	9,136,041.15	1,691,233.25	489,956.45	202,662.22
April 11, 2022	8,651,239.00	0.00	484,802.15	1,691,233.25
October 11, 2022	8,171,898.14	0.00	479,340.86	0.00
April 11, 2023	7,698,350.44	0.00	473,547.70	0.00
October 11, 2023	7,230,955.19	0.00	467,395.25	0.00
April 11, 2024	6,770,102.06	0.00	460,853.13	0.00
October 11, 2024	6,316,214.29	0.00	453,887.77	0.00
April 11, 2025	5,869,752.48	0.00	446,461.81	0.00
October 11, 2025	5,431,218.72	0.00	438,533.76	0.00
April 11, 2026	0.00	0.00	5,431,218.72	0.00

	N84307			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,881,000.00	$ 4,588,000.00	$ 0.00	$ 0.00
October 11, 2014	15,881,000.00	4,588,000.00	0.00	0.00
April 11, 2015	15,881,000.00	4,588,000.00	0.00	0.00
October 11, 2015	15,297,401.76	4,336,473.84	583,598.24	251,526.16
April 11, 2016	14,765,406.89	4,101,360.36	531,994.87	235,113.48
October 11, 2016	14,236,322.79	3,868,502.17	529,084.10	232,858.19
April 11, 2017	13,710,291.76	3,638,009.52	526,031.03	230,492.65
October 11, 2017	13,187,465.51	3,409,999.96	522,826.25	228,009.56
April 11, 2018	12,668,005.98	3,184,598.96	519,459.53	225,401.00
October 11, 2018	12,152,086.23	2,961,940.60	515,919.75	222,658.36
April 11, 2019	11,639,891.34	2,742,168.29	512,194.89	219,772.31
October 11, 2019	11,131,619.55	2,525,435.64	508,271.79	216,732.65
April 11, 2020	10,627,483.44	2,311,907.34	504,136.11	213,528.30

October 11, 2020	10,127,711.20	2,101,760.19	499,772.24	210,147.15
April 11, 2021	9,632,548.12	1,895,184.27	495,163.08	206,575.92
October 11, 2021	9,142,258.26	1,692,384.13	490,289.86	202,800.14
April 11, 2022	8,657,126.20	0.00	485,132.06	1,692,384.13
October 11, 2022	8,177,459.15	0.00	479,667.05	0.00
April 11, 2023	7,703,589.19	0.00	473,869.96	0.00
October 11, 2023	7,235,875.88	0.00	467,713.31	0.00
April 11, 2024	6,774,709.14	0.00	461,166.74	0.00
October 11, 2024	6,320,512.50	0.00	454,196.64	0.00
April 11, 2025	5,873,746.87	0.00	446,765.63	0.00
October 11, 2025	5,434,914.69	0.00	438,832.18	0.00
April 11, 2026	0.00	0.00	5,434,914.69	0.00

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	N89308			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,892,000.00	$ 4,591,000.00	$ 0.00	$ 0.00
October 11, 2014	15,892,000.00	4,591,000.00	0.00	0.00
April 11, 2015	15,892,000.00	4,591,000.00	0.00	0.00
October 11, 2015	15,307,804.62	4,339,422.82	584,195.38	251,577.18
April 11, 2016	14,775,447.97	4,104,149.46	532,356.65	235,273.36
October 11, 2016	14,246,004.07	3,871,132.91	529,443.90	233,016.55
April 11, 2017	13,719,615.31	3,640,483.51	526,388.76	230,649.40
October 11, 2017	13,196,433.53	3,412,318.90	523,181.78	228,164.61
April 11, 2018	12,676,620.75	3,186,764.62	519,812.78	225,554.28
October 11, 2018	12,160,350.14	2,963,954.84	516,270.61	222,809.78
April 11, 2019	11,647,806.93	2,744,033.08	512,543.21	219,921.76
October 11, 2019	11,139,189.51	2,527,153.04	508,617.42	216,880.04
April 11, 2020	10,634,710.57	2,313,479.53	504,478.94	213,673.51
October 11, 2020	10,134,598.46	2,103,189.48	500,112.11	210,290.05
April 11, 2021	9,639,098.65	1,896,473.07	495,499.81	206,716.41
October 11, 2021	9,148,475.37	1,693,535.03	490,623.28	202,938.04
April 11, 2022	8,663,013.39	0.00	485,461.98	1,693,535.03
October 11, 2022	8,183,020.15	0.00	479,993.24	0.00
April 11, 2023	7,708,827.94	0.00	474,192.21	0.00
October 11, 2023	7,240,796.57	0.00	468,031.37	0.00
April 11, 2024	6,779,316.22	0.00	461,480.35	0.00
October 11, 2024	6,324,810.71	0.00	454,505.51	0.00
April 11, 2025	5,877,741.26	0.00	447,069.45	0.00
October 11, 2025	5,438,610.65	0.00	439,130.61	0.00
April 11, 2026	0.00	0.00	5,438,610.65	0.00

	N86309			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$ 15,908,000.00	$ 4,596,000.00	$ 0.00	$ 0.00
October 11, 2014	15,908,000.00	4,596,000.00	0.00	0.00
April 11, 2015	15,908,000.00	4,596,000.00	0.00	0.00
October 11, 2015	15,323,408.90	4,343,846.29	584,591.10	252,153.71
April 11, 2016	14,790,509.58	4,108,333.09	532,899.32	235,513.20
October 11, 2016	14,260,525.99	3,875,079.02	529,983.59	233,254.07
April 11, 2017	13,733,600.65	3,644,194.51	526,925.34	230,884.51
October 11, 2017	13,209,885.54	3,415,797.30	523,715.11	228,397.21
April 11, 2018	12,689,542.89	3,190,013.10	520,342.65	225,784.20
October 11, 2018	12,172,746.02	2,966,976.20	516,796.87	223,036.90
April 11, 2019	11,659,680.34	2,746,830.26	513,065.68	220,145.94
October 11, 2019	11,150,544.44	2,529,729.14	509,135.90	217,101.12

April 11, 2020	10,645,551.25	2,315,837.82	504,993.19	213,891.32
October 11, 2020	10,144,929.34	2,105,333.40	500,621.91	210,504.42
April 11, 2021	9,648,924.44	1,898,406.27	496,004.90	206,927.13
October 11, 2021	9,157,801.03	1,695,261.36	491,123.41	203,144.91
April 11, 2022	8,671,844.19	0.00	485,956.84	1,695,261.36
October 11, 2022	8,191,361.66	0.00	480,482.53	0.00
April 11, 2023	7,716,686.07	0.00	474,675.59	0.00
October 11, 2023	7,248,177.61	0.00	468,508.46	0.00
April 11, 2024	6,786,226.83	0.00	461,950.78	0.00
October 11, 2024	6,331,258.02	0.00	454,968.81	0.00
April 11, 2025	5,883,732.84	0.00	447,525.18	0.00
October 11, 2025	5,444,154.60	0.00	439,578.24	0.00
April 11, 2026	0.00	0.00	5,444,154.60	0.00

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The interest rate applicable to each Series of Equipment Notes must be equal to the rate applicable to the Certificates issued by the corresponding Trust.

The payment dates for the Equipment Notes must be April 11 and October 11 (but not before October 11, 2014).

The amounts payable under the all-risk aircraft hull insurance maintained with respect to each Aircraft must be sufficient to pay the unpaid principal amount of the related Equipment Notes together with six months of interest accrued thereon, subject to certain rights of self-insurance.

(a) The past due rate in the Indentures, (b) the Make-Whole Premium payable under the Indentures, (c) the provisions relating to the redemption of Equipment Notes in the Indentures and (d) the indemnification of the Loan Trustees, Subordination Agent, Liquidity Providers, Trustees, Escrow Agents and registered holders of the Equipment Notes (in such capacity, the Note Holders) with respect to certain taxes and expenses, in each case shall be provided as set forth in the form of Participation Agreement attached as an exhibit to the Note Purchase Agreement.

In the case of the Indentures, modifications are prohibited in any material adverse respect (i) to the Granting Clause of the Indentures so as to deprive the Note Holders under all the Indentures of a first priority security interest in the Aircraft and certain of United s rights under warranties with respect to the Aircraft or to eliminate the obligations intended to be secured thereby, (ii) to certain provisions relating to the issuance, redemption, payments, and ranking of the Equipment Notes (including the obligation to pay the Make-Whole Premium in certain circumstances), (iii) to certain provisions regarding Indenture Defaults (including cross-defaults among Indentures) and remedies relating thereto, (iv) to certain provisions relating to any replaced airframe or engines with respect to an Aircraft and (v) to the provision that New York law will govern the Indentures.

In the case of the Participation Agreements, modifications are prohibited in any material adverse respect (i) to certain conditions to the obligations of the Trustees to purchase the Equipment Notes issued with respect to an Aircraft involving good title to such Aircraft, the release of any recorded liens on the Aircraft, obtaining a certificate of airworthiness with respect to such Aircraft, entitlement to the benefits of Section 1110 with respect to such Aircraft and filings of certain documents with the FAA and the registration of certain interests with the International Registry under the Cape Town Convention on International Interests in Mobile Equipment and the related Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment (the Cape Town Treaty), (ii) to the provisions restricting the Note Holder s ability to transfer such Equipment Notes, (iii) to certain provisions requiring the delivery of legal opinions and (iv) to the provision that New York law will govern the Participation Agreement.

In the case of all of the Participation Agreements and Indentures, modifications are prohibited in any material adverse respect as regards the interest of the Note Holders, the Subordination Agent, the Liquidity Provider or the Loan Trustee in the definition of Make-Whole Premium .

Notwithstanding the foregoing, any such forms of financing agreements may be modified to correct or supplement any such provision which may be defective or to cure any ambiguity or correct any mistake, provided that any such action shall not materially adversely affect the interests of the Note Holders, the Subordination Agent, the Liquidity Provider, the Loan Trustee or the Certificateholders.

Liquidation of Original Trusts

On the earlier of (i) the first Business Day after June 30, 2015 or, if later, the fifth Business Day after the Delivery Period Termination Date and (ii) the fifth Business Day after the occurrence of a Triggering Event (such Business Day, the Transfer Date), each of the Trusts established on the Issuance Date (the Original Trusts) will transfer and assign all of its assets and rights to a newly created successor trust (each, a Successor Trust) with substantially identical terms, except that (i) the Successor Trusts will not have the right to purchase new

Equipment Notes and (ii) Delaware law will govern the Original Trusts and New York law will govern the Successor Trusts. The institution acting as Trustee of each of the Original Trusts (each, an Original Trustee) will also act as Trustee of the corresponding Successor Trust (each, a New Trustee). Each New Trustee will assume the obligations of the related Original Trustee under each transaction document to which such Original Trustee was a party. Upon the effectiveness of such transfer, assignment and assumption, each of the Original Trusts will be liquidated and each of the Certificates will represent the same percentage interest in the Successor Trust as it represented in the Original Trust immediately prior to such transfer, assignment and assumption. Unless the context otherwise requires, all references in this Prospectus Supplement to the Trusts, the applicable Trustees, the Pass Through Trust Agreements and similar terms shall apply to the Original Trusts until the effectiveness of such transfer, assignment and assumption, and thereafter shall be applicable with respect to the Successor Trusts. If for any reason such transfer, assignment and assumption cannot be effected to any Successor Trust, the related Original Trust will continue in existence until it is effected. The Original Trusts may be treated as partnerships for U.S. federal income tax purposes. The Successor Trusts will be treated as grantor trusts. See Certain U.S. Federal Tax Consequences .

Termination of the Trusts

The obligations of United and the applicable Trustee with respect to a Trust will terminate upon the distribution to Certificateholders of such Trust of all amounts required to be distributed to them pursuant to the applicable Pass Through Trust Agreement and the disposition of all property held in such Trust. The applicable Trustee will send to each Certificateholder of such Trust notice of the termination of such Trust, the amount of the proposed final payment and the proposed date for the distribution of such final payment for such Trust. The final distribution to any Certificateholder of such Trust will be made only upon surrender of such Certificateholder s Certificates at the office or agency of the applicable Trustee specified in such notice of termination. (Trust Supplements, Section 7.01(a))

The Trustees

The Trustee for each Trust will be Wilmington Trust, National Association. The Trustee s address is Wilmington Trust, National Association, 1100 North Market Street, Wilmington, Delaware 19890-1605, Attention: Corporate Trust Administration.

Book-Entry; Delivery and Form

General

Upon issuance, each Class of Certificates will be represented by one or more fully registered global certificates. Each global certificate will be deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of Cede & Co. (Cede), the nominee of DTC. DTC was created to hold securities for its participants (DTC Participants) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (Indirect DTC Participants).

So long as such book-entry procedures are applicable, no person acquiring an interest in such Certificates (Certificate Owner) will be entitled to receive a certificate representing such person s interest in such Certificates. Unless and until definitive certificates are issued under the limited circumstances described below under Physical Certificates , all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC

Participants, and all references herein to distributions, notices, reports and

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statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of such Certificates, or to DTC Participants for distribution to Certificate Owners in accordance with DTC procedures.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Under the New York Uniform Commercial Code, a clearing corporation is defined as:

- a person that is registered as a clearing agency under the federal securities laws;
- a federal reserve bank; or
- any other person that provides clearance or settlement services with respect to financial assets that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority.

A clearing agency is an organization established for the execution of trades by transferring funds, assigning deliveries and guaranteeing the performance of the obligations of parties to trades.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers of the Certificates among DTC Participants on whose behalf it acts with respect to the Certificates and to receive and transmit distributions with respect to the Certificates. DTC Participants and Indirect DTC Participants with which Certificate Owners have accounts similarly are required to make book-entry transfers and receive and transmit the payments on behalf of their respective customers. Certificate Owners that are not DTC Participants or Indirect DTC Participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, the Certificates may do so only through DTC Participants and Indirect DTC Participants. In addition, Certificate Owners will receive all distributions with respect to the Certificates from the Trustees through DTC Participants or Indirect DTC Participants, as the case may be.

Under a book-entry format, Certificate Owners may experience some delay in their receipt of payments, because payments with respect to the Certificates will be forwarded by the Trustees to Cede, as nominee for DTC. DTC will forward payments in same-day funds to each DTC Participant who is credited with ownership of the Certificates in an amount proportionate to the face amount of that DTC Participant s holdings of beneficial interests in the Certificates, as shown on the records of DTC or its nominee. Each such DTC Participant will forward payments to its Indirect DTC Participants in accordance with standing instructions and customary industry practices. DTC Participants and Indirect DTC Participants will be responsible for forwarding distributions to Certificate Owners for whom they act. Accordingly, although Certificate Owners will not possess physical certificates, DTC s rules provide a mechanism by which Certificate Owners will receive payments on the Certificates and will be able to transfer their interests.

Unless and until physical certificates are issued under the limited circumstances described under Physical Certificates below, the only Certificateholder of physical certificates will be Cede, as nominee of DTC. Certificate Owners will not be recognized by the Trustees as registered owners of Certificates under the applicable Pass Through Trust Agreement. Certificate Owners will be permitted to exercise their rights under the applicable Pass Through Trust Agreement only indirectly through DTC. DTC will take any action permitted to be taken by a Certificateholder under the applicable Pass Through Trust Agreement only at the direction of one or more DTC Participants to whose accounts with DTC the Certificates are credited. In the event any action requires approval by Certificateholders of a certain percentage of the beneficial interests in a Trust, DTC will take action only at the direction of and on behalf of DTC Participants whose holdings include undivided interests that satisfy the required percentage. DTC may take conflicting actions with respect to other undivided interests to the extent that the actions are taken on behalf of DTC Participants whose holdings include those undivided interests. DTC will convey notices and other communications to DTC Participants, and DTC Participants will convey notices and other communications to Indirect DTC Participants in accordance with arrangements among them. Arrangements among DTC and its direct and indirect participants are subject to any statutory or regulatory requirements as may be in effect from time to time. DTC s rules applicable to itself and DTC Participants are on file with the Commission.

A Certificate Owner s ability to pledge its Certificates to persons or entities that do not participate in the DTC system, or otherwise to act with respect to its Certificates, may be limited due to the lack of a physical certificate to evidence ownership of the Certificates, and because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants.

Neither United nor the Trustees will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Certificates held by Cede, as nominee for DTC, for maintaining, supervising or reviewing any records relating to the beneficial ownership interests or for the performance by DTC, any DTC Participant or any Indirect DTC Participant of their respective obligations under the rules and procedures governing their obligations.

As long as the Certificates of any Trust are registered in the name of DTC or its nominee, United will make all payments to the Loan Trustee under the applicable Indenture in immediately available funds. The applicable Trustee will pass through to DTC in immediately available funds all payments received from United, including the final distribution of principal with respect to the Certificates of such Trust.

Any Certificates registered in the name of DTC or its nominee will trade in DTC s Same-Day Funds Settlement System until maturity. DTC will require secondary market trading activity in the Certificates to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in same-day funds on trading activity in the Certificates.

Physical Certificates

Physical certificates will be issued in paper form to Certificateholders or their nominees, rather than to DTC or its nominee, only if:

- United advises the applicable Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to the Certificates and United is unable to locate a qualified successor;

- United elects to terminate the book-entry system through DTC; or

- after the occurrence of an Indenture Default under any Indenture pursuant to which Equipment Notes held by a Trust were issued, Certificate Owners owning at least a majority in fractional undivided interests in such Trust advise the applicable Trustee, United and DTC through DTC Participants that the continuation of a book-entry system through DTC or a successor to DTC is no longer in the Certificate Owners best interest.

Upon the occurrence of any of the events described in the three subparagraphs above, the applicable Trustee will notify all applicable Certificate Owners through DTC Participants of the occurrence of such event and the availability of physical certificates. Upon surrender by DTC of the global certificates and receipt of instructions for re-registration, the applicable Trustee will reissue the Certificates as physical certificates to the applicable Certificate Owners.

In the case of the physical certificates that are issued, the applicable Trustee or a paying agent will make distributions with respect to such Certificates directly to holders in whose names the physical certificates were registered at the close of business on the applicable record date. Except for the final payment to be made with

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respect to a Certificate, the applicable Trustee or a paying agent will make distributions by check mailed to the addresses of the registered holders as they appear on the register maintained by such Trustee. The applicable Trustee or a paying agent will make the final payment with respect to any Certificate only upon presentation and surrender of the applicable Certificate at the office or agency specified in the notice of final distribution to Certificateholders.

Physical certificates will be freely transferable and exchangeable at the office of the Trustee upon compliance with the requirements set forth in the applicable Pass Through Trust Agreement. Neither the Trustee nor any transfer or exchange agent will impose a service charge for any registration of transfer or exchange. However, the Trustee or transfer or exchange agent will require payment of a sum sufficient to cover any tax or other governmental charge attributable to a transfer or exchange.

DESCRIPTION OF THE DEPOSIT AGREEMENTS

The following summary describes the material terms of the Deposit Agreements. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Deposit Agreements, each of which will be filed as an exhibit to a Current Report on Form 8-K to be filed by United with the Commission. The provisions of the Deposit Agreements are substantially identical except as otherwise indicated.

General

Under the Escrow Agreements, the Escrow Agent with respect to each Trust will enter into a separate Deposit Agreement with the Depositary. Pursuant to the Escrow Agreements, the Depositary will establish separate accounts into which the proceeds of this Offering attributable to Certificates of the applicable Trust will be deposited (each, a Deposit) on behalf of such Escrow Agent. Pursuant to the Deposit Agreement with respect to each Trust (each a Deposit Agreement), on each Regular Distribution Date the Depositary will pay to the Paying Agent on behalf of the applicable Escrow Agent, for distribution to the Certificateholders of such Trust, an amount equal to interest accrued on the Deposits relating to such Trust during the relevant interest period at a rate per annum equal to the interest rate applicable to the Certificates issued by such Trust. After the Issuance Date, upon each financing of an Aircraft during the Delivery Period, the Trustee for each Trust will request the Escrow Agent relating to such Trust to withdraw from the Deposits relating to such Trust funds sufficient to enable the Trustee of such Trust to purchase the Equipment Note of the series applicable to such Trust issued with respect to such Aircraft. Accrued but unpaid interest on all such Deposits withdrawn will be paid on the next Regular Distribution Date. Any portion of any Deposit withdrawn that is not used to purchase such Equipment Note will be re-deposited by each Trustee into an account relating to the applicable Trust. The Deposits relating to each Trust and interest paid thereon will not be subject to the subordination provisions of the Intercreditor Agreement and will not be available to pay any other amount in respect of the Certificates.

Unused Deposits

The Trustees obligations to purchase the Equipment Notes issued with respect to each Aircraft are subject to satisfaction of certain conditions at the time of financing, as set forth in the Note Purchase Agreement. See Description of the Certificates Obligation to Purchase Equipment Notes . Since the Aircraft are expected to be financed from time to time during the Delivery Period, no assurance can be given that all such conditions will be satisfied at the time of financing for each such Aircraft. Moreover, delivery of the Aircraft is subject to delays in the manufacturing process and to the Aircraft manufacturer s right to postpone deliveries under its agreement with United. See Description of the Aircraft and Appraisals Timing of Financing the Aircraft .

If any funds remain as Deposits with respect to any Trust at the end of the Delivery Period or, if earlier, upon the acquisition by the Trusts of the Equipment Notes with respect to all of the Aircraft (the Delivery Period Termination Date), such funds will be withdrawn by the Escrow Agent and distributed, with accrued and unpaid interest thereon but without premium, to the Certificateholders of such Trust after at least 15 days prior written notice.

Distribution Upon Occurrence of Triggering Event

If a Triggering Event shall occur prior to the Delivery Period Termination Date, the Escrow Agent for each Trust will withdraw any funds then held as Deposits with respect to such Trust and cause such funds, with accrued and unpaid interest thereon but without any premium, to be distributed to the Certificateholders of such Trust by the Paying Agent on behalf of the Escrow Agent, after at least 15 days prior written notice. Accordingly, if a Triggering Event occurs prior to the Delivery Period Termination Date, the Trusts will not acquire Equipment Notes issued with respect to

Aircraft available to be financed after the occurrence of such Triggering Event.

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Replacement of Depositary

If the Depositary s long-term issuer credit rating by Fitch Ratings Ltd. (Fitch) or Standard & Poor s Ratings Services, a Standard & Poor s Financial Services LLC business (Standard & Poor s) falls below the Depositary Threshold Rating or if any such rating has been withdrawn or suspended, then United must, within 30 days of such event occurring, replace the Depositary with a new depositary bank that has a long-term issuer credit rating issued by Fitch and Standard & Poor s equal to or higher than the applicable Depositary Threshold Rating, subject to receipt of written confirmation from each nationally recognized rating agency which shall have been requested to rate the Certificates and which shall then be rating the Certificates (the Rating Agencies) that such replacement will not result in a withdrawal, suspension or downgrading of the ratings for any Class of Certificates then rated by such Rating Agency without regard to any withdrawal, suspension or downgrading of any rating of the Depositary being replaced.

At any time during the Delivery Period, United may replace the Depositary, or the Depositary may replace itself, with a new depositary bank that has a long-term issuer credit rating issued by Fitch and Standard & Poor s equal to or higher than the applicable Depositary Threshold Rating, subject to receipt of written confirmation from each Rating Agency that such replacement will not result in a withdrawal, suspension or downgrading of the ratings for any Class of Certificates then rated by such Rating Agency.

Depositary Threshold Rating means the long-term issuer credit rating of A- by Fitch and A- by Standard & Poor s.

Depositary

Crédit Agricole Corporate and Investment Bank (Credit Agricole CIB), acting via its New York Branch, will act as the depositary (the Depositary). Credit Agricole CIB specializes in capital markets, investment banking and financing activities. Credit Agricole CIB had over 800 billion euros in assets and over 15 billion euros total equity capital, both as of June 30, 2013. Credit Agricole CIB is a limited liability company incorporated in France as a société anonyme and established under the laws of France. The New York Branch of Credit Agricole CIB is licensed by the New York State Department of Financial Services. Credit Agricole CIB is 97.33% owned by Crédit Agricole S.A. The shares of Crédit Agricole S.A. have been listed on the French Stock Exchange since December 14, 2001.

Credit Agricole CIB s long-term unsecured debt is rated A by Fitch and A by Standard & Poor s, and Credit Agricole CIB s short-term unsecured debt is rated F1 by Fitch and A-1 by Standard & Poor s.

Credit Agricole CIB s registered office is located at 9, quai du President Paul Doumer, 92920 Paris La Defense Cedex, France. Credit Agricole CIB s most recent Document de Reference (which is translated to English) and its most recently audited annual consolidated financial statements and unaudited interim consolidated financial statements are available on the following website: http://www.ca-cib.com. The information and financial statements contained on this website are not part of this Prospectus Supplement and are not incorporated by reference herein.

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DESCRIPTION OF THE ESCROW AGREEMENTS

The following summary describes the material terms of the escrow and paying agent agreements (the Escrow Agreements). The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Escrow Agreements, each of which will be filed as an exhibit to a Current Report on Form 8-K to be filed by United with the Commission. The provisions of the Escrow Agreements are substantially identical except as otherwise indicated.

U.S. Bank National Association, as escrow agent in respect of each Trust (the Escrow Agent), Wilmington Trust, National Association, as paying agent on behalf of the Escrow Agent in respect of each Trust (the Paying Agent), each Trustee and the Underwriters will enter into a separate Escrow Agreement for the benefit of the Certificateholders of each Trust as holders of the Escrow Receipts affixed thereto (in such capacity, a Receiptholder). The cash proceeds of the offering of Certificates of each Trust will be deposited on behalf of the Escrow Agent (for the benefit of Receiptholders) with the Depositary as Deposits relating to such Trust. Each Escrow Agent shall permit the Trustee of the related Trust to cause funds to be withdrawn from such Deposits on or prior to the Delivery Period Termination Date to allow such Trustee to purchase the related Equipment Notes pursuant to the Note Purchase Agreement. In addition, the Escrow Agent shall direct the Depositary to pay interest on the Deposits accrued in accordance with the Deposit Agreement to the Paying Agent for distribution to the Receiptholders.

Each Escrow Agreement requires that the Paying Agent establish and maintain, for the benefit of the related Receiptholders, one or more Paying Agent Account(s), which shall be non-interest-bearing. The Paying Agent shall deposit interest on Deposits and any unused Deposits withdrawn by the Escrow Agent in the related Paying Agent Account. The Paying Agent shall distribute these amounts on a Regular Distribution Date or Special Distribution Date, as appropriate.

Upon receipt by the Depositary of cash proceeds from this Offering, the Escrow Agent will issue one or more escrow receipts (Escrow Receipts) which will be affixed by the relevant Trustee to each Certificate. Each Escrow Receipt evidences the related Receiptholder s interest in amounts from time to time deposited into the Paying Agent Account and is limited in recourse to amounts deposited into such account. An Escrow Receipt may not be assigned or transferred except in connection with the assignment or transfer of the Certificate to which it is affixed. Each Escrow Receipt will be registered by the Escrow Agent in the same name and manner as the Certificate to which it is affixed.

Each Receiptholder shall have the right (individually and without the need for any other action of any person, including the Escrow Agent or any other Receiptholder), upon any default in the payment of interest on the Deposits when due by the Depositary in accordance with the applicable Deposit Agreement, or upon any default in the payment of the final withdrawal when due by the Depositary in accordance with the terms of the applicable Deposit Agreement and Escrow Agreement, to proceed directly against the Depositary. The Escrow Agent will notify Receiptholders in the event of a default in any such payment and will promptly forward to Receiptholders upon receipt copies of all written communications relating to any payments due to the Receiptholders in respect of the Deposits.

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DESCRIPTION OF THE LIQUIDITY FACILITIES

The following summary describes the material terms of the Liquidity Facilities and certain provisions of the Intercreditor Agreement relating to the Liquidity Facilities. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Liquidity Facilities and the Intercreditor Agreement, each of which will be filed as an exhibit to a Current Report on Form 8-K to be filed by United with the Commission. The provisions of the Liquidity Facilities are substantially identical except as otherwise indicated.

General

Crédit Agricole Corporate and Investment Bank, acting via its New York Branch (the Liquidity Provider), will enter into a separate revolving credit agreement (each, a Liquidity Facility) with the Subordination Agent with respect to the Class A Trust and the Class B Trust. On any Regular Distribution Date, if, after giving effect to the subordination provisions of the Intercreditor Agreement, the Subordination Agent does not have sufficient funds for the payment of interest on the Class A or B Certificates, the Liquidity Provider under the relevant Liquidity Facility will make an advance (an Interest Drawing) in the amount needed to fund such interest shortfall up to the Maximum Available Commitment. The maximum amount of Interest Drawings available under each Liquidity Facility is expected to provide an amount sufficient for the Subordination Agent to pay interest on the related Class of Certificates on up to three consecutive semiannual Regular Distribution Dates (without regard to any expected future payments of principal on such Certificates) at the respective interest rates shown on the cover page of this Prospectus Supplement for such Certificates (the Stated Interest Rates). If interest payment defaults occur which exceed the amount covered by and available under the Liquidity Facility for the Class A or Class B Trust, the Certificateholders of such Trust will bear their allocable share of the deficiencies to the extent that there are no other sources of funds. The Liquidity Provider with respect to each of the Class A and B Trusts may be replaced by one or more other entities under certain circumstances.

Drawings

The aggregate amount available under the Liquidity Facility for the Class A and Class B Trusts at April 11, 2015, the first Regular Distribution Date after all Aircraft are expected to have been financed pursuant to this Offering, assuming that such Aircraft are so financed and that all interest due on or prior to April 11, 2015, is paid, will be as follows:

Trust	Available Amount
Class A	$ 44,198,820
Class B	$ 15,162,855

Except as otherwise provided below, the Liquidity Facility for each of the Class A and Class B Trusts will enable the Subordination Agent to make Interest Drawings thereunder promptly on or after any Regular Distribution Date if, after giving effect to the subordination provisions of the Intercreditor Agreement, there are insufficient funds available to the Subordination Agent to pay interest on the Certificates of such Trust at the Stated Interest Rate for such Trust; provided, however, that the maximum amount available to be drawn under the Liquidity Facility with respect to the Class A or Class B Trust on any Regular Distribution Date to fund any shortfall of interest on Certificates of such Trust will not exceed the then Maximum Available Commitment under such Liquidity Facility. The Maximum Available Commitment at any time under each Liquidity Facility is an amount equal to the then Maximum Commitment of such Liquidity Facility less the aggregate amount of each Interest Drawing outstanding under such Liquidity Facility at such time, provided that following a Downgrade Drawing, a Special Termination Drawing, a

Final Drawing or a Non-Extension Drawing under a Liquidity Facility, the Maximum Available Commitment under such Liquidity Facility shall be zero.

Maximum Commitment for the Liquidity Facility for the Class A Trust and the Class B Trust means initially $44,526,219 and $15,275,173, respectively, as the same may be reduced from time to time as described below.

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Required Amount means, in relation to the Liquidity Facility for any applicable Trust for any day, the sum of the aggregate amount of interest, calculated at the rate per annum equal to the Stated Interest Rate for such Trust, that would be payable on such Class of Certificates on each of the three successive Regular Distribution Dates immediately following such day or, if such day is a Regular Distribution Date, on such day and the succeeding two Regular Distribution Dates, in each case calculated on the basis of the Pool Balance of the corresponding Class of Certificates on such day and without regard to expected future payments of principal on such Class of Certificates.

The Liquidity Facility for any applicable Class of Certificates does not provide for drawings thereunder to pay for principal of or premium on the Certificates of such Class or any interest on the Certificates of such Class in excess of the Stated Interest Rate for such Class or more than three semiannual installments of interest thereon or principal of or interest or premium on the Certificates of any other Class. (Liquidity Facilities, Section 2.02; Intercreditor Agreement, Section 3.5) In addition, the Liquidity Facility with respect to each of the Class A and Class B Trusts does not provide for drawings thereunder to pay any amounts payable with respect to the Deposits relating to such Trust.

Each payment by a Liquidity Provider reduces by the same amount the Maximum Available Commitment under the related Liquidity Facility, subject to reinstatement as described below. With respect to any Interest Drawing, upon reimbursement of the applicable Liquidity Provider in full or in part for the amount of such Interest Drawing plus interest thereon, the Maximum Available Commitment under the applicable Liquidity Facility will be reinstated by an amount equal to the amount of such Interest Drawing so reimbursed to an amount not to exceed the then Required Amount of such Liquidity Facility. However, the Maximum Available Commitment under such Liquidity Facility will not be so reinstated at any time if (i) a Liquidity Event of Default with respect to such Liquidity Facility shall have occurred and be continuing and less than 65% of the then aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes or (ii) a Final Drawing, Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing shall have been made or an Interest Drawing shall have been converted into a Final Advance. The Maximum Available Commitment under any Liquidity Facility will not be reinstated after a Final Drawing, Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing thereunder. On the first Regular Distribution Date and on each date on which the Pool Balance of the Class A or Class B Trust shall have been reduced by payments made to the related Certificateholders pursuant to the Intercreditor Agreement, the Maximum Commitment of the Liquidity Facility for such Trust will be automatically reduced from time to time to an amount equal to the then Required Amount. (Liquidity Facilities, Section 2.04(a); Intercreditor Agreement, Section 3.5(j))

Performing Equipment Note means an Equipment Note with respect to which no payment default has occurred and is continuing (without giving effect to any acceleration); provided that in the event of a bankruptcy proceeding under the U.S. Bankruptcy Code in which United is a debtor any payment default existing during the 60-day period under Section 1110(a)(2)(A) of the U.S. Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the U.S. Bankruptcy Code or as may apply for the cure of such payment default under Section 1110(a)(2)(B) of the U.S. Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

If at any time a Liquidity Provider is downgraded, or any applicable rating of a Liquidity Provider is suspended or withdrawn, by any Rating Agency such that after such downgrading, suspension or withdrawal such Liquidity Provider does not have a Long-Term Rating from such Rating Agency of the applicable Liquidity Threshold Rating or higher (any such downgrading, suspension or withdrawal, a Downgrade Event), and such Liquidity Facility is not replaced with a Replacement Facility within 35 days of the occurrence of such Downgrade Event (or, if earlier, the expiration date of such Liquidity Facility), such Liquidity Facility will be drawn up to the then Maximum Available Commitment under such Liquidity Facility (the Downgrade Drawing), unless no later than 30 days after the occurrence of such Downgrade Event (or, if earlier, the expiration date of such Liquidity Facility), the Rating Agency whose downgrading, suspension or withdrawal of such Liquidity Provider resulted in the occurrence of such Downgrade Event provides a written confirmation to

the effect that such downgrading, suspension or withdrawal will not result in a downgrading, withdrawal or suspension of the rating by such Rating Agency for the related Class of Certificates. The proceeds of a Downgrade Drawing will be deposited into a cash collateral account (the Cash Collateral Account) for the applicable Class of Certificates and used for the same purposes and under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under such Liquidity Facility would be used. For the avoidance of doubt, the foregoing requirements shall apply to each occurrence of a Downgrade Event with respect to a Liquidity Provider, regardless of whether or not one or more Downgrade Events have occurred prior thereto and whether or not any confirmation by a Rating Agency specified in the foregoing requirements has been obtained with respect to any prior occurrence of a Downgrade Event. (Liquidity Facilities, Section 2.02(c); Intercreditor Agreement, Section 3.5(c)) If a qualified Replacement Facility is subsequently provided, the balance of the Cash Collateral Account will be repaid to the replaced Liquidity Provider.

