AIR LEASE CORP
Form DEF 14A
March 28, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
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Air Lease Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
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Air Lease Corporation

2000 Avenue of the Stars, Suite 1000N

Los Angeles, California 90067

(310) 553-0555

March 28, 2018

Dear Fellow Stockholder:

Your officers and directors join me in inviting you to attend the 2018 Annual Meeting of Stockholders at 7:30 a.m., Pacific Time, on Wednesday, May 9, 2018, at Century Plaza Towers, 2029 Century Park East, Concourse Level, Conference Room A, Los Angeles, California 90067.

The expected items of business for the meeting are described in detail in the attached Notice of 2018 Annual Meeting of Stockholders and Proxy Statement.

We look forward to seeing you on May 9th.

Sincerely,

Steven F. Udvar-Házy

Executive Chairman of the Board

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Notice of 2018 Annual Meeting of Stockholders

Time and Date:	7:30 a.m., Pacific Time, on Wednesday, May 9, 2018
Location:	Century Plaza Towers, 2029 Century Park East, Concourse Level, Conference Room A, Los Angeles, California 90067
Agenda:	(1) Elect eight directors, each to serve for a one-year term; (2) Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2018; (3) Advisory vote to approve named executive officer compensation; (4) Advisory vote on the frequency of future advisory votes to approve named executive officer compensation; and (5) Act upon such other matters as may properly come before the meeting or any postponement or adjournment.
Record Date:	You can vote at the meeting and at any postponement or adjournment of the meeting if you were a stockholder of record on March 13, 2018.
Voting:	Please vote as soon as possible, even if you plan to attend the meeting, to ensure that your shares will be represented. You do not need to attend the meeting to vote if you vote your shares before the meeting. If you are a record holder, you may vote your shares by mail, telephone or the Internet. If your shares are held by a broker or other nominee, you must follow the instructions of your broker or nominee to vote your shares.
Annual Report:	Copies of our 2017 Annual Report to Stockholders (the Annual Report), including our 2017 Annual Report on Form 10-K, are being made available to stockholders concurrently with the accompanying proxy statement. We anticipate that these materials will first be made available to stockholders on or about March 30, 2018. You may also access our 2017 Annual Report on Form 10-K, which we have filed with the Securities and Exchange Commission, on our website at http://www.airleasecorp.com.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 9, 2018: Our Proxy Statement and Annual Report are available online at http://www.proxyvote.com.

By Order of the Board of Directors,

Carol H. Forsyte

Executive Vice President, General Counsel, Corporate

Secretary and Chief Compliance Officer

Los Angeles, California

March 28, 2018

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Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement and our Annual Report on Form 10-K before voting. We anticipate that these materials will first be made available to stockholders on or about March 30, 2018.

References throughout this Proxy Statement to Air Lease Corporation, we, us, and our refer to Air Lease Corporatio and its subsidiaries, unless the context indicates otherwise.

Proposals to be Voted On

Proposal		For More Information	Board Recommendation
Proposal 1: Election of Eight Director Nominees		See pages to 11 to 19	FOR Each Director Nominee
Matthew J. Hart	John L. Plueger		
Chery Gordon Krongard	Ian M. Saines		
Marshall O. Larsen	Ronald D. Sugar		
Robert A. Milton	Steven F. Udvar-Házy		
Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm		See page 20	FOR
Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation		See page 21	FOR
Proposal 4: Advisory Vote on the Frequency of Future Advisory Votes to Approve Named Executive Officer Compensation		See page 22	1 Year

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2017 Financial Highlights

Air Lease Corporation experienced another successful year in 2017. Revenues increased 6.9% to $1.5 billion compared to 2016, supported by solid balance sheet growth with assets totaling $15.6 billion as of December 31, 2017. Pre-tax profit margin has expanded over the last five years, increasing from 34.2% in 2013 to 40.2% in 2017. Over the same period, our pre-tax return on equity increased from 12.1% to 16.2%.

	Compound Annual Growth Rate 2013-2017
Total assets	14%
Total revenues	15%
Income before taxes	20%
Net income	41%

2017 Business Highlights

In 2017, we successfully executed our operational strategy which is designed to drive long-term stockholder value.

Aircraft Activity. During the year ended December 31, 2017, we purchased and took delivery of 30 aircraft from our new order pipeline, purchased 10 incremental aircraft, sold 31 aircraft and received insurance proceeds relating to the insured losses of two aircraft, ending the year with a total of 244 owned aircraft with a net book value of $13.3 billion. The weighted average lease term remaining on our operating lease portfolio was 6.8 years and the weighted average age of our fleet was 3.8 years as of December 31, 2017. Our fleet grew by 10.3% based on net book value of $13.3 billion as of December 31, 2017 compared to $12.0 billion as of December 31, 2016. In addition, our managed fleet increased to 50 aircraft as of December 31, 2017 from 30 aircraft as of December 31, 2016. We have a globally diversified customer base comprised of 91 airlines in 55 countries. As of February 22, 2018, all of our aircraft in our operating lease portfolio were subject to lease agreements.

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New Order Pipeline. During 2017, we increased our total commitments with Airbus and Boeing by a net 35 aircraft. As of December 31, 2017, we had commitments to purchase 368 aircraft from Airbus and Boeing for delivery through 2023, with an estimated aggregate commitment of $27.0 billion. We ended 2017 with $23.4 billion in committed minimum future rental payments and placed 79% of our order book on long-term leases for aircraft delivering through 2020. This includes $10.1 billion in contracted minimum rental payments on the aircraft in our existing fleet and $13.3 billion in minimum future rental payments related to aircraft which will deliver between 2018 and 2022.

Financing. In 2017, we issued $2.2 billion senior unsecured notes with an average interest rate of 3.16%, with maturities ranging from 2022 to 2027. In 2017, we increased our unsecured revolving credit facility capacity to approximately $3.8 billion, representing an 18.6% increase from 2016 and extended the final maturity to May 5, 2021. We ended 2017 with total debt outstanding, net of discounts and issuance costs, of $9.7 billion, of which 85.4% was at a fixed rate and 94.6% of which was unsecured. Our composite cost of funds decreased to 3.20% as of December 31, 2017 from 3.42% as of December 31, 2016.

Tax reform. On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the Tax Reform Act) was signed into law. The Tax Reform Act significantly revised the U.S. corporate income tax law by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. As a result of the Tax Reform Act, we recorded an estimated tax benefit of $354.1 million or $3.16 per diluted share due to the re-measurement of deferred tax assets and liabilities for the quarter ended December 31, 2017.

Financial Highlights. In 2017, total revenues increased by 6.9% to $1.5 billion, compared to 2016. The increase in our total revenues is primarily due to the $1.2 billion increase in the net book value of our operating lease portfolio. Our net income for the year ended December 31, 2017 was $756.2 million, or $6.82 per diluted share compared to $374.9 million, or $3.44 per diluted share for the year ended December 31, 2016. The increase in our net income and diluted earnings per share for the year ended December 31, 2017 was due to the $1.2 billion increase in the net book value of our operating lease portfolio, and the re-measurement of our U.S. deferred tax liabilities associated with the enactment of the Tax Reform Act, resulting in a tax benefit of $354.1 million. Our pre-tax profit margin for the year ended December 31, 2017 was 40.2% as compared to 40.9% for the year ended December 31, 2016.

Dividend Increase. On November 8, 2017, our Board of Directors approved an increase in our quarterly cash dividend of 33%, from $0.075 per share to $0.10 per share.

Productivity. As of December 31, 2017, we had 87 full-time employees and $15.6 billion of total assets. Per employee, our revenue and net income for the year ended December 31, 2017 was approximately $17.4 million and $8.7 million, respectively.

