

**Atlas Air Worldwide Holdings, Inc.**  
**Consolidated Statements of Operations**  
*(in thousands, except per share data)*  
*(Unaudited)*

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
<b>Operating Revenue</b>				
ACMI	\$ 216,120	\$ 209,162	\$ 791,442	\$ 778,091
Charter	228,111	251,214	908,753	906,676
Dry Leasing	23,983	24,448	107,218	100,059
Other	3,863	4,041	15,246	14,372
Total Operating Revenue	\$ 472,077	\$ 488,865	\$ 1,822,659	\$ 1,799,198
<b>Operating Expenses</b>				
Salaries, wages and benefits	89,303	81,506	351,372	311,143
Aircraft fuel	71,234	102,987	333,390	404,263
Maintenance, materials and repairs	60,168	59,051	202,337	203,567
Aircraft rent	37,148	35,971	145,031	140,390
Depreciation and amortization	31,987	32,392	128,740	120,793
Travel	30,557	21,501	102,755	79,199
Navigation fees, landing fees and other rent	27,763	37,770	99,345	131,138
Passenger and ground handling services	21,365	20,714	83,185	86,820
Loss on disposal of aircraft	7	-	1,538	14,679
Special charge	9,783	5,547	17,388	15,114
Other	136,506	31,230	234,073	116,120
Total Operating Expenses	515,821	428,669	1,699,154	1,623,226
Operating Income (Loss)	(43,744)	60,196	123,505	175,972
<b>Non-operating Expenses (Income)</b>				
Interest income	(1,601)	(4,446)	(12,554)	(18,480)
Interest expense	25,065	25,475	96,756	104,252
Capitalized interest	(268)	(30)	(1,027)	(453)
Loss on early extinguishment of debt	2,999	-	69,728	-
Gain on investments	-	-	(13,439)	-
Other expense (income), net	(494)	273	1,261	1,104
Total Non-operating Expenses	25,701	21,272	140,725	86,423
Income (loss) before income taxes	(69,445)	38,924	(17,220)	89,549
Income tax (benefit)	(31,863)	(2,720)	(24,506)	(12,678)
<b>Net Income (Loss)</b>	(37,582)	41,644	7,286	102,227
Less: Net income (loss) attributable to noncontrolling interests	-	-	-	(4,530)
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ (37,582)	\$ 41,644	\$ 7,286	\$ 106,757
<b>Earnings per share:</b>				
Basic	\$ (1.53)	\$ 1.68	\$ 0.29	\$ 4.26
Diluted	\$ (1.53)	\$ 1.66	\$ 0.29	\$ 4.25
<b>Weighted average shares:</b>				
Basic	24,633	24,807	24,833	25,031
Diluted	24,633	25,018	25,018	25,127

**Atlas Air Worldwide Holdings, Inc.**  
**Consolidated Balance Sheets**  
*(in thousands, except share data)*  
*(Unaudited)*

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 425,950	\$ 298,601
Short-term investments	5,098	17,802
Restricted cash	12,981	14,281
Accounts receivable, net of allowance of \$1,247 and \$1,658, respectively	164,308	162,092
Prepaid maintenance	6,052	20,806
Prepaid expenses and other current assets	37,548	51,599
Total current assets	651,937	565,181
<b>Property and Equipment</b>		
Flight equipment	3,687,248	3,448,791
Ground equipment	58,487	51,418
Less: accumulated depreciation	(450,217)	(348,036)
Purchase deposits for flight equipment	39,678	20,054
Property and equipment, net	3,335,196	3,172,227
<b>Other Assets</b>		
Long-term investments and accrued interest	37,604	120,478
Deposits and other assets	81,183	81,981
Intangible assets, net	58,483	67,410
<b>Total Assets</b>	\$ 4,164,403	\$ 4,007,277
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 93,278	\$ 42,864
Accrued liabilities	293,138	251,594
Current portion of long-term debt <sup>1,2</sup>	161,811	181,193
Total current liabilities	548,227	475,651
<b>Other Liabilities</b>		
Long-term debt <sup>1,2</sup>	1,739,496	1,736,747
Deferred taxes	286,928	311,668
Other liabilities	135,569	65,416
Total other liabilities	2,161,993	2,113,831
Commitments and contingencies		
<b>Equity</b>		
Stockholders' Equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 50,000,000 shares authorized; 28,955,445 and 28,561,160 shares issued, 24,636,651 and 24,807,718 shares outstanding (net of treasury stock), as of December 31, 2015 and December 31, 2014, respectively	290	286
Additional paid-in-capital	625,244	573,133
Treasury stock, at cost; 4,318,794 and 3,753,442 shares, respectively	(171,844)	(145,322)
Accumulated other comprehensive loss	(6,063)	(9,572)
Retained earnings	1,006,556	999,270
Total equity	1,454,183	1,417,795
<b>Total Liabilities and Equity</b>	\$ 4,164,403	\$ 4,007,277