Liquidity Threshold Rating means: (a) in the case of Fitch, a Long-Term Rating of BBB, and (b) in the case of Standard & Poor s, a Long-Term Rating of BBB+.

Long-Term Rating means, for any entity, the long-term issuer credit rating of such entity.

If at any time during the 18-month period prior to the final expected Regular Distribution Date, the Pool Balance for a Trust is greater than the aggregate outstanding principal amount of Equipment Notes held in such Trust (other than any Equipment Notes previously sold or with respect to which the collateral securing such Equipment Notes has been disposed of), the Liquidity Provider may, in its discretion, give notice of special termination under the applicable Liquidity Facility (a Special Termination Notice). The effect of the delivery of such Special Termination Notice will be to cause (i) such Liquidity Facility to expire on the fifth Business Day after the date on which such Special Termination Notice is received by the Subordination Agent, (ii) the Subordination Agent to promptly request, and the Liquidity Provider to promptly make, a special termination drawing (a Special Termination Drawing) in an amount equal to the Maximum Available Commitment thereunder and (iii) all amounts owing to the Liquidity Provider automatically to become accelerated. The proceeds of a Special Termination Drawing will be deposited into the Cash Collateral Account and used for the same purposes under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 6.02; Intercreditor Agreement, Section 3.5(m))

The Liquidity Facility for each Trust provides that the applicable Liquidity Provider s obligations thereunder will expire on the earliest of:

The first anniversary of the Issuance Date.

The date on which the Subordination Agent delivers to such Liquidity Provider a certification that all of the Certificates of such Trust have been paid in full.

The date on which the Subordination Agent delivers to such Liquidity Provider a certification that a Replacement Facility has been substituted for such Liquidity Facility.

The fifth Business Day following receipt by the Subordination Agent of a Termination Notice from such Liquidity Provider (see Liquidity Events of Default).

The fifth Business Day following receipt by the Subordination Agent of a Special Termination Notice from such Liquidity Provider.

The date on which no amount is or may (by reason of reinstatement) become available for drawing under such Liquidity Facility.

Each Liquidity Facility provides that it will be extended automatically for additional one-year periods unless the Liquidity Provider advises the Subordination Agent 25 days prior to its then-scheduled expiration date that the expiration date will not be extended. The Intercreditor Agreement will provide that the Liquidity Facility for any applicable Trust may be replaced if such Liquidity Facility is scheduled to expire earlier than 15 days after the Final Maturity Date for the Certificates of such Trust and the expiration date of such Liquidity Facility is not extended by the 25th day prior to its then-scheduled expiration date. If such Liquidity Facility is not so extended or replaced by the 25th day prior to its then-scheduled expiration date, such Liquidity Facility will be drawn in full up to the then Maximum Available Commitment under such Liquidity Facility (the Non-Extension Drawing). The proceeds of the Non-Extension Drawing under any Liquidity Facility will be deposited in the Cash Collateral Account for the related Trust to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 2.02(b); Intercreditor Agreement, Section 3.5(d))

Upon receipt by the Subordination Agent of a Termination Notice with respect to any Liquidity Facility from the relevant Liquidity Provider, the Subordination Agent shall request a final drawing (a Final Drawing) under such Liquidity Facility, in an amount equal to the then Maximum Available Commitment thereunder. The Subordination Agent will hold the proceeds of the Final Drawing in the Cash Collateral Account for the related Trust as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Section 2.02(d); Intercreditor Agreement, Section 3.5(i))

Drawings under any Liquidity Facility will be made by delivery by the Subordination Agent of a certificate in the form required by such Liquidity Facility. Upon receipt of such a certificate, the relevant Liquidity Provider is obligated to make payment of the drawing requested thereby in immediately available funds. Upon payment by the relevant Liquidity Provider of the amount specified in any drawing under any Liquidity Facility, such Liquidity Provider will be fully discharged of its obligations under such Liquidity Facility with respect to such drawing and will not thereafter be obligated to make any further payments under such Liquidity Facility in respect of such drawing to the Subordination Agent or any other person.

Replacement Liquidity Facility

A Replacement Facility for any Liquidity Facility will mean an irrevocable liquidity facility (or liquidity facilities) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Certificates of an applicable Trust (before downgrading of such ratings, if any, as a result of the downgrading of the replaced Liquidity Provider), in a face amount (or in an aggregate face amount) equal to the then Required Amount for the replaced Liquidity Facility and issued by a person (or persons) having a Long-Term Rating issued by each applicable Rating Agency which is equal to or higher than the applicable Liquidity Threshold Rating. (Intercreditor Agreement, Section 1.1) The provider of any Replacement Facility will have the same rights (including, without limitation, priority distribution rights and rights as Controlling Party) under the Intercreditor Agreement as the Liquidity Provider being replaced.

Subject to certain limitations, United may, at its option, arrange for a Replacement Facility at any time to replace the Liquidity Facility for any applicable Trust (including without limitation any Replacement Facility described in the following sentence). In addition, if the Liquidity Provider shall determine not to extend any Replacement Facility, then the Liquidity Provider may, at its option, arrange for another Replacement Facility to replace such Replacement Facility (i) during the period no earlier than 40 days and no later than 25 days prior to the then scheduled expiration date of such Replacement Facility and (ii) at any time after a Non-Extension Drawing has been made. The Liquidity Provider may also arrange for a Replacement Facility to replace any of its Liquidity Facilities at any time after a Downgrade Drawing under such Liquidity Facility. If any Replacement Facility is provided at any time after a Downgrade Drawing, a Special Termination Drawing or a Non-Extension Drawing under any Liquidity Facility, the funds with respect to such Liquidity Facility on deposit in the Cash Collateral Account for such Trust will be returned to the Liquidity Provider being replaced. (Intercreditor Agreement, Section 3.5(e))

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Reimbursement of Drawings

The Subordination Agent must reimburse amounts drawn under any Liquidity Facility by reason of an Interest Drawing, Final Drawing, Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing and interest thereon, but only to the extent that the Subordination Agent has funds available therefor. See Description of the Intercreditor Agreement Priority of Distributions .

Interest Drawings, Special Termination Drawing and Final Drawing

Amounts drawn by reason of an Interest Drawing, Special Termination Drawing or Final Drawing will be immediately due and payable, together with interest on the amount of such drawing. From the date of the drawing to (but excluding) the third business day following the applicable Liquidity Provider s receipt of the notice of such Interest Drawing or Final Drawing, interest will accrue at the Base Rate plus 3.75% per annum. Thereafter, interest will accrue at LIBOR for the applicable interest period (or, as described in the fourth paragraph under Reimbursement of Drawings Interest Drawings, Special Termination Drawing and Final Drawing , the Base Rate) plus 3.75% per annum. Any Special Termination Drawing under the Liquidity Facilities, other than any portion thereof applied to the payment of interest on the Certificates, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account attributable to such Liquidity Facility plus a specified rate per annum on the outstanding amount from time to time of such Special Termination Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under Liquidity Events of Default , at a rate equal to LIBOR for the applicable interest period (or, as described in the fourth paragraph under Interest Drawings, Special Termination Drawing and Final Drawing , the Base Rate) plus 3.75% per annum.

Base Rate means, on any day, a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to (a) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a business day, for the next preceding business day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a business day, the average of the quotations for such day for such transactions received by the applicable Liquidity Provider from three Federal funds brokers of recognized standing selected by it, plus (b) one-quarter of one percent ($\frac{1}{4}$ of 1%).

LIBOR means, with respect to any interest period, (i) the rate per annum appearing on Reuters Screen LIBOR01 Page (or any successor or substitute therefor) at approximately 11:00 a.m. (London time) two business days before the first day of such interest period, as the rate for dollar deposits with a maturity comparable to such interest period, or (ii) if the rate calculated pursuant to clause (i) above is not available, the average (rounded upwards, if necessary, to the next $^{1}/_{16}$ of 1%) of the rates per annum at which deposits in dollars are offered for the relevant interest period by three banks of recognized standing selected by the applicable Liquidity Provider in the London interbank market at approximately 11:00 a.m. (London time) two business days before the first day of such interest period in an amount approximately equal to the principal amount of the drawing to which such interest period is to apply and for a period comparable to such interest period.

If at any time, a Liquidity Provider shall have determined (which determination shall be conclusive and binding upon the Subordination Agent, absent manifest error) that, by reason of circumstances affecting the relevant interbank lending market generally, LIBOR determined or to be determined for the current or the immediately succeeding interest period will not adequately and fairly reflect the cost to such Liquidity Provider (as conclusively certified by such Liquidity Provider, absent manifest error) of making or maintaining LIBOR advances, such Liquidity Provider shall give notice thereof (a Rate Determination Notice) to the Subordination Agent. If such notice is given, then the outstanding principal amount of the LIBOR advances under the applicable Liquidity Facility shall be converted to

Base Rate advances effective from the date of the Rate Determination Notice; provided that the rate then applicable in respect of such Base Rate advances shall be increased by one percent (1.00%). Each applicable Liquidity Provider shall withdraw a Rate Determination Notice given under the applicable Liquidity Facility when such Liquidity Provider determines that the circumstances giving rise to such

Rate Determination Notice no longer apply to such Liquidity Provider, and the Base Rate advances under the applicable Liquidity Facility shall be converted to LIBOR advances effective as of the first day of the next succeeding interest period after the date of such withdrawal. Each change in the Base Rate shall become effective immediately. (Liquidity Facilities, Section 3.07(g))

Downgrade Drawings and Non-Extension Drawings

The amount drawn under any Liquidity Facility by reason of a Downgrade Drawing or a Non-Extension Drawing will be treated as follows:

Such amount will be released on any Distribution Date to the applicable Liquidity Provider to the extent that such amount exceeds the Required Amount.

Any portion of such amount withdrawn from the Cash Collateral Account for such Certificates to pay interest on such Certificates will be treated in the same way as Interest Drawings.

The balance of such amount will be invested in certain specified eligible investments.

Any Downgrade Drawing under any Liquidity Facility, other than any portion thereof applied to the payment of interest on the applicable Certificates, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account attributable to such Liquidity Facility plus a specified rate per annum on the outstanding amount from time to time of such Downgrade Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under Liquidity Events of Default , at a rate equal to LIBOR for the applicable interest period (or, as described in the fourth paragraph under Interest Drawings, Special Termination Drawing and Final Drawing , the Base Rate) plus 3.75% per annum.

Any Non-Extension Drawing under any Liquidity Facility, other than any portion thereof applied to the payment of interest on the applicable Certificates, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account attributable to such Liquidity Facility plus a specified rate per annum on the outstanding amount from time to time of such Non-Extension Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under Liquidity Events of Default , at a rate equal to LIBOR for the applicable interest period (or, as described in the fourth paragraph under Interest Drawings, Special Termination Drawing and Final Drawing , the Base Rate) plus 3.75% per annum.

Liquidity Events of Default

Events of default under each Liquidity Facility (each, a Liquidity Event of Default) will consist of:

The acceleration of all of the Equipment Notes (provided, that if such acceleration occurs during the Delivery Period, the aggregate principal amount thereof exceeds $400 million).

Certain bankruptcy or similar events involving United. (Liquidity Facilities, Section 1.01)

If (i) any Liquidity Event of Default under any Liquidity Facility has occurred and is continuing and (ii) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes, the applicable Liquidity Provider may, in its discretion, give a notice of termination of such Liquidity Facility to the Subordination Agent (a Termination Notice). The Termination Notice will have the following consequences:

Such Liquidity Facility will expire on the fifth Business Day after the date on which such Termination Notice is received by the Subordination Agent.

The Subordination Agent will promptly request, and the applicable Liquidity Provider will make, a Final Drawing thereunder in an amount equal to the then Maximum Available Commitment thereunder.

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Any drawing remaining unreimbursed as of the date of termination will be automatically converted into a Final Drawing under such Liquidity Facility.

All amounts owing to the applicable Liquidity Provider automatically will be accelerated. Notwithstanding the foregoing, the Subordination Agent will be obligated to pay amounts owing to the Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under Description of the Intercreditor Agreement Priority of Distributions . (Liquidity Facilities, Section 6.01) Upon the circumstances described below under Description of the Intercreditor Agreement Intercreditor Rights , the Liquidity Provider may become the Controlling Party with respect to the exercise of remedies under the Indentures. (Intercreditor Agreement, Section 2.6(c))

Liquidity Provider

The initial Liquidity Provider for each Liquidity Facility will be Crédit Agricole Corporate and Investment Bank, acting via its New York Branch. The Liquidity Provider meets the Liquidity Threshold Rating.

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DESCRIPTION OF THE INTERCREDITOR AGREEMENT

The following summary describes the material provisions of the Intercreditor Agreement (the Intercreditor Agreement) among the Trustees, the Liquidity Provider and Wilmington Trust, National Association, as subordination agent (the Subordination Agent). The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Intercreditor Agreement, which will be filed as an exhibit to a Current Report on Form 8-K to be filed by United with the Commission.

Intercreditor Rights

Controlling Party

Each Loan Trustee will be directed in taking, or refraining from taking, any action under an Indenture or with respect to the Equipment Notes issued under such Indenture, by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued under such Indenture, so long as no Indenture Default shall have occurred and be continuing thereunder. For so long as the Subordination Agent is the registered holder of the Equipment Notes, the Subordination Agent will act with respect to the preceding sentence in accordance with the directions of the Trustees for whom the Equipment Notes issued under such Indenture are held as Trust Property, to the extent constituting, in the aggregate, directions with respect to the required principal amount of Equipment Notes.

After the occurrence and during the continuance of an Indenture Default under an Indenture, each Loan Trustee will be directed in taking, or refraining from taking, any action thereunder or with respect to the Equipment Notes issued under such Indenture, including acceleration of such Equipment Notes or foreclosing the lien on the related Aircraft, by the Controlling Party, subject to the limitations described below. See Description of the Certificates Indenture Defaults and Certain Rights Upon an Indenture Default for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees.

The Controlling Party will be:

- The Class A Trustee.
- Upon payment of Final Distributions to the holders of Class A Certificates, the Class B Trustee.
- Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the largest amount owed to it, as discussed in the next paragraph.

At any time after 18 months from the earliest to occur of (x) the date on which the entire available amount under any Liquidity Facility shall have been drawn (for any reason other than a Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing that has not been converted into a Final Drawing) and shall remain unreimbursed, (y) the date on which the entire amount of any Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing shall have been withdrawn from the relevant Cash Collateral Account to pay interest on the relevant Class of Certificates and shall remain unreimbursed and (z) the date on which all Equipment Notes shall have been accelerated (provided that if such acceleration occurs prior to the Delivery Period Termination Date, the aggregate principal amount thereof exceeds $400 million), the Liquidity Provider with the highest outstanding amount of Liquidity Obligations (so long as such Liquidity Provider has not defaulted in its obligation to make any drawing under any Liquidity Facility) shall have the right to become the Controlling Party.

For purposes of giving effect to the rights of the Controlling Party, each Trustee (to the extent not the Controlling Party) shall irrevocably agree, and the Certificateholders (other than the Certificateholders represented by the Controlling Party) will be deemed to agree by virtue of their purchase of Certificates, that the Subordination Agent, as record holder of the Equipment Notes, shall exercise its voting rights in respect of the

Equipment Notes as directed by the Controlling Party. (Intercreditor Agreement, Section 2.6) For a description of certain limitations on the Controlling Party s rights to exercise remedies, see Description of the Equipment Notes Remedies .

Final Distributions means, with respect to the Certificates of any Trust on any Distribution Date, the sum of (x) the aggregate amount of all accrued and unpaid interest on such Certificates (excluding interest payable on the Deposits relating to such Trust) and (y) the Pool Balance of such Certificates as of the immediately preceding Distribution Date (less the amount of the Deposits for such Class of Certificates as of such preceding Distribution Date other than any portion of such Deposits thereafter used to acquire Equipment Notes pursuant to the Note Purchase Agreement). For purposes of calculating Final Distributions with respect to the Certificates of any Trust, any premium paid on the Equipment Notes held in such Trust which has not been distributed to the Certificateholders of such Trust (other than such premium or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of such Final Distributions.

Limitation on Exercise of Remedies

So long as any Certificates are outstanding, during nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture and (y) the bankruptcy or insolvency of United, without the consent of each Trustee (and each Additional Trustee, if any Additional Junior Certificates are outstanding), no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold in the exercise of remedies under such Indenture, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes.

Minimum Sale Price means, with respect to any Aircraft or the Equipment Notes issued in respect of such Aircraft, at any time, in the case of the sale of an Aircraft, 75%, or in the case of the sale of related Equipment Notes, 85%, of the Appraised Current Market Value of such Aircraft.

Following the occurrence and during the continuation of an Indenture Default under any Indenture, in the exercise of remedies pursuant to such Indenture, the Loan Trustee under such Indenture may be directed to lease the Aircraft to any person (including United) so long as the Loan Trustee in doing so acts in a commercially reasonable manner within the meaning of Article 9 of the Uniform Commercial Code as in effect in any applicable jurisdiction (including Sections 9-610 and 9-627 thereof).

If following certain events of bankruptcy, reorganization or insolvency with respect to United described in the Intercreditor Agreement (a United Bankruptcy Event) and during the pendency thereof, the Controlling Party receives a proposal from or on behalf of United to restructure the financing of any one or more of the Aircraft, the Controlling Party will promptly thereafter give the Subordination Agent and each Trustee (each Additional Trustee, if any Additional Junior Certificates are outstanding) notice of the material economic terms and conditions of such restructuring proposal whereupon the Subordination Agent acting on behalf of each Trustee (and each Additional Trustee, if Additional Junior Certificates are outstanding) will endeavor using reasonable commercial efforts to make such terms and conditions of such restructuring proposal available to all Certificateholders (and, if then outstanding, holders of Additional Junior Certificates) (whether by posting on DTC s Internet board or otherwise) and to each Liquidity Provider that has not made a Final Drawing. Thereafter, neither the Subordination Agent nor any Trustee, whether acting on instructions of the Controlling Party or otherwise, may, without the consent of each Trustee (and each Additional Trustee, if any Additional Junior Certificates are outstanding), enter into any term sheet, stipulation or other agreement (whether in the form of an adequate protection stipulation, an extension under Section 1110(b) of the U.S. Bankruptcy Code or otherwise) to effect any such restructuring proposal with or on behalf of United unless and until the material economic terms and conditions of such restructuring proposal shall have been made available to all Certificateholders (and, if then outstanding, holders of Additional Junior Certificates) and to each Liquidity Provider that has not made a Final Drawing for a period of not less than 15 calendar days (except that such requirement shall not apply to any such term sheet, stipulation or other agreement that is entered into on or prior to the expiry of the 60-Day Period and that is effective for a period not longer than three months from the expiry of the 60-Day Period).

In the event that any holder of Class B Certificates or, if issued, of Additional Junior Certificates, gives irrevocable notice of the exercise of its right to purchase all (but not less than all) of the Class of Certificates represented by the then Controlling Party (as described in Description of the Certificates Purchase Rights of Certificateholders), prior to the expiry of the 15-day notice period specified above, such Controlling Party may not direct the Subordination Agent or any Trustee to enter into any such restructuring proposal with respect to any of the Aircraft, unless and until such holder fails to purchase such Class of Certificates on the date that it is required to make such purchase.

Post Default Appraisals

Upon the occurrence and continuation of an Indenture Default under any Indenture, the Subordination Agent will be required to obtain three desktop appraisals from the appraisers selected by the Controlling Party setting forth the current market value, current lease rate and distressed value (in each case, as defined by the International Society of Transport Aircraft Trading) of the Aircraft subject to such Indenture (each such appraisal, an Appraisal and the current market value appraisals being referred to herein as the Post Default Appraisals). For so long as any Indenture Default shall be continuing under any Indenture, and without limiting the right of the Controlling Party to request more frequent Appraisals, the Subordination Agent will be required to obtain additional Appraisals on the date that is 364 days from the date of the most recent Appraisal or if a United Bankruptcy Event shall have occurred and is continuing, on the date that is 180 days from the date of the most recent Appraisal.

Appraised Current Market Value of any Aircraft means the lower of the average and the median of the three most recent Post Default Appraisals of such Aircraft.

Priority of Distributions

All payments in respect of the Equipment Notes and certain other payments received on each Regular Distribution Date or Special Distribution Date (each, a Distribution Date) will be promptly distributed by the Subordination Agent on such Distribution Date in the following order of priority:

To the Subordination Agent, any Trustee, any Certificateholder and any Liquidity Provider to the extent required to pay certain out-of-pocket costs and expenses actually incurred by the Subordination Agent (or reasonably expected to be incurred by the Subordination Agent for the period ending on the next succeeding Regular Distribution Date, which shall not exceed $150,000 unless approved in writing by the Controlling Party) or Liquidity Provider or any Trustee or to reimburse any Certificateholder or the Liquidity Provider in respect of payments made to the Subordination Agent or any Trustee in connection with the protection or realization of the value of the Equipment Notes held by the Subordination Agent or any Collateral under (and as defined in) any Indenture (collectively, the Administration Expenses).

To the Liquidity Provider (a) to the extent required to pay the Liquidity Expenses or (b) in the case of a Special Payment on account of the redemption, purchase or prepayment of Equipment Notes issued pursuant to an Indenture (an Equipment Note Special Payment), so long as no Indenture Default has occurred and is continuing under any Indenture, the amount of accrued and unpaid Liquidity Expenses that are not yet due, multiplied by the Section 2.4 Fraction or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Liquidity Provider (a) to the extent required to pay interest accrued on the Liquidity Obligations and if a Special Termination Drawing has been made and has not been converted into a Final Drawing, to pay the outstanding amount of such Special Termination Drawing or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any

Indenture, to the extent required to pay accrued and unpaid interest then in arrears on the Liquidity Obligations plus an amount equal to the amount of accrued and unpaid interest on the Liquidity Obligations not in arrears, multiplied by the Section 2.4 Fraction and if a Special Termination Drawing has been made and has not been converted into a Final Drawing, the outstanding amount of such Special Termination Drawing or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To (i) the Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations and (ii) if applicable, with respect to any particular Liquidity Facility, unless (in the case of this clause (ii) only) (x) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes and a Liquidity Event of Default shall have occurred and is continuing under such Liquidity Facility or (y) a Final Drawing shall have occurred under such Liquidity Facility or an Interest Drawing for such Liquidity Facility shall have been converted into a Final Drawing, the Subordination Agent to replenish the Cash Collateral Account with respect to such Liquidity Facility up to the Required Amount for the related Class of Certificates.

To the Subordination Agent, any Trustee or any Certificateholder to the extent required to pay certain fees, taxes, charges and other amounts payable.

To the Class A Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class A Certificates (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then due (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series A Equipment Notes held in the Class A Trust being redeemed, purchased or prepaid or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class B Trustee (a) to the extent required to pay accrued and unpaid Class B Adjusted Interest on the Class B Certificates (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay any such Class B Adjusted Interest that is then due (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class A Trustee to the extent required to pay Expected Distributions on the Class A Certificates.

To the Class B Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class B Certificates (other than Class B Adjusted Interest paid above and interest, if any, payable with respect to the Deposits relating to the Class B Trust) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then due (other than Class B Adjusted

Interest paid above) (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series B Equipment Notes held in the Class B Trust and being redeemed, purchased or prepaid or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class B Trustee to the extent required to pay Expected Distributions on the Class B Certificates.

If any Additional Junior Certificates have been issued, the priority of distributions in the Intercreditor Agreement may be revised such that certain obligations relating to the Additional Junior Certificates may rank ahead of certain obligations with respect to the Certificates. See   Possible Issuance of Additional Junior Certificates and Refinancing of Certificates .

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Section 2.4 Fraction means, with respect to any Special Distribution Date, a fraction, the numerator of which shall be the amount of principal of the applicable Series A Equipment Notes and Series B Equipment Notes being redeemed, purchased or prepaid on such Special Distribution Date, and the denominator of which shall be the aggregate unpaid principal amount of all Series A Equipment Notes and Series B Equipment Notes outstanding as of such Special Distribution Date.

Liquidity Obligations means the obligations of the Subordination Agent to reimburse or to pay the Liquidity Provider all principal, interest, fees and other amounts owing to it under each Liquidity Facility or certain other agreements.

Liquidity Expenses means the Liquidity Obligations other than any interest accrued thereon or the principal amount of any drawing under the Liquidity Facilities.

Expected Distributions means, with respect to the Certificates of any Trust on any Distribution Date (the Current Distribution Date), the difference between:

(A) the Pool Balance of such Certificates as of the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the original aggregate face amount of the Certificates of such Trust), and

(B) the Pool Balance of such Certificates as of the Current Distribution Date calculated on the basis that (i) the principal of the Equipment Notes other than Performing Equipment Notes (the Non-Performing Equipment Notes) held in such Trust has been paid in full and such payments have been distributed to the holders of such Certificates, (ii) the principal of the Performing Equipment Notes held in such Trust has been paid when due (but without giving effect to any acceleration of Performing Equipment Notes) and such payments have been distributed to the holders of such Certificates and (iii) the principal of any Equipment Notes formerly held in such Trust that have been sold pursuant to the Intercreditor Agreement has been paid in full and such payments have been distributed to the holders of such Certificates, but without giving effect to any reduction in the Pool Balance as a result of any distribution attributable to Deposits occurring after the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, occurring after the initial issuance of the Certificates of such Trust).

For purposes of calculating Expected Distributions with respect to the Certificates of any Trust, any premium paid on the Equipment Notes held in such Trust that has not been distributed to the Certificateholders of such Trust (other than such premium or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of Expected Distributions.

Class B Adjusted Interest means, as of any Distribution Date, (I) any interest described in clause (II) of this definition accruing prior to the immediately preceding Distribution Date which remains unpaid and (II) interest at the Stated Interest Rate for the Class B Certificates (x) for the number of days during the period commencing on, and including, the immediately preceding Distribution Date (or, if the current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the current Distribution Date, on the Preferred B Pool Balance on such Distribution Date and (y) on the principal amount calculated pursuant to clauses (B)(i), (ii), (iii) and (iv) of the definition of Preferred B Pool Balance for each Series B Equipment Note with respect to which a disposition, distribution, sale or Deemed Disposition Event has occurred since the immediately preceding Distribution Date (but only if no such event has previously occurred with respect to such Series B Equipment Note), for each day during the period, for each such Series B Equipment Note, commencing on, and including, the immediately preceding Distribution Date (or, if the current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding the date of disposition, distribution, sale or Deemed Disposition Event with respect to such Series B Equipment Note, Aircraft or Collateral under (and as defined in) the related Indenture, as the case may be.

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Preferred B Pool Balance means, as of any date, the excess of (A) the Pool Balance of the Class B Certificates as of the immediately preceding Distribution Date (or, if such date is on or before the first Distribution Date, the original aggregate face amount of the Class B Certificates) (after giving effect to payments made on such date) over (B) the sum of (i) the outstanding principal amount of each Series B Equipment Note that remains unpaid as of such date subsequent to the disposition of the Collateral under (and as defined in) the related Indenture and after giving effect to any distributions of the proceeds of such disposition applied under such Indenture to the payment of each such Series B Equipment Note, (ii) the outstanding principal amount of each Series B Equipment Note that remains unpaid as of such date subsequent to the scheduled date of mandatory redemption of such Series B Equipment Note following an Event of Loss with respect to the Aircraft which secured such Series B Equipment Note and after giving effect to the distributions of any proceeds in respect of such Event of Loss applied under such Indenture to the payment of each such Series B Equipment Note, (iii) the excess, if any, of (x) the outstanding amount of principal and interest as of the date of sale of each Series B Equipment Note previously sold over (y) the purchase price received with respect to the sale of such Series B Equipment Note (net of any applicable costs and expenses of sale) and (iv) the outstanding principal amount of any Series B Equipment Note with respect to which a Deemed Disposition Event has occurred; provided, however, that if more than one of the clauses (i), (ii), (iii) and (iv) is applicable to any one Series B Equipment Note, only the amount determined pursuant to the clause that first became applicable shall be counted with respect to such Series B Equipment Note.

Deemed Disposition Event means, in respect of any Equipment Note, the continuation of an Indenture Default in respect of such Equipment Note without an Actual Disposition Event occurring in respect of such Equipment Note for a period of five years from the date of the occurrence of such Indenture Default.

Actual Disposition Event means, in respect of any Equipment Note, (i) the disposition of the Aircraft securing such Equipment Note, (ii) the occurrence of the mandatory redemption date for such Equipment Note following an Event of Loss with respect to the Aircraft which secured such Equipment Note or (iii) the sale of such Equipment Note.

Interest Drawings under the applicable Liquidity Facility and withdrawals from the applicable Cash Collateral Account in respect of interest on the Certificates of the Class A or B Trust, as applicable, will be distributed to the Trustee for such Trust, notwithstanding the priority of distributions set forth in the Intercreditor Agreement and otherwise described herein. All amounts on deposit in the Cash Collateral Account for any such Trust that are in excess of the Required Amount will be paid to the applicable Liquidity Provider.

Voting of Equipment Notes

In the event that the Subordination Agent, as the registered holder of any Equipment Note, receives a request for its consent to any amendment, supplement, modification, consent or waiver under such Equipment Note or the related Indenture (or, if applicable, the related Participation Agreement or other related document), (i) if no Indenture Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent shall request directions from each applicable Trustee and shall vote or consent in accordance with such directions and (ii) if any Indenture Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent will exercise its voting rights as directed by the Controlling Party, subject to certain limitations; provided that no such amendment, modification, consent or waiver shall, without the consent of the Liquidity Provider and each affected Certificateholder, reduce the amount of principal or interest payable by United under any Equipment Note or change the time of payments or method of calculation of any amount under any Equipment Note. (Intercreditor Agreement, Section 9.1(b))

List of Certificateholders

Upon the occurrence of an Indenture Default, the Subordination Agent shall instruct the Trustee to, and the Trustee shall, request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all the parties reflected on DTC s books as holding interests in the Certificates.

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Reports

Promptly after the occurrence of a Triggering Event or an Indenture Default resulting from the failure of United to make payments on any Equipment Note and on every Regular Distribution Date while the Triggering Event or such Indenture Default shall be continuing, the Subordination Agent will provide to the Trustee, the Liquidity Providers, the Rating Agencies and United a statement setting forth the following information:

After a bankruptcy of United, with respect to each Aircraft, whether such Aircraft is (i) subject to the 60-day period of Section 1110 of the U.S. Bankruptcy Code, (ii) subject to an election by United under Section 1110(a) of the U.S. Bankruptcy Code, (iii) covered by an agreement contemplated by Section 1110(b) of the U.S. Bankruptcy Code or (iv) not subject to any of (i), (ii) or (iii).

To the best of the Subordination Agent s knowledge, after requesting such information from United, (i) whether the Aircraft are currently in service or parked in storage, (ii) the maintenance status of the Aircraft and (iii) the location of the Engines (as defined in the Indentures). United has agreed to provide such information upon request of the Subordination Agent, but no more frequently than every three months with respect to each Aircraft so long as it is subject to the lien of an Indenture.

The current Pool Balance of the Certificates, the Preferred B Pool Balance and outstanding principal amount of all Equipment Notes for all Aircraft.

The expected amount of interest which will have accrued on the Equipment Notes and on the Certificates as of the next Regular Distribution Date.

The amounts paid to each person on such Distribution Date pursuant to the Intercreditor Agreement.

Details of the amounts paid on such Distribution Date identified by reference to the relevant provision of the Intercreditor Agreement and the source of payment (by Aircraft and party).

If the Subordination Agent has made a Final Drawing under any Liquidity Facility.

The amounts currently owed to each Liquidity Provider.

The amounts drawn under each Liquidity Facility.

After a United Bankruptcy Event, any operational reports filed by United with the bankruptcy court which are available to the Subordination Agent on a non-confidential basis.

The Subordination Agent

Wilmington Trust, National Association will be the Subordination Agent under the Intercreditor Agreement. United and its affiliates may from time to time enter into banking and trustee relationships with the Subordination Agent and its affiliates. The Subordination Agent s address is Wilmington Trust, National Association, 1100 North Market Street, Wilmington, Delaware 19890-1605, Attention: Corporate Trust Administration.

The Subordination Agent may resign at any time, in which event a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. The Controlling Party may remove the Subordination Agent for cause as provided in the Intercreditor Agreement. In such circumstances, a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. Any resignation or removal of the Subordination Agent and appointment of a successor Subordination Agent does not become effective until acceptance of the appointment by the successor Subordination Agent. (Intercreditor Agreement, Section 8.1)

DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS

The Aircraft

The 25 aircraft to be financed pursuant to this Offering (collectively, the Aircraft) will consist of 13 new Boeing 737-924ER aircraft, two new Boeing 787-8 aircraft, one new Boeing 787-9 aircraft and nine new Embraer ERJ 175 LR aircraft scheduled for delivery from March 2014 to March 2015. The Boeing 737-924ER aircraft, the Boeing 787-9 aircraft and the Embraer ERJ 175 LR aircraft will be selected by United from among 22 Boeing 737-924ER aircraft, four Boeing 787-9 aircraft and 21 Embraer ERJ 175 LR aircraft (including one or more that may have been delivered to United in 2014 prior to the availability of financing pursuant to this Offering). See The Appraisals for a description of the 49 aircraft from which United will select the 25 aircraft that may be financed with the proceeds of this Offering.