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Corporate Governance Highlights

We maintain governance practices that we believe establish meaningful accountability for our Company and our Board, including:

- All Directors except Executive Chairman and Chief Executive Officer are Independent
- Independent Lead Director with Clearly Defined Role and Responsibilities
- Commitment to Board Refreshment With 2 New Directors in Last 4 Years
- Average Director Tenure of 7 Years
- Ongoing Board Succession Planning
- Majority Vote Standard for Director Elections
- Annual Director Elections
- Annual Board and Committee Evaluations
- Focus on Critical Risk Oversight Role
- Management and Board Dialogue to Ensure Successful Oversight and Succession Planning
- Director and Executive Officer Stock Ownership Guidelines

Our eight members of the Board are highly experienced and possess the necessary skills and balance of perspectives to oversee our unique business. Set forth below is a summary of the Board s collective qualifications, experiences and backgrounds. More detailed information is provided in each director nominee s biographical information beginning on page 11.

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Director Nominees

Name	Age	Director Since	Independent	Occupation	Committee Memberships			Other Boards
					A	NCG	Com	
Robert A. Milton	57	2010		Retired Chairman & CEO, ACE Aviation Holdings and Air Canada	M	C	M	United Continental Holdings
Matthew J. Hart	65	2010		Retired President & COO, Hilton Hotels Corporation	C	M		American Airlines Group American Homes 4 Rent
Cheryl Gordon Krongard	62	2013		Retired Senior Partner, Apollo Management			M	Xerox
Marshall O. Larsen	69	2014		Retired Chairman, President & CEO, Goodrich Corporation		M		Becton, Dickinson and Company Lowe s Companies United Technologies
John L. Plueger	63	2010						

			Chief Executive Officer & President, Air Lease Corporation				Spirit AeroSystems Holdings
Ian M. Saines	55	2010	Chief Executive, Funds Management Challenger Limited	M			
Ronald D. Sugar	69	2010	Retired Chairman & CEO, Northrop Grumman Corporation		M	C	Amgen Apple Chevron
Steven F. Udvar-Házy	72	2010	Executive Chairman, Air Lease Corporation				SkyWest

M = Member; C = Chair

Committees: Audit = A; Nominating and Corporate Governance = NCG; Compensation = Comp

Average Director Tenure is 7 Years; 2 New Directors in Last 4 Years

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Executive Compensation Highlights

Compensation Philosophy

Our executive compensation program is designed to attract, retain and motivate the highest caliber executives in the aircraft leasing industry by offering a comprehensive compensation program that is attractive enough to entice and retain successful senior executives. We also believe it is important that our compensation program attract the most talented executives that are experienced and capable of managing our aircraft fleet with a small team to help drive our profitability.

At the end of 2017, we had total revenues of $1.5 billion and we had 87 employees, resulting in 2017 revenue per employee of approximately $17.4 million and total compensation expense representing 3.9% of revenues. We believe that the ratio of employees to total assets and total compensation as a percentage of revenues compares favorably to other companies in capital-intensive businesses.

Compensation Governance

Our compensation committee regularly reviews our compensation governance practices to ensure we are incentivizing hard work and high performance while also managing risk. Our executive compensation program currently includes the following features:

What We Do:

- Pay for Performance
- Double-Trigger Change in Control Provisions
- Provide moderate and reasonable severance benefits no greater than three times base salary and target annual bonus
- Manage the use of equity incentives conservatively with a net equity burn rate over the last year of less than 1%
- Tally Sheets
- Stock Ownership Guidelines (6x Base Salary for Chief Executive Officer)
- Mitigate Undue Risk
- Independent Compensation Consultant
- Clawback Policy
- Annual Say-on-Pay
- Robust Stockholder Engagement Program

What We Don t Do:

x Hedging and Pledging
x Tax Gross-Ups
x Dividend or Dividend Equivalents on Performance Awards
x Re-Price Stock Options
x Pension Benefits (other than 401(k))
x Employment Agreements

Pay-for-Performance Philosophy

Our executive compensation program is designed to reward our executives for contributing to the achievement of our annual and long-term objectives. We set robust goals to align performance-based compensation with the creation of long-term value for our stockholders. We also believe that our directors and employees ownership of our stock is critical to alignment with our stockholders. Our 87 employees along with our independent directors collectively own over 9% of the Company.

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Engagement with Stockholders and Compensation Program and Disclosure Enhancements

To better understand our investors perspectives regarding our executive compensation program, for the last several years we have engaged in stockholder outreach. We spoke with stockholders in the spring of 2017 after issuing our proxy statement and again in late 2017 and early 2018. In our most recent outreach, we engaged with stockholders holding 44% of outstanding shares (none of whom were our employees or directors). While we regularly communicate with our stockholders, during our most recent outreach we contacted our large stockholders to specifically discuss our compensation philosophy and program and to listen to their feedback. The compensation committee considered our stockholders views when making decisions about changes to our 2017 and 2018 compensation programs.

We continued to enhance our executive compensation program in response to evolving compensation practices and feedback from our stockholder engagement efforts, specifically by making the following responsive changes:

Demonstrated Responsiveness to Stockholder Feedback
Changes that Support Stronger Executive Pay with Company Performance Alignment

CEO Annual Compensation and Annual Bonus. In connection with our leadership transition in July 2016, we changed our new Chief Executive Officer s compensation structure to place a greater proportion of compensation at risk and subject to long-term Company performance

- In 2017, we retained the structure and as a result, 85.5% of the CEO s 2017 pay mix at target was at risk

Changed our Executive Chairman s Annual Bonus. In 2018, we changed the structure of our Executive Chairman s annual bonus so that he is paid in restricted stock units (RSUs) that cliff vest two years from the date of grant, which will not occur until the amount of the annual bonus is determined in 2019. We believe denominating our Executive Chairman s annual bonus in stock instead of cash and effectively requiring a three-year vesting period further aligns our Executive Chairman s compensation with stockholder s long-term interests

Changed our Book Value RSUs. In 2018, we changed our book value restricted stock units (Book Value RSUs) in several ways to further drive long-term sustainable book value growth

- Increased weighting of Book Value RSUs relative to TSR RSUs because we believe incentivizing the executives to grow our long-term book value per share in a capital-intensive business like ours will lead to value creation for stockholders
- 2018 Book Value RSUs cliff vest at the end of three years versus previous years grants that vested ratably each year over three years

Reset actual target book value per share growth at the beginning of 2018 and made target book value growth harder to reach compared to previous years grants

Revised the terms so that the opportunity associated with the Book Value RSUs can vary from 0%-200% of target

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Reviewed awards based on Total Shareholder Return. The compensation committee explored alternatives to our long-term incentive program to ensure that awards continue to focus executives on actions that generate sustainable value creation and create alignment with stockholders. The committee determined that TSR RSUs (which have a 3-year performance measurement period and measure total stockholder return against the S&P MidCap 400 Index with target payout requiring achieving the 55th percentile) are effective but reduced the portion of TSR RSUs to 25% of the total annual equity awards granted in 2018 as a result of the decision to increase the weighting of Book Value RSUs relative to TSR RSUs

Terminated Senior Officer Participation in Deferred Cash Bonus Plan. In February 2016 and 2017, we reduced the amount of our senior officers cash compensation by replacing long-term cash deferred bonuses with time-based RSUs beginning in 2016. In February 2018, we terminated our senior officers participation in the Deferred Cash Bonus Plan

Developed Custom Benchmark Group. In 2018, we developed a new more refined benchmark group consisting of 18 companies across diversified financial services and real estate investment trusts based on quantitative and qualitative factors, including company size, business model and financial profile

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Air Lease Corporation

2000 Avenue of the Stars, Suite 1000N

Los Angeles, California 90067

(310) 553-0555

Proxy Statement for the

2018 Annual Meeting of Stockholders

Corporate Governance and Board Matters

Board of Directors

Our Board of Directors is currently composed of eight members: Matthew J. Hart, Cheryl Gordon Krongard, Marshall O. Larsen, Robert A. Milton, John L. Plueger, Ian M. Saines, Ronald D. Sugar and Steven F. Udvar-Házy. Our directors serve for one-year terms until the next annual meeting of stockholders and until their respective successors are duly elected and qualified. Certain information regarding our directors is set forth below in *Proposal 1: Election of Directors*.