<sup>1</sup> Balance sheet debt at December 31, 2015 totaled \$1,901.3 million, including the impact of \$49.5 million of unamortized discount and debt issuance costs of \$57.3 million.

<sup>2</sup> The face value of our debt at December 31, 2015 totaled \$2,008.1 million, compared with \$2,009.0 million on December 31, 2014.

**Atlas Air Worldwide Holdings, Inc.**  
**Consolidated Statements of Cash Flows**

(in thousands)  
(Unaudited)

	<b>For the Twelve Months Ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Operating Activities:</b>		
Net Income Attributable to Common Stockholders	\$ 7,286	\$ 106,757
Net income (loss) attributable to noncontrolling interests	-	(4,530)
Net Income	7,286	102,227
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	147,604	138,324
Accretion of debt securities discount	(4,651)	(7,947)
Provision for allowance for doubtful accounts	171	643
Special charge, net of cash payments	16,351	12,013
Loss on early extinguishment of debt	69,728	-
Loss on disposal of aircraft	1,538	14,679
Deferred taxes	(25,898)	(12,714)
Stock-based compensation expense	16,181	13,606
Changes in:		
Accounts receivable	2,016	(21,070)
Prepaid expenses, current assets and other assets	23,171	23,605
Accounts payable and accrued liabilities	119,390	9,779
Net cash provided by operating activities	372,887	273,145
<b>Investing Activities:</b>		
Capital expenditures	(45,040)	(24,920)
Purchase deposits and payments for flight equipment	(227,048)	(519,399)
Changes in restricted cash	1,300	(7,790)
Proceeds from investments	80,302	3,728
Proceeds from disposal of aircraft	25,441	-
Net cash used for investing activities	(165,045)	(548,381)
<b>Financing Activities:</b>		
Proceeds from debt issuance	568,033	572,552
Customer maintenance reserves received	16,148	17,555
Customer maintenance reserves paid	(3,801)	-
Proceeds from sale of warrants	36,290	-
Payment for convertible note hedges	(52,903)	-
Proceeds from stock option exercises	1,193	69
Excess tax benefit from stock-based compensation expense	555	8
Payment of debt issuance costs	(14,509)	(17,117)
Purchase of treasury stock	(26,522)	(19,496)
Payment of debt extinguishment costs	(36,054)	-
Payments of debt	(568,923)	(301,550)
Net cash (used for) provided by financing activities	(80,493)	252,021
Net increase (decrease) in cash and cash equivalents	127,349	(23,215)
Cash and cash equivalents at the beginning of period	298,601	321,816
Cash and cash equivalents at the end of period	\$ 425,950	\$ 298,601
<b>Noncash Investing and Financing Activities:</b>		
Acquisition of flight equipment included in Accounts payable and accrued liabilities	\$ 33,294	\$ 29,087
Disposition of aircraft included in Accounts receivable	\$ -	\$ 5,072