Boeing 737-924ER Aircraft

The Boeing 737-924ER aircraft is a medium-range aircraft with a seating capacity of approximately 179 passengers. The engine type utilized on United s 737-924ER aircraft is the CFM International, Inc. CFM56-7B27.

Boeing 787-8 Aircraft

The Boeing 787-8 aircraft is a long-range aircraft with a seating capacity of approximately 219 passengers. The engine type utilized on United s 787-8 aircraft is the General Electric GEnx-1B70.

Boeing 787-9 Aircraft

The Boeing 787-9 aircraft is a long-range aircraft with a seating capacity of approximately 252 passengers. The engine type utilized on United s 787-9 aircraft is the General Electric GEnx-1B74/75.

Embraer ERJ 175 LR Aircraft

The Embraer ERJ 175 LR aircraft (shown on FAA records as ERJ 170-200 LR) is a medium-range aircraft with a seating capacity of approximately 76 passengers. The engine type utilized on United s ERJ 175 LR aircraft is the General Electric CF34-8E5.

The Appraisals

The table below sets forth the appraised values of the aircraft that may be financed with the proceeds of this Offering, as determined by Aircraft Information Services, Inc. (AISI), BK Associates, Inc. (BK) and Morten Beyer & Agnew, Inc. (MBA), independent aircraft appraisal and consulting firms (the Appraisers). Subject to the terms of the Note Purchase Agreement, 13 of the 22 Boeing 737-924ER aircraft, one of the four Boeing 787-9 aircraft and nine of the 21 Embraer ERJ 175 LR aircraft listed below will be selected by United to be financed pursuant to this Offering, and the two Boeing 787-8 aircraft listed below will also be financed pursuant to this Offering.

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Aircraft Type	Registration Number[1]	Manufacturer s Serial Number[1]	Delivery Month[1]	Appraiser s Valuations AISI	BK	MBA	Appraised Value[2]
Boeing 737-924ER	N67827	44581	June 2014	$ 55,250,000	$ 53,350,000	$ 52,340,000	$ 53,350,000
Boeing 737-924ER	N66828	44580	June 2014	55,250,000	53,350,000	52,340,000	53,350,000
Boeing 737-924ER	N69829	44561	June 2014	55,250,000	53,350,000	52,340,000	53,350,000
Boeing 737-924ER	N69830	44560	July 2014	55,350,000	53,350,000	52,390,000	53,350,000
Boeing 737-924ER	N66831	44562	August 2014	55,440,000	53,350,000	52,430,000	53,350,000
Boeing 737-924ER	N65832	44563	August 2014	55,440,000	53,350,000	52,430,000	53,350,000
Boeing 737-924ER	N69833	44564	September 2014	55,530,000	53,350,000	52,470,000	53,350,000
Boeing 737-924ER	N68834	44565	September 2014	55,530,000	53,350,000	52,470,000	53,350,000
Boeing 737-924ER	N69835	60087	October 2014	55,620,000	53,700,000	52,510,000	53,700,000
Boeing 737-924ER	N68836	60088	October 2014	55,620,000	53,700,000	52,510,000	53,700,000
Boeing 737-924ER	N66837	60121	November 2014	55,710,000	53,700,000	52,560,000	53,700,000
Boeing 737-924ER	N69838	60122	November 2014	55,710,000	53,700,000	52,560,000	53,700,000
Boeing 737-924ER	N69839	60316	December 2014	55,800,000	53,700,000	52,600,000	53,700,000
Boeing 737-924ER	N66841	42181	January 2015	55,900,000	53,850,000	52,640,000	53,850,000
Boeing 737-924ER	N68842	42182	January 2015	55,900,000	53,850,000	52,640,000	53,850,000
Boeing 737-924ER	N68843	42183	January 2015	55,900,000	53,850,000	52,640,000	53,850,000
Boeing 737-924ER	N69840	60317	February 2015	55,990,000	53,850,000	52,680,000	53,850,000
Boeing 737-924ER	N64844	42184	February 2015	55,990,000	53,850,000	52,680,000	53,850,000
Boeing 737-924ER	N67845	42185	February 2015	55,990,000	53,850,000	52,680,000	53,850,000
Boeing 737-924ER	N67846	42186	February 2015	55,990,000	53,850,000	52,680,000	53,850,000
Boeing 737-924ER	N69847	42187	March 2015	56,080,000	53,850,000	52,730,000	53,850,000
Boeing 737-924ER	N66848	42188	March 2015	56,080,000	53,850,000	52,730,000	53,850,000
Boeing 787-8	N49911	34828	May 2014	132,880,000	134,300,000	117,890,000	128,356,667
Boeing 787-8	N28912	35879	October 2014	133,990,000	135,850,000	118,390,000	129,410,000
Boeing 787-9	N19951	36402	September 2014	157,670,000	149,400,000	133,180,000	146,750,000
Boeing 787-9	N26952	36403	January 2015	158,710,000	150,850,000	133,620,000	147,726,667
Boeing 787-9	N35953	36404	March 2015	159,240,000	150,850,000	133,840,000	147,976,667
Boeing 787-9	N13954	36405	March 2015	159,240,000	150,850,000	133,840,000	147,976,667
Embraer ERJ 175 LR	N88301	TBD	March 2014	31,210,000	27,500,000	29,290,000	29,290,000
Embraer ERJ 175 LR	N87302	TBD	April 2014	31,260,000	27,600,000	29,310,000	29,310,000
Embraer ERJ 175 LR	N87303	TBD	April 2014	31,260,000	27,600,000	29,310,000	29,310,000
Embraer ERJ 175 LR	N89304	TBD	June 2014	31,370,000	27,600,000	29,360,000	29,360,000
Embraer ERJ 175 LR	N93305	TBD	July 2014	31,420,000	27,700,000	29,390,000	29,390,000
Embraer ERJ 175 LR	N87306	TBD	July 2014	31,420,000	27,700,000	29,390,000	29,390,000
Embraer ERJ 175 LR	N84307	TBD	August 2014	31,470,000	27,700,000	29,410,000	29,410,000
Embraer ERJ 175 LR	N89308	TBD	September 2014	31,520,000	27,700,000	29,430,000	29,430,000
	N86309	TBD	October 2014	31,570,000	27,800,000	29,460,000	29,460,000

Embraer ERJ 175 LR							
Embraer ERJ 175 LR	N88310	TBD	October 2014	31,570,000	27,800,000	29,460,000	29,460,000
Embraer ERJ 175 LR	N86311	TBD	October 2014	31,570,000	27,800,000	29,460,000	29,460,000
Embraer ERJ 175 LR	N86312	TBD	November 2014	31,630,000	27,800,000	29,480,000	29,480,000
Embraer ERJ 175 LR	N89313	TBD	November 2014	31,630,000	27,800,000	29,480,000	29,480,000
Embraer ERJ 175 LR	N82314	TBD	November 2014	31,630,000	27,800,000	29,480,000	29,480,000
Embraer ERJ 175 LR	N89315	TBD	December 2014	31,680,000	27,800,000	29,510,000	29,510,000
Embraer ERJ 175 LR	N86316	TBD	December 2014	31,680,000	27,800,000	29,510,000	29,510,000
Embraer ERJ 175 LR	N89317	TBD	December 2014	31,680,000	27,800,000	29,510,000	29,510,000
Embraer ERJ 175 LR	N87318	TBD	February 2015	31,780,000	27,900,000	29,550,000	29,550,000
Embraer ERJ 175 LR	N87319	TBD	February 2015	31,780,000	27,900,000	29,550,000	29,550,000
Embraer ERJ 175 LR	N85320	TBD	March 2015	31,840,000	27,900,000	29,580,000	29,580,000
Embraer ERJ 175 LR	N89321	TBD	March 2015	31,840,000	27,900,000	29,580,000	29,580,000

(1) The indicated registration number, manufacturer s serial number and delivery month for each aircraft reflect our current expectations, although these may differ for the actual Aircraft financed hereunder. United does not currently have the manufacturer s serial numbers for the Embraer ERJ 175 LR aircraft. The financing pursuant to this Offering of each Aircraft is expected to be effected at or around the time of delivery of such Aircraft by the manufacturer to United or, in the case of an Aircraft delivered to United in 2014 prior to the availability of financing pursuant to this Offering, after United s determination to so finance such Aircraft. The actual delivery date for any aircraft may be subject to delay or acceleration. See Timing of Financing the Aircraft . United has certain rights to substitute other aircraft if the scheduled delivery date of any aircraft is delayed for more than 30 days after the month scheduled for delivery. See Substitute Aircraft .

(2) The appraised value of each aircraft set forth above is the lesser of the average and median values of such aircraft as appraised by the Appraisers.

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For purposes of the foregoing chart, AISI, BK and MBA were each asked to provide its opinion as to the appraised base value of each aircraft, projected as of the scheduled delivery month of the applicable aircraft. As part of this process, all three Appraisers performed desk top appraisals without any physical inspection of the aircraft. The appraisals are based on various assumptions and methodologies, which vary among the appraisals. The Appraisers have delivered letters summarizing their respective appraisals, copies of which are annexed to this Prospectus Supplement as Appendix II. For a discussion of the assumptions and methodologies used in each of the appraisals, reference is hereby made to such summaries.

An appraisal is only an estimate of value. It is not indicative of the price at which an aircraft may be purchased from the manufacturer. Nor should it be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Aircraft may be less than its appraised value. The value of the Aircraft in the event of the exercise of remedies under the applicable Indenture will depend on market and economic conditions, the availability of buyers, the condition of the Aircraft and other similar factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise with respect to the Equipment Notes and the Aircraft pursuant to the applicable Indenture would equal the appraised value of such Aircraft or be sufficient to satisfy in full payments due on such Equipment Notes or the Certificates. See Risk Factors Risk Factors Relating to the Certificates and the Offering The Appraisals are only estimates of Aircraft value.

Timing of Financing the Aircraft

The aircraft that may be financed with the proceeds of this Offering are scheduled for delivery under United s purchase agreements with The Boeing Company (Boeing) from May 2014 through March 2015 or, in the case of the Embraer ERJ 175 LR aircraft, under United s purchase agreement with Embraer S.A. (Embraer) from March 2014 through March 2015. See the table under The Appraisals for the scheduled month of delivery of each such aircraft. Under such purchase agreements, delivery of an aircraft may be delayed due to excusable delay , which is defined to include, among other things, acts of God, governmental acts or failures to act, strikes or other labor troubles, inability to procure materials, or any other cause beyond the applicable manufacturer s control or not occasioned by the applicable manufacturer s fault or negligence.

The Note Purchase Agreement provides that the period for financing the Aircraft under this Offering (the Delivery Period) will expire on June 30, 2015. In addition, if a labor strike occurs at Boeing or Embraer prior to the scheduled expiration of the Delivery Period, the expiration date of the Delivery Period will be extended by the number of days that such strike continued in effect, but not more than 60 days and excluding any period of a strike at Boeing or Embraer after all Aircraft of such manufacturer shall have been financed pursuant to this Offering.

If the scheduled delivery date of any aircraft that may be financed with the proceeds of this Offering is delayed by more than 30 days after the month scheduled for delivery, United has the right to replace such aircraft with a Substitute Aircraft, subject to certain conditions. See Substitute Aircraft . If delivery of any such aircraft is delayed beyond the Delivery Period Termination Date and United does not exercise its right to replace such aircraft with a Substitute Aircraft, there will be unused Deposits that will be distributed to Certificateholders together with accrued and unpaid interest thereon but without a premium. See Description of the Deposit Agreements Unused Deposits .

Substitute Aircraft

If the scheduled delivery date for any aircraft that may be financed with the proceeds of this Offering is delayed by more than 30 days after the month scheduled for delivery, United may identify for delivery a substitute aircraft (each, together with the substitute aircraft referred to below, a Substitute Aircraft) therefor meeting the following conditions:

A Substitute Aircraft must be of the same model as the aircraft being replaced.

United will be obligated to obtain written confirmation from each Rating Agency that substituting such Substitute Aircraft for the replaced aircraft will not result in a withdrawal, suspension or downgrading of the ratings of any Class of Certificates.

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DESCRIPTION OF THE EQUIPMENT NOTES

The following summary describes the material terms of the Equipment Notes. The summary makes use of terms defined in, and is qualified in its entirety by reference to all of the provisions of, the Equipment Notes, the Indentures, the Participation Agreements and the Note Purchase Agreement. The Note Purchase Agreement and the forms of the Equipment Notes, the Indentures and the Participation Agreements each will be filed as an exhibit to a Current Report on Form 8-K to be filed by United with the Commission. Except as otherwise indicated, the following summaries relate to the Equipment Notes, the Indenture and the Participation Agreement that may be applicable to each Aircraft.

Under the Note Purchase Agreement, United will enter into a secured debt financing with respect to each Aircraft. The Note Purchase Agreement provides for the relevant parties to enter into a Participation Agreement and an Indenture relating to the financing of each Aircraft.

The description of such financing agreements in this Prospectus Supplement is based on the forms of such agreements annexed to the Note Purchase Agreement. However, the terms of the financing agreements actually entered into may differ from the forms of such agreements and, consequently, may differ from the description of such agreements contained in this Prospectus Supplement. Although such changes are permitted, under the Note Purchase Agreement the terms of such agreements must not vary the Required Terms. In addition, United will be obligated to certify to the Trustees that any substantive modifications do not materially and adversely affect the Certificateholders. United must also obtain written confirmation from each Rating Agency that the use of financing agreements modified in any material respect from the forms attached to the Note Purchase Agreement would not result in a withdrawal, suspension or downgrading of the ratings of any Class of Certificates. See Description of the Certificates Obligation to Purchase Equipment Notes .

General

Equipment Notes will be issued in two series with respect to each Aircraft (the Series A Equipment Notes and the Series B Equipment Notes and, collectively, the Equipment Notes). United may elect to issue up to two series of Additional Equipment Notes with respect to an Aircraft at any time, which will be funded from sources other than this Offering and will be subordinated in right of payment to the Equipment Notes. See Possible Issuance of Additional Junior Certificates and Refinancing of Certificates . The Equipment Notes with respect to each Aircraft will be issued under a separate Indenture among United and Wilmington Trust, National Association, as indenture trustee thereunder (each, a Loan Trustee).

United s obligations under the Equipment Notes will be general obligations of United.

Subordination

The Indentures provide for the following subordination provisions applicable to the Equipment Notes:

- Series A Equipment Notes issued in respect of an Aircraft will rank senior in right of payment to other Equipment Notes issued in respect of such Aircraft.

- Series B Equipment Notes issued in respect of an Aircraft will rank junior in right of payment to the Series A Equipment Notes issued in respect of such Aircraft.

If United elects to issue Additional Equipment Notes with respect to an Aircraft, they will be subordinated in right of payment to the Series A and Series B Equipment Notes issued with respect to such Aircraft. See Possible Issuance of Additional Junior Certificates and Refinancing of Certificates .

Principal and Interest Payments

Subject to the provisions of the Intercreditor Agreement, interest paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust on the dates and at the rate per annum set forth on the cover page of this Prospectus Supplement with respect to Certificates issued by such Trust until the final expected Regular Distribution Date for such Trust. Subject to the provisions of the Intercreditor Agreement, principal paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust in scheduled amounts on the dates set forth herein until the final expected Regular Distribution Date for such Trust.

Interest will be payable on the unpaid principal amount of each Equipment Note at the rate applicable to such Equipment Note on April 11 and October 11 of each year, commencing on the first such date to occur after initial issuance thereof (but not before October 11, 2014). Such interest will be computed on the basis of a 360-day year of twelve 30-day months.

Scheduled principal payments on the Equipment Notes will be made on April 11 and October 11 of each year, commencing on October 11, 2015. See Description of the Certificates Pool Factors for a discussion of the scheduled payments of principal of the Equipment Notes and possible revisions thereto.

If any date scheduled for a payment of principal, premium (if any) or interest with respect to the Equipment Notes is not a Business Day, such payment will be made on the next succeeding Business Day, without any additional interest.

United is also required to pay under each Indenture such Indenture s pro rata share of:

- the fees, the interest payable on drawings under each Liquidity Facility in excess of earnings on cash deposits from such drawings plus certain other amounts and certain other payments due to the Liquidity Provider under each Liquidity Facility and

- compensation and certain expenses payable to the Pass Through Trustee and the Subordination Agent.

Redemption

If an Event of Loss occurs with respect to an Aircraft and such Aircraft is not replaced by United under the related Indenture, the Equipment Notes issued with respect to such Aircraft will be redeemed, in whole, in each case at a price equal to the aggregate unpaid principal amount thereof, together with accrued interest thereon to, but not including, the date of redemption, but without premium, on a Special Distribution Date. (Indentures, Section 2.10)

All of the Equipment Notes issued with respect to an Aircraft may be redeemed prior to maturity at any time, at the option of United, only if all outstanding Equipment Notes with respect to all other Aircraft are simultaneously redeemed. In addition, United may elect to redeem the Series B Equipment Notes issued with respect to all Aircraft in connection with a refinancing of such Series. The redemption price for any optional redemption will be the unpaid principal amount of the relevant Equipment Notes, together with accrued and unpaid interest thereon to, but not including, the date of redemption, plus a Make-Whole Premium. (Indentures, Section 2.11) See Possible Issuance of Additional Junior Certificates and Refinancing of Certificates .

Make-Whole Premium means, with respect to any Equipment Note, an amount (as determined by an independent investment bank of national standing) equal to the excess, if any, of (a) the present value of the remaining scheduled payments of principal and interest to maturity of such Equipment Note computed by discounting such payments on a semiannual basis on each payment date under the applicable Indenture (assuming a 360-day year of twelve 30-day months) using a discount rate equal to the Treasury Yield plus the applicable Make-Whole Spread over (b) the outstanding principal amount of such Equipment Note plus accrued interest to the date of determination. The

Make-Whole Spread applicable to each Series of Equipment Notes is set forth below:

	Make-Whole Spread
Series A Equipment Notes	0.250%
Series B Equipment Notes	0.500%

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For purposes of determining the Make-Whole Premium, Treasury Yield means, at the date of determination with respect to any Equipment Note, the interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Average Life Date of such Equipment Note and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities markets, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Equipment Note, in each case as published in the most recent H.15(519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Equipment Note is reported in the most recent H.15(519), such weekly average yield to maturity as published in such H.15(519). H.15(519) means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System. The date of determination of a Make-Whole Premium shall be the third Business Day prior to the applicable payment or redemption date and the most recent H.15(519) means the H.15(519) published prior to the close of business on the third Business Day prior to the applicable payment or redemption date.

Average Life Date for any Equipment Note shall be the date which follows the time of determination by a period equal to the Remaining Weighted Average Life of such Equipment Note.

Remaining Weighted Average Life on a given date with respect to any Equipment Note shall be the number of days equal to the quotient obtained by dividing (a) the sum of each of the products obtained by multiplying (i) the amount of each then remaining scheduled payment of principal of such Equipment Note by (ii) the number of days from and including such determination date to but excluding the date on which such payment of principal is scheduled to be made, by (b) the then outstanding principal amount of such Equipment Note.

Security

Aircraft

The Equipment Notes issued with respect to each Aircraft will be secured by a security interest in such Aircraft and each of the other Aircraft for which Equipment Notes are outstanding and an assignment to the Loan Trustee of certain of United s rights under warranties with respect to the Aircraft.

Since the Equipment Notes are cross-collateralized, any proceeds from the sale of an Aircraft securing Equipment Notes or other exercise of remedies under an Indenture with respect to such Aircraft will (subject to the provisions of the U.S. Bankruptcy Code) be available for application to shortfalls with respect to obligations due under the other Equipment Notes at the time such proceeds are received. In the absence of any such shortfall, excess proceeds will be held as additional collateral by the Loan Trustee under such Indenture for such other Equipment Notes. However, if an Equipment Note ceases to be held by the Subordination Agent (as a result of sale upon the exercise of remedies or otherwise), it ceases to be entitled to the benefits of cross-collateralization.

See Appendix III to this Prospectus Supplement for tables setting forth the projected loan to value ratios for each of the aircraft that may be financed pursuant to this Offering.

Cash

Cash, if any, held from time to time by the Loan Trustee with respect to any Aircraft, including funds held as the result of an Event of Loss to such Aircraft, will be invested and reinvested by such Loan Trustee, at the direction of

United, in investments described in the related Indenture. (Indentures, Section 6.06)

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Limitation of Liability

Except as otherwise provided in the Indentures, each Loan Trustee, in its individual capacity, will not be answerable or accountable under the Indentures or under the Equipment Notes under any circumstances except, among other things, for its own willful misconduct or gross negligence. (Indentures, Section 7.01)

Indenture Defaults, Notice and Waiver

Events of default under each Indenture (Indenture Defaults) will include:

- The failure by United to pay any amount, when due, under such Indenture or under any Equipment Note issued thereunder that continues for more than ten Business Days, in the case of principal, interest or Make-Whole Premium, and, in all other cases, ten Business Days after United receives written notice from the related Loan Trustee.

- Any representation or warranty made by United in such Indenture, the related Participation Agreement or certain related documents furnished to the Loan Trustee or any holder of an Equipment Note pursuant thereto being false or incorrect in any material respect when made that continues to be material and adverse to the interests of the Loan Trustee or Note Holders and remains unremedied after notice and specified cure periods.

- Failure by United to perform or observe any covenant or obligation for the benefit of the Loan Trustee or holders of Equipment Notes under such Indenture or certain related documents that continues after notice and specified cure periods.

- The lapse or cancellation of insurance required under such Indenture.

- The occurrence of an Indenture Default under any other Indenture.

- The occurrence of certain events of bankruptcy, reorganization or insolvency of United. (Indentures, Section 5.01)

The holders of a majority in principal amount of the outstanding Equipment Notes issued with respect to any Aircraft, by notice to the Loan Trustee, may on behalf of all the holders waive any existing default and its consequences under the Indenture with respect to such Aircraft, except a default in the payment of the principal of, or premium or interest on any such Equipment Notes or a default in respect of any covenant or provision of such Indenture that cannot be modified or amended without the consent of each holder of Equipment Notes. (Indentures, Section 5.06) See Description of the Intercreditor Agreement Voting of Equipment Notes regarding the persons entitled to direct the vote of Equipment Notes.

Remedies

If an Indenture Default (other than certain events of bankruptcy, reorganization or insolvency) occurs and is continuing under an Indenture, the related Loan Trustee or the holders of a majority in principal amount of the Equipment Notes outstanding under such Indenture may declare the principal of all such Equipment Notes issued thereunder immediately due and payable, together with all accrued but unpaid interest thereon. If certain events of bankruptcy, reorganization or insolvency occur with respect to United, such amounts shall be due and payable without any declaration or other act on the part of the related Loan Trustee or holders of Equipment Notes. The holders of a majority in principal amount of Equipment Notes outstanding under an Indenture may rescind any declaration of acceleration of such Equipment Notes at any time before the judgment or decree for the payment of the money so due shall be entered if (i) there has been paid to the related Loan Trustee an amount sufficient to pay all principal, interest and premium, if any, on any such Equipment Notes, to the extent such amounts have become due otherwise than by such declaration of acceleration and (ii) all other Indenture Defaults and incipient Indenture Defaults with respect to any covenant or provision of such Indenture have been cured. (Indentures, Section 5.02(b))

Each Indenture provides that if an Indenture Default under such Indenture has occurred and is continuing, the related Loan Trustee may exercise certain rights or remedies available to it under such Indenture or under applicable law.

In the case of Chapter 11 bankruptcy proceedings in which an air carrier is a debtor, Section 1110 of the U.S. Bankruptcy Code (Section 1110) provides special rights to holders of security interests with respect to equipment (defined as described below). Under Section 1110, the right of such holders to take possession of such equipment in compliance with the provisions of a security agreement is not affected by any provision of the U.S. Bankruptcy Code or any power of the bankruptcy court. Such right to take possession may not be exercised for 60 days following the date of commencement of the reorganization proceedings. Thereafter, such right to take possession may be exercised during such proceedings unless, within the 60-day period or any longer period consented to by the relevant parties, the debtor agrees to perform its future obligations and cures all existing and future defaults on a timely basis. Defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor need not be cured.

Equipment is defined in Section 1110, in part, as an aircraft, aircraft engine, propeller, appliance, or spare part (as defined in Section 40102 of Title 49 of the U.S. Code) that is subject to a security interest granted by, leased to, or conditionally sold to a debtor that, at the time such transaction is entered into, holds an air carrier operating certificate issued pursuant to chapter 447 of Title 49 of the U.S. Code for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo. Rights under Section 1110 are subject to certain limitations in the case of equipment first placed in service on or prior to October 22, 1994.

It is a condition to the Trustees obligation to purchase Equipment Notes with respect to each Aircraft that outside counsel to United, which is expected to be Hughes Hubbard & Reed LLP, provide its opinion to the Trustees that the Loan Trustees will be entitled to the benefits of Section 1110 with respect to the airframe and engines comprising such Aircraft, assuming that, at the time of such transaction, United holds an air carrier operating certificate issued pursuant to chapter 447 of Title 49 of the U.S. Code for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo. For a description of certain limitations on the Loan Trustee s exercise of rights contained in the Indenture, see Indenture Defaults, Notice and Waiver .

The opinion of Hughes Hubbard & Reed LLP will not address the possible replacement of an Aircraft after an Event of Loss in the future, the consummation of which is conditioned upon the contemporaneous delivery of an opinion of counsel to the effect that the related Loan Trustee will be entitled to Section 1110 benefits with respect to such replacement unless there is a change in law or court interpretation that results in Section 1110 not being available. See Certain Provisions of the Indentures Events of Loss . The opinion of Hughes Hubbard & Reed LLP will also not address the availability of Section 1110 with respect to any possible lessee of an Aircraft if it is leased by United.

If an Indenture Default under any Indenture occurs and is continuing, any sums held or received by the related Loan Trustee may be applied to reimburse such Loan Trustee for any tax, expense or other loss incurred by it and to pay any other amounts due to such Loan Trustee prior to any payments to holders of the Equipment Notes issued under such Indenture. (Indentures, Section 3.03)

Modification of Indentures

Without the consent of holders of a majority in principal amount of the Equipment Notes outstanding under any Indenture, the provisions of such Indenture and the related Participation Agreement may not be amended or modified, except to the extent indicated below.

Without the consent of the Liquidity Provider and the holder of each Equipment Note outstanding under any Indenture affected thereby, no amendment or modification of such Indenture may among other things (a) reduce the principal amount of, or premium, if any, or interest payable on, any Equipment Notes issued under such

Indenture or change the date on which any principal, premium, if any, or interest is due and payable, (b) permit the creation of any security interest with respect to the property subject to the lien of such Indenture, except as provided in such Indenture, or deprive any holder of an Equipment Note issued under such Indenture of the benefit of the lien of such Indenture upon the property subject thereto or (c) modify the percentage of holders of Equipment Notes issued under such Indenture required to take or approve any action under such Indenture. (Indentures, Section 10.01(a))

Any Indenture may be amended without the consent of the holders of Equipment Notes to, among other things, cure any defect or inconsistency in such Indenture or the Equipment Notes issued thereunder (provided that such change does not adversely affect the interests of any such holder) or provide for the re-issuance thereunder of Series B Equipment Notes or the issuance or successive redemption and issuance from time to time thereunder of up to two series of Additional Equipment Notes (and the re-issuance of Series B Equipment Notes or issuance of one or more series of Additional Equipment Notes under other Indentures) and any related credit support arrangements. See Possible Issuance of Additional Junior Certificates and Refinancing of Certificates . (Indentures, Section 10.01(b))

Indemnification

United will be required to indemnify each Loan Trustee, each Liquidity Provider, the Subordination Agent, the Escrow Agent and each Trustee, but not the holders of Certificates, for certain losses, claims and other matters.

Certain Provisions of the Indentures

Maintenance

United is obligated under each Indenture, among other things and at its expense, to keep each Aircraft duly registered and insured, and to maintain, service, repair and overhaul the Aircraft so as to keep it in as good an operating condition as when delivered to United, ordinary wear and tear excepted, and in such condition as required to maintain the airworthiness certificate for the Aircraft in good standing at all times. (Indentures, Section 4.02)

Possession, Lease and Transfer

Each Aircraft may be operated by United or, subject to certain restrictions, by certain other persons. Normal interchange agreements with respect to the Airframe and normal interchange, pooling and borrowing agreements with respect to any Engine, in each case customary in the commercial airline industry, are permitted. Leases are also permitted to U.S. air carriers and foreign air carriers that have their principal executive office in certain specified countries, subject to a reasonably satisfactory legal opinion that, among other things, such country would recognize the Loan Trustee s security interest in respect of the applicable Aircraft. In addition, a lessee may not be subject to insolvency or similar proceedings at the commencement of such lease. (Indentures, Section 4.02) Permitted foreign air carriers are not limited to those based in a country that is a party to the Convention on the International Recognition of Rights in Aircraft (Geneva 1948) (the Convention) or the Cape Town Treaty. It is uncertain to what extent the relevant Loan Trustee s security interest would be recognized if an Aircraft is registered or located in a jurisdiction not a party to the Convention or the Cape Town Treaty. Moreover, in the case of an Indenture Default, the ability of the related Loan Trustee to realize upon its security interest in an Aircraft could be adversely affected as a legal or practical matter if such Aircraft were registered or located outside the United States.

United expects that, at or about the time an Embraer ERJ 175 LR Aircraft is delivered by Embraer to United, such Aircraft will be leased by United to Mesa Airlines, Inc. (Mesa), a regional carrier, in compliance with the terms of the applicable Indenture. The lease between United and Mesa will be subject and subordinate to

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the Indenture. No such lease will relieve United of its obligations under the corresponding Indenture. Mesa has agreed with United to operate such Embraer ERJ 175 LR Aircraft pursuant to a capacity purchase agreement as a United Express carrier in regional operations.

Registration

United is required to keep each Aircraft duly registered under the Transportation Code with the FAA and to record each Indenture and certain other documents under the Transportation Code. In addition, United is required to register the international interests created pursuant to the Indenture under the Cape Town Treaty. (Indentures, Section 4.02(e)) Such recordation of the Indenture and certain other documents with respect to each Aircraft will give the relevant Loan Trustee a first-priority, perfected security interest in such Aircraft under U.S. law. If such Aircraft is located outside the United States, under U.S. law the effect of such perfection and the priority of such security interest will be governed by the law of the jurisdiction where such Aircraft is located. The Convention provides that such security interest will be recognized, with certain limited exceptions, in those jurisdictions that have ratified or adhere to the Convention. The Cape Town Treaty provides that a registered international interest has priority over a subsequently registered interest and over an unregistered interest for purposes of the law of those jurisdictions that have ratified the Cape Town Treaty. There are many jurisdictions in the world that have not ratified either the Convention or the Cape Town Treaty, and the Aircraft may be located in any such jurisdiction from time to time.

So long as no Indenture Default exists, United has the right to register any Aircraft in a country other than the United States at its own expense in connection with a permitted lease of the Aircraft to a permitted foreign air carrier, subject to certain conditions set forth in the related Indenture. These conditions include a requirement that an opinion of counsel be provided that the lien of the applicable Indenture will continue as a first priority security interest in the applicable Aircraft. (Indentures, Section 4.02(e)).