Our Board of Directors held seven meetings in 2017. Each of the directors standing for re-election at the Annual Meeting attended at least 75% of the meetings of the Board of Directors and the committees of the Board of Directors on which he or she served in 2017. We expect but do not require our directors to attend the annual meeting of stockholders each year. All of our directors who stood for election at the 2017 annual meeting other than Mr. Saines attended that meeting.

Director Independence

Each director will qualify as independent pursuant to the New York Stock Exchange (the NYSE) listing standards only if our Board of Directors affirmatively determines that he or she has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. Accordingly, our Board of Directors has affirmatively determined that six of our eight current directors, Mr. Hart, Ms. Krongard, Mr. Larsen, Mr. Milton, Mr. Saines and Dr. Sugar, were independent in accordance with the NYSE rules during the periods in 2017 and 2018 that they served as directors of our Board of Directors. Mr. Milton serves as our lead independent director. Messrs. Udvar-Házy and Plueger are not independent because they are employees of Air Lease Corporation (the Company).

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Board Leadership

The Board currently has no firm policy as to whether the roles of Chairman of the Board and Chief Executive Officer should be combined or separate. Instead, our Board believes that our leadership structure should be considered in the context of our Company s circumstances at any given time, including company culture, strategic objectives and any challenges we may be facing. Therefore, our Board evaluates its leadership structure annually to ensure that the most optimal structure is in place for our Company s needs which may evolve over time.

Our Corporate Governance Guidelines provide that in the event that the Chairman of the Board is not an independent director, the nominating and corporate governance committee may designate an independent director to serve as Lead Director, who shall be approved by a majority of the independent directors. The Board of Directors believes having an independent Lead Director provides an appropriate balance between strong Company leadership and appropriate oversight by independent directors.

As part of our Board of Directors long-term succession plans for the Company, effective July 1, 2016, the Board established the separate executive position of Executive Chairman of the Board of Directors. Mr. Udvar-Házy, our founder and former Chief Executive Officer, now serves as the Executive Chairman of the Board of Directors, and in addition to his executive officer role, chairs the meetings of the Board of Directors and works closely with Robert A. Milton, our independent Lead Director. John L. Plueger, our Chief Executive Officer, also works closely with Mr. Milton in his role.

The role of the independent Lead Director helps ensure oversight by an active and involved independent Board of Directors, while Mr. Udvar-Házy s continued engagement as Executive Chairman of the Board enables the Company and the Board of Directors to benefit from his deep knowledge, industry relationships and operational experience.

Mr. Milton has been elected annually by the independent directors of the Board to serve as independent Lead Director since our initial public offering in 2011. In this role, Mr. Milton has the following responsibilities as set forth in our Corporate Governance Guidelines and as requested by the Board of Directors:

- chair meetings of the non-management independent directors;
- call meetings of the independent directors, if deemed appropriate;
- facilitate communications between other members of the Board and the Chairman and/or Chief Executive Officer;
- work with the Executive Chairman in the preparation of the agenda for each meeting;

- work with the Executive Chairman in determining the need for special meetings;
- lead the annual Board of Directors and committee self-evaluations;
- be available, as appropriate, for consultations and direct communication with stockholders;
- meet with any director who is not adequately performing his or her duties as a member of the Board or any committee; and
- otherwise consult with the Executive Chairman and/or the Chief Executive Officer on matters of governance and Board performance.

Mr. Milton also serves on each committee of the Board. The Board of Directors believes that Mr. Milton s extensive aviation industry experience, chief executive officer experience, as well as other board experience make him well suited to serve as its independent Lead Director.

The Board of Directors believes that the leadership structure with a strong independent Lead Director on the one hand, and knowledgeable and experienced Executive Chairman of the Board of Directors on the other, provides balance and is in the best interest of the Company.

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Executive Sessions of Non-Employee Directors

As part of the Board of Directors regularly scheduled meetings, the non-employee directors meet in executive session. Any non-employee director can request additional executive sessions. Mr. Milton, as lead independent director, schedules and chairs the executive sessions.

Committees of the Board of Directors

Our Board of Directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Our Board of Directors has determined that each of these committees is composed solely of independent directors under the applicable NYSE rules. Our Board of Directors has adopted a charter for each committee that is available on our website at www.airleasecorp.com.

All of the independent members of the Board of Directors are invited to attend all committee meetings and it is the practice of the independent directors to attend the meetings of committees upon which they do not serve. The independent directors believe that their attendance at these meetings enhances their understanding of the business and permits them to spend more time on issues at the meetings of the full Board of Directors.

Audit Committee

Our audit committee consists of Messrs. Hart, Milton and Saines. Mr. Hart is the Chairman of the audit committee. Our audit committee s duties include, but are not limited to, monitoring (1) the integrity of the financial statements of the Company, (2) the independent registered public accounting firm s qualifications and independence, (3) the performance of our internal audit function and independent registered public accounting firm, (4) our compliance with legal and regulatory requirements and (5) our overall risk profile. Our audit committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Our audit committee must at all times be composed exclusively of directors who are financially literate as defined under the NYSE listing standards. The audit committee also must have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in the individual s financial sophistication, and who qualifies as an audit committee financial expert, as defined under the rules and regulations of the Securities and Exchange Commission (SEC). Our Board of Directors has determined that each member of our audit committee is financially literate and is an audit committee financial expert. In addition to being independent under NYSE rules, each member of our audit committee also meets the independence requirements of the SEC for purposes of serving on an audit committee.

Our audit committee held four meetings in 2017.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Milton, Hart, and Larsen and Dr. Sugar. Mr. Milton is the Chairman of the nominating and corporate governance committee. Our nominating and corporate governance committee monitors the implementation of sound corporate governance principles, practices and risks and will, among other things: (1) identify individuals believed to be qualified to become a member of our Board of Directors and recommend to the Board candidates for all directorships to be filled, (2) periodically review and recommend changes, as appropriate, to our corporate governance guidelines and (3) annually oversee the evaluation of our Board of Directors and its committees. Our nominating and corporate governance committee also reviews and approves all related party transactions in accordance with our policies with respect to such matters.

Our nominating and corporate governance committee held four meetings in 2017.

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Compensation Committee

Our compensation committee consists of Dr. Sugar, Ms. Krongard and Mr. Milton. Dr. Sugar is the Chairman of the compensation committee. Our compensation committee has overall responsibility for (1) evaluating, and approving or recommending, all of our compensation plans, policies and programs as they affect the executive officers, including the Executive Chairman and the Chief Executive Officer, (2) overseeing the evaluation of management and succession planning for executive officer positions, (3) at least annually reviewing the compensation (both cash and equity based award compensation) of non-employee directors for service on the Board and its committees and recommending any changes to the Board for approval and (4) reviewing the risk exposure related to the areas of its responsibility.

In fulfilling its responsibilities, the compensation committee may delegate to management or to a subcommittee of the compensation committee. The compensation committee has delegated to certain senior members of management the authority to make RSU grants in 2018 to other officers and employees on the same terms as the executive officers, subject to an aggregate number of RSUs approved by the compensation committee.

The compensation committee also oversees preparation of the compensation discussion and analysis to be included in our annual proxy statement, recommends to the Board of Directors whether to so include the compensation discussion and analysis and provides an accompanying report to be included in our annual proxy statement.