**Atlas Air Worldwide Holdings, Inc.**  
**Direct Contribution**  
*(in thousands)*  
*(Unaudited)*

	<b>For the Three Months Ended</b>		<b>For the Twelve Months Ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Operating Revenue:</b>				
ACMI	\$ 216,120	\$ 209,162	\$ 791,442	\$ 778,091
Charter	228,111	251,214	908,753	906,676
Dry Leasing	23,983	24,448	107,218	100,059
Other	3,863	4,041	15,246	14,372
<b>Total Operating Revenue</b>	<b>\$ 472,077</b>	<b>\$ 488,865</b>	<b>\$ 1,822,659</b>	<b>\$ 1,799,198</b>
<b>Direct Contribution:</b>				
ACMI	\$ 47,564	\$ 55,382	\$ 185,615	\$ 200,489
Charter	39,834	26,939	124,808	47,245
Dry Leasing	7,931	7,594	42,023	33,224
<b>Total Direct Contribution for Reportable Segments</b>	<b>\$ 95,329</b>	<b>\$ 89,915</b>	<b>\$ 352,446</b>	<b>\$ 280,958</b>
Add back (subtract):				
Unallocated income and expenses, net <sup>1</sup>	(151,985)	(45,444)	(294,451)	(161,616)
Loss on early extinguishment of debt	(2,999)	-	(69,728)	-
Gain on investments	-	-	13,439	-
Special charge	(9,783)	(5,547)	(17,388)	(15,114)
Loss on disposal of aircraft	(7)	-	(1,538)	(14,679)
<b>Income (loss) before Income Taxes</b>	<b>(69,445)</b>	<b>38,924</b>	<b>(17,220)</b>	<b>89,549</b>
Add back (subtract):				
Interest income	(1,601)	(4,446)	(12,554)	(18,480)
Interest expense	25,065	25,475	96,756	104,252
Capitalized interest	(268)	(30)	(1,027)	(453)
Loss on early extinguishment of debt	2,999	-	69,728	-
Gain on investments	-	-	(13,439)	-
Other expense (income), net	(494)	273	1,261	1,104
<b>Operating Income (Loss)</b>	<b>\$ (43,744)</b>	<b>\$ 60,196</b>	<b>\$ 123,505</b>	<b>\$ 175,972</b>

Atlas Air Worldwide uses an economic performance metric, Direct Contribution, to show the profitability of each of its segments after allocation of direct ownership costs. Atlas Air Worldwide currently has the following reportable segments: ACMI, Charter, and Dry Leasing. Each segment has different operating and economic characteristics, which are separately reviewed by our chief operating decision maker.

Direct Contribution consists of income (loss) before taxes, excluding special charges, nonrecurring items, losses (gains) on the sale of aircraft, and unallocated fixed costs.

Direct costs include crew costs, maintenance costs, fuel, ground operations, sales costs, aircraft rent, interest expense related to aircraft debt and aircraft depreciation.

Unallocated income and expenses include corporate overhead, nonaircraft depreciation, unallocated interest expense and income, foreign exchange gains and losses, other revenue and other non-operating costs, including unusual items and certain noncash income and expenses.

<sup>1</sup> During the first quarter of 2015, we revised the methodology for allocating certain unallocated expenses to our segments. Prior period information has been adjusted consistently to reflect this change.

**Atlas Air Worldwide Holdings, Inc.**  
**Reconciliation to Non-GAAP Measures**  
*(in thousands, except per share data)*  
*(Unaudited)*