Liens

United is required to maintain each Aircraft free of any liens, other than the rights of the relevant Loan Trustee, the holders of the Equipment Notes and United arising under the applicable Indenture or the other operative documents related thereto, and other than certain limited liens permitted under such documents, including but not limited to (i) liens for taxes either not yet due or being contested in good faith by appropriate proceedings; (ii) materialmen s, mechanics and other similar liens arising in the ordinary course of business and securing obligations that either are not yet delinquent for more than 60 days or are being contested in good faith by appropriate proceedings; (iii) judgment liens so long as such judgment is discharged or vacated within 60 days or the execution of such judgment is stayed pending appeal or discharged, vacated or reversed within 60 days after expiration of such stay; and (iv) any other lien as to which United has provided a bond or other security adequate in the reasonable opinion of the Loan Trustee; provided that in the case of each of the liens described in the foregoing clauses (i), (ii) and (iii), such liens and proceedings do not involve any material risk of the sale, forfeiture or loss of such Aircraft or the interest of the Loan Trustee therein or impair the lien of the relevant Indenture. (Indentures, Section 4.01)

Replacement of Parts; Alterations

United is obligated to replace all parts at its expense that may from time to time be incorporated or installed in or attached to any Aircraft and that may become lost, damaged beyond repair, worn out, stolen, seized, confiscated or rendered permanently unfit for use. United or any permitted lessee has the right, at its own expense, to make such alterations, modifications and additions with respect to each Aircraft as it deems desirable in the proper conduct of its business and to remove parts which it deems to be obsolete or no longer suitable or appropriate for use, so long as such alteration, modification, addition or removal does not materially diminish the fair market value, utility, condition or useful life of the related Aircraft or Engine or invalidate the Aircraft s airworthiness certificate. (Indentures, Section 4.04(d))

Insurance

United is required to maintain, at its expense (or at the expense of a permitted lessee), all-risk aircraft hull insurance covering each Aircraft, at all times in an amount not less than the unpaid principal amount of the Equipment Notes relating to such Aircraft together with six months of interest accrued thereon (the Debt Balance). However, after giving effect to self-insurance permitted as described below, the amount payable under such insurance may be less than such amounts payable with respect to the Equipment Notes. In the event of a loss involving insurance proceeds in excess of $18,000,000 per occurrence in the case of a Boeing 787-9 Aircraft, $15,000,000 per occurrence in the case of a Boeing 787-8 Aircraft, $8,000,000 per occurrence in the case of a Boeing 737-924ER Aircraft and $5,000,000 per occurrence in the case of an Embraer ERJ 175 LR Aircraft, such proceeds up to the Debt Balance of the relevant Aircraft will be payable to the applicable Loan Trustee, for so long as the relevant Indenture shall be in effect. In the event of a loss involving insurance proceeds of up to the amount per occurrence set forth in the preceding sentence with respect to the relevant model of Aircraft, such proceeds will be payable directly to United so long as no Indenture Default exists under the related Indenture. So long as the loss does not constitute an Event of Loss, insurance proceeds will be applied to repair or replace the property. (Indentures, Section 4.06 and Annex B)

In addition, United is obligated to maintain commercial airline liability insurance at its expense (or at the expense of a permitted lessee), including, without limitation, passenger liability, baggage liability, cargo and mail liability, hangarkeeper s liability and contractual liability insurance with respect to each Aircraft. Such liability insurance must be underwritten by insurers of nationally or internationally recognized responsibility. The amount of such liability insurance coverage per occurrence may not be less than the amount of commercial airline liability insurance from time to time applicable to aircraft owned or leased and operated by United (or a permitted lessee) of the same type and operating on similar routes as such Aircraft. (Indentures, Section 4.06 and Annex B)

United is also required to maintain war risk, hijacking and allied perils insurance if it (or any permitted lessee) operates any Aircraft, Airframe or Engine in any area of recognized hostilities or if United (or any permitted lessee) maintains such insurance with respect to other aircraft operated on the same international routes or areas on or in which the Aircraft is operated. (Indentures, Section 4.06 and Annex B)

United (or a permitted lessee) may self-insure under a program applicable to all aircraft in its fleet, but the amount of such self-insurance in the aggregate may not exceed 100% of the largest replacement value of any single aircraft in United s fleet or 1½% of the average aggregate insurable value (during the preceding policy year) of all aircraft on which United carries insurance, whichever is less, unless an insurance broker of national standing shall certify that the standard among all other major U.S. airlines is a higher level of self-insurance, in which case United may self-insure the Aircraft to such higher level. In addition, United (or a permitted lessee) may self-insure to the extent of any applicable deductible per Aircraft that does not exceed industry standards for major U.S. airlines. (Indentures, Section 4.06 and Annex B)

In respect of each Aircraft, United is required to name as additional insured parties the Loan Trustees, the holders of the Equipment Notes and the Liquidity Provider under all liability insurance policies required with respect to such Aircraft. In addition, the insurance policies will be required to provide that, in respect of the interests of such additional insured persons, the insurance shall not be invalidated or impaired by any act or omission of United, any permitted lessee or any other person. (Indentures, Section 4.06 and Annex B)

Events of Loss

If an Event of Loss occurs with respect to the Airframe or the Airframe and Engines of an Aircraft, United must elect within 45 days after such occurrence either to make payment with respect to such Event of Loss or to replace such

Airframe and any such Engines. Not later than the first Business Day following the earlier of (i) the 120th day following the date of occurrence of such Event of Loss, and (ii) the fourth Business Day following the receipt of the insurance proceeds in respect of such Event of Loss, United must either (i) pay to the Loan Trustee the outstanding principal amount of the Equipment Notes, together with certain additional amounts, but, in any case, without any Make-Whole Premium or (ii) unless an Indenture Default or failure to pay principal or interest under the Indenture or certain bankruptcy defaults shall have occurred and is continuing, substitute an airframe (or airframe and one or more engines, as the case may be) for the Airframe, or Airframe and Engine(s), that suffered such Event of Loss. (Indentures, Sections 2.10 and 4.05(a))

If United elects to replace an Airframe (or Airframe and one or more Engines, as the case may be) that suffered such Event of Loss, it shall subject such an airframe (or airframe and one or more engines) to the lien of the Indenture, and such replacement airframe or airframe and engines must be the same model as the Airframe or Airframe and Engines to be replaced or an improved model, with a value, utility and remaining useful life (without regard to hours or cycles remaining until the next regular maintenance check) at least equal to the Airframe or Airframe and Engines to be replaced, assuming that such Airframe and such Engines had been maintained in accordance with the related Indenture. United is also required to provide to the relevant Loan Trustee reasonably acceptable opinions of counsel to the effect, among other things, that (i) certain specified documents have been duly filed under the Transportation Code and (ii) such Loan Trustee will be entitled to receive the benefits of Section 1110 of the U.S. Bankruptcy Code with respect to any such replacement airframe (unless, as a result of a change in law or court interpretation, such benefits are not then available). (Indentures, Section 4.05(c))

If United elects not to replace such Airframe, or Airframe and Engine(s), then upon payment of the outstanding principal amount of the Equipment Notes issued with respect to such Aircraft, together with accrued and unpaid interest thereon and all additional amounts then due and unpaid with respect to such Aircraft, the lien of the Indenture shall terminate with respect to such Aircraft, and the obligation of United thereafter to make interest and principal payments with respect thereto shall cease. (Indentures, Sections 2.10, 3.02 and 4.05(a)(ii))

If an Event of Loss occurs with respect to an Engine alone, United will be required to replace such Engine within 60 days after the occurrence of such Event of Loss with another engine, free and clear of all liens (other than certain permitted liens). Such replacement engine shall be the same make and model as the Engine to be replaced, or an improved model, suitable for installation and use on the Airframe, and having a value, utility and remaining useful life (without regard to hours or cycles remaining until overhaul) at least equal to the Engine to be replaced, assuming that such Engine had been maintained in accordance with the relevant Indenture. (Indentures, Section 4.05)

An Event of Loss with respect to an Aircraft, Airframe or any Engine means any of the following events with respect to such property:

The destruction of such property, damage to such property beyond economic repair or rendition of such property permanently unfit for normal use.

The actual or constructive total loss of such property or any damage to such property or requisition of title or use of such property which results in an insurance settlement with respect to such property on the basis of a total loss or a constructive or compromised total loss.

Any theft, hijacking or disappearance of such property for a period of 180 consecutive days or more.

Any seizure, condemnation, confiscation, taking or requisition of title to such property by any governmental entity or purported governmental entity (other than a U.S. government entity) for a period exceeding 180 consecutive days.

As a result of any law, rule, regulation, order or other action by the FAA or any governmental entity, the use of such property in the normal course of United s business of passenger air transportation is prohibited for 180 consecutive days, unless United, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward steps which are necessary or desirable to permit the normal use of such property by United, but in any event if such use shall have been prohibited for a period of two consecutive years, provided that no Event of Loss shall be deemed to have occurred if such prohibition has been applicable to United s entire U.S. registered fleet of similar property and United, prior to the expiration of such two-year period, shall have conformed at least one unit of such property in its fleet to the requirements of any such law, rule, regulation, order or other action and commenced regular commercial use of the same and shall be diligently carrying forward, in a manner which does not discriminate against applicable property in so conforming such property, steps which are necessary or desirable to permit the normal use of such property by United, but in any event if such use shall have been prohibited for a period of three years.

With respect to any Engine, any divestiture of title to such Engine in connection with pooling or certain other arrangements shall be treated as an Event of Loss. (Indentures, Annex A)

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POSSIBLE ISSUANCE OF ADDITIONAL JUNIOR CERTIFICATES AND REFINANCING OF CERTIFICATES

Issuance of Additional Junior Certificates

United may elect to issue up to two additional series of equipment notes (each, a series of Additional Equipment Notes) with respect to any Aircraft at any time, each of which will be funded from sources other than this offering (this Offering) but will be issued under the same Indenture as the Equipment Notes for such Aircraft. Any Additional Equipment Note issued under an Indenture will be subordinated in right of payment to the Series A and Series B Equipment Notes issued under such Indenture and may also be subordinated in right of payment to a previously issued or concurrently issued series of Additional Equipment Notes. United will fund the sale of any series of Additional Equipment Notes through the sale of related pass through certificates (the Additional Junior Certificates) issued by a single related United Airlines pass through trust (each such trust, an Additional Trust). There will be no liquidity facility with respect to any class of Additional Junior Certificates.

The trustee of any Additional Trust (each, an Additional Trustee) will become a party to the Intercreditor Agreement. The Intercreditor Agreement will be amended by written agreement of United and the Subordination Agent to provide for the subordination of the Additional Junior Certificates to the Administration Expenses, the Liquidity Obligations, the Class A and Class B Certificates and, if applicable, a previously issued or concurrently issued Class of Additional Junior Certificates. The priority of distributions under the Intercreditor Agreement may be revised, however, to provide for distribution of Adjusted Interest with respect to each issued class of Additional Junior Certificates (calculated in a manner substantially similar to the calculation of Class B Adjusted Interest but with respect to the applicable class of Additional Junior Certificates) after Class B Adjusted Interest, but before Expected Distributions on the Class A Certificates.

The holders of Additional Junior Certificates will have the right to purchase all of the Class A and B Certificates and, if applicable, a previously issued or concurrently issued Class of Additional Junior Certificates under certain circumstances after a bankruptcy of United. See Description of the Certificates Purchase Rights of Certificateholders . In addition, the applicable Additional Trustee may be the Controlling Party upon payment of Final Distributions to the holders of the Class B Certificates, subject to the rights of the Liquidity Providers to be the Controlling Party under certain circumstances. See Description of the Intercreditor Agreement Intercreditor Rights .

Any such issuance of Additional Equipment Notes and Additional Junior Certificates, and any such amendment of the Intercreditor Agreement (and any amendment of an Indenture in connection with such issuance) are contingent upon each Rating Agency providing written confirmation that such actions will not result in a withdrawal, suspension or downgrading of the rating of any Class of Certificates.

Refinancing of Certificates

United may elect to redeem and re-issue Series B Equipment Notes (or a series of Additional Equipment Notes if so provided under the terms thereof) then outstanding (any such re-issued equipment notes, the Refinancing Equipment Notes) in respect of all (but not less than all) of the Aircraft secured by such refinanced notes at any time after the Delivery Period Termination Date. In such case, United will fund the sale of such Refinancing Equipment Notes through the sale of pass through certificates (any such certificates, the Refinancing Certificates) issued by a United Airlines pass through trust (any such trust, the Refinancing Trust). The Refinancing Certificates relating to the refinanced Series B Equipment Notes may have the benefit of a liquidity facility. The Refinancing Certificates relating to refinanced Additional Equipment Notes will not have the benefit of a Liquidity Facility.

The trustee of each Refinancing Trust will become a party to the Intercreditor Agreement and the Intercreditor Agreement will be amended by written agreement of United and the Subordination Agent to provide

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for the subordination of the Refinancing Certificates to the Administration Expenses, the Liquidity Obligations and the Class A Certificates and, if applicable, the Class B Certificates in the same manner that the corresponding Class of refinanced Certificates were subordinated. Such issuance of Refinancing Equipment Notes and Refinancing Certificates, and any such amendment of the Intercreditor Agreement (and any amendment of an Indenture in connection with such re-issuance), are contingent upon each Rating Agency providing written confirmation that such actions will not result in a withdrawal, suspension or downgrading of the rating of any Class of Certificates that remains outstanding.

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CERTAIN U.S. FEDERAL TAX CONSEQUENCES

General

The following summary describes all material generally applicable U.S. federal income tax consequences, as well as certain Medicare tax considerations, to Certificateholders of the purchase, ownership and disposition of the Certificates. Except as otherwise specified, the summary is addressed to beneficial owners of Certificates that are (i) citizens or residents of the United States, (ii) corporations created or organized in or under the laws of the United States or any state therein or the District of Columbia, (iii) estates the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) trusts that (1) meet the following two tests: (a) a U.S. court is able to exercise primary supervision over the administration of the trust and (b) one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust or (2) were in existence on August 20, 1996 and treated as U.S. persons and have validly elected to continue to be so treated (U.S. Persons) that will hold the Certificates as capital assets (U.S. Certificateholders). This summary does not address the tax treatment of U.S. Certificateholders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or commodities, partnerships, holders subject to the mark-to-market rules, tax-exempt entities, holders that will hold Certificates as part of a straddle or holders that have a functional currency other than the U.S. Dollar, nor, except as otherwise specified, does it address the tax treatment of U.S. Certificateholders that do not acquire Certificates at the public offering price as part of the initial offering. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase Certificates. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States.

The summary is based upon the tax laws and practice of the United States as in effect on the date of this Prospectus Supplement, as well as judicial and administrative interpretations thereof (in final or proposed form) available on or before such date. All of the foregoing are subject to change, which change could apply retroactively. We have not sought any ruling from the U.S. Internal Revenue Service (the IRS) with respect to the tax consequences described below, and we cannot assure you that the IRS will not take contrary positions. The Trusts are not indemnified for any U.S. federal income taxes that may be imposed upon them, and the imposition of any such taxes on a Trust could result in a reduction in the amounts available for distribution to the Certificateholders of such Trust. **Prospective investors should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences to them of the purchase, ownership and disposition of the Certificates.**

Tax Status of the Trusts

Although there is no authority addressing the characterization of entities that are similar to the Trusts in all material respects, each of the Original Trusts should be classified as a grantor trust for U.S. federal income tax purposes. If, as may be the case, the Original Trusts are not classified as grantor trusts, they will be classified as partnerships for U.S. federal income tax purposes and will not be classified as publicly traded partnerships taxable as corporations provided that at least 90% of each Original Trust s gross income for each taxable year of its existence is qualifying income (which is defined to include, among other things, interest income, gain from the sale or disposition of capital assets held for the production of interest income, and income derived with respect to a business of investing in securities). Income derived by the Original Trusts from the Equipment Notes will constitute qualifying income and that the Trusts therefore will meet the 90% test described above, assuming that the Original Trusts operate in accordance with the terms of the Pass Through Trust Agreements and other agreements to which they are parties. The Successor Trusts will be classified as grantor trusts.

Taxation of Certificateholders Generally

Trusts Classified as Grantor Trusts

Assuming that a Trust is classified as a grantor trust, a U.S. Certificateholder will be treated as owning its pro rata undivided interest in the relevant Deposits and each of the Equipment Notes held by the Trust, the

Trust s contractual rights and obligations under the Note Purchase Agreement, and any other property held by the Trust. Accordingly, each U.S. Certificateholder s share of interest paid on Equipment Notes will be taxable as ordinary income, as it is paid or accrued, in accordance with such U.S. Certificateholder s method of accounting for U.S. federal income tax purposes, and a U.S. Certificateholder s share of premium, if any, paid on redemption of an Equipment Note will be treated as capital gain. The Deposits will likely be subject to the short-term obligation rules, with the result that a U.S. Certificateholder using the cash method of accounting will be required to defer interest deductions with respect to the debt incurred or continued to purchase or carry an interest in a Deposit unless the U.S. Certificateholder elects to include income from the Deposit using the accrual method of accounting. Any amounts received by a Trust under a Liquidity Facility in order to make interest payments will be treated for U.S. federal income tax purposes as having the same characteristics as the payments they replace.

In the case of a subsequent purchaser of a Certificate, the purchase price for the Certificate should be allocated among the relevant Deposits and the assets held by the relevant Trust (including the Equipment Notes and the rights and obligations under the Note Purchase Agreement with respect to Equipment Notes not theretofore issued) in accordance with their relative fair market values at the time of purchase. Any portion of the purchase price allocable to the right and obligation under the Note Purchase Agreement to acquire an Equipment Note should be included in the purchaser s basis in its share of the Equipment Note when issued. Although the matter is not entirely clear, in the case of a purchaser after initial issuance of the Certificates but prior to the Delivery Period Termination Date, if the purchase price reflects a negative value associated with the obligation to acquire an Equipment Note pursuant to the Note Purchase Agreement being burdensome under conditions existing at the time of purchase (e.g., as a result of the interest rate on the unissued Equipment Notes being below market at the time of purchase of a Certificate), such negative value probably would be added to such purchaser s basis in its interest in the Deposits and the remaining assets of the Trust and reduce such purchaser s basis in its share of the Equipment Notes when issued. The preceding two sentences do not apply to purchases of Certificates following the Delivery Period Termination Date.

A U.S. Certificateholder who is treated as purchasing an interest in an Equipment Note at a market discount (generally, at a cost less than its remaining principal amount) that exceeds a statutorily defined de minimis amount will be subject to the market discount rules of the Code. These rules provide, in part, that gain on the sale or other disposition of a debt instrument with a term of more than one year and partial principal payments (including partial redemptions) on such a debt instrument are treated as ordinary income to the extent of accrued but unrecognized market discount. The market discount rules also provide for deferral of interest deductions with respect to debt incurred or continued to purchase or carry a debt instrument that has market discount. A U.S. Certificateholder who purchases an interest in an Equipment Note at a premium may elect to amortize the premium as an offset to interest income on the Equipment Note under rules prescribed by the Code and Treasury regulations promulgated under the Code.

Each U.S. Certificateholder will be entitled to deduct, consistent with its method of accounting, its pro rata share of fees and expenses paid or incurred by the corresponding Trust as provided in Section 162 or 212 of the Code. Certain fees and expenses, including fees paid to the Trustee and the Liquidity Provider, will be borne by parties other than the Certificateholders. It is possible that payments related to such fees and expenses will be treated as constructively received by the Trust, in which event a U.S. Certificateholder will be required to include in income and will be entitled to deduct its pro rata share of such fees and expenses. If a U.S. Certificateholder is an individual, estate or trust, the deduction for such holder s share of such fees or expenses will be allowed only to the extent that all of such holder s miscellaneous itemized deductions, including such holder s share of such fees and expenses, exceed 2% of such holder s adjusted gross income. In addition, in the case of U.S. Certificateholders who are individuals, certain otherwise allowable itemized deductions will be subject generally to additional limitations on itemized deductions under applicable provisions of the Code.

Original Trusts Classified as Partnerships

If an Original Trust is classified as a partnership (and not as a publicly traded partnership taxable as a corporation) for U.S. federal income tax purposes, income or loss with respect to the assets held by the Trust will be calculated at the Trust level, but the Trust itself will not be subject to U.S. federal income tax. Generally, a U.S. Certificateholder would be required to report its share of the Trust s items of income and deduction on its tax return for its taxable year within which the Trust s taxable year (which should be a calendar year) ends as well as income from its interest in the relevant Deposits. A U.S. Certificateholder s basis in its interest in the Trust would be equal to its purchase price therefor including its share of any funds withdrawn from the Depositary and used to purchase Equipment Notes, plus its share of the Trust s net income, minus its share of any net losses of the Trust, and minus the amount of any distributions from the Trust. In the case of an original purchaser of a Certificate that is a calendar year taxpayer, income or loss generally should be the same as it would be if the Trust were classified as a grantor trust, except that income or loss would be reported on an accrual basis even if the U.S. Certificateholder otherwise uses the cash method of accounting. A subsequent purchaser, however, generally would be subject to tax on the same basis as an original holder with respect to its interest in the Original Trust, and would not be subject to the market discount rules or the bond premium rules during the duration of the Original Trust, except that it is possible that, in the case of a subsequent purchaser that purchases Certificates at a time when the total adjusted tax basis of the Trust s assets exceeds their fair market value by more than $250,000, taxable income would be computed as if the adjusted basis of the Trust s assets were reduced by the amount of such excess.

Effect of Reallocation of Payments under the Intercreditor Agreement

In the event that the Class B Trust receives less than the full amount of the interest, principal or premium paid with respect to the Equipment Notes held by it because of the subordination of the Class B Trust under the Intercreditor Agreement, the corresponding owners of beneficial interests in the Class B Certificates would probably be treated for federal income tax purposes as if they had:

- received as distributions their full share of interest, principal or premium;
- paid over to the holders of Class A Certificates an amount equal to their share of the amount of the shortfall; and
- retained the right to reimbursement of the amount of the shortfall to the extent of future amounts payable to them on account of the shortfall.

Under this analysis:

- Class B Certificateholders incurring a shortfall would be required to include as current income any interest or other income of the Class B Trust that was a component of the shortfall, even though that amount was in fact paid to the holders of Class A Certificates;
- a loss would only be allowed to Class B Certificateholders when their right to receive reimbursement of the shortfall becomes worthless; that is, when it becomes clear that funds will not be available from any source to reimburse the shortfall; and

reimbursement of the shortfall before a claim of worthlessness would not be taxable income to the Class B Certificateholders because the amount reimbursed would have been previously included in income.

These results should not significantly affect the inclusion of income for Class B Certificateholders on the accrual method of accounting, but could accelerate inclusion of income to Class B Certificateholders on the cash method of accounting by, in effect, placing them on the accrual method.

Dissolution of Original Trusts and Formation of New Trusts

Assuming that the Original Trusts are classified as grantor trusts, the dissolution of an Original Trust and distribution of interests in the related Successor Trust will not be a taxable event to U.S. Certificateholders, who will continue to be treated as owning their shares of the property transferred from the Original Trust to the

Successor Trust. If the Original Trusts are classified as partnerships, a U.S. Certificateholder will be deemed to receive its share of the Equipment Notes and any other property transferred by the Original Trust to the Successor Trust in liquidation of its interest in the Original Trust in a non-taxable transaction. In such case, the U.S. Certificateholder s basis in the property so received will be equal to its basis in its interest in the Original Trust, allocated among the various assets received based upon their bases in the hands of the Original Trust and any unrealized appreciation or depreciation in value in such assets, and the U.S. Certificateholder s holding period for the Equipment Notes and other property will include the Original Trust s holding period.

Sale or Other Disposition of the Certificates

Upon the sale, exchange or other disposition of a Certificate, a U.S. Certificateholder generally will recognize capital gain or loss (subject to the possible recognition of ordinary income under the market discount rules) equal to the difference between the amount realized on the disposition (other than any amount attributable to accrued interest which will be taxable as ordinary income and any amount attributable to any Deposits) and the U.S. Certificateholder s adjusted tax basis in the Note Purchase Agreement, Equipment Notes and any other property held by the corresponding Trust. Any such gain or loss will be long-term capital gain or loss to the extent attributable to property held by the Trust for more than one year. In the case of individuals, estates and trusts, the maximum rate of tax on net long-term capital gains generally is 20%. Any gain with respect to an interest in a Deposit will likely be treated as ordinary income. Notwithstanding the foregoing, if the Original Trusts are classified as partnerships, gain or loss with respect to a disposition of an interest in an Original Trust will be calculated and characterized by reference to the U.S. Certificateholder s adjusted tax basis and holding period for its interest in the Original Trust.

3.8% Medicare Tax On Net Investment Income

U.S. Certificateholders that are individuals, estates, and certain trusts are subject to an additional 3.8% tax on all or a portion of their net investment income, which may include the interest payments and any gain realized with respect to the Equipment Notes and the Deposits, to the extent of their net investment income that, when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, estate or trust, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), or $125,000 for a married individual filing a separate return. U.S. Certificateholders should consult their advisors with respect to the 3.8% Medicare tax.

Foreign Certificateholders

Subject to the discussion of backup withholding below, payments of principal, interest and premium on the Equipment Notes or Deposits to, or on behalf of, any beneficial owner of a Certificate that is for U.S. federal income tax purposes a nonresident alien (other than certain former United States citizens or residents), foreign corporation, foreign trust, or foreign estate (a non-U.S. Certificateholder) will not be subject to U.S. federal withholding tax provided that:

- the non-U.S. Certificateholder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of United;

- the non-U.S. Certificateholder is not a bank receiving interest pursuant to a loan agreement entered into in the ordinary course of its trade or business, or a controlled foreign corporation for U.S. tax purposes that is related to United; and certain certification requirements (including identification of the beneficial owner of the Certificate) are complied with.

Any capital gain (not including any amount treated as interest) realized upon the sale, exchange, retirement or other disposition of a Certificate or upon receipt of premium paid on an Equipment Note by a non-U.S. Certificateholder will not be subject to U.S. federal income or withholding taxes if (i) such gain is not effectively

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connected with a U.S. trade or business of the holder and (ii) in the case of an individual, such holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition or receipt.

Legislation enacted in 2010 (FATCA) generally imposes a withholding tax of 30% on U.S. sourced interest paid on, and the gross proceeds of a disposition of, debt obligations paid to (i) a foreign financial institution, as defined for purposes of FATCA (whether as a beneficial owner or an intermediary), unless (a) such institution enters into an agreement with the United States government to collect and provide to the United States tax authorities substantial information regarding United States account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with United States owners), or (b) such institution is resident in a country that has entered into an agreement with the United States regarding the exchange of certain information with respect to United States account holders and complies with local legislation enacted to give effect to such agreement or (ii) a foreign entity that is not a financial institution, unless such entity provides the withholding agent with a certification identifying the substantial United States owners of the entity, which generally includes any U.S. Person who directly or indirectly owns more than 10% of the entity. Pursuant to recently finalized regulations and subsequent IRS guidance, this new withholding tax will not apply to gross proceeds from the disposition of debt instruments paid on or before December 31, 2016. In addition, these rules will not apply with respect to Deposits or Equipment Notes unless they are treated as significantly modified after June 30, 2014. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation on their investment in the Certificates.

Backup Withholding

Payments made on the Certificates and proceeds from the sale of Certificates will not be subject to backup withholding tax unless, in general, the Certificateholder fails to comply with certain reporting procedures or otherwise fails to establish an exemption from such tax under applicable provisions of the Code.

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CERTAIN DELAWARE TAXES

The Trustee is a national banking association with its corporate trust office in Delaware. In the opinion of Morris James LLP, Wilmington, Delaware, counsel to the Trustee, under currently applicable law, assuming that the Trusts will not be taxable as corporations, but, rather, will be classified as grantor trusts under subpart E, Part I of Subchapter J of the Code or as partnerships under Subchapter K of the Code, (i) the Trusts will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof and (ii) Certificateholders that are not residents of or otherwise subject to tax in Delaware will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof as a result of purchasing, holding (including receiving payments with respect to) or selling a Certificate.

Neither the Trusts nor the Certificateholders will be indemnified for any state or local taxes imposed on them, and the imposition of any such taxes on a Trust could result in a reduction in the amounts available for distribution to the Certificateholders of such Trust. In general, should a Certificateholder or any Trust be subject to any state or local tax which would not be imposed if the Trustee were located in a different jurisdiction in the United States, the Trustee will resign and a new Trustee in such other jurisdiction will be appointed.

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CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (ERISA), imposes certain requirements on employee benefit plans subject to Title I of ERISA (ERISA Plans), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA s general fiduciary requirements, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan s investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, Plans)) and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Department of Labor has promulgated a regulation, 29 CFR Section 2510.3-101 (the Plan Asset Regulation), describing what constitutes the assets of a Plan with respect to the Plan s investment in an entity for purposes of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, as modified by Section 3(42) of ERISA, if a Plan invests (directly or indirectly) in a Certificate, the Plan s assets will include both the Certificate and an undivided interest in each of the underlying assets of the corresponding Trust, including the Equipment Notes held by such Trust, unless it is established that equity participation in such Trust by Plans and entities whose underlying assets include Plan assets by reason of a Plan s investment in the entity is not significant within the meaning of the Plan Asset Regulation, as modified by Section 3(42) of ERISA. In this regard, the extent to which there is equity participation in a particular Trust by, or on behalf of, employee benefit plans will not be monitored. If the assets of a Trust are deemed to constitute the assets of a Plan, transactions involving the assets of such Trust could be subject to the prohibited transaction provisions of ERISA and Section 4975 of the Code unless a statutory or administrative exemption is applicable to the transaction.

The fiduciary of a Plan that proposes to purchase and hold any Certificates should consider, among other things, whether such purchase and holding may involve a direct or indirect (i) extension of credit to a party in interest or a disqualified person, (ii) sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, United and its affiliates, the Underwriters, the Loan Trustee, the Escrow Agent, the Depositary, the Trustee and the Liquidity Provider. In addition, if one Class of Certificates is purchased by a Plan and another Class of Certificates is held by a party in interest or a disqualified person with respect to such Plan, the exercise by the holder of the subordinate Class of Certificates of its right to purchase the senior Class of Certificates upon the occurrence and during the continuation of a Certificate Buyout Event could be considered to constitute a prohibited transaction unless a statutory or administrative exemption were applicable. Depending on the identity of the Plan fiduciary making the decision to acquire or hold Certificates on behalf of a Plan, Prohibited Transaction Class Exemption (PTCE) 91-38 (relating to investments by a bank collective investment fund), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house professional asset manager) or PTCE 90-1 (relating to investments by an insurance company pooled separate account) (collectively, the Class Exemptions) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Certificates.

Governmental plans, certain church plans, and foreign plans (collectively, Similar Law Plans) while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and

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Section 4975 of the Code, may nevertheless be subject to other laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Certificates.

Any Plan fiduciary which proposes to cause a Plan to purchase any Certificates should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Each person who acquires or accepts a Certificate or an interest therein, will be deemed by such acquisition or acceptance to have represented and warranted that either: (i) no assets of a Plan or any Similar Law Plan have been used to purchase or hold such Certificate or an interest therein or (ii) the purchase and holding of such Certificate or an interest therein either (a) in the case of Plan assets, are exempt from the prohibited transaction restrictions of ERISA and the Code pursuant to one or more prohibited transaction statutory or administrative exemptions or (b) in the case of Similar Law Plan assets, will not violate any similar state, local or foreign law.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this Prospectus Supplement among United, the Depositary and the several underwriters listed below (collectively, the Underwriters), United has agreed to cause each Trust to sell to the Underwriters, and each of the Underwriters has severally agreed to purchase, the following respective face amounts of the Class A and Class B Certificates:

Underwriter	Face Amount of Class A Certificates	Face Amount of Class B Certificates
Morgan Stanley & Co. LLC	$ 116,636,000	$ 33,696,000
Credit Suisse Securities (USA) LLC	116,636,000	33,696,000
Deutsche Bank Securities Inc.	116,636,000	33,695,000
Citigroup Global Markets Inc.	116,636,000	33,695,000
Barclays Capital Inc.	116,636,000	33,694,000
Goldman, Sachs & Co.	116,636,000	33,694,000
Credit Agricole Securities (USA) Inc.	36,831,000	10,642,000
Total	$ 736,647,000	$ 212,812,000

The underwriting agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters are obligated to purchase all of the Certificates if any are purchased. If an Underwriter defaults on its purchase commitment, the purchase commitments of the non-defaulting Underwriters may be increased or the offering of the Certificates may be terminated. The Certificates are offered subject to receipt and acceptance by the Underwriters and to certain other conditions, including the right to reject orders in whole or in part.

The aggregate proceeds from the sale of the Certificates will be $949,459,000. United will pay the Underwriters a commission of $9,494,590. United estimates that its expenses associated with the offer and sale of the Certificates will be approximately $2,700,000.

The Underwriters propose to offer the Certificates to the public initially at the public offering prices on the cover page of this Prospectus Supplement and to selling group members at those prices less the concessions set forth below. The Underwriters and selling group members may allow a discount to other broker/dealers as set forth below. After the initial public offering, the public offering prices and concessions and discounts may be changed by the Underwriters.

Pass Through Certificates	Concession To Selling Group Members	Discount To Broker/Dealers
2014-1A	0.500%	0.250%
2014-1B	0.500%	0.250%

Each Class of Certificates is a new issue of securities with no established trading market. United does not intend to apply for the listing of the Certificates on a national securities exchange.

The Underwriters have advised United that one or more of the Underwriters currently intend to make a market in the Certificates, as permitted by applicable laws and regulations. The Underwriters are not obligated, however, to make a market in the Certificates and any such market making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the Certificates.

United has agreed to indemnify the several Underwriters against certain liabilities including liabilities under the Securities Act of 1933, as amended, or contribute to payments which the Underwriters may be required to make in that respect.

From time to time, the several Underwriters or their affiliates have performed and are performing investment banking and advisory services for, and have provided and are providing general financing and banking services to, UAL, United and their affiliates. In particular, Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and affiliates of Morgan Stanley & Co. LLC and affiliates of Barclays Capital Inc. serve as counterparties to certain fuel hedging arrangements with United. In addition, affiliates of Morgan Stanley & Co. LLC are providers of fuel to United. Affiliates of Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Barclays Capital Inc., Goldman, Sachs & Co. and Credit Agricole Securities (USA) Inc. are lenders to UAL and/or United. Affiliates of Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and Credit Agricole Securities (USA) Inc. are liquidity facility providers to United.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of United. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United expects that delivery of the Certificates will be made against payment therefor on or about the closing date specified on the cover page of this Prospectus Supplement, which will be the tenth business day following the date hereof (this settlement cycle being referred to as T+10). Under Rule 15c6-1 of the Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to the trade expressly agree otherwise. Accordingly, purchasers who wish to trade Certificates on a day prior to the third business day before the date of initial delivery of the Certificates will be required, by virtue of the fact that the Certificates initially will settle on a delayed basis, to specify an alternate settlement cycle at the time of any trade to prevent a failed settlement and should consult their own advisor.

To facilitate the offering of the Certificates, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Certificates. Specifically, the Underwriters may overallot in connection with this Offering, creating a short position in the Certificates for their own account. To cover overallotments or to stabilize the price of the Certificates, the Underwriters may bid for, and purchase, Certificates in the open market. Finally, the Underwriters may reclaim selling concessions allowed to an agent or a dealer for distributing Certificates in this Offering, if the Underwriters repurchase previously distributed Certificates in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Certificates above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

Notice to Prospective Investors in the European Union

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Underwriter has represented and agreed that with effect from and including the Relevant Implementation Date it has not made and will not make an offer of Certificates which are the subject of this offering contemplated by this Prospectus Supplement to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus

Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Certificates shall require United or the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Certificates to the public in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this Prospectus Supplement is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons. For the purpose of this paragraph, the expression Prospectus Directive means Directive 2003/71/EC (including the 2010 PD Amending Directive) and includes any relevant implementing measure in the United Kingdom.

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LEGAL MATTERS

The validity of the Certificates is being passed upon for United by Hughes Hubbard & Reed LLP, New York, New York, and for the Underwriters by Milbank, Tweed, Hadley & McCloy LLP, New York, New York. Morris James LLP, Wilmington, Delaware, counsel for Wilmington Trust, National Association, as Trustee, will pass upon certain matters of Delaware law relating to the Pass Through Trust Agreements, including that the Certificates are binding obligations of the Trustee, and Milbank, Tweed, Hadley & McCloy LLP will rely on such opinion.