The compensation committee has engaged Exequity LLP (Exequity), a nationally recognized independent compensation consultant, to provide advice with respect to compensation decisions for the non-employee directors of our Board of Directors and our executive officers.

In addition to being independent under NYSE rules, each member of our compensation committee also qualifies as a non-employee director under SEC rules and as an outside director under Section 162(m) of the Internal Revenue Code for purposes of serving on a compensation committee.

Our compensation committee held five meetings in 2017.

The Board and Committee Annual Self-Evaluation

To ensure that the Board of Directors and each Board committee functions effectively, the nominating and corporate governance committee and the Board of Directors annually conducts a self-evaluation to identify and assess areas for improvement. The written assessment focuses on the Board composition and its role, the operation of the Board, the Board s processes relating to the Company s strategy, financial position and corporate governance and the function and effectiveness of the Board committees. The independent lead director leads the evaluation process which includes collecting the assessment feedback and conducting a one-on-one conversation with each director. The Lead Director shares the results of the evaluations and feedback received with the Board at its February meeting each year, and, as necessary, the Board implements resulting recommendations.

The Board of Directors Role in Risk Oversight

The Board of Directors has delegated risk oversight responsibilities to the audit committee, except for risks relating to executive compensation. In accordance with its charter, the audit committee is responsible for monitoring the Company s policies and practices with respect to risk assessment and risk management. The audit committee periodically meets with our senior executives to discuss, among other things, material risks to our business. The audit committee also periodically meets with representatives of our independent registered public accounting firm. The Chairman of the audit committee reports to the full Board of Directors regarding material risks as deemed appropriate.

The compensation committee provides oversight with respect to risks that may arise from our compensation arrangements and policies. This is accomplished on an ongoing basis through the compensation committee s review and approval of specific arrangements and policies to ensure that they are consistent with our overall compensation philosophy and our business goals. The compensation committee periodically discusses any risk-related concerns with senior management and with its independent compensation consultant. The Chairman of the compensation committee will report to the full Board of Directors regarding any material risks as deemed appropriate. In view of this oversight and based on our ongoing assessment, we do not believe that our present employee compensation arrangements, plans, programs or policies are likely to have a material adverse effect on the Company.

The Board of Directors believes that its governance structure supports the Board s role in risk oversight. Independent directors chair each of the Board committees responsible for risk oversight. The Company has a lead independent director who facilitates communication between management and directors, and all directors are involved in the review of key enterprise risks.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time been one of our officers or employees. None of our executive officers serves, or in the past year has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers who serve on our Board of Directors or compensation committee.

Corporate Governance Guidelines and Code of Business Conduct

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines (the Guidelines) to assist the Board of Directors in the exercise of its duties and responsibilities and to serve the best interests of the Company and our stockholders. The Guidelines are intended to serve as a flexible framework for the conduct of the Board of Directors business and not as a set of legally binding obligations. The Guidelines describe the Lead Director s and the Board of Directors responsibilities, the qualification criteria for serving as a director, and standards for the conduct of meetings and establishing and maintaining committees. The Guidelines also confirm that the directors will have full and free access to officers and employees of the Company and have authority to retain independent advisors as necessary and appropriate in carrying out their activities. In addition, the Guidelines establish frameworks for director compensation, director orientation and continuing education, and an annual evaluation of the Board and its committees and of the Guidelines. Finally, the Guidelines charge the compensation committee with oversight of management evaluation and succession, and detail the Company s policies regarding confidentiality and communications between our Board of

Directors and the press and media on matters pertaining to the Company. Our Guidelines are available on our website at www.airleasecorp.com.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors, employees and officers. Among other things, the Code of Business Conduct and Ethics is intended to ensure fair and accurate financial reporting, to promote ethical conduct and compliance with applicable laws and regulations, to provide guidance with respect to the handling of ethical issues, to foster a culture of honesty and accountability and to deter wrongdoing. It also requires disclosure to us of any situation, transaction or relationship that may give rise to any actual or potential conflict of interest. Such conflicts must be avoided unless approved by our nominating and corporate governance committee. The Code of Business Conduct and Ethics prohibits our employees, officers and directors from taking, or directing a third party to take, a business opportunity that is discovered through the use of our property. A copy of our Code of Business Conduct and Ethics is available on our website at www.airleasecorp.com.

Certain Relationships and Related Person Transactions

In accordance with our written Related Person Transaction Policy, the nominating and corporate governance committee must review and approve or ratify any transaction in which the amount involved exceeds $120,000 if any of our directors, director nominees, executive officers, beneficial owners of more than 5% of our Class A Common Stock, or any of their respective immediate family members, has a direct or indirect material interest in such transaction. Certain limited types of related person transactions are deemed to be pre-approved by the nominating and corporate governance committee even if the amount involved exceeds $120,000. In addition, the Chairman of the nominating and corporate governance committee has been delegated the authority to approve or ratify any related person transaction if the amount involved is expected to be less than $1 million. Out of an abundance of caution, the nominating and corporate governance committee will sometimes review and approve or ratify transactions with a related person or an entity affiliated with a related person, even if the related person does not have a direct or indirect material interest in the transaction. The Company has had no related person transactions since January 1, 2017.

Consideration of Director Candidates

Our nominating and corporate governance committee is responsible for identifying and evaluating director candidates based on the perceived needs of the Board of Directors at the time. Among other attributes, our nominating and corporate governance committee will consider a director candidate s diversity of background and personal experience. In this context, diversity may encompass a candidate s educational and professional history, community or public service, expertise or knowledge base and certain unique personal characteristics, as well as the candidate s race, ethnicity, national origin and gender. The nominating and corporate governance committee does not have a formal policy specifying how diversity of background and personal experience should be applied in identifying or evaluating director candidates, and a candidate s background and personal experience, while important, does not necessarily outweigh other attributes or factors the nominating and corporate governance committee considers in evaluating candidates.

The most important characteristic of any director candidate is his or her ability to faithfully represent the interests of our stockholders. Other important qualities include the candidate s integrity, judgment and independence of thought; an absence of conflicting time commitments; financial literacy; leadership experience; and a fit of abilities and personality that helps build an effective, collegial and responsive Board of Directors. Any stockholder may recommend a director candidate for our nominating and corporate governance committee to consider by submitting the candidate s name and qualifications to us in care of the Secretary at the address for our principal executive office listed on the cover page of this Proxy Statement. Director candidates recommended by a stockholder are considered in the same manner as any other candidates, although the nominating and corporate governance committee may prefer candidates who are personally known to the existing directors and whose reputations are highly regarded. Our nominating and corporate governance committee has not retained professional search firms to assist it in recruiting potential director candidates.

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Our bylaws provide that stockholders of record seeking to nominate candidates for election as directors at our annual meeting of stockholders (or to bring other business before our annual meeting of stockholders) may do so by providing timely notice of their intent in writing. To be timely, the notice from the stockholder of record must be delivered to the Secretary at our principal executive office not less than 90 days nor more than 120 days prior to the first anniversary of the prior year s annual meeting. Our bylaws also specify certain requirements as to the form and content of the necessary notice. For more information, see the section below titled *Stockholder Proposals and Director Nominations for our 2019 Annual Meeting of Stockholders.*

Communications with the Board of Directors

Stockholders and any other interested parties who wish to communicate with the Board of Directors or an individual director, including our lead independent director, may send a letter to the Secretary at the address for our principal executive office listed on the cover page of this Proxy Statement. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Board Communication or Director Communication. All such letters must clearly state the author s interest in the Company and whether the intended recipients are all members of the Board of Directors or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

Director Compensation

Our Board of Directors sets non-employee director compensation based on recommendations from the compensation committee. The compensation committee reviews, at least annually, the compensation (both cash and equity based award compensation) of non-employee directors for service on the Board and its committees. The compensation committee s independent compensation consultant, Exequity, assists in this review, including obtaining market information, annually benchmarking our director compensation and designing various aspects of our compensation program for the directors. After its review the compensation committee recommends any changes to the Board for approval. Directors who also serve as employees to the Company (currently Messrs. Udvar-Házy and Plueger) do not receive separate compensation for their service on our Board of Directors.