	<b>For the Three Months Ended</b>		
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>Percent Change</b>
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ (37,582)	\$ 41,644	(190.2%)
<b>After-tax impact from:</b>			
Noncash expenses and income, net <sup>1</sup>	1,719	77	
ETI tax benefit	-	(10,742)	
Accrual for legal matters and U.S. class action professional fees	65,911	850	
Charges associated with refinancing debt	2,750	-	
Special charge <sup>2</sup>	6,635	7,024	
Loss on disposal of aircraft	4	-	
<b>Adjusted Net Income Attributable to Common Stockholders</b>	<b>\$ 39,437</b>	<b>\$ 38,853</b>	<b>1.5%</b>
<b>Diluted EPS</b>	<b>\$ (1.51)</b>	<b>\$ 1.66</b>	<b>(191.0%)</b>
<b>After-tax impact from:</b>			
Noncash expenses and income, net <sup>1</sup>	0.07	-	
ETI tax benefit	-	(0.43)	
Accrual for legal matters and U.S. class action professional fees	2.65	0.03	
Charges associated with refinancing debt	0.11	-	
Special charge <sup>2</sup>	0.27	0.28	
Loss on disposal of aircraft	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.59</b>	<b>\$ 1.55<sup>3</sup></b>	<b>2.6%</b>
	<b>For the Twelve Months Ended</b>		
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>Percent Change</b>
<b>Net Income Attributable to Common Stockholders</b>	\$ 7,286	\$ 106,757	(93.2%)
<b>After-tax impact from:</b>			
Noncash expenses and income, net <sup>1</sup>	4,137	(68)	
ETI tax benefit	(4,008)	(34,755)	
Gain on investments	(8,613)	-	
Accrual for legal matters and U.S. class action professional fees	66,897	1,150	
Charges associated with refinancing debt	47,049	-	
Special charge <sup>2</sup>	11,462	10,930	
Loss on disposal of aircraft	1,096	9,389	
<b>Adjusted Net Income Attributable to Common Stockholders</b>	<b>\$ 125,306</b>	<b>\$ 93,403</b>	<b>34.2%</b>
<b>Diluted EPS</b>	<b>\$ 0.29</b>	<b>\$ 4.25</b>	<b>(93.2%)</b>
<b>After-tax impact from:</b>			
Noncash expenses and income, net <sup>1</sup>	0.17	-	
ETI tax benefit	(0.16)	(1.38)	
Gain on investments	(0.34)	-	
Accrual for legal matters and U.S. class action professional fees	2.67	0.05	
Charges associated with refinancing debt	1.88	-	
Special charge <sup>2</sup>	0.46	0.43	
Loss on disposal of aircraft	0.04	0.37	
<b>Adjusted Diluted EPS</b>	<b>\$ 5.01</b>	<b>\$ 3.72</b>	<b>34.7%</b>

<sup>1</sup> Noncash expenses and income, net in 2015 primarily related to amortization of debt discount on convertible notes. Noncash expenses and income, net in 2014 primarily related to amortization and accretion of debt, lease and investment discounts.

<sup>2</sup> Included in Special charge in 2015 were a loss on engines held for sale and costs related to the early termination of high-rate operating leases for two engines. Included in Special charge in 2014 were employee termination benefits, a loan reserve, professional fees and tax adjustments related to a consolidated subsidiary, and a loss on a 737-800 aircraft held for sale.

<sup>3</sup> Items may not sum due to rounding.

**Atlas Air Worldwide Holdings, Inc.**  
**Reconciliation to Non-GAAP Measures**  
*(in thousands, except per share data)*  
*(Unaudited)*

	<b>For the Three Months Ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Net Cash Provided by Operating Activities</b>	\$ 107,038	\$ 104,617
Less:		
Capital expenditures	11,205	7,411
Capitalized interest	268	30
<b>Free Cash Flow<sup>1</sup></b>	<b>\$ 95,565</b>	<b>\$ 97,176</b>

	<b>For the Twelve Months Ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Net Cash Provided by Operating Activities</b>	\$ 372,887	\$ 273,145
Less:		
Capital expenditures	45,040	24,920
Capitalized interest	1,027	453
<b>Free Cash Flow<sup>1</sup></b>	<b>\$ 326,820</b>	<b>\$ 247,772</b>

<sup>1</sup> Free Cash Flow = Cash Flows from Operations minus Base Capital Expenditures and Capitalized Interest.

Base Capital Expenditures excludes purchases of aircraft.