EXPERTS

United s consolidated financial statements, and the related financial statement schedule, appearing in our Annual Report on Form 10-K filed with the Commission on February 20, 2014, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, which is incorporated by reference herein. United s financial statements are incorporated by reference in reliance upon such report given on the authority of Ernst & Young LLP as experts in accounting and auditing.

The references to AISI, BK and MBA, and to their appraisal reports, dated March 18, 2014, March 20, 2014 and March 10, 2014, respectively, are included herein in reliance upon the authority of each such firm as an expert with respect to the matters contained in its appraisal report.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This Prospectus Supplement incorporates by reference the following documents previously filed by United with the Commission (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act) and that are not delivered with this Prospectus Supplement:

Filing	Date Filed
Annual Report on Form 10-K for the year ended December 31, 2013	February 20, 2014

United s Commission file number is 1-10323.

Reference is made to the information under Incorporation of Certain Documents by Reference in the accompanying Prospectus. All documents filed under the Exchange Act with the Commission prior to January 1, 2014, and incorporated by reference in the accompanying Prospectus have been superseded by the above-listed document and shall not be deemed to constitute a part of the accompanying Prospectus or the Prospectus Supplement. In addition, for the avoidance of doubt, the Annual Report on Form 10-K for the year ended December 31, 2013, of UAL is not incorporated by reference in this Prospectus Supplement.

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APPENDIX I INDEX OF TERMS

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APPENDIX II APPRAISAL LETTERS

AIRCRAFT

INFORMATION

SERVICES, INC.

Mr. Gerry Laderman

Senior Vice President Finance, Procurement and Treasurer

United Airlines, Inc.

233 South Wacker Drive

14th Floor HDQFT

Chicago, IL 60606

Sight Unseen New Base

Value Opinion

49 Future Delivery United Airlines Aircraft Portfolio

AISI File No.: A4S021BVO-2

Report Date: 18 March 2014

Values as of: 18 March 2014

Main Office: 1409 Peachtree Street, Suite 200, Atlanta, Georgia 30309

TEL: 404 870-AISI (2474) E-MAIL: mail@AISI.aero

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AIRCRAFT

INFORMATION

SERVICES, INC.

18 March 2014

Mr. Gerry Laderman

Senior Vice President Finance, Procurement and Treasurer

United Airlines, Inc.

233 South Wacker Drive

14th Floor HDQFT

Chicago, IL 60606

Subject: Sight Unseen New Base Value Opinion for 49 Future Delivery United Airlines Aircraft Portfolio, AISI File number: A4S021BVO-2

Ref: (a) Email messages UAL to AISI, 06 February 18 March 2014

Dear Mr. Laderman:

Aircraft Information Services, Inc. (AISI) has been requested to offer our opinion of the sight unseen new base values as of 13 March 2014 in delivery date U.S. Dollars for a portfolio of 22 future delivery Boeing 737-924ER aircraft, with CFM56-7B27E/F engines, at 187,700 lbs maximum takeoff weight, two future delivery Boeing 787-8 aircraft, with GEnx-1B70 engines, at 502,500 lbs maximum takeoff weight, four future delivery Boeing 787-9 aircraft, with GEnx-1B74/75 engines, at 533,000 lbs maximum takeoff weight, and 21 future delivery Embraer ERJ 175 LR aircraft, with CFM34-8E5 engines at 85,517 lbs maximum takeoff weight as identified and defined in Table I, Table II, and reference (a) above (the Aircraft).

1. Methodology and Definitions

The standard terms of reference for commercial aircraft value are base value and _ current market value _ of an average aircraft. Base value is a theoretical value that assumes a hypothetical balanced market while current market value is the value in the actual market; both assume a hypothetical average aircraft condition. All other values are derived from these values. AISI value definitions are consistent with the current definitions of the International Society of Transport Aircraft Trading (ISTAT), those of 30 January 2013. AISI is a member of that organization and employs an ISTAT Certified Senior Appraiser.

AISI defines a base value as that of a transaction between an equally willing and informed buyer and seller, neither under compulsion to buy or sell, for a single unit cash transaction with no hidden value or liability, with supply and demand of the sale item roughly in balance and with no event which would cause a short term change in the market.

Base values are typically given for aircraft in new condition, average half-life condition, or adjusted for an aircraft in a specifically described condition at a specific time.

Main Office: 1409 Peachtree Street, Suite 200, Atlanta, Georgia 30309

TEL: 404 870-AISI (2474) E-MAIL: mail@AISI.aero

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18 March 2014

AISI File No. A4S021BVO-2

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An average aircraft is an operable airworthy aircraft in average physical condition and with average accumulated flight hours and cycles, with clear title and standard unrestricted certificate of airworthiness, and registered in an authority which does not represent a penalty to aircraft value or liquidity, with no damage history and with inventory configuration and level of modification which is normal for its intended use and age.

Note that a stored aircraft is not an average aircraft. AISI assumes average condition unless otherwise specified in this report.

AISI also assumes that airframe, engine and component parts are from the original equipment manufacturer (OEM) and that maintenance, maintenance program and essential records are sufficient to permit normal commercial operation under a strict airworthiness authority.

Half-life condition assumes that every component or maintenance service which has a prescribed interval that determines its service life, overhaul interval or interval between maintenance services, is at a condition which is one-half of the total interval.

An adjusted appraisal reflects an adjustment from half life condition for the actual condition, utilization, life remaining or time remaining of an airframe, engine or component.

A new aircraft is an aircraft with no utilization, equipped with engines, buyer furnished equipment, seller furnished equipment and other equipment typical or required for the mission for which the aircraft is designed.

It should be noted that AISI and ISTAT value definitions apply to a transaction involving a single aircraft, and that transactions involving more than one aircraft are often executed at considerable and highly variable discounts to a single aircraft price, for a variety of reasons relating to an individual buyer or seller.

AISI defines a current market value , which is synonymous with the older term fair market value as that value which reflects the actual market conditions including short term events, whether at, above or below the base value conditions. Assumptions of a single unit sale and definitions of aircraft condition, buyer/seller qualifications and type of transaction remain unchanged from that of base value. Current market value takes into consideration the status of the economy in which the aircraft is used, the status of supply and demand for the particular aircraft type, the value of recent transactions and the opinions of informed buyers and sellers. Note that for a current market value to exist, the seller may not be under duress. Current market value assumes that there is no short term time constraint to buy or sell.

AISI defines a distressed market value as that value which reflects the actual market condition including short term events, when the market for the subject aircraft is so depressed that the seller is under duress. Distressed market value assumes that there is a time constraint to sell within a period of less than 1 year. All other assumptions remain unchanged from that of current market value .

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18 March 2014

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AISI encourages the use of base values to consider historical trends, to establish a consistent baseline for long term value comparisons and future value considerations, or to consider how actual market values vary from theoretical base values. Base values are less volatile than current market values and tend to diminish regularly with time. Base values are normally inappropriate to determine near term values. AISI encourages the use of current market values to consider the probable near term value of an aircraft when the seller is not under duress. AISI encourages the use of distressed market values to consider the probable near term value of an aircraft when the seller is under duress.

No physical inspection of the Aircraft or their essential records was made by AISI for the purposes of this report, nor has any attempt been made to verify information provided to us, which is assumed to be correct and applicable to the Aircraft.

It should be noted that the values given are not directly additive, that is, the total of the given values is not the value of the fleet but rather the sum of the values of the individual aircraft if sold individually over time so as not to exceed demand.

2. Valuations

The 787-8 and 787-9 aircraft are assumed to be capable of 180 minute ETOPS operation with the avionics and equipment necessary for that capability. The 787-8 and 787-9 aircraft are equipped with overhead flight crew and cabin crew rest facilities. The ERJ 175 aircraft are the LR variant with the associated equipment and maximum takeoff weight of that model.

It is our considered opinion that the sight unseen new base values as of 18 March 2014 in delivery date U.S. Dollars are as follows in Table I and Table II subject to the assumptions, definitions, and disclaimers herein.

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18 March 2014

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Table I

Aircraft Type	Delivery Date	Aircraft Serial Number	Aircraft Registration Number	MTOW (Lbs.)	Engines	New Base Value Delivery Date U.S. Dollars
737-924ER	Jun-2014	44581	N67827	187,700	CFM56-7B27E/F	$ 55,250,000
737-924ER	Jun-2014	44580	N66828	187,700	CFM56-7B27E/F	$ 55,250,000
737-924ER	Jun-2014	44561	N69829	187,700	CFM56-7B27E/F	$ 55,250,000
737-924ER	Jul-2014	44560	N69830	187,700	CFM56-7B27E/F	$ 55,350,000
737-924ER	Aug-2014	44562	N66831	187,700	CFM56-7B27E/F	$ 55,440,000
737-924ER	Aug-2014	44563	N65832	187,700	CFM56-7B27E/F	$ 55,440,000
737-924ER	Sep-2014	44564	N69833	187,700	CFM56-7B27E/F	$ 55,530,000
737-924ER	Sep-2014	44565	N68834	187,700	CFM56-7B27E/F	$ 55,530,000
737-924ER	Oct-2014	60087	N69835	187,700	CFM56-7B27E/F	$ 55,620,000
737-924ER	Oct-2014	60088	N68836	187,700	CFM56-7B27E/F	$ 55,620,000
737-924ER	Nov-2014	60121	N66837	187,700	CFM56-7B27E/F	$ 55,710,000
737-924ER	Nov-2014	60122	N69838	187,700	CFM56-7B27E/F	$ 55,710,000
737-924ER	Dec-2014	60316	N69839	187,700	CFM56-7B27E/F	$ 55,800,000
737-924ER	Jan-2015	42181	N66841	187,700	CFM56-7B27E/F	$ 55,900,000
737-924ER	Jan-2015	42182	N68842	187,700	CFM56-7B27E/F	$ 55,900,000
737-924ER	Jan-2015	42183	N68843	187,700	CFM56-7B27E/F	$ 55,900,000
737-924ER	Feb-2015	60317	N69840	187,700	CFM56-7B27E/F	$ 55,990,000
737-924ER	Feb-2015	42184	N64844	187,700	CFM56-7B27E/F	$ 55,990,000
737-924ER	Feb-2015	42185	N67845	187,700	CFM56-7B27E/F	$ 55,990,000
737-924ER	Feb-2015	42186	N67846	187,700	CFM56-7B27E/F	$ 55,990,000
737-924ER	Mar-2015	42187	N69847	187,700	CFM56-7B27E/F	$ 56,080,000
737-924ER	Mar-2015	42188	N66848	187,700	CFM56-7B27E/F	$ 56,080,000
787-8	May-2014	34828	N49911	502,500	GEnx-1B70	$ 132,880,000
787-8	Oct-2014	35879	N28912	502,500	GEnx-1B70	$ 133,990,000
787-9	Sep-2014	36402	N19951	553,000	GEnx-1B74/75	$ 157,670,000
787-9	Jan-2015	36403	N26952	553,000	GEnx-1B74/75	$ 158,710,000
787-9	Mar-2015	36404	N35953	553,000	GEnx-1B74/75	$ 159,240,000
787-9	Mar-2015	36405	N13954	553,000	GEnx-1B74/75	$ 159,240,000

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Table II

Aircraft Type	Delivery Date	Aircraft Registration Number	MTOW (Lbs.)	Engines	New Base Value Delivery Date U.S. Dollars
ERJ 175 LR	Mar-2014	N88301	85,517	CF34-8E5	$ 31,210,000
ERJ 175 LR	Apr-2014	N87302	85,517	CF34-8E5	$ 31,260,000
ERJ 175 LR	Apr-2014	N87303	85,517	CF34-8E5	$ 31,260,000
ERJ 175 LR	Jun-2014	N89304	85,517	CF34-8E5	$ 31,370,000
ERJ 175 LR	Jul-2014	N93305	85,517	CF34-8E5	$ 31,420,000
ERJ 175 LR	Jul-2014	N87306	85,517	CF34-8E5	$ 31,420,000
ERJ 175 LR	Aug-2014	N84307	85,517	CF34-8E5	$ 31,470,000
ERJ 175 LR	Sep-2014	N89308	85,517	CF34-8E5	$ 31,520,000
ERJ 175 LR	Oct-2014	N86309	85,517	CF34-8E5	$ 31,570,000
ERJ 175 LR	Oct-2014	N88310	85,517	CF34-8E5	$ 31,570,000
ERJ 175 LR	Oct-2014	N86311	85,517	CF34-8E5	$ 31,570,000
ERJ 175 LR	Nov-2014	N86312	85,517	CF34-8E5	$ 31,630,000
ERJ 175 LR	Nov-2014	N89313	85,517	CF34-8E5	$ 31,630,000
ERJ 175 LR	Nov-2014	N82314	85,517	CF34-8E5	$ 31,630,000
ERJ 175 LR	Dec-2014	N89315	85,517	CF34-8E5	$ 31,680,000
ERJ 175 LR	Dec-2014	N86316	85,517	CF34-8E5	$ 31,680,000
ERJ 175 LR	Dec-2014	N89317	85,517	CF34-8E5	$ 31,680,000
ERJ 175 LR	Feb-2015	N87318	85,517	CF34-8E5	$ 31,780,000
ERJ 175 LR	Feb-2015	N87319	85,517	CF34-8E5	$ 31,780,000
ERJ 175 LR	Mar-2015	N85320	85,517	CF34-8E5	$ 31,840,000
ERJ 175 LR	Mar-2015	N89321	85,517	CF34-8E5	$ 31,840,000

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18 March 2014

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Unless otherwise agreed by Aircraft Information Services, Inc. (AISI) in writing, this report shall be for the sole use of the client/addressee. This report is offered as a fair and unbiased assessment of the subject aircraft. AISI has no past, present, or anticipated future interest in any of the subject aircraft. The conclusions and opinions expressed in this report are based on published information, information provided by others, reasonable interpretations and calculations thereof and are given in good faith. AISI certifies that this report has been independently prepared and it reflects AISI s conclusions and opinions which are judgments that reflect conditions and values current at the time of this report. The values and conditions reported upon are subject to any subsequent change. AISI shall not be liable to any party for damages arising out of reliance or alleged reliance on this report, or for any party s action or failure to act as a result of reliance or alleged reliance on this report.

Sincerely,

AIRCRAFT INFORMATION SERVICES, INC.

Dave Miller

Appraiser

Fred Bearden

Certified Senior Appraiser

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1295 Northern Boulevard

Manhasset, New York 11030

(516) 365-6272 · Fax (516) 365-6287

March 20, 2014

Mr. Gerry Laderman

Senior Vice President Finance, Procurement & Treasurer

United Airlines, Inc.

233 S. Wacker Drive, 14th Floor HDQFT

Chicago, IL 60606

Dear Mr. Laderman:

In response to your request, BK Associates, Inc. is pleased to provide our opinion regarding the Base Values (BV) for 28 Boeing aircraft and 21 Embraer aircraft in the United Airlines, Inc. (United) fleet. The Aircraft include two B787-8s, four B787-9s, 22 B737-924ERs and 21 ERJ 175 LRs scheduled for future delivery to United and identified as United 2014-1 EETC . Each of the Boeing Aircraft is further identified by type, manufacturer s serial number, registration number, date of manufacture, engine type/variant and maximum takeoff weight in the attached Figure 1. Corresponding identification, except for the manufacturer s serial numbers which are not available, for the Embraer Aircraft is in Figure 2.

Values of the Aircraft reflect the new aircraft delivery maintenance configuration.

Definitions

According to the International Society of Transport Aircraft Trading s (ISTAT) definition of Base Value, to which BK Associates subscribes, the base value is the Appraiser s opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its highest and best use . An aircraft s base value is founded in the historical trend of values and in the projection of future value trends and presumes an arm s length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. The base value normally refers to a transaction involving a single aircraft. When multiple aircraft are acquired in the same transaction, the trading price of each unit may be discounted.

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United Airlines, Inc.

March 20, 2014

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Market Discussion & Methodology

For a newly delivered aircraft one can argue that, almost by definition, the base value is approximately equal to the actual selling price. Without the existence of white tails or finished aircraft for which there is no buyer, the very existence of a buyer and seller at the agreed price suggests the market is in balance and the purchase price is the base value.

We do not know the new purchase price of the Aircraft but we do know the current published Boeing list price averages $94.6 million for the B737-900ERs depending on the configuration and options. For the B787-8, it is $206.8 million and for the B787-9, it is $243.6 million. The list price for the ERJ 175 LRs averages $46.8 million. We also know that nobody pays list price and the discount is normally at least 15 percent with much larger discounts often applied for buyers placing large orders. Recent reports indicate it is not uncommon to see discounts of 35 to 45 percent from the list price. Because of confidential actual transaction prices some of our clients have shared with us, we are convinced a typical new price for a B737-900ER aircraft is in the $51 to $52 million range. For the B787-8 which we understand has overhead flight crew and cabin crew rests which add to its value, about $133.50 million and, for the B787-9, about $148.50 million. We concluded that the new price of your B737-924ER aircraft with CFM56-7B27 engines ranges from $53.35 to $53.85 million during the term of the deliveries. For your B787-8 aircraft, considering the engine choice, takeoff and escalation during the period, we concluded that the new price ranges from $134.30 to $135.85 million. The B787-9 aircraft, equipped with GEnx-1B74/75 engines and a takeoff weight of 553,000 pounds and overhead crew rest, has a new price range of $149.40 to $150.85 million. Similarly, for the ERJ 175 LRs we are aware of some deliveries that suggest the discount is usually 40 percent. We concluded your ERJ 175 LRs have a current new value of $27.5 million, escalating to $27.9 million by year-end.

Assumptions & Disclaimer

It should be understood that BK Associates has neither inspected the Aircraft nor the related maintenance records, but has relied upon the information provided by you and in the BK Associates database. The assumptions have been made that all Airworthiness Directives have been complied with; accident damage has not been incurred that would affect market values; and maintenance has been accomplished in accordance with a civil airworthiness authority s approved maintenance program and accepted industry standards. Further, we have assumed unless otherwise stated, that each Aircraft is in typical configuration for the type and has accumulated an average number of hours and cycles. Deviations from these assumptions can change significantly our opinion regarding the values.

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United Airlines, Inc.

March 20, 2014

Page 3

BK Associates, Inc. has no present or contemplated future interest in the Aircraft, nor any interest that would preclude our making a fair and unbiased estimate. This appraisal represents the opinion of BK Associates, Inc. and reflects our best judgment based on the information available to us at the time of preparation and the time and budget constraints imposed by the client. It is not given as a recommendation, or as an inducement, for any financial transaction and further, BK Associates, Inc. assumes no responsibility or legal liability for any action taken or not taken by the addressee, or any other party, with regard to the appraised equipment. By accepting this appraisal, the addressee agrees that BK Associates, Inc. shall bear no such responsibility or legal liability. This appraisal is prepared for the use of the addressee and shall not be provided to other parties without the express consent of the addressee.

Sincerely,

BK ASSOCIATES, INC.

David Griffin
Associate

John F. Keitz
President
ISTAT Senior Certified Appraiser

And Appraiser Fellow

DG/kf
Attachment

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Figure 1

UNITED AIRLINES, INC.

2014-1 EETC

PORTFOLIO

February 2014

	Type	Airframe Serial #	Registration No.	Mfgr. Date	MTOW	Engine Type	US $ (Mil) BV
1	737-924ER	44581	N67827	Jun-14	187,700	CFM56-7B27	53.35
2	737-924ER	44580	N66828	Jun-14	187,700	CFM56-7B27	53.35
3	737-924ER	44561	N69829	Jun-14	187,700	CFM56-7B27	53.35
4	737-924ER	44560	N69830	Jul-14	187,700	CFM56-7B27	53.35
5	737-924ER	44562	N66831	Aug-14	187,700	CFM56-7B27	53.35
6	737-924ER	44563	N65832	Aug-14	187,700	CFM56-7B27	53.35
7	737-924ER	44564	N69833	Sep-14	187,700	CFM56-7B27	53.35
8	737-924ER	44565	N68834	Sep-14	187,700	CFM56-7B27	53.35
9	737-924ER	60087	N69835	Oct-14	187,700	CFM56-7B27	53.70
10	737-924ER	60088	N68836	Oct-14	187,700	CFM56-7B27	53.70
11	737-924ER	60121	N66837	Nov-14	187,700	CFM56-7B27	53.70
12	737-924ER	60122	N69838	Nov-14	187,700	CFM56-7B27	53.70
13	737-924ER	60316	N69839	Dec-14	187,700	CFM56-7B27	53.70
14	737-924ER	42181	N66841	Jan-15	187,700	CFM56-7B27	53.85
15	737-924ER	42182	N68842	Jan-15	187,700	CFM56-7B27	53.85
16	737-924ER	42183	N68843	Jan-15	187,700	CFM56-7B27	53.85
17	737-924ER	42184	N64844	Feb-15	187,700	CFM56-7B27	53.85
18	737-924ER	42185	N67845	Feb-15	187,700	CFM56-7B27	53.85
19	737-924ER	42186	N67846	Feb-15	187,700	CFM56-7B27	53.85
20	737-924ER	60317	N69840	Feb-15	187,700	CFM56-7B27	53.85
21	737-924ER	42187	N69847	Mar-15	187,700	CFM56-7B27	53.85
22	737-924ER	42188	N66848	Mar-15	187,700	CFM56-7B27	53.85
1	787-8	34828	N49911	May-14	502,500	GEnx-1B70	134.30
2	787-8	35879	N28912	Oct-14	502,500	GEnx-1B70	135.85
3	787-9	36402	N19951	Sep-14	553,000	GEnx-1B74/75	149.40
4	787-9	36403	N26952	Jan-15	553,000	GEnx-1B74/75	150.85
5	787-9	36404	N35953	Mar-15	553,000	GEnx-1B74/75	150.85
6	787-9	36405	N13954	Mar-15	553,000	GEnx-1B74/75	150.85

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Figure 2

UNITED AIRLINES, INC.

2014-1 EETC

PORTFOLIO

February 2014

	Type	Mfgr. Serial #	Registration No.	Mfgr. Date	MTOW	Engine Type	US $ (Mil) BV
1	ERJ 175 LR	TBD	N88301	Mar-14	85,517	CF34-8E5	27.50
2	ERJ 175 LR	TBD	N87302	Apr-14	85,517	CF34-8E5	27.60
3	ERJ 175 LR	TBD	N87303	Apr-14	85,517	CF34-8E5	27.60
4	ERJ 175 LR	TBD	N89304	Jun-14	85,517	CF34-8E5	27.60
5	ERJ 175 LR	TBD	N93305	Jul-14	85,517	CF34-8E5	27.70
6	ERJ 175 LR	TBD	N87306	Jul-14	85,517	CF34-8E5	27.70
7	ERJ 175 LR	TBD	N84307	Aug-14	85,517	CF34-8E5	27.70
8	ERJ 175 LR	TBD	N89308	Sep-14	85,517	CF34-8E5	27.70
9	ERJ 175 LR	TBD	N86309	Oct-14	85,517	CF34-8E5	27.80
10	ERJ 175 LR	TBD	N88310	Oct-14	85,517	CF34-8E5	27.80
11	ERJ 175 LR	TBD	N86311	Oct-14	85,517	CF34-8E5	27.80
12	ERJ 175 LR	TBD	N86312	Nov-14	85,517	CF34-8E5	27.80
13	ERJ 175 LR	TBD	N89313	Nov-14	85,517	CF34-8E5	27.80
14	ERJ 175 LR	TBD	N82314	Nov-14	85,517	CF34-8E5	27.80
15	ERJ 175 LR	TBD	N89315	Dec-14	85,517	CF34-8E5	27.80
16	ERJ 175 LR	TBD	N86316	Dec-14	85,517	CF34-8E5	27.80
17	ERJ 175 LR	TBD	N89317	Dec-14	85,517	CF34-8E5	27.80
18	ERJ 175 LR	TBD	N87318	Feb-15	85,517	CF34-8E5	27.90
19	ERJ 175 LR	TBD	N87319	Feb-15	85,517	CF34-8E5	27.90
20	ERJ 175 LR	TBD	N85320	Mar-15	85,517	CF34-8E5	27.90
21	ERJ 175 LR	TBD	N89321	Mar-15	85,517	CF34-8E5	27.90

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aviation consulting

Desktop Appraisal of:

Forty-Nine (49) Various Aircraft BV Only

Client:

United Airlines, Inc.

Date:

March 10, 2014

Washington D.C.
2101 Wilson Boulevard
Suite 1001
Arlington, Virginia 22201
Tel: 1 703 276 3200
Fax: 1 703 276 3201

Frankfurt
Herriotstrasse 1
60528 Frankfurt
Germany
Tel: 49 60 (0) 81587 081

Singapore
Ocean Financial Centre
10 Collyer Quay
Level 40, Suite 5
Singapore 049315
Tel: 65 6808 6097

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I. Introduction and Executive Summary

Table of Contents:

Morten Beyer & Agnew (mba) has been retained by United Airlines, Inc. (the Client), to provide a Desktop Appraisal to determine the Base Value, at delivery, of twenty-two (22) new 737-924ER aircraft, two (2) 787-8 aircraft and four (4) 787-9 aircraft and twenty-one (21) ERJ 175 LR aircraft, as of March 2014. These aircraft are fully identified in Section IV of this report.

In performing this appraisal, mba relied on industry knowledge and intelligence, confidentially obtained data points, its market expertise and current analysis of market trends and conditions, along with information from its semiannual publication mba **Future Aircraft Values (FAV) Jet Transport Plus, January 2014.**

Based on the information set forth in this report, it is our opinion that the Base Value of the aircraft in this

portfolio are as follows and as set forth in Section IV.

	Base Value ($USD)
49 Aircraft (Portfolio Total)	**$2,545,310,000**

Section II of this report presents definitions of various terms, such as Current Base Value as promulgated by the Appraisal Program of the International Society of Transport Aircraft Trading (ISTAT). ISTAT is a non-profit association of management personnel from banks, leasing companies, airlines, manufacturers, brokers, and others who have a vested interest in the commercial aviation industry and who have established a technical and ethical certification program for expert appraisers.

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II. Definitions

Desktop Appraisal

A desktop appraisal is one which does not include any inspection of the aircraft or review of its maintenance records. It is based upon assumed aircraft condition and maintenance status or information provided to the appraiser or from the appraiser s own database. A desktop appraisal would normally provide a value for a mid-time, mid-life aircraft (ISTAT Handbook).

Base Value

ISTAT defines Base Value (BV) as the Appraiser s opinion of the underlying economic value of an aircraft, engine, or inventory of aircraft parts/equipment (hereinafter referred to as the asset), in an open, unrestricted, stable market environment with a reasonable balance of supply and demand. Full consideration is assumed of its highest and best use . An asset s Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm s-length, cash transaction between willing, able, and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. In most cases, the Base Value of an asset assumes the physical condition is average for an asset of its type and age. It further assumes the maintenance time/life status is at mid-time, mid-life (or benefiting from an above-average maintenance status if it is new or nearly new, as the case may be). Since Base Value pertains to a somewhat idealized asset and market combination it may not necessarily reflect the actual current value of the asset in question, but is a nominal starting value to which adjustments may be applied to determine an actual value. Because it is related to long-term market trends, the Base Value definition is commonly applied to analyses of historical values and projections of residual values.

Qualifications

mba is a recognized provider of aircraft and aviation-related asset appraisals and inspections. mba and its principals have been providing appraisal services to the aviation industry for over 20 years; and its employees adhere to the rules and ethics set forth by the International Society of Transport Aircraft Trading (ISTAT). mba employs three ISTAT Certified Appraisers, one of the largest certified staff in the industry. mba s clients include most of the world s major airlines, lessors, financial institutions, and manufacturers and suppliers. mba maintains offices in Washington, Frankfurt, and Singapore.

mba publishes the semiannual *Future Aircraft Values* (FAV), a two-volume compendium of current and projected aircraft values for the next 20 years for over 150 types of jet, turboprop, and cargo aircraft.

mba also provides consulting services to the industry relating to operations, marketing, and management with emphasis on financial/operational analysis, airline safety audits and certification, utilizing hands-on solutions to current situations. mba also provides expert testimony and witness support on cases involving collateral/asset disputes, bankruptcies, financial operations, safety, regulatory and maintenance concerns.

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III. Current Market Conditions

General Market Observation 1st Quarter 2014

After 100 years, the global aviation industry now carries more than 8 million passengers on more than 80,000 departures every day and supports 57 million jobs (IATA). The importance of the global aviation industry to the global economy continues to grow every year and the world-wide performance in 2013 and forecasts for 2014 show no signs of abatement of this record.

An essential consideration in any appraisal is market condition at the time the valuation is rendered. In this section we describe market conditions associated with the valuation. The first part of this section provides a general market commentary which highlights current factors influencing aircraft values. The second part of this section contains the mba view of the current market situation for each aircraft type valued in this analysis.

Passenger demand and jet fuel prices are two of the most significant factors influencing commercial transport aircraft values. Increases in passenger demand have a positive impact while increases in fuel prices have a different impact depending on the technology level of the asset. There are many other considerations that drive values of a specific aircraft type and model including: age, number of operators, regional distribution, total number in use, production status, and order backlog, among others.

Passenger demand has been shown over the years to have a strong correlation with Gross Domestic Product (GDP). As shown in the following table, this correlation also extends to orders for new aircraft.

Source: ACAS; iata.org; worldbank.org as of November 2013

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Underlying all of this is the historical and future predicted passenger growth on the order of 5.0% per year by manufacturers and government agencies alike. Passenger growth has been short of the 5.0% predictions in the recent years but now is coming back to the average. The International Air Transport Association (IATA) reports that as of October 2013, year-to-date passenger growth reached 5.2%, a percentage point higher than the rate of growth in 2nd quarter of 2013.

According to IATA, international air traffic Year-To-Date (YTD) rose 5.3% year-over-year as of the end of November 2013, with airlines in all world regions seeing growth. Middle Eastern carriers experienced the strongest rate of increase, up 12.0%. Asia Pacific airlines had a solid performance with a 5.7% rise in international Revenue Passenger Kilometers (RPKs). The Asia Pacific economic growth and positive outlook have improved in part due to better performance of major advanced and developing economies, but there has also been resilience in domestic demand in economies like Korea and Malaysia. In Europe, modest economic improvements during the 2nd and 3rd quarters of 2013, along with increasing consumer and business confidence, provided a stronger demand base for international air travel, which rose 3.7% year-over-year as of November 2013, as reported by IATA. The Eurozone stopped contracting in the 2nd quarter of 2013 and has maintained the modest economic recovery in the 2nd half of 2013. Growth was also strong in Latin America, up 8.2% YTD year-over-year, buoyed by solid trade growth and business related travel. Economies such as Colombia, Peru, and Chile are expanding strongly and supporting demand for international air travel. In North America, the rise in international air traffic year-over-year was 2.8% as of November 2013. IATA reported growth for the entire YTD rate of 5.3% for international RPKs, 4.7% for domestic RPKs, and 5.1% for the total market are encouraging.

In another encouraging report on Asia Pacific airlines, CAPA Centre for Aviation concludes that 2014 will see a record level of start-up activity, as about ten new Low-Cost Carriers (LCC) are launched in the region. Currently, the 47 LCCs in the region are operating a total of nearly 1,000 aircraft with over 1,500 orders in place for new aircraft. Most of the existing LCCs added capacity at a double-digit clip in 2013.

Air freight continues to be a concern amid small gains in growth, which is volatile across all regions. In its November 2013 report, IATA released figures showing a 6.1% growth in demand for airfreight in November 2013 over the same month in 2012. This is an improvement on the 4.4% year-over-year expansion recorded in October 2013 and continues an improvement in the air cargo markets which has been developing over the past year with all regions reporting growth except for Latin America and Africa. Increased demand coupled with slower expansion in capacity helped to improve the average load factor to 49.2%, which is 0.7% above one year ago.

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Jet fuel prices continued to be volatile during the year 2013. According to U.S. Energy Information Administration (EIA) data, U.S. jet fuel inventories fell in mid-August 2013 to their lowest level since October 2008, as demand remained near five-year highs. Despite the increased demand, U.S. airlines spent less on fuel in November 2013 (USD$3.59 billion) than in any month since February 2011 (USD$3.30 billion), a good indicator of their adaptation since the record fuel prices in the last decade. Although fuel prices spiked in December 2013, most forecasts for 2014 are predicting a decline in average price to the range of USD$107.00 USD$112.00 per barrel.

Source: eia.gov

The manufacturers order books and delivery reports are remarkably healthy with all-time records for the year s deliveries for both Airbus and Boeing totaling 1,274 aircraft. For the year 2013, Airbus had a net total of 1,503 aircraft orders. For the same year, Airbus delivered 626 aircraft and has an eight-year backlog of 5,559. Boeing booked a net total of 1,355 orders during 2013, the second highest in company history. Boeing delivered a total of 648 aircraft during the year, leaving a backlog of 5,080 aircraft. This increased activity has resulted in both manufacturers giving signs of increased production rates in the 2017 time frame.

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Boeing 737-900ER Current Market

The Boeing 737-900 entered into service in 2001 with Alaska Airlines and ended production four years later, in 2005. In 2007, the 737-900ER was introduced in place of the 737-900 non-ER and entered into service with Lion Air as the newest member of the 737 NG family.

The 737-900ER features an additional pair of exit doors as well as a flat rear pressure bulkhead to increase interior accommodation to 180 passengers in a typical two class configuration or up to 215 passengers in a single class. The aircraft has the same external dimensions as the 737-900 but features an increased Maximum Take-Off Weight (MTOW) of 187,700 pounds, a 13,500 pound increase, strengthened landing gear and wing structures, up to two optional auxiliary fuel tanks and optional winglets. These improvements allow for a range of 3,265 nautical miles carrying 180 passengers with the installation of the two auxiliary fuel tanks and winglets.

Overview

Positive

- Sole source engines ease remarketing to secondary operators.
- Commonality with other 737NG variants may increase potential operator base when remarketing.
- No aircraft of existing fleet currently parked.
- Robust backlog.

Neutral

- Introduction of 737MAX variant delays clean sheet replacement, but will likely affect values of only the youngest 737-900ER aircraft produced.