Annual Retainer Fees and Other Cash Fees

Retainers under our non-employee director compensation program for 2017 were as follows:

Cash Compensation	Annual Compensation (paid quarterly)
Annual Board Retainer	$ 80,000

Committee Chair Retainer	
Audit	$ 20,000
Compensation	$ 10,000
Nominating and Corporate Governance	$ 10,000
Committee Member Retainer	
Audit	$ 15,000
Compensation	$ 10,000
Nominating and Corporate Governance	$ 10,000
Lead Director Retainer	$ 50,000

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Effective January 1, 2017, non-employee directors may be paid conditional meeting fees in the event that in the future there are periods of unexpected and increased participation required by the non-employee directors, and a per diem fee in certain circumstances.

A non-employee director will receive a meeting fee of $1,500 per meeting (i) if he or she attends a number of Board meetings in excess of the number of scheduled meetings plus two additional Board meetings during the applicable calendar year or (ii) if he or she attends during the applicable year a number of meetings of a committee on which he or she serves, in excess of the number of scheduled meetings plus two additional meetings of that committee for that year. No fees for attending additional meetings were paid in 2017.

Non-employee directors may be paid a per diem fee of $2,500 for non-ordinary course Board or committee activity (excluding any educational events) subject to the approval of the Board, the Chairman of the Board or the Lead Director of the Board. In 2017, a $5,000 per diem fee was paid to one non-employee director.

As a matter of policy each director could elect to have his or her retainer paid in cash or shares of our Class A Common Stock, or a combination thereof.

Equity Awards

Each non-employee director who joins our Board of Directors receives an initial grant of RSUs to be settled in shares of our Class A Common Stock (Initial Director Grant) with an aggregate value of $180,000. Thereafter, each year our non-employee directors receive an annual RSU award to be settled in shares of Class A Common Stock (the Annual Director Grant) with an aggregate value of $120,000.

The value of all grants of RSUs is based on the closing price of our Class A Common Stock on the date of grant. All RSUs awarded to our non-employee directors vest in full on the first anniversary of the grant date, and if the Board of Directors service of such a director terminates for any reason, other than following a change in control, the RSUs will vest on a daily prorated basis according to the number of days between the grant date and the termination of service, divided by 365. If the service terminates following a change in control, the RSUs will vest in full. The Initial Director Grants and the Annual Director Grants are made pursuant to the Air Lease Corporation 2014 Equity Incentive Plan or any successor plan.

Since January 1, 2015, each director may annually elect to defer the receipt of his or her Annual Director Grant shares beyond the one-year vesting period. Directors may elect to defer his or her shares until separation from service or alternatively, may elect a deferral period of five years or ten years from the date of grant, provided that shares will be distributed upon a separation from service, a change of control or at death, if earlier than the elected deferral date. Deferred RSUs receive dividend equivalents which are reinvested in additional RSUs based on the market price of the Company s Class A Common Stock on the date the dividends are paid.

On May 3, 2017, each non-employee director received an Annual Director Grant.

Other Arrangements

We reimbursed directors for travel and lodging expenses incurred in connection with their attendance at meetings. We also have entered into agreements with each of our non-employee directors to provide them with indemnification and advancement of expenses to supplement that provided under our certificate of incorporation and bylaws, subject to certain requirements and limitations.

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Director Compensation Summary

The following table sets forth compensation paid to or earned by the individuals who served as non-employee directors of our Company during 2017.

Name	Fees earned or paid in cash ($)(1)	Stock Awards ($)(2)	Total ($)
Mr. Hart	125,000	120,000	245,000
Ms. Krongard	95,000	120,000	215,000
Mr. Larsen	90,000	120,000	210,000
Mr. Milton	175,000	120,000	295,000
Mr. Saines (3)	95,000	120,000	215,000
Dr. Sugar	110,000	120,000	230,000

(1) *Fees Earned or Paid in Cash:* The amount shown for each non-employee director is composed of his or her annual retainer fees and committee and/or Chairmanship fees. During 2017 Mr. Saines elected to receive all or a portion of his annual cash retainer or other cash fees in the form of shares of Class A Common Stock, rounded down to the nearest whole share. See footnote 3 below. A $5,000 per diem fee was earned by Ms. Krongard with respect to service during 2017.

(2) *Stock Awards:* On May 3, 2017, each of the non-employee directors was granted an Annual Director Grant of RSUs covering 3,131 shares. There were no other outstanding equity awards for our non-employee directors on December 31, 2017 except as noted in footnote 3 below.

The dollar amounts shown for these stock awards reflect $30.13 per share which is the grant date fair value of one share of Class A Common Stock computed in accordance with GAAP. Each RSU represents a contingent right to receive one share of our Class A Common Stock.

(3) Mr. Saines elected to receive shares of Class A Common Stock in lieu of his annual cash retainer or other cash fees as follows: 619 shares at $38.32 per share on May 3, 2017; 604 shares at $39.31 per share on August 2, 2017 and 556 shares at $42.67 per share on November 8, 2017.

As of December 31, 2017, our non-employee directors held the following vested RSUs:

Name	Number of Restricted

	Stock Units
Mr. Hart	0
Ms. Krongard	0
Mr. Larsen (a)	7,108
Mr. Milton	0
Mr. Saines (a)	7,108
Dr. Sugar	0

(a) Messrs. Larsen and Saines each had outstanding awards of 7,108 RSUs, including accrued dividend equivalents, in connection with the deferral of each of their 2015 and 2016 Annual Director Grant of RSUs that vested on May 6, 2016 and May 4, 2017, respectively.

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Director Stock Ownership Guidelines

Our Board of Directors has adopted stock ownership guidelines for all non-employee directors. Each non-employee director has five years from the time he or she becomes subject to these guidelines to achieve ownership of Class A Common Stock equivalents with an aggregate market value equal to three times the amount of the then current annual cash retainer fee for service on our Board of Directors. For a non-employee director, Class A Common Stock equivalents are shares of Class A Common Stock personally owned by the director, shares of Class A Common Stock underlying vested RSUs awarded to a director and shares of Class A Common Stock underlying unvested RSUs awarded to a director that are subject to time vesting only. All directors have met or exceeded the guidelines as set forth in the table below.

Target Ownership			Actual Ownership		
Current Outside Director Annual Cash Retainer Fee	**Multiple of Annual Retainer**	**Multiple Expressed in Dollars**	**Director**	**Multiple of Annual Retainer**	**Value of Shares held by Director***
$ 80,000	3x	$ 240,000	Mr. Hart	18x	$ 1,494,158
			Ms. Krongard	13x	$ 1,110,210
			Mr. Larsen	9x	$ 782,215
			Mr. Milton	18x	$ 1,494,158
			Mr. Saines	13x	$ 1,117,895
			Dr. Sugar	40x	$ 3,250,958

* Based on the closing price of the Company s Class A Common Stock on March 13, 2018.