**Atlas Air Worldwide Holdings, Inc.**  
**Reconciliation to Non-GAAP Measures**  
*(in thousands, except per share data)*  
*(Unaudited)*

	<b>For the Three Months Ended</b>
	<b>March 31, 2015</b>
<b>Diluted EPS</b>	\$ 1.17
After-tax impact from:	
ETI tax benefit	(0.16)
Special charge	(0.02)
Loss on disposal of aircraft	0.04
<b>Adjusted Diluted EPS</b>	<b>\$ 1.03</b>

**Atlas Air Worldwide Holdings, Inc.**  
**Reconciliation to Non-GAAP Measures**

*(in thousands)*  
*(Unaudited)*

	<b>For the Three Months Ended</b>		<b>For the Twelve Months Ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Income (loss) before income taxes</b>	\$ (69,445)	\$ 38,924	\$ (17,220)	\$ 89,549
Noncash expenses and income, net	1,818	120	4,480	(105)
Special charge <sup>1</sup>	9,783	5,547	17,388	15,114
Accrual for legal matters and U.S. class action professional fees	102,841	850	104,380	1,319
Gain on investments	-	-	(13,439)	-
Loss on early extinguishment of debt	2,999	-	69,728	-
Loss on disposal of aircraft	7	-	1,538	14,679
<b>Adjusted pretax income</b>	48,003	45,441	166,855	120,556
Interest expense, net <sup>2</sup>	21,975	21,474	81,081	87,809
Other non-operating expenses (income)	(494)	273	1,261	1,104
<b>Adjusted operating income</b>	69,484	67,188	249,197	209,469
Depreciation and amortization	31,987	32,392	128,740	120,793
<b>EBITDA, as adjusted<sup>3</sup></b>	101,471	99,580	377,937	330,262
Aircraft rent	36,551	35,376	142,645	138,005
<b>EBITDAR, as adjusted<sup>4</sup></b>	<u>\$ 138,022</u>	<u>\$ 134,956</u>	<u>\$ 520,582</u>	<u>\$ 468,267</u>

<sup>1</sup> Included in Special charge in 2015 were a loss on engines held for sale and costs related to the early termination of high-rate operating leases for two engines. Included in Special charge in 2014 were employee termination benefits, a loan reserve, professional fees and tax adjustments related to a consolidated subsidiary, and a loss on a 737-800 aircraft held for sale.

<sup>2</sup> Reflects impact of noncash expense and income related to convertible notes, debt and investments.

<sup>3</sup> Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, noncash expenses and income, net, special charge, accrual for legal matters and U.S. class action professional fees, gain on investments, loss on early extinguishment of debt, and loss (gain) on disposal of aircraft, as applicable.

<sup>4</sup> Adjusted EBITDAR: Earnings before interest, taxes, depreciation, amortization, aircraft rent expense, noncash expenses and income, net, special charge, accrual for legal matters and U.S. class action professional fees, gain on investments, loss on early extinguishment of debt, and loss (gain) on disposal of aircraft, as applicable.