Negative

- Backlog going forward likely to fade in favor of 737MAX, due to enter service in 2017.
- Fleet concentration in hands of limited operators may have negative impact in future when the fleet moves on to second tier operators.
- Program has not been as popular as that of its competitor, the A321-200.

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There are currently 220 active 737-900ERs with 15 operators.

Fleet Status 737-900ER	
Ordered	613
Cancelled/Transferred	77
Net Orders	536
Backlog	316
Delivered	220
Destroyed/Retired	0
Not in Service/Parked	0
Active Aircraft	220
Number of Operators	15
Average Daily Utilization (Hrs)	8.28
Average Fleet Age (Yrs)	2.58

Source: ACAS January 2014

The 737-900ER fleet has grown steadily since its introduction in 2007. The chart below depicts 737-900ER fleet development by year, as of January 1 of each year (2007 is not included as no aircraft were active as of January 1, 2007).

Source: ACAS 2014

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Recent Developments

In January 2014, Alaska Airlines purchased two additional 737-900ER aircraft (AviTrader).

In October 2013, El Al increased its order of 737-900ERs by two, bringing the total ordered by the operator to eight. The order came two weeks after El Al took delivery of its first of the type (Flightglobal).

At the Paris Airshow in June 2013, Oman Air announced an order for five 737-900ERs, becoming the first Gulf carrier of the type (AviTrader).

In June 2013, Aviation Partners Boeing secured a launch order from United Airlines for Split-Scimitar Winglets on the Client s 737-900ER aircraft, with type certification anticipated for February 2014. Split-Scimitar Winglets, standard on the upcoming 737MAX family, could potentially offer up to a 3.0% increase in fuel efficiency for the 737NG family (Speednews, AVN).

Demographics & Availability

United Airlines operates the largest fleet of 737-900ERs, accounting for 35.0% of the type. Indonesia s Lion Air is the second largest operator with 30.9%.

Boeing 737-900ER Passenger Aircraft

Current Fleet by Operator

Operator	In Service	Parked	Total	Total %
United Airlines	77		77	35.0%
Lion Air	68		68	30.9%
Delta Air Lines	14		14	6.4%
Alaska Airlines	14		14	6.4%
Turkish Airlines (THY)	10		10	4.5%
SpiceJet	6		6	2.7%
Batik Air	6		6	2.7%
Korean Air	6		6	2.7%
Malindo Air	6		6	2.7%
Ukraine International Airlines	3		3	1.4%
JetKonnect	3		3	1.4%
Somon Air	2		2	0.9%
El Al	2		2	0.9%
Thai Lion Air	2		2	0.9%
Jet Airways	1		1	0.5%
Grand Total	**220**	**0**	**220**	**100.0%**

Source: ACAS January 2014

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North America is the most popular region with 47.7% of the 737-900ER world fleet. The Pacific Rim follows with 40.0% of the total fleet.

Boeing 737-900ER Passenger Aircraft

Current Fleet by Region

Region	In Service	Parked	Total	Total %
North America	105		105	47.7%
Pacific Rim	88		88	40.0%
Europe	15		15	6.8%
Asia	10		10	4.5%
Middle East	2		2	0.9%
Grand Total	**220**	**0**	**220**	**100.0%**

Source: ACAS January 2014

According to Airfax, as of March 2014, there are no Boeing 737-900ER aircraft available for sale or lease.

	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
737-900ER	2	2	2	2	2	0	0	0	0	0	0	0	0

Source: Airfax March 2013 March 2014

Outlook

The short- to mid-term outlook for the 737-900ER is favorable, even prior to the entry into service of the 737MAX variants. The aircraft has seen increased interest as operators move towards larger equipment, although the A321-200 still sees more success at this time. Particularly as the 757-200s are phased out of the fleets of their current operators, the 737-900ER will begin to fill the role of these aircraft. The long term outlook will be shaped by the presumed success of the 737MAX. While not a true clean sheet replacement, the modified variant represents a break in production and the last 737-900ERs manufactured will suffer the most from a value perspective. However, no technical obsolesence is expected for the foreseeable future as a result of the 737MAX entry into service.

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Boeing 787-8 Current Market

The 787-8 was originally scheduled to perform its first flight in the second half of 2007 but it did not take place until late 2009. After many well publicized delays the aircraft was certified by both the US Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA) in August 2011 with the first aircraft being delivered to All Nippon Airways (ANA) in September of the same year. On January 17, 2013, a year and a half after the first delivery, the FAA and subsequently EASA issued an emergency Airworthiness Directive (AD) which grounded all 787-8 aircraft due to a battery issue experienced during both ANA and Japan Airlines (JAL) flights. At the end of April 2013, the 787 was cleared to fly again by the FAA and EASA through the success of a number of battery tests.

Overview

Positive

Aircraft has become popular, receiving positive feedback from both current operators and passengers.

Production is now taking place in two facilities, increasing the output to meet demand.

Will accelerate the replacement of the 767 aircraft in the market.

Strong backlog and order book.

Offers leading technology, including a single composite material fuselage and wings, health-monitoring systems allowing the airplane to self-monitor and report maintenance requirements to ground crew, and new GE and Rolls-Royce fuel efficient engines.

Composite fuselage is expected to mitigate the maintenance costs and corrosion issues over the span of the aircraft s life.

Neutral

Engine choice positive for initial sales campaigns, but can limit remarketing opportunities downstream; this effect is mitigated by the sheer number of aircraft in fleet.

Negative

Great deal of work being performed on early production models (all aircraft built prior to line number 66 require re-work). Delays and specification issues have plagued the program.

Demand for the 787-8 has decreased as more operators move towards the 787-9.

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As of January 2014, there are 116 active 787-8s with 19 operators. The 5 parked aircraft are currently being held by The Boeing Company.

Fleet Status	787-8
Ordered	852
Cancelled/Transferred	379
Net Orders	473
Backlog	357
Delivered	116
Destroyed/Retired	0
Not in Service/Parked	5
Active Aircraft	116
Number of Operators	19
Average Daily Utilization (Hrs)	3.04
Average Fleet Age	0.99

Source: ACAS January 2014

Recent Developments

As of February 2014, there have been no new orders for the 787-8 since October 2013 when TUI Travel placed an additional order for two of the type (boeing.com).

In December 2013, Jetairfly, a TUI Travel subsidiary, received its first 787-8 aircraft (AviTrader).

In November 2013, the FAA issued an AD for GEnx-1B powered 787 aircraft due to numerous reports of loss of thrust at high altitudes after icing inside the engines occurred. The AD advises operators to avoid flying high altitudes with possible ice crystal formation, such as in tropical climates with convective weather and also to have the engines inspected should the pilot accidently fly through icing conditions (Flightglobal).

In October 2013, Jetstar received its first 787-8 aircraft. The airline has 13 additional 787s on order, with deliveries anticipated through 2015 (Boeing.com).

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Demographics & Availability

ANA is currently the largest operator of active 787-8s with 19.8% of the active fleet.

Boeing 787 Passenger Aircraft *Current Fleet by Operator*				
Customer Name	**In Service**	**Parked**	**Total**	**Total %**
ANA All Nippon Airways	24		24	19.8%
Japan Airlines	13		13	10.7%
Air India	11		11	9.1%
Qatar Airways	9		9	7.4%
United Airlines	8		8	6.6%
China Southern Airlines	8		8	6.6%
The Boeing Company	1	5*	6	5.0%
Hainan Airlines	6		6	5.0%
Ethiopian Airlines	5		5	4.1%
LOT Polish Airlines	5		5	4.1%
LAN Airlines	5		5	4.1%
British Airways	4		4	3.3%
Thomson Airways	4		4	3.3%
Norwegian Long Haul	3		3	2.5%
Jetstar Airways	3		3	2.5%
Aeromexico	3		3	2.5%
Royal Brunei Airlines	2		2	1.7%
Abu Dhabi Presidential Flight	1		1	0.8%
Jetairfly	1		1	0.8%
Grand Total	**116**	**5**	**121**	**100.0%**

Source: ACAS January 2014

**Aircraft are currently not suitable for sale*

Currently, the Pacific Rim has the largest percentage of the 787 fleet in the world, with 46.3% in the region s possession. This can be largely attributed to the initial delivery to ANA and JAL at the beginning of production, but is expected to be more evenly distributed as Boeing increases production rates and more 787s enter the market.

Boeing 787 Passenger Aircraft *Current Fleet by World Region*				
Customer Name	**In Service**	**Parked**	**Total**	**Total %**
Pacific Rim	56		56	46.3%
Europe	17		17	14.0%

North America	9	5	14	11.6%
Asia	11		11	9.1%
Middle East	10		10	8.3%
South America	8		8	6.6%
Africa	5		5	4.1%
Grand Total	**116**	**5**	**121**	**100.0%**

Source: ACAS January 2014

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There are currently no available 787-8s on the market due to the recent initial delivery dates and large backlog of aircraft.

Outlook

The newness of the 787 aircraft has affected the reliability and economic benefits alleged by Boeing as the aircraft is still undergoing upgrades and changes to meet operator s expectations. Values of the first built models remain under scrutiny as significant changes in the aircraft have increased the aircraft s current value. The production rate of the 787 is currently seven aircraft per month, recently increased from two and a half per month, and will take a number of years before the market is saturated enough to level the price impact. Values of aircraft off the production line after number 66 are expected to remain stable in the short to medium term. The recent grounding has led to some cancellations but the value of the aircraft is not anticipated to be heavily impacted by the disruption to service or the modification to their lithium-ion battery.

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Boeing 787-9 Current Market

The 787-9 is the second variant of the 787 family. Due to delays with the 787-8, the 787-9 s original delivery date was pushed back by four years, from 2010 to 2014. The 787-9 is presently undergoing flight tests, with three test aircraft currently flying. The first delivery for the 787-9 is anticipated for mid-2014 with launch customer Air New Zealand, who has 10 of the type on order. The 787-9 is 6 meters longer than the 787-8 and can carry 280 passengers in a typical three-class seating. The aircraft also has a MTOW of 553,000lbs, a 50,000lbs increase over the 787-8, providing the variant additional range.

Overview

Positive

Strong order book, with many orders converted from the 787-8 to the larger 787-9, showing operator enthusiasm for the mid-size variant of the family.

As with the 787-8, the 787-9 offers leading technology, including a single composite material fuselage and wings, health-monitoring systems allowing the airplane to self-monitor and report maintenance requirements to the ground crew, and new GE and Rolls-Royce fuel efficient engines.

Composite fuselage is expected to mitigate the maintenance costs and corrosion issues over the span of the aircraft s life.

Neutral

Delays and groundings of the 787-8 may initially cause passenger hesitation toward flying on the 787-9.

As of January 2014, there were 404 aircraft on order from 48 customers.

Fleet Status	787-9
Ordered	542
Cancelled/Transferred	138
Net Orders	404
Backlog	404
Delivered	0
Destroyed/Retired	0
Not in Service/Parked	0
Active Aircraft	0
Number of Customers	48

Source: ACAS & Boeing January 2014

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Based on the current backlog of all orders, 41.6% have chosen the GEnx-1B engines, 22.5% have chosen the Rolls-Royce s Trent 1064 engines and 35.9% of the orders are undecided on engine type. mba expects the GE engines to remain the popular engine choice; however, mba assigns no value difference between the two engine types at this time.

Boeing 787-9 Aircraft

Current Fleet on Order by Engine Manufacturer

Engine Type	Ordered	Concentration
GEnx-1B	168	41.6%
Trent 1064	91	22.5%
Undecided	145	35.9%
Total	**404**	**100.0%**

Recent Developments

In January 2014, Boeing flew the 787-9 to Auckland before continuing on to Australia for further testing. Air New Zealand will be the launch customer for the type, with first delivery anticipated for mid-2014 (Boeing.com).

In September 2013, Boeing completed the first flight test on the 787-9, with a total flying time of just over 5 hours, and announced it is still on track to deliver the type in 2014 (Boeing.com).

Outlook

After the delays and complications associated with the 787-8, the outlook for the 787-9 was uncertain. However, with positive feedback from the flight testing and continuous orders from customers, the 787-9 is on its way to becoming the workhorse of the family. Many 787-8 orders have been converted to the larger 787-9 and with the additional seating capacity, range, fuel efficiencies and growing order book, it is clear the type will be a success. mba s outlook for the 787-9 is positive with the expectation that values for the type will escalate as the aircraft continues to prove itself in the market.

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Embraer 175 Current Market

The ERJ 175 is the larger variant in the E-170/175 family. The ERJ 175 directly competes with the Bombardier CRJ-900. It also seeks to replace the market segment occupied by earlier competing designs such as the BAe 146 and Fokker 70. The 170 and 175 are powered with GE CF34-8E engines of 14,200 pounds (62.28 kN) thrust each.

The Embraer 170 was the first version produced. The prototype was rolled out on 29 October 2001, with first flight 119 days later on February 19. The aircraft was displayed to the public in May 2002 at the Regional Airline Association convention. After a positive response from the airline community, Embraer launched the ERJ 175. First flight of the stretched ERJ 175 was on June 2003. The first ERJ 175 was delivered to Air Canada and entered service in July 2005.

Embraer has developed several subsequent variants to the initial Embraer 175 with higher MTOW 175LR and 175AR models. While the Embraer 170 garnered more initial orders, after cancellations the Embraer 175 ended up with the larger net order book to date.

Overview

Positive

- Very low percentage of existing fleet currently parked.
- Sole source engines ease remarketing to secondary operators.
- Versatile aircraft that can be utilized in a number of applications including regional, main line and low cost models.
- Types have been replacing older, less fuel efficient models such as the Fokker 70/100 and BAe 146 & Avro series.

Negative

- Backlog fading in favor of the Embraer 190 and the potential re-engined E Jets.
- Demand for 70 seat market is declining.

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According to ACAS, as of January 2014 there were 183 active ERJ 175s with 15 operators.

Fleet Status All Variants,

Passenger Aircraft	**Embraer 175**
Ordered	473
Cancelled/Transferred	4
Net Orders	469
Backlog	286
Delivered	183
Destroyed/Retired	0
Not in Service/Parked	0
Active Aircraft	183
Number of Operators	15
Average Daily Utilization (Hrs)	6.90
Average Fleet Age (Yrs)	4.67

Source: ACAS January 2014

Recent Developments

In February 2014, Republic Airlines, currently the largest operator of ERJ 175 aircraft, stated it is not planning on growing its ERJ 175 fleet any further to accommodate American Airlines due to a pilot shortage (CAPA).

In January 2014, operator Envoy, formerly known as American Eagle Airlines, and the Airline Pilots Association reached an agreement that will allow Envoy to place an order for 60 ERJ 175 aircraft (CAPA).

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Demographics & Availability

The largest operator of ERJ 175 aircraft is currently Republic Airlines with 57 active aircraft or 31.1% of the total fleet. Compass Airlines is the next largest operator with 19.7% of the fleet. With less than half of the ordered fleet delivered so far, the

Embraer 175 Passenger Aircraft

Current In Service Fleet by Operator

Operator	Active	Parked	Total	Total %
Republic Airlines	57		57	31.1%
Compass Airlines	36		36	19.7%
Shuttle America	16		16	8.7%
Sky Regional Airlines	15		15	8.2%
Alitalia Cityliner	14		14	7.7%
LOT Polish Airlines	12		12	6.6%
Flybe	11		11	6.0%
Oman Air	4		4	2.2%
TRIP	4		4	2.2%
Fuji Dream Airlines	4		4	2.2%
Royal Jordanian	3		3	1.6%
Aeromexico Connect	3		3	1.6%
Belavia	2		2	1.1%
Azul	1		1	0.5%
Air Lituanica	1		1	0.5%
Grand Total	**183**		**183**	**100.0%**

Source: ACAS January 2014

The North American region is by far the most significant for the type, with approximately 67.8% of the ERJ 175 aircraft fleet based there. Europe is a distant second, with 21.9% of the fleet operating in the region.

Embraer 175 Passenger Aircraft

Current In Service Fleet by Region

Region	Active	Parked	Total	Total %
North America	124		124	67.8%
Europe	40		40	21.9%
South America	8		8	4.4%
Middle East	7		7	3.8%
Pacific Rim	4		4	2.2%

Grand Total	**183**	**183**	**100.0%**

Source: ACAS January 2014

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According to Airfax, as of March 2014 there are two Embraer 175 aircraft advertised as available for sale or lease.

Source: Airfax March 2013 March 2014

Outlook

The short term outlook for the Embraer 175 is favorable as it has a strong backlog and is the more popular of the smaller E-Jet variants. Embraer is also in the process of adding further improvements to the variant with complete implementation starting in April 2014. Enhancements include new wingtips, a redesigned tail cone, reduced horizontal tail gaps and additional airframe aerodynamic improvements, which overall will add up to an estimated 5.2% in fuel burn savings according to Embraer. mba believes that values will remain stable in the short to medium term as the aircraft s market presence will more than double in the coming years.

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IV. Valuation

In developing the values of the aircraft in this portfolio, mba did not inspect the aircraft or the records and documentation associated with the aircraft, but relied on partial information supplied by the Client. This information was not independently verified by mba. Therefore, we used certain assumptions that are generally accepted industry practice to calculate the value of aircraft when more detailed information is not available.

The principal assumptions for the aircraft in this portfolio are as follows:

1. The aircraft is in good overall condition;

2. The overhaul status of the airframe, engines, landing gear and other major components are the equivalent of mid-time/mid-life, or new, unless otherwise stated;

3. The historical maintenance documentation has been maintained to acceptable international standards;

4. The specifications of the aircraft are those most common for an aircraft of its type and vintage;

5. The aircraft is in a standard airline configuration;

6. Its modification status is comparable to that most common for an aircraft of its type and vintage;

7. Its utilization is comparable to industry averages;

8. There is no history of accident or incident damage; and

9. All future delivery aircraft are valued as new.

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Aircraft Portfolio

No.	Aircraft Type	Serial Number	Registration	Manufacture Date	MTOW (lbs)	Engine Type	Operator
1	737-924ER	44581	N67827	Jun-14	187,700	CFM56-7B27	United Airlines
2	737-924ER	44580	N66828	Jun-14	187,700	CFM56-7B27	United Airlines
3	737-924ER	44561	N69829	Jun-14	187,700	CFM56-7B27	United Airlines
4	737-924ER	44560	N69830	Jul-14	187,700	CFM56-7B27	United Airlines
5	737-924ER	44562	N66831	Aug-14	187,700	CFM56-7B27	United Airlines
6	737-924ER	44563	N65832	Aug-14	187,700	CFM56-7B27	United Airlines
7	737-924ER	44564	N69833	Sep-14	187,700	CFM56-7B27	United Airlines
8	737-924ER	44565	N68834	Sep-14	187,700	CFM56-7B27	United Airlines
9	737-924ER	60087	N69835	Oct-14	187,700	CFM56-7B27	United Airlines
10	737-924ER	60088	N68836	Oct-14	187,700	CFM56-7B27	United Airlines
11	737-924ER	60121	N66837	Nov-14	187,700	CFM56-7B27	United Airlines
12	737-924ER	60122	N69838	Nov-14	187,700	CFM56-7B27	United Airlines
13	737-924ER	60316	N69839	Dec-14	187,700	CFM56-7B27	United Airlines
14	737-924ER	42181	N66841	Jan-15	187,700	CFM56-7B27	United Airlines
15	737-924ER	42182	N68842	Jan-15	187,700	CFM56-7B27	United Airlines
16	737-924ER	42183	N68843	Jan-15	187,700	CFM56-7B27	United Airlines
17	737-924ER	60317	N69840	Feb-15	187,700	CFM56-7B27	United Airlines
18	737-924ER	42184	N64844	Feb-15	187,700	CFM56-7B27	United Airlines
19	737-924ER	42185	N67845	Feb-15	187,700	CFM56-7B27	United Airlines
20	737-924ER	42186	N67846	Feb-15	187,700	CFM56-7B27	United Airlines
21	737-924ER	42187	N69847	Mar-15	187,700	CFM56-7B27	United Airlines
22	737-924ER	42188	N66848	Mar-15	187,700	CFM56-7B27	United Airlines
23	787-8	34828	N49911	May-14	502,500	GEnx-1B70	United Airlines
24	787-8	35879	N28912	Oct-14	502,500	GEnx-1B70	United Airlines
25	787-9	36402	N19951	Sep-14	553,000	GEnx-1B74/75	United Airlines
26	787-9	36403	N26952	Jan-15	553,000	GEnx-1B74/75	United Airlines
27	787-9	36404	N35953	Mar-15	553,000	GEnx-1B74/75	United Airlines
28	787-9	36405	N13954	Mar-15	553,000	GEnx-1B74/75	United Airlines
29	ERJ 175 LR	TBA	N88301	Mar-14	85,517	CF34-8E5	United Airlines
30	ERJ 175 LR	TBA	N87302	Apr-14	85,517	CF34-8E5	United Airlines
31	ERJ 175 LR	TBA	N87303	Apr-14	85,517	CF34-8E5	United Airlines
32	ERJ 175 LR	TBA	N89304	Jun-14	85,517	CF34-8E5	United Airlines
33	ERJ 175 LR	TBA	N93305	Jul-14	85,517	CF34-8E5	United Airlines
34	ERJ 175 LR	TBA	N87306	Jul-14	85,517	CF34-8E5	United Airlines
35	ERJ 175 LR	TBA	N84307	Aug-14	85,517	CF34-8E5	United Airlines
36	ERJ 175 LR	TBA	N89308	Sep-14	85,517	CF34-8E5	United Airlines
37	ERJ 175 LR	TBA	N86309	Oct-14	85,517	CF34-8E5	United Airlines
38	ERJ 175 LR	TBA	N88310	Oct-14	85,517	CF34-8E5	United Airlines

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No.	Aircraft Type	Serial Number	Registration	Manufacture Date	MTOW (lbs)	Engine Type	Operator
39	ERJ 175 LR	TBA	N86311	Oct-14	85,517	CF34-8E5	United Airlines
40	ERJ 175 LR	TBA	N86312	Nov-14	85,517	CF34-8E5	United Airlines
41	ERJ 175 LR	TBA	N89313	Nov-14	85,517	CF34-8E5	United Airlines
42	ERJ 175 LR	TBA	N82314	Nov-14	85,517	CF34-8E5	United Airlines
43	ERJ 175 LR	TBA	N89315	Dec-14	85,517	CF34-8E5	United Airlines
44	ERJ 175 LR	TBA	N86316	Dec-14	85,517	CF34-8E5	United Airlines
45	ERJ 175 LR	TBA	N89317	Dec-14	85,517	CF34-8E5	United Airlines
46	ERJ 175 LR	TBA	N87318	Feb-15	85,517	CF34-8E5	United Airlines
47	ERJ 175 LR	TBA	N87319	Feb-15	85,517	CF34-8E5	United Airlines
48	ERJ 175 LR	TBA	N85320	Mar-15	85,517	CF34-8E5	United Airlines
49	ERJ 175 LR	TBA	N89321	Mar-15	85,517	CF34-8E5	United Airlines

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Portfolio Valuations

($USD Million)

No.	Aircraft Type	Serial Number	Registration	Manufacture Date	BV w/Newness	MTOW Adj.	Engine Adj.	BV New Aircraft
1	737-924ER	44581	N67827	Jun-14	$51.40	$0.74	$0.20	$52.34
2	737-924ER	44580	N66828	Jun-14	$51.40	$0.74	$0.20	$52.34
3	737-924ER	44561	N69829	Jun-14	$51.40	$0.74	$0.20	$52.34
4	737-924ER	44560	N69830	Jul-14	$51.45	$0.74	$0.20	$52.39
5	737-924ER	44562	N66831	Aug-14	$51.49	$0.74	$0.20	$52.43
6	737-924ER	44563	N65832	Aug-14	$51.49	$0.74	$0.20	$52.43
7	737-924ER	44564	N69833	Sep-14	$51.53	$0.74	$0.20	$52.47
8	737-924ER	44565	N68834	Sep-14	$51.53	$0.74	$0.20	$52.47
9	737-924ER	60087	N69835	Oct-14	$51.57	$0.74	$0.20	$52.51
10	737-924ER	60088	N68836	Oct-14	$51.57	$0.74	$0.20	$52.51
11	737-924ER	60121	N66837	Nov-14	$51.62	$0.74	$0.20	$52.56
12	737-924ER	60122	N69838	Nov-14	$51.62	$0.74	$0.20	$52.56
13	737-924ER	60316	N69839	Dec-14	$51.66	$0.74	$0.20	$52.60
14	737-924ER	42181	N66841	Jan-15	$51.70	$0.74	$0.20	$52.64
15	737-924ER	42182	N68842	Jan-15	$51.70	$0.74	$0.20	$52.64
16	737-924ER	42183	N68843	Jan-15	$51.70	$0.74	$0.20	$52.64
17	737-924ER	60317	N69840	Feb-15	$51.74	$0.74	$0.20	$52.68
18	737-924ER	42184	N64844	Feb-15	$51.74	$0.74	$0.20	$52.68
19	737-924ER	42185	N67845	Feb-15	$51.74	$0.74	$0.20	$52.68
20	737-924ER	42186	N67846	Feb-15	$51.74	$0.74	$0.20	$52.68
21	737-924ER	42187	N69847	Mar-15	$51.79	$0.74	$0.20	$52.73
22	737-924ER	42188	N66848	Mar-15	$51.79	$0.74	$0.20	$52.73
23	787-8	34828	N49911	May-14	$117.89	$0.00	$0.00	$117.89
24	787-8	35879	N28912	Oct-14	$118.39	$0.00	$0.00	$118.39
25	787-9	36402	N19951	Sep-14	$133.18	$0.00	$0.00	$133.18
26	787-9	36403	N26952	Jan-15	$133.62	$0.00	$0.00	$133.62
27	787-9	36404	N35953	Mar-15	$133.84	$0.00	$0.00	$133.84
28	787-9	36405	N13954	Mar-15	$133.84	$0.00	$0.00	$133.84
29	ERJ 175 LR	TBA	N88301	Mar-14	$29.15	$0.14	$0.00	$29.29
30	ERJ 175 LR	TBA	N87302	Apr-14	$29.17	$0.14	$0.00	$29.31
31	ERJ 175 LR	TBA	N87303	Apr-14	$29.17	$0.14	$0.00	$29.31
32	ERJ 175 LR	TBA	N89304	Jun-14	$29.22	$0.14	$0.00	$29.36
33	ERJ 175 LR	TBA	N93305	Jul-14	$29.25	$0.14	$0.00	$29.39
34	ERJ 175 LR	TBA	N87306	Jul-14	$29.25	$0.14	$0.00	$29.39
35	ERJ 175 LR	TBA	N84307	Aug-14	$29.27	$0.14	$0.00	$29.41
36	ERJ 175 LR	TBA	N89308	Sep-14	$29.29	$0.14	$0.00	$29.43
37	ERJ 175 LR	TBA	N86309	Oct-14	$29.32	$0.14	$0.00	$29.46
38	ERJ 175 LR	TBA	N88310	Oct-14	$29.32	$0.14	$0.00	$29.46
39	ERJ 175 LR	TBA	N86311	Oct-14	$29.32	$0.14	$0.00	$29.46

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No.	Aircraft Type	Serial Number	Registration	Manufacture Date	BV w/Newness	MTOW Adj.	Engine Adj.	BV New Aircraft
40	ERJ 175 LR	TBA	N86312	Nov-14	$29.34	$0.14	$0.00	$29.48
41	ERJ 175 LR	TBA	N89313	Nov-14	$29.34	$0.14	$0.00	$29.48
42	ERJ 175 LR	TBA	N82314	Nov-14	$29.34	$0.14	$0.00	$29.48
43	ERJ 175 LR	TBA	N89315	Dec-14	$29.37	$0.14	$0.00	$29.51
44	ERJ 175 LR	TBA	N86316	Dec-14	$29.37	$0.14	$0.00	$29.51
45	ERJ 175 LR	TBA	N89317	Dec-14	$29.37	$0.14	$0.00	$29.51
46	ERJ 175 LR	TBA	N87318	Feb-15	$29.41	$0.14	$0.00	$29.55
47	ERJ 175 LR	TBA	N87319	Feb-15	$29.41	$0.14	$0.00	$29.55
48	ERJ 175 LR	TBA	N85320	Mar-15	$29.44	$0.14	$0.00	$29.58
49	ERJ 175 LR	TBA	N89321	Mar-15	$29.44	$0.14	$0.00	$29.58
				Total	**$2,521.69**	**$19.22**	**$4.40**	**$2,545.31**

Legend For Portfolio Valuation	
BVw/Newness	Base Value Adjusted for Month of Build
MTOW Adj	Maximum Take Off Weight Adjustment
Engine Adj	Adjustment for Engine Type
BV New Aircraft	Base Value for New Aircraft, Adjusted for MTOW and Newness

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V. Covenants

This report has been prepared for the exclusive use of United Airlines, Inc. and shall not be provided to other parties by mba without the express consent of United Airlines, Inc. mba certifies that this report has been independently prepared and that it fully and accurately reflects mba s opinion as to the Base Value, as requested and outlined in Section IV. mba further certifies that it does not have, and does not expect to have, any financial or other interest in the subject or similar aircraft and engine.

This report represents the opinion of mba as to the Base Value, at delivery, of the subject aircraft as requested and is intended to be advisory only, in nature. Therefore, mba assumes no responsibility or legal liability for any actions taken, or not taken, by United Airlines, Inc. or any other party with regard to the subject aircraft and engine. By accepting this report, all parties agree that mba shall bear no such responsibility or legal liability.

PREPARED BY:

Lindsey Mohr

Valuations Analyst

Morten Beyer & Agnew

March 10, 2014

REVIEWED BY:

Thomas E. Burke

Managing Director- Valuations

Morten Beyer & Agnew

ISTAT Certified Appraiser

United Airlines, Inc.

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APPENDIX III LOAN TO VALUE RATIO TABLES

The following tables set forth loan to Aircraft value ratios for the Equipment Notes that may be issued in respect of each of the 25 aircraft that may be financed pursuant to this Offering (assuming that United selects from the aircraft of each model eligible to be financed pursuant to this Offering the aircraft of such model with the earliest scheduled delivery dates from the manufacturer), as of initial issuance and the Regular Distribution Dates thereafter. The loan to value ratio was obtained by dividing (i) the outstanding balance (assuming no payment default) of such Equipment Notes plus, in the case of the Series B Equipment Notes, the outstanding balance (assuming no payment default) of the Series A Equipment Notes, determined immediately after giving effect to the payments scheduled to be made on each such Regular Distribution Date by (ii) the appraised value of the Aircraft securing such Equipment Notes (see Description of the Aircraft and the Appraisals The Appraisals), subject to the Depreciation Assumption . The Depreciation Assumption contemplates that the value of each Aircraft at issuance of the Equipment Notes included in each table depreciates by approximately 3% of the initial appraised value per year after the year of delivery of such Aircraft, in each case prior to the final expected Regular Distribution Date. Other rates or methods of depreciation may result in materially different loan to Aircraft value ratios, and no assurance can be given (i) that the depreciation rates and method assumed for the purposes of the tables are the ones most likely to occur or (ii) as to the actual future value of any Aircraft. Thus, the tables should not be considered a forecast or prediction of expected or likely loan to Aircraft value ratios, but simply a mathematical calculation based on one set of assumptions. In addition, if United elects to finance under this Offering any of the last nine scheduled deliveries of the 22 Boeing 737-924ER aircraft, any of the last three scheduled deliveries of the four Boeing 787-9 aircraft or any of the last 12 scheduled deliveries of the 21 Embraer ERJ 175 LR aircraft eligible for such financing, the amortization schedule of the Equipment Notes for such aircraft will be the same as one of the aircraft of the same model listed below that has not been and will not be financed under this Offering. And, because the appraised values of these aircraft with later scheduled deliveries are not less than the earlier scheduled deliveries of the same model, the loan to value ratios for these aircraft with later scheduled deliveries will not be higher than the earlier scheduled deliveries of the same model set forth below.