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Items of Business

Proposal 1: Election of Directors

At the Annual Meeting, the Board of Directors is recommending to stockholders that Mr. Matthew J. Hart, Ms. Cheryl Gordon Krongard, Mr. Marshall O Larsen, Mr. Robert A. Milton, Mr. John L. Plueger, Mr. Ian M. Saines, Dr. Ronald D. Sugar and Mr. Steven F. Udvar-Házy each be elected as a director to serve for a one-year term ending at the 2019 annual meeting of stockholders and until their respective successors are duly elected and qualified. Each of the nominees named below is currently a director and was elected at the annual meeting of stockholders held on May 3, 2017. No arrangement or undertaking exists between any nominee and any other person or persons pursuant to which any nominee was or is to be selected as a director or nominee, and there are no family relationships among any of our directors or executive officers. Each nominee has consented to be nominated and has agreed to serve as a director if elected. Should any of these individuals become unable to serve as a director prior to the Annual Meeting, the proxies for the Annual Meeting will, unless otherwise directed, vote for the election of such other individual as the Board of Directors may recommend, unless the Board in its discretion reduces the number of directors.

Under our bylaws, a director nominee will be elected to the Board of Directors by a majority of the votes cast, meaning the votes cast FOR such nominee s election must exceed the votes cast AGAINST such nominee s election at the Annual Meeting. Abstentions and broker non-votes will have no effect on the outcome of the director election because they are not treated as votes cast.

The Board of Directors recommends that you vote FOR the election to the Board of Directors of each of the eight nominees.

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A summary of each nominee s principal occupation, recent professional experience, directorships at other public companies for at least the past five years, and certain other qualifications, is provided below:

Matthew J. Hart

Retired President and Chief Operating Officer of Hilton Hotels Corporation

Age: 65

Director since May 2010

Board Committees

Audit

Nominating and Corporate Governance

Other Public Company Directorships

American Airlines Group Inc.

Trustee, American Homes 4 Rent

Mr. Hart served as President and Chief Operating Officer of Hilton Hotels Corporation, a global hospitality company, from May 2004 until the buyout of Hilton by a private equity firm in October 2007. Mr. Hart also served as Executive Vice President and Chief Financial Officer of Hilton from 1996 to 2004. Prior to joining Hilton, Mr. Hart served as the Senior Vice President and Treasurer of The Walt Disney Company and Executive Vice President and Chief Financial Officer for Host Marriott Corp. He was a director of US Airways Group, Inc. from 2006 until its December 2013 merger with American Airlines Group Inc. (formerly AMR Corporation) and of B. Riley Financial, Inc. from July 2009 until October 2015.

Qualifications:

Mr. Hart possesses significant executive experience in the hotel industry and currently serves on the board of directors of a major U.S. airline. Mr. Hart provides our Board of Directors with an important combination of management, airline industry and financial expertise. His past experience as the chief financial officer of two Fortune 500 companies, and his current service on the audit committees of two other public companies, make him instrumental in helping our Board of Directors implement business and financial strategy.

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Cheryl Gordon Krongard

Private Investor

Age: 62

Director since December 2013

Board Committee

Compensation

Other Public Company Directorships

Xerox Corporation

Ms. Krongard is engaged in private investment activities. Ms. Krongard was a senior partner of Apollo Management, L.P., a private investment company, from January 2002 to December 2004. From 1994 to 2000, she served as the Chief Executive Officer of Rothschild Asset Management and as Senior Managing Director for Rothschild North America. Additionally, she served as a director of Rothschild North America, Rothschild Asset Management, Rothschild Asset Management BV, and Rothschild Realty Inc. and as Managing Member of Rothschild Recovery Fund. Ms. Krongard also served as a director of US Airways Group, Inc. from 2003 until its December 2013 merger with American Airlines Group Inc. (formerly AMR Corporation) and as a director of Legg Mason, Inc. from 2006 until July 2017. Ms. Krongard was elected a lifetime governor of the Iowa State University Foundation in 1997 and has served as Chairperson of its Investment Committee. She also is a member of the Deans Advisory Council, Iowa State University College of Business.

Qualifications:

Ms. Krongard brings substantial asset management expertise and leadership experience serving as a senior executive at large, complex asset management organizations. Ms. Krongard also has significant compensation, finance, and corporate governance experience acquired through her service on the boards and committees of other publicly traded companies. Her strategic planning experience and airline experience gained as a director of a public company is a key resource to our Board of Directors for financial investments and business strategy.

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Marshall O. Larsen

Retired Chairman, President and Chief Executive Officer of Goodrich Corporation

Age: 69

Director since May 2014

Board Committee

Nominating and Corporate Governance

Other Public Company Directorships

Becton, Dickinson and Company

Lowe s Companies, Inc.

United Technologies Corporation

Mr. Larsen served as Chairman, President and Chief Executive Officer of Goodrich Corporation, a supplier of systems and services to the aerospace and defense industry, from 2003 until his retirement in July 2012 when the company was acquired by United Technologies Corporation. He was elected as President and Chief Operating Officer of Goodrich in February 2002, and as a director in April 2002. From 1995 through January 2002, Mr. Larsen served as Executive Vice President of Goodrich and President and Chief Operating Officer of Goodrich Aerospace division of Goodrich. Mr. Larsen joined Goodrich in 1977. Mr. Larsen is a former director of the Federal Reserve Bank of Richmond and former Chairman of the U.S. Aerospace Industries Association. He is active in numerous community activities and is a member of the Krannert School of Management Advisory Board, Purdue University.

Qualifications:

Mr. Larsen brings substantial business and leadership experience as the chairman and chief executive officer of a publicly-traded company for nine years including insights in governance, regulatory and management issues facing public companies. His in-depth knowledge of the aerospace industry and the conditions that affect the industry significantly benefits the discussions of our Board of Directors.

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Robert A. Milton

Retired Chairman and Chief Executive Officer of ACE Aviation Holdings, Inc.

Age: 57

Director since April 2010

Board Committees

Audit

Compensation

Nominating and Corporate Governance

Other Public Company Directorships

United Continental Holdings, Inc.

Mr. Milton was the Chairman and Chief Executive Officer of ACE Aviation Holdings, Inc., a holding company for Air Canada and other aviation interests (ACE) from 2004 until June 2012. He also was the President of ACE from 2004 until 2011. Mr. Milton was also the Chairman of Air Canada from 2004 until 2007. He held the position of President and Chief Executive Officer of Air Canada from August 1999 until December 2004. Mr. Milton is a former director of US Airways Group, Inc. and of AirAsia Berhad. Mr. Milton served as Chair of the International Air Transport Association s Board of Governors from 2005 to 2006.

Qualifications:

Mr. Milton s extensive experience in the aviation industry, including his many years with Air Canada and his current service on the board of directors of a major U.S. airline, provides our Board of Directors with deep industry experience. Our Board of Directors has benefited from Mr. Milton s many relationships in the aircraft manufacturing, aircraft leasing and airline industries. Mr. Milton s management experience and understanding of the aircraft leasing industry make him an ideal choice to act as our lead independent director.

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John L. Plueger

Chief Executive Officer and President of Air Lease Corporation

Age: 63

Director since April 2010

Other Public Company Directorships

Spirit AeroSystems Holdings, Inc.

Mr. Plueger, who became our Chief Executive Officer and President in July 2016, had served as our President and Chief Operating Officer since March 2010. Mr. Plueger has more than 30 years of aviation industry and aircraft leasing experience, 23 of which were with International Lease Finance Corporation (ILFC) where he served as acting Chief Executive Officer from February 2010 to March 2010, as President and Chief Operating Officer from 2002 to February 2010 and on its board of directors from 2002 to 2010. Mr. Plueger s professional experience also includes testifying before the U.S. House of Representatives as an aircraft leasing industry expert witness as well as responding to European Commission formal inquiries concerning aerospace industry related mergers and acquisitions.

Mr. Plueger is a Certified Public Accountant and is an FAA Airline Transport Pilot with type ratings on multiple jet aircraft and single/multi engine and instrument instructor ratings. Mr. Plueger is the chairman of the board of directors of the Smithsonian National Air and Space Museum and a member of the Pepperdine University Board of Regents.