**Atlas Air Worldwide Holdings, Inc.**  
**Operating Statistics and Traffic Results**  
*(Unaudited)*

	<u>For the Three Months Ended</u>			<u>For the Twelve Months Ended</u>		
	<u>December 31,</u> <u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>December 31,</u> <u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
<b>Block Hours</b>						
ACMI	33,716	31,272	2,444	126,206	115,042	11,164
Charter:						
Cargo	9,417	9,467	(50)	35,463	31,612	3,851
Passenger	3,529	2,876	653	14,776	13,085	1,691
Nonrevenue	475	555	(80)	1,615	1,351	264
Total Block Hours	<u>47,137</u>	<u>44,170</u>	<u>2,967</u>	<u>178,060</u>	<u>161,090</u>	<u>16,970</u>
<b>Revenue Per Block Hour</b>						
ACMI	\$ 6,410	\$ 6,688	\$ (278)	\$ 6,271	\$ 6,764	\$ (493)
Charter:						
Cargo	17,428	20,641	(3,213)	17,655	20,217	(2,562)
Passenger	18,134	19,404	(1,270)	19,130	20,449	(1,319)
<b>Average Utilization (block hours per day)</b>						
ACMI <sup>1</sup>	9.3	10.1	(0.8)	9.3	9.6	(0.3)
Charter:						
Cargo	11.4	11.8	(0.4)	10.1	9.1	1.0
Passenger	8.2	6.9	1.3	8.6	7.8	0.8
All Operating Aircraft <sup>1,2</sup>	<u>9.6</u>	<u>10.2</u>	<u>(0.6)</u>	<u>9.5</u>	<u>9.4</u>	<u>0.1</u>
<b>Charter Fuel</b>						
Average fuel cost per gallon	\$ 1.89	\$ 2.75	\$ (0.86)	\$ 2.27	\$ 3.07	\$ (0.80)
Fuel gallons consumed (000s)	37,737	37,445	(292)	147,081	131,787	15,294

<sup>1</sup> ACMI and All Operating Aircraft averages in the fourth quarter and full-year 2015 reflect the impact of increases in the number of CMI aircraft and amount of CMI flying compared with the same periods of 2014.

<sup>2</sup> Average of All Operating Aircraft excludes Dry Leasing aircraft, which do not contribute to block-hour volumes.



**Atlas Air Worldwide Holdings, Inc.**  
**Operating Statistics and Traffic Results**  
*(Unaudited)*

	<u>For the Three Months Ended</u>			<u>For the Twelve Months Ended</u>		
	<u>December 31,</u> <u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>December 31,</u> <u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
<b>Segment Operating Fleet</b> (average aircraft equivalents during the period)						
<b>ACMI<sup>1</sup></b>						
747-8F Cargo	9.0	8.5	0.5	8.9	8.5	0.4
747-400 Cargo	14.2	13.0	1.2	12.6	12.0	0.6
747-400 Dreamlifter	2.8	2.9	(0.1)	3.0	3.1	(0.1)
767-300 Cargo	2.2	2.0	0.2	2.1	2.0	0.1
767-200 Cargo	9.0	5.0	4.0	8.3	5.0	3.3
747-400 Passenger	1.3	1.4	(0.1)	1.2	1.2	-
767-200 Passenger	1.0	1.0	-	1.0	1.0	-
Total	<u>39.5</u>	<u>33.8</u>	<u>5.7</u>	<u>37.1</u>	<u>32.8</u>	<u>4.3</u>
<b>Charter</b>						
747-8F Cargo	0.6	0.4	0.2	0.2	0.5	(0.3)
747-400 Cargo	8.4	8.3	0.1	9.4	9.0	0.4
747-400 Passenger	1.7	1.5	0.2	1.8	1.7	0.1
767-300 Passenger	3.0	3.0	-	2.9	2.9	-
Total	<u>13.7</u>	<u>13.2</u>	<u>0.5</u>	<u>14.3</u>	<u>14.1</u>	<u>0.2</u>
<b>Dry Leasing</b>						
777-200 Cargo	6.0	6.0	-	6.0	6.0	-
757-200 Cargo	1.0	1.0	-	1.0	1.0	-
737-300 Cargo	1.0	1.0	-	1.0	1.0	-
737-800 Passenger	1.0	2.0	(1.0)	1.2	2.0	(0.8)
Total	<u>9.0</u>	<u>10.0</u>	<u>(1.0)</u>	<u>9.2</u>	<u>10.0</u>	<u>(0.8)</u>
<b>Total Operating Aircraft</b>	<u>62.2</u>	<u>57.0</u>	<u>5.2</u>	<u>60.6</u>	<u>56.9</u>	<u>3.7</u>
Out of Service <sup>2</sup>	0.0	1.0	(1.0)	0.4	1.0	(0.6)

<sup>1</sup> ACMI average fleet excludes spare aircraft provided by CMI customers.

<sup>2</sup> Out-of-service aircraft were temporarily parked during the period and are completely unencumbered.