A. Boeing 737-924ER

N67827

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
April 11, 2015	51,749,500.00	28,809,000.00	8,323,000.00	55.7	71.8
October 11, 2015	50,949,250.00	27,749,622.03	7,866,401.88	54.5	69.9
April 11, 2016	50,149,000.00	27,000,004.20	7,499,742.32	53.8	68.8
October 11, 2016	49,348,750.00	26,250,499.17	7,133,170.17	53.2	67.6
April 11, 2017	48,548,500.00	25,501,112.47	6,766,689.69	52.5	66.5
October 11, 2017	47,748,250.00	24,751,849.97	6,400,305.45	51.8	65.2
April 11, 2018	46,948,000.00	24,002,717.94	6,034,022.30	51.1	64.0
October 11, 2018	46,147,750.00	23,253,723.11	5,667,845.44	50.4	62.7
April 11, 2019	45,347,500.00	22,504,872.63	5,301,780.44	49.6	61.3
October 11, 2019	44,547,250.00	21,756,174.19	4,935,833.23	48.8	59.9
April 11, 2020	43,747,000.00	21,007,636.03	4,570,010.22	48.0	58.5

October 11, 2020	42,946,750.00	20,259,267.00	4,204,318.24	47.2	57.0
April 11, 2021	42,146,500.00	19,511,076.59	3,838,764.66	46.3	55.4
October 11, 2021	41,346,250.00	18,763,075.05	3,473,357.42	45.4	53.8
April 11, 2022	40,546,000.00	18,015,273.40	0.00	44.4	0.0
October 11, 2022	39,745,750.00	17,267,683.55	0.00	43.4	0.0
April 11, 2023	38,945,500.00	16,520,318.37	0.00	42.4	0.0
October 11, 2023	38,145,250.00	15,773,191.79	0.00	41.4	0.0
April 11, 2024	37,345,000.00	15,026,318.92	0.00	40.2	0.0
October 11, 2024	36,544,750.00	14,279,716.19	0.00	39.1	0.0
April 11, 2025	35,744,500.00	13,533,401.44	0.00	37.9	0.0
October 11, 2025	34,944,250.00	12,787,394.16	0.00	36.6	0.0
April 11, 2026	34,144,000.00	0.00	0.00	0.0	0.0

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N66828

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
April 11, 2015	51,749,500.00	28,809,000.00	8,323,000.00	55.7	71.8
October 11, 2015	50,949,250.00	27,749,622.03	7,866,401.88	54.5	69.9
April 11, 2016	50,149,000.00	27,000,004.20	7,499,742.32	53.8	68.8
October 11, 2016	49,348,750.00	26,250,499.17	7,133,170.17	53.2	67.6
April 11, 2017	48,548,500.00	25,501,112.47	6,766,689.69	52.5	66.5
October 11, 2017	47,748,250.00	24,751,849.97	6,400,305.45	51.8	65.2
April 11, 2018	46,948,000.00	24,002,717.94	6,034,022.30	51.1	64.0
October 11, 2018	46,147,750.00	23,253,723.11	5,667,845.44	50.4	62.7
April 11, 2019	45,347,500.00	22,504,872.63	5,301,780.44	49.6	61.3
October 11, 2019	44,547,250.00	21,756,174.19	4,935,833.23	48.8	59.9
April 11, 2020	43,747,000.00	21,007,636.03	4,570,010.22	48.0	58.5
October 11, 2020	42,946,750.00	20,259,267.00	4,204,318.24	47.2	57.0
April 11, 2021	42,146,500.00	19,511,076.59	3,838,764.66	46.3	55.4
October 11, 2021	41,346,250.00	18,763,075.05	3,473,357.42	45.4	53.8
April 11, 2022	40,546,000.00	18,015,273.40	0.00	44.4	0.0
October 11, 2022	39,745,750.00	17,267,683.55	0.00	43.4	0.0
April 11, 2023	38,945,500.00	16,520,318.37	0.00	42.4	0.0
October 11, 2023	38,145,250.00	15,773,191.79	0.00	41.4	0.0
April 11, 2024	37,345,000.00	15,026,318.92	0.00	40.2	0.0
October 11, 2024	36,544,750.00	14,279,716.19	0.00	39.1	0.0
April 11, 2025	35,744,500.00	13,533,401.44	0.00	37.9	0.0
October 11, 2025	34,944,250.00	12,787,394.16	0.00	36.6	0.0
April 11, 2026	34,144,000.00	0.00	0.00	0.0	0.0

N69829

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
April 11, 2015	51,749,500.00	28,809,000.00	8,323,000.00	55.7	71.8
October 11, 2015	50,949,250.00	27,749,622.03	7,866,401.88	54.5	69.9
April 11, 2016	50,149,000.00	27,000,004.20	7,499,742.32	53.8	68.8
October 11, 2016	49,348,750.00	26,250,499.17	7,133,170.17	53.2	67.6
April 11, 2017	48,548,500.00	25,501,112.47	6,766,689.69	52.5	66.5
October 11, 2017	47,748,250.00	24,751,849.97	6,400,305.45	51.8	65.2
April 11, 2018	46,948,000.00	24,002,717.94	6,034,022.30	51.1	64.0
October 11, 2018	46,147,750.00	23,253,723.11	5,667,845.44	50.4	62.7
April 11, 2019	45,347,500.00	22,504,872.63	5,301,780.44	49.6	61.3

October 11, 2019	44,547,250.00	21,756,174.19	4,935,833.23	48.8	59.9
April 11, 2020	43,747,000.00	21,007,636.03	4,570,010.22	48.0	58.5
October 11, 2020	42,946,750.00	20,259,267.00	4,204,318.24	47.2	57.0
April 11, 2021	42,146,500.00	19,511,076.59	3,838,764.66	46.3	55.4
October 11, 2021	41,346,250.00	18,763,075.05	3,473,357.42	45.4	53.8
April 11, 2022	40,546,000.00	18,015,273.40	0.00	44.4	0.0
October 11, 2022	39,745,750.00	17,267,683.55	0.00	43.4	0.0
April 11, 2023	38,945,500.00	16,520,318.37	0.00	42.4	0.0
October 11, 2023	38,145,250.00	15,773,191.79	0.00	41.4	0.0
April 11, 2024	37,345,000.00	15,026,318.92	0.00	40.2	0.0
October 11, 2024	36,544,750.00	14,279,716.19	0.00	39.1	0.0
April 11, 2025	35,744,500.00	13,533,401.44	0.00	37.9	0.0
October 11, 2025	34,944,250.00	12,787,394.16	0.00	36.6	0.0
April 11, 2026	34,144,000.00	0.00	0.00	0.0	0.0

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N69830

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	53,350,000.00	28,809,000.00	8,323,000.00	54.0	69.6
April 11, 2015	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
October 11, 2015	51,749,500.00	28,185,479.97	7,989,957.93	54.5	69.9
April 11, 2016	50,949,250.00	27,430,855.33	7,619,419.06	53.8	68.8
October 11, 2016	50,149,000.00	26,676,182.94	7,248,843.20	53.2	67.6
April 11, 2017	49,348,750.00	25,921,460.47	6,878,228.53	52.5	66.5
October 11, 2017	48,548,500.00	25,166,685.44	6,507,573.14	51.8	65.2
April 11, 2018	47,748,250.00	24,411,855.18	6,136,874.95	51.1	64.0
October 11, 2018	46,948,000.00	23,656,966.86	5,766,131.78	50.4	62.7
April 11, 2019	46,147,750.00	22,902,017.44	5,395,341.27	49.6	61.3
October 11, 2019	45,347,500.00	22,147,003.67	5,024,500.90	48.8	59.9
April 11, 2020	44,547,250.00	21,391,922.06	4,653,607.97	48.0	58.5
October 11, 2020	43,747,000.00	20,636,768.87	4,282,659.57	47.2	57.0
April 11, 2021	42,946,750.00	19,881,540.07	3,911,652.60	46.3	55.4
October 11, 2021	42,146,500.00	19,126,231.34	3,540,583.69	45.4	53.8
April 11, 2022	41,346,250.00	18,370,838.01	0.00	44.4	0.0
October 11, 2022	40,546,000.00	17,615,355.03	0.00	43.4	0.0
April 11, 2023	39,745,750.00	16,859,776.96	0.00	42.4	0.0
October 11, 2023	38,945,500.00	16,104,097.91	0.00	41.4	0.0
April 11, 2024	38,145,250.00	15,348,311.47	0.00	40.2	0.0
October 11, 2024	37,345,000.00	14,592,410.70	0.00	39.1	0.0
April 11, 2025	36,544,750.00	13,836,388.04	0.00	37.9	0.0
October 11, 2025	35,744,500.00	13,080,235.25	0.00	36.6	0.0
April 11, 2026	34,944,250.00	0.00	0.00	0.0	0.0

N66831

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	53,350,000.00	28,809,000.00	8,323,000.00	54.0	69.6
April 11, 2015	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
October 11, 2015	51,749,500.00	28,185,479.97	7,989,957.93	54.5	69.9
April 11, 2016	50,949,250.00	27,430,855.33	7,619,419.06	53.8	68.8
October 11, 2016	50,149,000.00	26,676,182.94	7,248,843.20	53.2	67.6
April 11, 2017	49,348,750.00	25,921,460.47	6,878,228.53	52.5	66.5
October 11, 2017	48,548,500.00	25,166,685.44	6,507,573.14	51.8	65.2
April 11, 2018	47,748,250.00	24,411,855.18	6,136,874.95	51.1	64.0
October 11, 2018	46,948,000.00	23,656,966.86	5,766,131.78	50.4	62.7

April 11, 2019	46,147,750.00	22,902,017.44	5,395,341.27	49.6	61.3
October 11, 2019	45,347,500.00	22,147,003.67	5,024,500.90	48.8	59.9
April 11, 2020	44,547,250.00	21,391,922.06	4,653,607.97	48.0	58.5
October 11, 2020	43,747,000.00	20,636,768.87	4,282,659.57	47.2	57.0
April 11, 2021	42,946,750.00	19,881,540.07	3,911,652.60	46.3	55.4
October 11, 2021	42,146,500.00	19,126,231.34	3,540,583.69	45.4	53.8
April 11, 2022	41,346,250.00	18,370,838.01	0.00	44.4	0.0
October 11, 2022	40,546,000.00	17,615,355.03	0.00	43.4	0.0
April 11, 2023	39,745,750.00	16,859,776.96	0.00	42.4	0.0
October 11, 2023	38,945,500.00	16,104,097.91	0.00	41.4	0.0
April 11, 2024	38,145,250.00	15,348,311.47	0.00	40.2	0.0
October 11, 2024	37,345,000.00	14,592,410.70	0.00	39.1	0.0
April 11, 2025	36,544,750.00	13,836,388.04	0.00	37.9	0.0
October 11, 2025	35,744,500.00	13,080,235.25	0.00	36.6	0.0
April 11, 2026	34,944,250.00	0.00	0.00	0.0	0.0

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		N65832			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	53,350,000.00	28,809,000.00	8,323,000.00	54.0	69.6
April 11, 2015	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
October 11, 2015	51,749,500.00	28,185,479.97	7,989,957.93	54.5	69.9
April 11, 2016	50,949,250.00	27,430,855.33	7,619,419.06	53.8	68.8
October 11, 2016	50,149,000.00	26,676,182.94	7,248,843.20	53.2	67.6
April 11, 2017	49,348,750.00	25,921,460.47	6,878,228.53	52.5	66.5
October 11, 2017	48,548,500.00	25,166,685.44	6,507,573.14	51.8	65.2
April 11, 2018	47,748,250.00	24,411,855.18	6,136,874.95	51.1	64.0
October 11, 2018	46,948,000.00	23,656,966.86	5,766,131.78	50.4	62.7
April 11, 2019	46,147,750.00	22,902,017.44	5,395,341.27	49.6	61.3
October 11, 2019	45,347,500.00	22,147,003.67	5,024,500.90	48.8	59.9
April 11, 2020	44,547,250.00	21,391,922.06	4,653,607.97	48.0	58.5
October 11, 2020	43,747,000.00	20,636,768.87	4,282,659.57	47.2	57.0
April 11, 2021	42,946,750.00	19,881,540.07	3,911,652.60	46.3	55.4
October 11, 2021	42,146,500.00	19,126,231.34	3,540,583.69	45.4	53.8
April 11, 2022	41,346,250.00	18,370,838.01	0.00	44.4	0.0
October 11, 2022	40,546,000.00	17,615,355.03	0.00	43.4	0.0
April 11, 2023	39,745,750.00	16,859,776.96	0.00	42.4	0.0
October 11, 2023	38,945,500.00	16,104,097.91	0.00	41.4	0.0
April 11, 2024	38,145,250.00	15,348,311.47	0.00	40.2	0.0
October 11, 2024	37,345,000.00	14,592,410.70	0.00	39.1	0.0
April 11, 2025	36,544,750.00	13,836,388.04	0.00	37.9	0.0
October 11, 2025	35,744,500.00	13,080,235.25	0.00	36.6	0.0
April 11, 2026	34,944,250.00	0.00	0.00	0.0	0.0

		N69833			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	53,350,000.00	28,809,000.00	8,323,000.00	54.0	69.6
April 11, 2015	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
October 11, 2015	51,749,500.00	28,185,479.97	7,989,957.93	54.5	69.9
April 11, 2016	50,949,250.00	27,430,855.33	7,619,419.06	53.8	68.8
October 11, 2016	50,149,000.00	26,676,182.94	7,248,843.20	53.2	67.6
April 11, 2017	49,348,750.00	25,921,460.47	6,878,228.53	52.5	66.5
October 11, 2017	48,548,500.00	25,166,685.44	6,507,573.14	51.8	65.2
April 11, 2018	47,748,250.00	24,411,855.18	6,136,874.95	51.1	64.0
October 11, 2018	46,948,000.00	23,656,966.86	5,766,131.78	50.4	62.7
April 11, 2019	46,147,750.00	22,902,017.44	5,395,341.27	49.6	61.3

October 11, 2019	45,347,500.00	22,147,003.67	5,024,500.90	48.8	59.9
April 11, 2020	44,547,250.00	21,391,922.06	4,653,607.97	48.0	58.5
October 11, 2020	43,747,000.00	20,636,768.87	4,282,659.57	47.2	57.0
April 11, 2021	42,946,750.00	19,881,540.07	3,911,652.60	46.3	55.4
October 11, 2021	42,146,500.00	19,126,231.34	3,540,583.69	45.4	53.8
April 11, 2022	41,346,250.00	18,370,838.01	0.00	44.4	0.0
October 11, 2022	40,546,000.00	17,615,355.03	0.00	43.4	0.0
April 11, 2023	39,745,750.00	16,859,776.96	0.00	42.4	0.0
October 11, 2023	38,945,500.00	16,104,097.91	0.00	41.4	0.0
April 11, 2024	38,145,250.00	15,348,311.47	0.00	40.2	0.0
October 11, 2024	37,345,000.00	14,592,410.70	0.00	39.1	0.0
April 11, 2025	36,544,750.00	13,836,388.04	0.00	37.9	0.0
October 11, 2025	35,744,500.00	13,080,235.25	0.00	36.6	0.0
April 11, 2026	34,944,250.00	0.00	0.00	0.0	0.0

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N68834

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,350,000.00	$ 28,809,000.00	$ 8,323,000.00	54.0%	69.6%
October 11, 2014	53,350,000.00	28,809,000.00	8,323,000.00	54.0	69.6
April 11, 2015	52,549,750.00	28,809,000.00	8,323,000.00	54.8	70.7
October 11, 2015	51,749,500.00	28,185,479.97	7,989,957.93	54.5	69.9
April 11, 2016	50,949,250.00	27,430,855.33	7,619,419.06	53.8	68.8
October 11, 2016	50,149,000.00	26,676,182.94	7,248,843.20	53.2	67.6
April 11, 2017	49,348,750.00	25,921,460.47	6,878,228.53	52.5	66.5
October 11, 2017	48,548,500.00	25,166,685.44	6,507,573.14	51.8	65.2
April 11, 2018	47,748,250.00	24,411,855.18	6,136,874.95	51.1	64.0
October 11, 2018	46,948,000.00	23,656,966.86	5,766,131.78	50.4	62.7
April 11, 2019	46,147,750.00	22,902,017.44	5,395,341.27	49.6	61.3
October 11, 2019	45,347,500.00	22,147,003.67	5,024,500.90	48.8	59.9
April 11, 2020	44,547,250.00	21,391,922.06	4,653,607.97	48.0	58.5
October 11, 2020	43,747,000.00	20,636,768.87	4,282,659.57	47.2	57.0
April 11, 2021	42,946,750.00	19,881,540.07	3,911,652.60	46.3	55.4
October 11, 2021	42,146,500.00	19,126,231.34	3,540,583.69	45.4	53.8
April 11, 2022	41,346,250.00	18,370,838.01	0.00	44.4	0.0
October 11, 2022	40,546,000.00	17,615,355.03	0.00	43.4	0.0
April 11, 2023	39,745,750.00	16,859,776.96	0.00	42.4	0.0
October 11, 2023	38,945,500.00	16,104,097.91	0.00	41.4	0.0
April 11, 2024	38,145,250.00	15,348,311.47	0.00	40.2	0.0
October 11, 2024	37,345,000.00	14,592,410.70	0.00	39.1	0.0
April 11, 2025	36,544,750.00	13,836,388.04	0.00	37.9	0.0
October 11, 2025	35,744,500.00	13,080,235.25	0.00	36.6	0.0
April 11, 2026	34,944,250.00	0.00	0.00	0.0	0.0

N69835

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,700,000.00	$ 28,998,000.00	$ 8,377,000.00	54.0%	69.6%
October 11, 2014	53,700,000.00	28,998,000.00	8,377,000.00	54.0	69.6
April 11, 2015	52,894,500.00	28,998,000.00	8,377,000.00	54.8	70.7
October 11, 2015	52,089,000.00	28,370,389.40	8,042,375.65	54.5	69.9
April 11, 2016	51,283,500.00	27,610,814.08	7,669,405.88	53.8	68.8
October 11, 2016	50,478,000.00	26,851,190.70	7,296,398.87	53.2	67.6
April 11, 2017	49,672,500.00	26,091,516.92	6,923,352.81	52.5	66.5
October 11, 2017	48,867,000.00	25,331,790.22	6,550,265.74	51.8	65.2
April 11, 2018	48,061,500.00	24,572,007.93	6,177,135.61	51.1	64.0
October 11, 2018	47,256,000.00	23,812,167.20	5,803,960.20	50.4	62.7
April 11, 2019	46,450,500.00	23,052,264.97	5,430,737.13	49.6	61.3

October 11, 2019	45,645,000.00	22,292,297.97	5,057,463.88	48.8	59.9
April 11, 2020	44,839,500.00	21,532,262.69	4,684,137.73	48.0	58.5
October 11, 2020	44,034,000.00	20,772,155.35	4,310,755.75	47.2	57.0
April 11, 2021	43,228,500.00	20,011,971.92	3,937,314.80	46.3	55.4
October 11, 2021	42,423,000.00	19,251,708.02	3,563,811.51	45.4	53.8
April 11, 2022	41,617,500.00	18,491,358.97	0.00	44.4	0.0
October 11, 2022	40,812,000.00	17,730,919.68	0.00	43.4	0.0
April 11, 2023	40,006,500.00	16,970,384.69	0.00	42.4	0.0
October 11, 2023	39,201,000.00	16,209,748.04	0.00	41.4	0.0
April 11, 2024	38,395,500.00	15,449,003.30	0.00	40.2	0.0
October 11, 2024	37,590,000.00	14,688,143.48	0.00	39.1	0.0
April 11, 2025	36,784,500.00	13,927,160.97	0.00	37.9	0.0
October 11, 2025	35,979,000.00	13,166,047.48	0.00	36.6	0.0
April 11, 2026	35,173,500.00	0.00	0.00	0.0	0.0

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N68836

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,700,000.00	$ 28,998,000.00	$ 8,377,000.00	54.0%	69.6%
October 11, 2014	53,700,000.00	28,998,000.00	8,377,000.00	54.0	69.6
April 11, 2015	52,894,500.00	28,998,000.00	8,377,000.00	54.8	70.7
October 11, 2015	52,089,000.00	28,370,389.40	8,042,375.65	54.5	69.9
April 11, 2016	51,283,500.00	27,610,814.08	7,669,405.88	53.8	68.8
October 11, 2016	50,478,000.00	26,851,190.70	7,296,398.87	53.2	67.6
April 11, 2017	49,672,500.00	26,091,516.92	6,923,352.81	52.5	66.5
October 11, 2017	48,867,000.00	25,331,790.22	6,550,265.74	51.8	65.2
April 11, 2018	48,061,500.00	24,572,007.93	6,177,135.61	51.1	64.0
October 11, 2018	47,256,000.00	23,812,167.20	5,803,960.20	50.4	62.7
April 11, 2019	46,450,500.00	23,052,264.97	5,430,737.13	49.6	61.3
October 11, 2019	45,645,000.00	22,292,297.97	5,057,463.88	48.8	59.9
April 11, 2020	44,839,500.00	21,532,262.69	4,684,137.73	48.0	58.5
October 11, 2020	44,034,000.00	20,772,155.35	4,310,755.75	47.2	57.0
April 11, 2021	43,228,500.00	20,011,971.92	3,937,314.80	46.3	55.4
October 11, 2021	42,423,000.00	19,251,708.02	3,563,811.51	45.4	53.8
April 11, 2022	41,617,500.00	18,491,358.97	0.00	44.4	0.0
October 11, 2022	40,812,000.00	17,730,919.68	0.00	43.4	0.0
April 11, 2023	40,006,500.00	16,970,384.69	0.00	42.4	0.0
October 11, 2023	39,201,000.00	16,209,748.04	0.00	41.4	0.0
April 11, 2024	38,395,500.00	15,449,003.30	0.00	40.2	0.0
October 11, 2024	37,590,000.00	14,688,143.48	0.00	39.1	0.0
April 11, 2025	36,784,500.00	13,927,160.97	0.00	37.9	0.0
October 11, 2025	35,979,000.00	13,166,047.48	0.00	36.6	0.0
April 11, 2026	35,173,500.00	0.00	0.00	0.0	0.0

N66837

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 53,700,000.00	$ 28,998,000.00	$ 8,377,000.00	54.0%	69.6%
October 11, 2014	53,700,000.00	28,998,000.00	8,377,000.00	54.0	69.6
April 11, 2015	52,894,500.00	28,998,000.00	8,377,000.00	54.8	70.7
October 11, 2015	52,089,000.00	28,370,389.40	8,042,375.65	54.5	69.9
April 11, 2016	51,283,500.00	27,610,814.08	7,669,405.88	53.8	68.8
October 11, 2016	50,478,000.00	26,851,190.70	7,296,398.87	53.2	67.6
April 11, 2017	49,672,500.00	26,091,516.92	6,923,352.81	52.5	66.5
October 11, 2017	48,867,000.00	25,331,790.22	6,550,265.74	51.8	65.2
April 11, 2018	48,061,500.00	24,572,007.93	6,177,135.61	51.1	64.0
October 11, 2018	47,256,000.00	23,812,167.20	5,803,960.20	50.4	62.7
April 11, 2019	46,450,500.00	23,052,264.97	5,430,737.13	49.6	61.3
October 11, 2019	45,645,000.00	22,292,297.97	5,057,463.88	48.8	59.9

April 11, 2020	44,839,500.00	21,532,262.69	4,684,137.73	48.0	58.5
October 11, 2020	44,034,000.00	20,772,155.35	4,310,755.75	47.2	57.0
April 11, 2021	43,228,500.00	20,011,971.92	3,937,314.80	46.3	55.4
October 11, 2021	42,423,000.00	19,251,708.02	3,563,811.51	45.4	53.8
April 11, 2022	41,617,500.00	18,491,358.97	0.00	44.4	0.0
October 11, 2022	40,812,000.00	17,730,919.68	0.00	43.4	0.0
April 11, 2023	40,006,500.00	16,970,384.69	0.00	42.4	0.0
October 11, 2023	39,201,000.00	16,209,748.04	0.00	41.4	0.0
April 11, 2024	38,395,500.00	15,449,003.30	0.00	40.2	0.0
October 11, 2024	37,590,000.00	14,688,143.48	0.00	39.1	0.0
April 11, 2025	36,784,500.00	13,927,160.97	0.00	37.9	0.0
October 11, 2025	35,979,000.00	13,166,047.48	0.00	36.6	0.0
April 11, 2026	35,173,500.00	0.00	0.00	0.0	0.0

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		N69838			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 53,700,000.00	$ 28,998,000.00	$ 8,377,000.00	54.0%	69.6%
October 11, 2014	53,700,000.00	28,998,000.00	8,377,000.00	54.0	69.6
April 11, 2015	52,894,500.00	28,998,000.00	8,377,000.00	54.8	70.7
October 11, 2015	52,089,000.00	28,370,389.40	8,042,375.65	54.5	69.9
April 11, 2016	51,283,500.00	27,610,814.08	7,669,405.88	53.8	68.8
October 11, 2016	50,478,000.00	26,851,190.70	7,296,398.87	53.2	67.6
April 11, 2017	49,672,500.00	26,091,516.92	6,923,352.81	52.5	66.5
October 11, 2017	48,867,000.00	25,331,790.22	6,550,265.74	51.8	65.2
April 11, 2018	48,061,500.00	24,572,007.93	6,177,135.61	51.1	64.0
October 11, 2018	47,256,000.00	23,812,167.20	5,803,960.20	50.4	62.7
April 11, 2019	46,450,500.00	23,052,264.97	5,430,737.13	49.6	61.3
October 11, 2019	45,645,000.00	22,292,297.97	5,057,463.88	48.8	59.9
April 11, 2020	44,839,500.00	21,532,262.69	4,684,137.73	48.0	58.5
October 11, 2020	44,034,000.00	20,772,155.35	4,310,755.75	47.2	57.0
April 11, 2021	43,228,500.00	20,011,971.92	3,937,314.80	46.3	55.4
October 11, 2021	42,423,000.00	19,251,708.02	3,563,811.51	45.4	53.8
April 11, 2022	41,617,500.00	18,491,358.97	0.00	44.4	0.0
October 11, 2022	40,812,000.00	17,730,919.68	0.00	43.4	0.0
April 11, 2023	40,006,500.00	16,970,384.69	0.00	42.4	0.0
October 11, 2023	39,201,000.00	16,209,748.04	0.00	41.4	0.0
April 11, 2024	38,395,500.00	15,449,003.30	0.00	40.2	0.0
October 11, 2024	37,590,000.00	14,688,143.48	0.00	39.1	0.0
April 11, 2025	36,784,500.00	13,927,160.97	0.00	37.9	0.0
October 11, 2025	35,979,000.00	13,166,047.48	0.00	36.6	0.0
April 11, 2026	35,173,500.00	0.00	0.00	0.0	0.0

		N69839			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 53,700,000.00	$ 28,998,000.00	$ 8,377,000.00	54.0%	69.6%
October 11, 2014	53,700,000.00	28,998,000.00	8,377,000.00	54.0	69.6
April 11, 2015	52,894,500.00	28,998,000.00	8,377,000.00	54.8	70.7
October 11, 2015	52,089,000.00	28,370,389.40	8,042,375.65	54.5	69.9
April 11, 2016	51,283,500.00	27,610,814.08	7,669,405.88	53.8	68.8
October 11, 2016	50,478,000.00	26,851,190.70	7,296,398.87	53.2	67.6
April 11, 2017	49,672,500.00	26,091,516.92	6,923,352.81	52.5	66.5
October 11, 2017	48,867,000.00	25,331,790.22	6,550,265.74	51.8	65.2
April 11, 2018	48,061,500.00	24,572,007.93	6,177,135.61	51.1	64.0
October 11, 2018	47,256,000.00	23,812,167.20	5,803,960.20	50.4	62.7
April 11, 2019	46,450,500.00	23,052,264.97	5,430,737.13	49.6	61.3

October 11, 2019	45,645,000.00	22,292,297.97	5,057,463.88	48.8	59.9
April 11, 2020	44,839,500.00	21,532,262.69	4,684,137.73	48.0	58.5
October 11, 2020	44,034,000.00	20,772,155.35	4,310,755.75	47.2	57.0
April 11, 2021	43,228,500.00	20,011,971.92	3,937,314.80	46.3	55.4
October 11, 2021	42,423,000.00	19,251,708.02	3,563,811.51	45.4	53.8
April 11, 2022	41,617,500.00	18,491,358.97	0.00	44.4	0.0
October 11, 2022	40,812,000.00	17,730,919.68	0.00	43.4	0.0
April 11, 2023	40,006,500.00	16,970,384.69	0.00	42.4	0.0
October 11, 2023	39,201,000.00	16,209,748.04	0.00	41.4	0.0
April 11, 2024	38,395,500.00	15,449,003.30	0.00	40.2	0.0
October 11, 2024	37,590,000.00	14,688,143.48	0.00	39.1	0.0
April 11, 2025	36,784,500.00	13,927,160.97	0.00	37.9	0.0
October 11, 2025	35,979,000.00	13,166,047.48	0.00	36.6	0.0
April 11, 2026	35,173,500.00	0.00	0.00	0.0	0.0

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B. Boeing 787-8

		N49911			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 128,356,666.67	$ 69,313,000.00	$ 20,024,000.00	54.0%	69.6%
October 11, 2014	126,431,316.67	69,313,000.00	20,024,000.00	54.8	70.7
April 11, 2015	124,505,966.67	69,313,000.00	20,024,000.00	55.7	71.8
October 11, 2015	122,580,616.67	66,763,804.78	18,926,056.68	54.5	69.9
April 11, 2016	120,655,266.67	64,960,272.52	18,043,897.38	53.8	68.8
October 11, 2016	118,729,916.67	63,157,011.66	17,161,948.37	53.2	67.6
April 11, 2017	116,804,566.67	61,354,035.47	16,280,219.93	52.5	66.5
October 11, 2017	114,879,216.67	59,551,358.12	15,398,723.02	51.8	65.2
April 11, 2018	112,953,866.67	57,748,994.68	14,517,469.33	51.1	64.0
October 11, 2018	111,028,516.67	55,946,961.30	13,636,471.38	50.4	62.7
April 11, 2019	109,103,166.67	54,145,275.24	12,755,742.54	49.6	61.3
October 11, 2019	107,177,816.67	52,343,954.98	11,875,297.12	48.8	59.9
April 11, 2020	105,252,466.67	50,543,020.35	10,995,150.48	48.0	58.5
October 11, 2020	103,327,116.67	48,742,492.61	10,115,319.11	47.2	57.0
April 11, 2021	101,401,766.67	46,942,394.65	9,235,820.74	46.3	55.4
October 11, 2021	99,476,416.67	45,142,751.07	8,356,674.42	45.4	53.8
April 11, 2022	97,551,066.67	43,343,588.43	0.00	44.4	0.0
October 11, 2022	95,625,716.67	41,544,935.36	0.00	43.4	0.0
April 11, 2023	93,700,366.67	39,746,822.83	0.00	42.4	0.0
October 11, 2023	91,775,016.67	37,949,284.36	0.00	41.4	0.0
April 11, 2024	89,849,666.67	36,152,356.31	0.00	40.2	0.0
October 11, 2024	87,924,316.67	34,356,078.18	0.00	39.1	0.0
April 11, 2025	85,998,966.67	32,560,492.93	0.00	37.9	0.0
October 11, 2025	84,073,616.67	30,765,647.43	0.00	36.6	0.0
April 11, 2026	82,148,266.67	0.00	0.00	0.0	0.0

		N28912			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 129,410,000.00	$ 69,881,000.00	$ 20,188,000.00	54.0%	69.6%
October 11, 2014	129,410,000.00	69,881,000.00	20,188,000.00	54.0	69.6
April 11, 2015	127,468,850.00	69,881,000.00	20,188,000.00	54.8	70.7
October 11, 2015	125,527,700.00	68,368,940.26	19,381,076.96	54.5	69.9
April 11, 2016	123,586,550.00	66,538,462.76	18,482,268.43	53.8	68.8
October 11, 2016	121,645,400.00	64,707,869.44	17,583,370.16	53.2	67.6
April 11, 2017	119,704,250.00	62,877,154.64	16,684,377.78	52.5	66.5

October 11, 2017	117,763,100.00	61,046,312.33	15,785,286.59	51.8	65.2
April 11, 2018	115,821,950.00	59,215,336.06	14,886,091.61	51.1	64.0
October 11, 2018	113,880,800.00	57,384,218.95	13,986,787.51	50.4	62.7
April 11, 2019	111,939,650.00	55,552,953.64	13,087,368.58	49.6	61.3
October 11, 2019	109,998,500.00	53,721,532.23	12,187,828.70	48.8	59.9
April 11, 2020	108,057,350.00	51,889,946.27	11,288,161.33	48.0	58.5
October 11, 2020	106,116,200.00	50,058,186.67	10,388,359.42	47.2	57.0
April 11, 2021	104,175,050.00	48,226,243.68	9,488,415.42	46.3	55.4
October 11, 2021	102,233,900.00	46,394,106.80	8,588,321.19	45.4	53.8
April 11, 2022	100,292,750.00	44,561,764.69	0.00	44.4	0.0
October 11, 2022	98,351,600.00	42,729,205.14	0.00	43.4	0.0
April 11, 2023	96,410,450.00	40,896,414.94	0.00	42.4	0.0
October 11, 2023	94,469,300.00	39,063,379.77	0.00	41.4	0.0
April 11, 2024	92,528,150.00	37,230,084.12	0.00	40.2	0.0
October 11, 2024	90,587,000.00	35,396,511.14	0.00	39.1	0.0
April 11, 2025	88,645,850.00	33,562,642.49	0.00	37.9	0.0
October 11, 2025	86,704,700.00	31,728,458.18	0.00	36.6	0.0
April 11, 2026	84,763,550.00	0.00	0.00	0.0	0.0

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C. Boeing 787-9

	N19951				
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 146,750,000.00	$ 79,245,000.00	$ 22,893,000.00	54.0%	69.6%
October 11, 2014	146,750,000.00	79,245,000.00	22,893,000.00	54.0	69.6
April 11, 2015	144,548,750.00	79,245,000.00	22,893,000.00	54.8	70.7
October 11, 2015	142,347,500.00	77,529,881.64	21,978,000.49	54.5	69.9
April 11, 2016	140,146,250.00	75,454,133.45	20,958,758.15	53.8	68.8
October 11, 2016	137,945,000.00	73,378,253.92	19,939,414.04	53.2	67.6
April 11, 2017	135,743,750.00	71,302,236.64	18,919,963.21	52.5	66.5
October 11, 2017	133,542,500.00	69,226,074.76	17,900,400.33	51.8	65.2
April 11, 2018	131,341,250.00	67,149,760.97	16,880,719.76	51.1	64.0
October 11, 2018	129,140,000.00	65,073,287.47	15,860,915.44	50.4	62.7
April 11, 2019	126,938,750.00	62,996,645.90	14,840,980.90	49.6	61.3
October 11, 2019	124,737,500.00	60,919,827.33	13,820,909.22	48.8	59.9
April 11, 2020	122,536,250.00	58,842,822.15	12,800,692.95	48.0	58.5
October 11, 2020	120,335,000.00	56,765,620.08	11,780,324.13	47.2	57.0
April 11, 2021	118,133,750.00	54,688,210.04	10,759,794.17	46.3	55.4
October 11, 2021	115,932,500.00	52,610,580.12	9,739,093.85	45.4	53.8
April 11, 2022	113,731,250.00	50,532,717.48	0.00	44.4	0.0
October 11, 2022	111,530,000.00	48,454,608.26	0.00	43.4	0.0
April 11, 2023	109,328,750.00	46,376,237.48	0.00	42.4	0.0
October 11, 2023	107,127,500.00	44,297,588.91	0.00	41.4	0.0
April 11, 2024	104,926,250.00	42,218,644.96	0.00	40.2	0.0
October 11, 2024	102,725,000.00	40,139,386.52	0.00	39.1	0.0
April 11, 2025	100,523,750.00	38,059,792.79	0.00	37.9	0.0
October 11, 2025	98,322,500.00	35,979,841.11	0.00	36.6	0.0
April 11, 2026	96,121,250.00	0.00	0.00	0.0	0.0