Qualifications:

Mr. Plueger has more than 30 years of aviation industry and aircraft leasing experience, providing our Board of Directors with an in-depth understanding of our business. His many years of business, financial, accounting, managerial and executive experience in our industry make him an invaluable member of our Board of Directors.

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Ian M. Saines

Chief Executive, Funds Management Challenger Limited

Age: 55

Director since June 2010

Board Committee

Audit

Other Public Company Directorships

None

Mr. Saines is Chief Executive, Funds Management of Challenger Limited, an Australian investment management firm. From December 2013 to March 2, 2015 he was engaged in private investment activities. From December 2008 to December 2013, Mr. Saines was employed by Commonwealth Bank of Australia in the role of Group Executive of the Institutional Banking and Markets Division. At Commonwealth Bank of Australia as a member of the bank s senior executive committee, Mr. Saines was responsible for managing Commonwealth Bank s relationships with major corporate, government and investor clients and providing a full range of capital raising, transactional and risk management products and services. Prior to joining Commonwealth Bank of Australia in May 2004, Mr. Saines was a Management Committee member of Zurich Capital Markets Asia, the investment banking arm of the Zurich Financial Services Group. He previously held various senior roles with Bankers Trust Australia Limited and was also employed by the Reserve Bank of Australia. He is currently a director of the American Australian Association Limited. Mr. Saines is a Fellow of the Australian Institute of Company Directors (FAICD).

Qualifications:

Mr. Saines brings to our Board of Directors a wealth of experience in commercial banking and deep knowledge of financial risk management. He provides our Board of Directors with key insights with respect to financial products, the financial markets, capital raising activities and the management of a large, complex business.

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Ronald D. Sugar

Retired Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation

Age: 69

Director since April 2010

Board Committees

Compensation

Nominating and Corporate Governance

Other Public Company Directorships

Amgen Inc.

Apple Inc.

Chevron Corporation

Dr. Sugar was Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation, a global aerospace and defense company, from 2003 until 2010 and President and Chief Operating Officer from 2001 until 2003. He was President and Chief Operating Officer of Litton Industries, Inc. from 2000 until the company was acquired by Northrop Grumman in 2001. He was earlier Chief Financial Officer of TRW Inc. He is also an adviser to Ares Management LLC, Bain & Company, Northrop Grumman Corporation and Singapore s Temasek Investment Company. He is a trustee of the University of Southern California, board of visitors member of the University of California, Los Angeles Anderson School of Management, past Chairman of the Aerospace Industries Association, and a member of the National Academy of Engineering.

Qualifications:

Dr. Sugar has significant executive experience in the global aerospace business. In addition to drawing on Dr. Sugar s in-depth executive and financial experience in related industries, our Board of Directors also benefits from Dr. Sugar s current experience as a board member of three Fortune 100 companies. He has particularly useful experience with risk oversight, advanced technology, and a deep understanding of legislative and regulatory processes.

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Steven F. Udvar-Házy

Executive Chairman of the Board of Directors of Air Lease Corporation

Age: 72

Director since February 2010

Other Public Company Directorships

SkyWest, Inc. (Lead Director)

Mr. Udvar-Házy, who was appointed our Executive Chairman of the Board of Directors in July 2016, had served as our Chairman and Chief Executive Officer since our launch in February 2010. In 1973, Mr. Udvar-Házy co-founded the aircraft leasing business that became ILFC and from 1973 to February 2010 served as Chairman and Chief Executive Officer of ILFC. ILFC became a subsidiary of American International Group, Inc. in 1990.

Mr. Udvar-Házy is an FAA Airline Transport Pilot with type ratings on multiple jet aircraft and has over 40 years of experience flying jet aircraft.

Qualifications:

Mr. Udvar-Házy brings extensive industry, managerial and leadership experience to our Board of Directors. With more than 40 years of aviation industry experience, Mr. Udvar-Házy provides our Board of Directors with a critical understanding and appreciation of our business and the know-how to craft and execute on our business and strategic plans. He is the founder, and a substantial stockholder, of our Company.

The Board of Directors recommends a vote FOR the election of all the director nominees set forth above.

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Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm

Our audit committee has appointed KPMG LLP as our independent registered public accounting firm to audit our financial statements for 2018. During 2017, KPMG served as our independent public accounting firm and provided certain other audit-related services. Representatives of KPMG are expected to attend the Annual Meeting, be available to respond to appropriate questions and, if they desire, make a statement.

This is a non-binding vote. If KPMG s appointment is not ratified, the audit committee will reconsider whether to retain KPMG, but still may retain KPMG. Even if the appointment is ratified, the audit committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be appropriate.

Approval of the ratification of KPMG as our independent registered public accounting firm for 2018 requires the affirmative vote of a majority of shares of Class A Common Stock present or represented, and entitled to vote thereon, at the Annual Meeting. Abstentions will have the same effect as a vote Against the proposal.

The Board of Directors recommends that you vote FOR the ratification of KPMG LLP as our independent registered public accounting firm for 2018.

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Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation

We are seeking an advisory vote from our stockholders to approve our named executive officer compensation as disclosed in the section titled *Executive Compensation.* Notwithstanding the majority of votes in favor of holding the advisory vote on named executive officer compensation every three years at the 2012 annual meeting of stockholders the Board of Directors decided to hold the advisory vote every year, at least until the stockholders vote on the 2018 Frequency Vote Proposal (Proposal 4). The Board s decision was in response to the significant number of shares voted in favor of an annual vote and a desire to adopt what is now perceived to be a governance best practice. Our named executive officers include Mr. John Plueger, our Chief Executive Officer and President and Mr. Udvar-Házy, our Executive Chairman of the Board of Directors and the three other executive officers named in the tables that appear in the *Executive Compensation* section below.

Our executive compensation program is designed to attract, motivate and retain the most talented individuals in the aircraft leasing business and to create long-term value for our stockholders. The compensation committee and our Board of Directors believe that the program has been successful in accomplishing these objectives as reflected by our strong financial performance in 2017.

The combination of a competitive base salary and bonus, and the potential for even greater rewards as a stockholder, has helped us assemble and retain a formidable management team and focus them on growing the value of the Company over the long term. We believe having a small, but highly experienced and motivated senior management team is essential to the success of the Company and provides us with an important competitive advantage.

Stockholders are urged to read the section titled *Executive Compensation Compensation Discussion and Analysis* set forth below, which contains a detailed description of how our compensation program implements our compensation philosophy.

We are asking our stockholders to vote FOR the following advisory resolution:

RESOLVED, that the stockholders of Air Lease Corporation approve, on an advisory basis, the compensation paid to its named executive officers, as disclosed pursuant to Item 402 of Regulation S-K under the Securities Exchange Act of 1934, as amended, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth below in the section titled *Executive Compensation*.

This is a non-binding vote and is being provided as required pursuant to Section 14A of the Exchange Act. The compensation committee and our Board of Directors will continue to review the voting results in connection with their regular evaluation of our compensation program. They also will continue to consider any input from our major stockholders throughout the year in connection with their annual evaluation.

Approval of this advisory vote requires the affirmative vote of a majority of shares of Class A Common Stock present or represented, and entitled to vote thereon, at the Annual Meeting. Abstentions will have the same effect as a vote Against the proposal. Broker non-votes will have no effect on the outcome of the advisory vote.

The Board of Directors recommends that you vote FOR the approval, on an advisory basis, of our named executive officer compensation.