D. Embraer ERJ 175 LR

	N88301				
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 29,290,000.00	$ 15,817,000.00	$ 4,569,000.00	54.0%	69.6%
October 11, 2014	28,850,650.00	15,817,000.00	4,569,000.00	54.8	70.7
April 11, 2015	28,411,300.00	15,817,000.00	4,569,000.00	55.7	71.8
October 11, 2015	27,971,950.00	14,876,045.19	4,217,028.60	53.2	68.3
April 11, 2016	27,532,600.00	14,350,344.21	3,986,069.15	52.1	66.6

October 11, 2016	27,093,250.00	13,827,674.35	3,757,458.23	51.0	64.9
April 11, 2017	26,653,900.00	13,308,183.78	3,531,310.65	49.9	63.2
October 11, 2017	26,214,550.00	12,792,030.49	3,307,748.81	48.8	61.4
April 11, 2018	25,775,200.00	12,279,383.12	3,086,903.40	47.6	59.6
October 11, 2018	25,335,850.00	11,770,421.88	2,868,914.01	46.5	57.8
April 11, 2019	24,896,500.00	11,265,339.49	2,653,930.00	45.2	55.9
October 11, 2019	24,457,150.00	10,764,342.41	2,442,111.31	44.0	54.0
April 11, 2020	24,017,800.00	10,267,651.99	2,233,629.45	42.8	52.1
October 11, 2020	23,578,450.00	9,775,505.84	2,028,668.54	41.5	50.1
April 11, 2021	23,139,100.00	9,288,159.44	1,827,426.49	40.1	48.0
October 11, 2021	22,699,750.00	8,805,887.73	1,630,116.35	38.8	46.0
April 11, 2022	22,260,400.00	8,328,987.06	0.00	37.4	0.0
October 11, 2022	21,821,050.00	7,857,777.34	0.00	36.0	0.0
April 11, 2023	21,381,700.00	7,392,604.39	0.00	34.6	0.0
October 11, 2023	20,942,350.00	6,933,842.64	0.00	33.1	0.0
April 11, 2024	20,503,000.00	6,481,898.11	0.00	31.6	0.0
October 11, 2024	20,063,650.00	6,037,211.86	0.00	30.1	0.0
April 11, 2025	19,624,300.00	5,600,263.84	0.00	28.5	0.0
October 11, 2025	19,184,950.00	5,171,577.27	0.00	27.0	0.0
April 11, 2026	18,745,600.00	0.00	0.00	0.0	0.0

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	N87302				
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 29,310,000.00	$ 15,827,000.00	$ 4,572,000.00	54.0%	69.6%
October 11, 2014	28,870,350.00	15,827,000.00	4,572,000.00	54.8	70.7
April 11, 2015	28,430,700.00	15,827,000.00	4,572,000.00	55.7	71.7
October 11, 2015	27,991,050.00	14,886,202.95	4,219,908.10	53.2	68.3
April 11, 2016	27,551,400.00	14,360,143.01	3,988,790.95	52.1	66.6
October 11, 2016	27,111,750.00	13,837,116.26	3,760,023.92	51.0	64.9
April 11, 2017	26,672,100.00	13,317,270.97	3,533,721.93	49.9	63.2
October 11, 2017	26,232,450.00	12,800,765.23	3,310,007.44	48.8	61.4
April 11, 2018	25,792,800.00	12,287,767.82	3,089,011.22	47.6	59.6
October 11, 2018	25,353,150.00	11,778,459.03	2,870,872.98	46.5	57.8
April 11, 2019	24,913,500.00	11,273,031.76	2,655,742.17	45.2	55.9
October 11, 2019	24,473,850.00	10,771,692.59	2,443,778.85	44.0	54.0
April 11, 2020	24,034,200.00	10,274,663.01	2,235,154.63	42.8	52.1
October 11, 2020	23,594,550.00	9,782,180.82	2,030,053.76	41.5	50.1
April 11, 2021	23,154,900.00	9,294,501.65	1,828,674.31	40.1	48.0
October 11, 2021	22,715,250.00	8,811,900.62	1,631,229.44	38.8	46.0
April 11, 2022	22,275,600.00	8,334,674.31	0.00	37.4	0.0
October 11, 2022	21,835,950.00	7,863,142.83	0.00	36.0	0.0
April 11, 2023	21,396,300.00	7,397,652.26	0.00	34.6	0.0
October 11, 2023	20,956,650.00	6,938,577.25	0.00	33.1	0.0
April 11, 2024	20,517,000.00	6,486,324.12	0.00	31.6	0.0
October 11, 2024	20,077,350.00	6,041,334.23	0.00	30.1	0.0
April 11, 2025	19,637,700.00	5,604,087.85	0.00	28.5	0.0
October 11, 2025	19,198,050.00	5,175,108.56	0.00	27.0	0.0
April 11, 2026	18,758,400.00	0.00	0.00	0.0	0.0

	N87303				
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 29,310,000.00	$ 15,827,000.00	$ 4,572,000.00	54.0%	69.6%
October 11, 2014	28,870,350.00	15,827,000.00	4,572,000.00	54.8	70.7
April 11, 2015	28,430,700.00	15,827,000.00	4,572,000.00	55.7	71.7
October 11, 2015	27,991,050.00	14,886,202.95	4,219,908.10	53.2	68.3
April 11, 2016	27,551,400.00	14,360,143.01	3,988,790.95	52.1	66.6
October 11, 2016	27,111,750.00	13,837,116.26	3,760,023.92	51.0	64.9
April 11, 2017	26,672,100.00	13,317,270.97	3,533,721.93	49.9	63.2
October 11, 2017	26,232,450.00	12,800,765.23	3,310,007.44	48.8	61.4
April 11, 2018	25,792,800.00	12,287,767.82	3,089,011.22	47.6	59.6
October 11, 2018	25,353,150.00	11,778,459.03	2,870,872.98	46.5	57.8
April 11, 2019	24,913,500.00	11,273,031.76	2,655,742.17	45.2	55.9
October 11, 2019	24,473,850.00	10,771,692.59	2,443,778.85	44.0	54.0

April 11, 2020	24,034,200.00	10,274,663.01	2,235,154.63	42.8	52.1
October 11, 2020	23,594,550.00	9,782,180.82	2,030,053.76	41.5	50.1
April 11, 2021	23,154,900.00	9,294,501.65	1,828,674.31	40.1	48.0
October 11, 2021	22,715,250.00	8,811,900.62	1,631,229.44	38.8	46.0
April 11, 2022	22,275,600.00	8,334,674.31	0.00	37.4	0.0
October 11, 2022	21,835,950.00	7,863,142.83	0.00	36.0	0.0
April 11, 2023	21,396,300.00	7,397,652.26	0.00	34.6	0.0
October 11, 2023	20,956,650.00	6,938,577.25	0.00	33.1	0.0
April 11, 2024	20,517,000.00	6,486,324.12	0.00	31.6	0.0
October 11, 2024	20,077,350.00	6,041,334.23	0.00	30.1	0.0
April 11, 2025	19,637,700.00	5,604,087.85	0.00	28.5	0.0
October 11, 2025	19,198,050.00	5,175,108.56	0.00	27.0	0.0
April 11, 2026	18,758,400.00	0.00	0.00	0.0	0.0

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N89304

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 29,360,000.00	$ 15,854,000.00	$ 4,580,000.00	54.0%	69.6%
October 11, 2014	28,919,600.00	15,854,000.00	4,580,000.00	54.8	70.7
April 11, 2015	28,479,200.00	15,854,000.00	4,580,000.00	55.7	71.8
October 11, 2015	28,038,800.00	14,911,597.36	4,227,106.85	53.2	68.3
April 11, 2016	27,598,400.00	14,384,640.02	3,995,595.43	52.1	66.6
October 11, 2016	27,158,000.00	13,860,721.03	3,766,438.16	51.0	64.9
April 11, 2017	26,717,600.00	13,339,988.94	3,539,750.11	49.9	63.2
October 11, 2017	26,277,200.00	12,822,602.09	3,315,653.99	48.8	61.4
April 11, 2018	25,836,800.00	12,308,729.55	3,094,280.77	47.6	59.6
October 11, 2018	25,396,400.00	11,798,551.93	2,875,770.41	46.5	57.8
April 11, 2019	24,956,000.00	11,292,262.46	2,660,272.60	45.2	55.9
October 11, 2019	24,515,600.00	10,790,068.05	2,447,947.69	44.0	54.0
April 11, 2020	24,075,200.00	10,292,190.58	2,238,967.59	42.8	52.1
October 11, 2020	23,634,800.00	9,798,868.27	2,033,516.84	41.5	50.1
April 11, 2021	23,194,400.00	9,310,357.16	1,831,793.85	40.1	48.0
October 11, 2021	22,754,000.00	8,826,932.86	1,634,012.16	38.8	46.0
April 11, 2022	22,313,600.00	8,348,892.45	0.00	37.4	0.0
October 11, 2022	21,873,200.00	7,876,556.59	0.00	36.0	0.0
April 11, 2023	21,432,800.00	7,410,271.94	0.00	34.6	0.0
October 11, 2023	20,992,400.00	6,950,413.79	0.00	33.1	0.0
April 11, 2024	20,552,000.00	6,497,389.16	0.00	31.6	0.0
October 11, 2024	20,111,600.00	6,051,640.15	0.00	30.1	0.0
April 11, 2025	19,671,200.00	5,613,647.87	0.00	28.5	0.0
October 11, 2025	19,230,800.00	5,183,936.79	0.00	27.0	0.0
April 11, 2026	18,790,400.00	0.00	0.00	0.0	0.0

N93305

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 29,390,000.00	$ 15,870,000.00	$ 4,585,000.00	54.0%	69.6%
October 11, 2014	29,390,000.00	15,870,000.00	4,585,000.00	54.0	69.6
April 11, 2015	28,949,150.00	15,870,000.00	4,585,000.00	54.8	70.7
October 11, 2015	28,508,300.00	15,286,998.91	4,333,524.86	53.6	68.8
April 11, 2016	28,067,450.00	14,755,365.81	4,098,571.27	52.6	67.2
October 11, 2016	27,626,600.00	14,226,641.51	3,865,871.43	51.5	65.5
April 11, 2017	27,185,750.00	13,700,968.20	3,635,535.53	50.4	63.8
October 11, 2017	26,744,900.00	13,178,497.49	3,407,681.02	49.3	62.0
April 11, 2018	26,304,050.00	12,659,391.22	3,182,433.30	48.1	60.2
October 11, 2018	25,863,200.00	12,143,822.31	2,959,926.35	47.0	58.4
April 11, 2019	25,422,350.00	11,631,975.74	2,740,303.50	45.8	56.5

October 11, 2019	24,981,500.00	11,124,049.60	2,523,718.24	44.5	54.6
April 11, 2020	24,540,650.00	10,620,256.32	2,310,335.15	43.3	52.7
October 11, 2020	24,099,800.00	10,120,823.94	2,100,330.91	42.0	50.7
April 11, 2021	23,658,950.00	9,625,997.60	1,893,895.47	40.7	48.7
October 11, 2021	23,218,100.00	9,136,041.15	1,691,233.25	39.3	46.6
April 11, 2022	22,777,250.00	8,651,239.00	0.00	38.0	0.0
October 11, 2022	22,336,400.00	8,171,898.14	0.00	36.6	0.0
April 11, 2023	21,895,550.00	7,698,350.44	0.00	35.2	0.0
October 11, 2023	21,454,700.00	7,230,955.19	0.00	33.7	0.0
April 11, 2024	21,013,850.00	6,770,102.06	0.00	32.2	0.0
October 11, 2024	20,573,000.00	6,316,214.29	0.00	30.7	0.0
April 11, 2025	20,132,150.00	5,869,752.48	0.00	29.2	0.0
October 11, 2025	19,691,300.00	5,431,218.72	0.00	27.6	0.0
April 11, 2026	19,250,450.00	0.00	0.00	0.0	0.0

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		N87306			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 29,390,000.00	$ 15,870,000.00	$ 4,585,000.00	54.0%	69.6%
October 11, 2014	29,390,000.00	15,870,000.00	4,585,000.00	54.0	69.6
April 11, 2015	28,949,150.00	15,870,000.00	4,585,000.00	54.8	70.7
October 11, 2015	28,508,300.00	15,286,998.91	4,333,524.86	53.6	68.8
April 11, 2016	28,067,450.00	14,755,365.81	4,098,571.27	52.6	67.2
October 11, 2016	27,626,600.00	14,226,641.51	3,865,871.43	51.5	65.5
April 11, 2017	27,185,750.00	13,700,968.20	3,635,535.53	50.4	63.8
October 11, 2017	26,744,900.00	13,178,497.49	3,407,681.02	49.3	62.0
April 11, 2018	26,304,050.00	12,659,391.22	3,182,433.30	48.1	60.2
October 11, 2018	25,863,200.00	12,143,822.31	2,959,926.35	47.0	58.4
April 11, 2019	25,422,350.00	11,631,975.74	2,740,303.50	45.8	56.5
October 11, 2019	24,981,500.00	11,124,049.60	2,523,718.24	44.5	54.6
April 11, 2020	24,540,650.00	10,620,256.32	2,310,335.15	43.3	52.7
October 11, 2020	24,099,800.00	10,120,823.94	2,100,330.91	42.0	50.7
April 11, 2021	23,658,950.00	9,625,997.60	1,893,895.47	40.7	48.7
October 11, 2021	23,218,100.00	9,136,041.15	1,691,233.25	39.3	46.6
April 11, 2022	22,777,250.00	8,651,239.00	0.00	38.0	0.0
October 11, 2022	22,336,400.00	8,171,898.14	0.00	36.6	0.0
April 11, 2023	21,895,550.00	7,698,350.44	0.00	35.2	0.0
October 11, 2023	21,454,700.00	7,230,955.19	0.00	33.7	0.0
April 11, 2024	21,013,850.00	6,770,102.06	0.00	32.2	0.0
October 11, 2024	20,573,000.00	6,316,214.29	0.00	30.7	0.0
April 11, 2025	20,132,150.00	5,869,752.48	0.00	29.2	0.0
October 11, 2025	19,691,300.00	5,431,218.72	0.00	27.6	0.0
April 11, 2026	19,250,450.00	0.00	0.00	0.0	0.0

		N84307			
		Outstanding Balance		Loan to Value Ratio	
Date	Assumed Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$ 29,410,000.00	$ 15,881,000.00	$ 4,588,000.00	54.0%	69.6%
October 11, 2014	29,410,000.00	15,881,000.00	4,588,000.00	54.0	69.6
April 11, 2015	28,968,850.00	15,881,000.00	4,588,000.00	54.8	70.7
October 11, 2015	28,527,700.00	15,297,401.76	4,336,473.84	53.6	68.8
April 11, 2016	28,086,550.00	14,765,406.89	4,101,360.36	52.6	67.2
October 11, 2016	27,645,400.00	14,236,322.79	3,868,502.17	51.5	65.5
April 11, 2017	27,204,250.00	13,710,291.76	3,638,009.52	50.4	63.8
October 11, 2017	26,763,100.00	13,187,465.51	3,409,999.96	49.3	62.0
April 11, 2018	26,321,950.00	12,668,005.98	3,184,598.96	48.1	60.2
October 11, 2018	25,880,800.00	12,152,086.23	2,961,940.60	47.0	58.4

April 11, 2019	25,439,650.00	11,639,891.34	2,742,168.29	45.8	56.5
October 11, 2019	24,998,500.00	11,131,619.55	2,525,435.64	44.5	54.6
April 11, 2020	24,557,350.00	10,627,483.44	2,311,907.34	43.3	52.7
October 11, 2020	24,116,200.00	10,127,711.20	2,101,760.19	42.0	50.7
April 11, 2021	23,675,050.00	9,632,548.12	1,895,184.27	40.7	48.7
October 11, 2021	23,233,900.00	9,142,258.26	1,692,384.13	39.3	46.6
April 11, 2022	22,792,750.00	8,657,126.20	0.00	38.0	0.0
October 11, 2022	22,351,600.00	8,177,459.15	0.00	36.6	0.0
April 11, 2023	21,910,450.00	7,703,589.19	0.00	35.2	0.0
October 11, 2023	21,469,300.00	7,235,875.88	0.00	33.7	0.0
April 11, 2024	21,028,150.00	6,774,709.14	0.00	32.2	0.0
October 11, 2024	20,587,000.00	6,320,512.50	0.00	30.7	0.0
April 11, 2025	20,145,850.00	5,873,746.87	0.00	29.2	0.0
October 11, 2025	19,704,700.00	5,434,914.69	0.00	27.6	0.0
April 11, 2026	19,263,550.00	0.00	0.00	0.0	0.0

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N89308

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 29,430,000.00	$ 15,892,000.00	$ 4,591,000.00	54.0%	69.6%
October 11, 2014	29,430,000.00	15,892,000.00	4,591,000.00	54.0	69.6
April 11, 2015	28,988,550.00	15,892,000.00	4,591,000.00	54.8	70.7
October 11, 2015	28,547,100.00	15,307,804.62	4,339,422.82	53.6	68.8
April 11, 2016	28,105,650.00	14,775,447.97	4,104,149.46	52.6	67.2
October 11, 2016	27,664,200.00	14,246,004.07	3,871,132.91	51.5	65.5
April 11, 2017	27,222,750.00	13,719,615.31	3,640,483.51	50.4	63.8
October 11, 2017	26,781,300.00	13,196,433.53	3,412,318.90	49.3	62.0
April 11, 2018	26,339,850.00	12,676,620.75	3,186,764.62	48.1	60.2
October 11, 2018	25,898,400.00	12,160,350.14	2,963,954.84	47.0	58.4
April 11, 2019	25,456,950.00	11,647,806.93	2,744,033.08	45.8	56.5
October 11, 2019	25,015,500.00	11,139,189.51	2,527,153.04	44.5	54.6
April 11, 2020	24,574,050.00	10,634,710.57	2,313,479.53	43.3	52.7
October 11, 2020	24,132,600.00	10,134,598.46	2,103,189.48	42.0	50.7
April 11, 2021	23,691,150.00	9,639,098.65	1,896,473.07	40.7	48.7
October 11, 2021	23,249,700.00	9,148,475.37	1,693,535.03	39.3	46.6
April 11, 2022	22,808,250.00	8,663,013.39	0.00	38.0	0.0
October 11, 2022	22,366,800.00	8,183,020.15	0.00	36.6	0.0
April 11, 2023	21,925,350.00	7,708,827.94	0.00	35.2	0.0
October 11, 2023	21,483,900.00	7,240,796.57	0.00	33.7	0.0
April 11, 2024	21,042,450.00	6,779,316.22	0.00	32.2	0.0
October 11, 2024	20,601,000.00	6,324,810.71	0.00	30.7	0.0
April 11, 2025	20,159,550.00	5,877,741.26	0.00	29.2	0.0
October 11, 2025	19,718,100.00	5,438,610.65	0.00	27.6	0.0
April 11, 2026	19,276,650.00	0.00	0.00	0.0	0.0

N86309

Date	Assumed Aircraft Value	Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$ 29,460,000.00	$ 15,908,000.00	$ 4,596,000.00	54.0%	69.6%
October 11, 2014	29,460,000.00	15,908,000.00	4,596,000.00	54.0	69.6
April 11, 2015	29,018,100.00	15,908,000.00	4,596,000.00	54.8	70.7
October 11, 2015	28,576,200.00	15,323,408.90	4,343,846.29	53.6	68.8
April 11, 2016	28,134,300.00	14,790,509.58	4,108,333.09	52.6	67.2
October 11, 2016	27,692,400.00	14,260,525.99	3,875,079.02	51.5	65.5
April 11, 2017	27,250,500.00	13,733,600.65	3,644,194.51	50.4	63.8
October 11, 2017	26,808,600.00	13,209,885.54	3,415,797.30	49.3	62.0
April 11, 2018	26,366,700.00	12,689,542.89	3,190,013.10	48.1	60.2
October 11, 2018	25,924,800.00	12,172,746.02	2,966,976.20	47.0	58.4
April 11, 2019	25,482,900.00	11,659,680.34	2,746,830.26	45.8	56.5

October 11, 2019	25,041,000.00	11,150,544.44	2,529,729.14	44.5	54.6
April 11, 2020	24,599,100.00	10,645,551.25	2,315,837.82	43.3	52.7
October 11, 2020	24,157,200.00	10,144,929.34	2,105,333.40	42.0	50.7
April 11, 2021	23,715,300.00	9,648,924.44	1,898,406.27	40.7	48.7
October 11, 2021	23,273,400.00	9,157,801.03	1,695,261.36	39.3	46.6
April 11, 2022	22,831,500.00	8,671,844.19	0.00	38.0	0.0
October 11, 2022	22,389,600.00	8,191,361.66	0.00	36.6	0.0
April 11, 2023	21,947,700.00	7,716,686.07	0.00	35.2	0.0
October 11, 2023	21,505,800.00	7,248,177.61	0.00	33.7	0.0
April 11, 2024	21,063,900.00	6,786,226.83	0.00	32.2	0.0
October 11, 2024	20,622,000.00	6,331,258.02	0.00	30.7	0.0
April 11, 2025	20,180,100.00	5,883,732.84	0.00	29.2	0.0
October 11, 2025	19,738,200.00	5,444,154.60	0.00	27.6	0.0
April 11, 2026	19,296,300.00	0.00	0.00	0.0	0.0

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PROSPECTUS

United Air Lines, Inc.

Pass Through Certificates

Continental Airlines, Inc.

Pass Through Certificates

This prospectus relates to pass through certificates to be issued by one or more trusts that United Air Lines, Inc. or Continental Airlines, Inc. will form, as creator of each pass through trust, with a national or state bank or trust company, as trustee. The trustee will hold all property owned by a trust for the benefit of holders of pass through certificates issued by that trust. Each pass through certificate issued by a trust will represent a beneficial interest in all property held by that trust. United Continental Holdings, Inc., the holding company of United and Continental, may provide a guarantee of certain obligations of United or Continental relating to property owned by such a trust, and United or Continental may provide a guarantee of certain obligations of the other relating to property owned by such a trust.

We will describe the specific terms of any offering of pass through certificates in a prospectus supplement to this prospectus. You should carefully read this prospectus and the applicable prospectus supplement, together with the documents we incorporate by reference, before you invest in any pass through certificates.

This prospectus may not be used to offer or sell any pass through certificates unless accompanied by a prospectus supplement.

Investing in our pass through certificates involves risks. See Risk Factors beginning on page 2 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 27, 2012.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using the shelf registration process. Under the shelf registration process, we may sell the pass through certificates described in this prospectus in one or more offerings from time to time. Each time we sell pass through certificates, we will provide a prospectus supplement that will contain specific information about the terms of that offering.

This prospectus contains summaries of certain provisions contained in some of the documents described herein. Please refer to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of the documents referred to herein have been filed, or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under Where You Can Find More Information.

In this prospectus, unless the context otherwise requires, the terms we, our, us and the Company refer to United Continental Holdings, Inc. and its subsidiaries, including United Air Lines, Inc. and Continental Airlines, Inc.

You should rely only on the information contained in this prospectus or in a prospectus supplement accompanying this prospectus or information incorporated by reference therein. We have not authorized anyone to provide you with different information. The distribution of this prospectus and sale of these pass through certificates in certain jurisdictions may be restricted by law. Persons in possession of this prospectus are required to inform themselves about and observe any such restrictions. We are not making an offer to sell these pass through certificates in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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RISK FACTORS

An investment in our pass through certificates involves risk. Before you invest in our pass through certificates, you should carefully consider the risks involved. Accordingly, you should carefully consider:

- the information contained in or incorporated by reference into this prospectus;
- the information contained in or incorporated by reference into any prospectus supplement relating to specific offerings of securities;
- the risks described in the Annual Report on Form 10-K of United Continental Holdings, Inc., United Air Lines, Inc. and Continental Airlines, Inc. for our most recent fiscal year and in any Quarterly Report on Form 10-Q which we have filed since our most recent Annual Report on Form 10-K, each of which is incorporated by reference into this prospectus; and
- other risks and other information that may be contained in, or incorporated by reference from, other filings we make with the SEC, including in any prospectus supplement relating to specific offerings of pass through certificates.

The discussion of risks related to our business contained in or incorporated by reference into this prospectus or into any prospectus supplement comprises material risks of which we are aware. If any of the events or developments described actually occurs, our business, financial condition or results of operations would likely suffer.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in or incorporated by reference in this prospectus or any prospectus supplement delivered with this prospectus are forward-looking and thus reflect our current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to our operations, financial condition and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as expects, will, plans, anticipates, indicates, believes, forecast, guidance, out
expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements which do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements contained in or incorporated by reference in this prospectus or any prospectus supplement delivered with this prospectus are based upon information available to us on the date such statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law.

Our actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: our ability to comply with the terms of our various financing arrangements; the costs and availability of financing; our ability to maintain adequate liquidity; our ability to execute our operational plans; our ability to control our costs, including realizing benefits from our resource optimization efforts, cost reduction initiatives and fleet replacement programs; our ability to utilize our net operating losses; our ability to attract and retain customers; demand for transportation in the markets in which we operate; an outbreak of a disease that affects travel demand or travel behavior; demand for travel and the impact that global economic conditions have on customer travel patterns; excessive taxation and the inability to offset future taxable income; general economic conditions (including interest rates, foreign currency exchange rates,

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investment or credit market conditions, crude oil prices, costs of aircraft fuel and energy refining capacity in relevant markets); our ability to cost-effectively hedge against increases in the price of aircraft fuel; any potential realized or unrealized gains or losses related to fuel or currency hedging programs; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aviation and other insurance; the costs associated with security measures and practices; industry consolidation or changes in airline alliances; competitive pressures on pricing and demand; our capacity decisions and the capacity decisions of our competitors; U.S. or foreign governmental legislation, regulation and other actions (including open skies agreements and environmental regulations); labor costs; our ability to maintain satisfactory labor relations and the results of the collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; weather conditions; the possibility that expected synergies relating to the Merger described under The Company in this prospectus will not be realized or will not be realized within the expected time period; and other risks and uncertainties, including those stated in the SEC reports incorporated by reference in this prospectus or any prospectus supplement delivered with this prospectus or as stated in any such prospectus supplement under Risk Factors . Consequently, the forward-looking statements should not be regarded as representations or warranties by us that such matters will be realized.

THE COMPANY

United Continental Holdings, Inc. (UAL) is a holding company, and its principal subsidiaries are United Air Lines, Inc. (United) and Continental Airlines, Inc. (Continental). United and Continental are commercial airlines operating a single passenger service system under the United name. We expect that United and Continental will be combined as a single legal entity subsequent to the date of this prospectus.

On May 2, 2010, UAL Corporation, Continental, and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger providing for a merger of equals business combination. On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the Merger). Upon closing of the Merger, UAL Corporation became the parent company of both Continental and United and UAL Corporation s name was changed to United Continental Holdings, Inc.

Each of UAL, United and Continental is a Delaware corporation. The principal executive offices of UAL and United are located at 77 W. Wacker Drive, Chicago, Illinois 60601, telephone (312) 997-8000. The principal executive offices of Continental are located at 1600 Smith Street, Houston, Texas 77002, telephone (713) 324-2950.

UAL s website is www.unitedcontinentalholdings.com, and United s and Continental s website is www.united.com. The information contained on or connected to these websites is not incorporated by reference into this prospectus and should not be considered part of this prospectus.

USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, we intend to use the proceeds from the sale of the securities to finance or refinance aircraft or for general corporate purposes, which may include repayment of indebtedness, the funding of a portion of our pension liabilities, and our working capital requirements.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth UAL s consolidated ratio of earnings to fixed charges for the periods indicated (1):

	Three Months Ended March 31, 2012	Year Ended December 31, 2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	(a)	1.40	1.19	(b)	(c)	1.67

(a) Earnings were inadequate to cover fixed charge requirements by $454 million for the three months ended March 31, 2012.

(b) Earnings were inadequate to cover fixed charge requirements by $677 million for the year ended December 31, 2009.

(c) Earnings were inadequate to cover fixed charges by $5.4 billion for the year ended December 31, 2008.

The following table sets forth United s consolidated ratio of earnings to fixed charges for the periods indicated (1):

	Three Months Ended March 31, 2012	Year Ended December 31, 2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	(d)	1.31	1.38	(e)	(f)	1.67

(d) Earnings were inadequate to cover fixed charges requirements by $423 million for the three months ended March 31, 2012.

(e) Earnings were inadequate to cover fixed charges requirements by $653 million for the year ended December 31, 2009.

(f) Earnings were inadequate to cover fixed charges requirements by $5.4 billion for the year ended December 31, 2008.

The following table contains Continental s consolidated ratio of earnings to fixed charges for the periods indicated (2):

	Continental Successor			Continental Predecessor			
	Three Months Ended March 31, 2012	Year Ended December 31, 2011	Three Months Ended December 31, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2009	2008	2007
Ratio of earnings to fixed charges	(g)	1.49	(g)	1.47	(g)	(g)	1.42

(g) Earnings were inadequate to cover fixed charges requirements by $14 million and $103 million for the three months ended March 31, 2012 and December 31, 2010, respectively, and by $436 million and $702 million for the years ended December 31, 2009 and 2008, respectively.

(1) For purposes of calculating this ratio, earnings consist of income before income taxes and cumulative effect of changes in accounting principles adjusted for distributed earnings of affiliates in which UAL/United has a minority equity interest plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expense, the portion of rental expense representative of interest expense, the amount amortized for debt discount, premium and issuance expense and interest previously capitalized.

(2) For purposes of calculating this ratio, earnings consist of income before income taxes and cumulative effect of changes in accounting principles adjusted for undistributed income of companies in which Continental

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has a minority equity interest plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization of previously capitalized interest. Fixed charges consist of interest expense, the portion of rental expense representative of interest expense, the amount amortized for debt discount, premium and issuance expense and interest previously capitalized.

As a result of the application of the acquisition method of accounting, Continental s financial statements prior to October 1, 2010 are not comparable with the financial statements for periods on or after October 1, 2010. References to Continental Successor refer to Continental on or after October 1, 2010, after giving effect to the application of acquisition accounting. References to Continental Predecessor refer to Continental prior to October 1, 2010. Amounts for 2008 were adjusted to reflect the change in classification of certain revenues and expenses in Continental s statements of consolidated operations.

WHERE YOU CAN FIND MORE INFORMATION

UAL, United and Continental file annual, quarterly and current reports and other information, and UAL files proxy statements with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). You may read and copy this information at the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330.

The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like us, who file reports electronically with the SEC. The address of that site is *http://www.sec.gov*.

We have filed with the SEC a registration statement on Form S-3, which registers the securities that we may offer under this prospectus. The registration statement, including the exhibits and schedules thereto, contains additional relevant information about us and the securities offered.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, except for any information that is superseded by subsequent incorporated documents or by information that is included directly in this prospectus or any prospectus supplement.

This prospectus incorporates by reference the documents listed below that we previously have filed with the SEC (excluding any information that has been furnished but not filed for purposes of the Exchange Act) and that are not delivered with this prospectus. They contain important information about us and our financial condition.

Combined Filings by UAL, United and Continental	**Date Filed**
Annual Report on Form 10-K for the year ended December 31, 2011	February 22, 2012
Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	April 26, 2012
Current Report on Form 8-K	January 10, 2012
Current Report on Form 8-K	February 8, 2012
Current Report on Form 8-K	March 8, 2012
Current Report on Form 8-K	April 10, 2012

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Filings by UAL	Date Filed
Registration Statement on Form 8-A, description of UAL s Common Stock, par value $0.01 per share	September 30, 2010, including any amendments or reports filed to update such description
Current Report on Form 8-K	January 27, 2012
Amendment to Current Report on Form 8-K/A	February 3, 2012
Current Report on Form 8-K	April 17, 2012

Filings by Continental	Date Filed
Current Report on Form 8-K	March 8, 2012
Current Report on Form 8-K	March 22, 2012
Current Report on Form 8-K	March 28, 2012

The SEC file number is 1-6033 for UAL, 1-11355 for United and 1-10323 for Continental.

We incorporate by reference additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information that has been furnished but not filed for purposes of the Exchange Act) between the date of this prospectus and the termination of the offering of securities under this prospectus. These documents include our periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as our proxy statements.

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in such document. You may obtain documents incorporated by reference in this prospectus by requesting them from us in writing or by telephone at the following address:

United Continental Holdings, Inc. United Air Lines, Inc. Continental Airlines, Inc. 77 W. Wacker Drive Chicago, Illinois 60601 (312) 997-8000 Attention: Secretary

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LEGAL MATTERS

Unless otherwise indicated in the applicable prospectus supplement, our counsel Hughes Hubbard & Reed LLP, New York, New York, will pass upon the validity of the certificates being offered by such prospectus supplement.

EXPERTS

The consolidated financial statements of UAL at December 31, 2011 and December 31, 2010, and for each of the two years in the period ended December 31, 2011, and the related financial statement schedule appearing in UAL s Annual Report on Form 10-K for the year ended December 31, 2011 have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon, which is incorporated by reference herein. UAL s financial statements are incorporated by reference in this prospectus in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of UAL for the year ended December 31, 2009, and the related financial statement schedule, incorporated by reference in this prospectus from UAL s Annual Report on Form 10-K for the year ended December 31, 2011 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to retrospective reclassifications of revenue and expenses in UAL s statements of consolidated operations and an explanatory paragraph relating to a change in reportable segments), which is incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of United at December 31, 2011 and December 31, 2010, and for each of the two years in the period ended December 31, 2011, and the related financial statement schedule appearing in United s Annual Report on Form 10-K for the year ended December 31, 2011 have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon, which is incorporated by reference herein. United s financial statements are incorporated by reference in this prospectus in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of United for the year ended December 31, 2009, and the related financial statement schedule, incorporated by reference in this prospectus from United s Annual Report on Form 10-K for the year ended December 31, 2011 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to retrospective reclassifications of revenue and expenses in United s statements of consolidated operations and an explanatory paragraph relating to a change in reportable segments), which is incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Continental appearing in Continental s Annual Report on Form 10-K for the year ended December 31, 2011 and the related financial statement schedule have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon, which is incorporated by reference herein. Continental s financial statements are incorporated by reference in this prospectus in reliance upon such reports given on the authority of Ernst & Young LLP as experts in accounting and auditing.

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