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Proposal 4: Advisory Vote on the Frequency of Future Advisory Votes to Approve Named Executive Officer Compensation

As described in Proposal 3 above, we are seeking an advisory vote from our stockholders to approve our named executive officer compensation as disclosed in the section titled Executive Compensation. As required by Section 14A of the Exchange Act as amended, we are also seeking in this Proposal 4 an advisory vote from our stockholders on whether to hold the above advisory vote on named executive officer compensation every year, every two years or every three years. Our stockholders voted on a similar proposal in 2012.

Our current practice is to provide advisory votes on executive compensation every year. After careful consideration, the compensation committee and the Board of Directors recommends that future advisory votes continue to be held every year. The Board believes that this is the appropriate frequency so stockholders may annually express their views on our named executive officer compensation and that an annual vote is now perceived to be a governance best practice.

Accordingly, you may cast your advisory vote as to your preferred frequency of an advisory vote on named executive officer compensation by choosing any one of the following three options: an advisory vote every 1 Year, an advisory vote every 2 Years, or an advisory vote every 3 Years. You may also abstain from voting on this item.

This is a non-binding vote. The compensation committee and our Board of Directors will carefully consider the voting results in deciding how frequently to hold the required advisory vote on our named executive officer compensation.

Approval of the frequency option (i.e., every 1 year, every 2 years or every 3 years) requires the affirmative vote of a majority of shares of Class A Common Stock present or represented and entitled to vote on the proposal at the Annual Meeting. However, if no frequency option receives the affirmative vote of at least a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting, then the Board of Directors will consider the option receiving the highest number of votes as the preferred option of the stockholders. Abstentions will have the same effect as a vote Against each of the frequency options. Broker non-votes will have no effect on the outcome of the advisory vote. However, because this is a non-binding advisory vote, the Board of Directors may decide to hold an advisory vote to approve named executive officer compensation more or less frequently than the deemed preferred option and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

The Board of Directors recommends that you vote FOR the option of 1 YEAR for the frequency of future advisory votes to approve named executive officer compensation.

Dear Fellow Stockholder,

As stewards of the Air Lease Corporation compensation program, we the members of the compensation committee are highly focused on ensuring that our compensation program promotes the creation of stockholder value. We accomplish this by delivering the majority of our executives compensation in performance-based vehicles, and setting robust goals that challenge our executives to contribute to our annual and long-term objectives and reward them when those objectives are achieved.

We made many changes to our 2017 compensation program that are reflected throughout this proxy statement. As a result of these changes, our compensation program provides for more at risk compensation, including more compensation being delivered in equity and subject to long-term Company performance.

In direct response to the feedback we received from investors, in 2018 we made further changes to our compensation program, including:

- Changing the structure of our Executive Chairman s annual bonus so that he is paid in restricted stock units (RSUs) that cliff vest two years from the date of grant, which will not occur until the amount of the annual bonus is determined in 2019. We believe denominating our Executive Chairman s annual bonus in stock instead of cash and effectively requiring a three-year vesting period further aligns our Executive Chairman s compensation with stockholder s long-term interests

- Changing our Book Value RSUs in several ways to further drive long-term sustainable book value growth:

  - Increased weighting of Book Value RSUs relative to TSR RSUs because we believe incentivizing the executives to grow our long-term book value per share in a capital-intensive business like ours will lead to value creation for stockholders;

  - 2018 Book Value RSUs cliff vest at the end of three years versus previous years grants that vested ratably each year over three years;

  - Reset actual target book value per share growth at the beginning of 2018 and made target book value growth harder to reach compared to previous years grants; and

  - Revised the terms so that the opportunity associated with the Book Value RSUs can vary from 0%-200% of target

- Terminating our executive officers participation in the Deferred Cash Bonus Plan

- Developing a new more refined benchmark group consisting of 18 companies across diversified financial services and real estate investment trusts based on quantitative and qualitative factors, including company size, business model and financial profile

We also received significant positive feedback regarding our compensation program, and preserved the features that resonated with investors, including:

- Annual bonus payouts that are determined based on a corporate performance factor which is heavily weighted towards objective financial metrics with rigorous targets

- An annual equity program with a significant portion tied to growth in book value per share

- Incentive program metrics that align our management team with our strategic priorities

We are committed to continuously evaluating our compensation programs, and to hearing from our stockholders as part of a permanent annual outreach process. We encourage you to reach out with any questions or feedback related to our compensation program.

Sincerely,

Dr. Ronald D. Sugar, Chairman

Cheryl Gordon Krongard

Robert A. Milton

Compensation Committee members

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Compensation Discussion and Analysis (CD&A)

Executive Summary

This Compensation Discussion and Analysis (this CD&A) discusses executive compensation for the following Named Executive Officers (NEOs) for fiscal year 2017:

Named Executive Officers	
John L. Plueger	Chief Executive Officer and President
Steven F. Udvar-Házy	Executive Chairman of the Board
Jie Chen	Executive Vice President and Managing Director, Asia
Grant A. Levy	Executive Vice President, Marketing and Commercial Affairs
Gregory B. Willis	Executive Vice President and Chief Financial Officer

This Compensation Discussion and Analysis should be read together with the executive compensation tables that follow, which disclose the compensation awarded to, earned by or paid to our NEOs with respect to 2017.

Compensation Philosophy: Pay for Performance

Our executive compensation program is designed for a company with a small number of extraordinary and talented individuals with industry experience to manage and lead a highly capital-intensive business. We do this by tying compensation to the achievement of performance goals that promote the creation of stockholder value and by designing compensation to reward and retain our high-caliber executives in a competitive market. This balancing of objectives is demonstrated by the substantial portion of our executives compensation that is variable and at risk based on individual and Company performance. In 2017, 85.5% of our CEO s pay mix at target was at risk. Our compensation structure and pay for performance philosophy have incentivized our 87-employee team to deliver outstanding long-term performance at a very low cost to stockholders. In fact, in 2017 our entire compensation expense (for all employees) represented just 3.9% of revenues. In addition, our 87 employees along with our independent directors collectively own over 9% of the Company. We believe that this significant ownership by our employees and directors also helps ensure that we are aligned with the interests of our stockholders and that our compensation program drives sustainable growth.

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Business Overview and Strategy

Business Overview

Air Lease Corporation is a leading aircraft leasing company that was founded by aircraft leasing industry pioneer, Steven F. Udvar-Házy. We are principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as Boeing and Airbus, and leasing those aircraft to airlines throughout the world. In addition to our leasing activities, we sell aircraft from our operating lease portfolio to third parties, including other leasing companies, financial services companies, and airlines. We also provide fleet management services to investors and owners of aircraft portfolios for a management fee. Our operating performance is driven by the growth of our fleet, the terms of our leases, the interest rates on our debt, and the aggregate amount of our indebtedness, supplemented by the gains of our aircraft sales and trading activities and our management fees. We have relationships with over 200 airlines across 70 countries, and as of December 31, 2017, had 91 customers in 55 countries.

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Strategy for Value Creation

Our strategy is primarily to purchase new commercial aircraft directly from aircraft manufacturers and lease those aircraft to airlines throughout the world, while prioritizing strong financial management and a conservative capital structure. We believe this strategy will continue to generate sustainable growth and attractive returns on equity over the long term.

Strategy for Value Creation	
Aircraft Acquisition	Focus on the most in-demand and widely distributed, modern technology, fuel-efficient aircraft Capitalize on our orderbook a key competitive advantage that (i) provides access to a steady pipeline of attractively priced new aircraft which we order in advance and purchase directly from the manufacturers and (ii) gives us strong visibility into growth and revenue streams
Aircraft Leasing	Prioritize long-term contracted cash flows Manage customer concentrations by geography and region Enter into long-term leases with staggered maturities Balance exposure by aircraft type
Aircraft Sales	Maintain a young aircraft portfolio by selling aircraft at the end of the first third of its expected life
Fleet Management	Provide fleet management services that further bolster market intelligence and provide strong insight into market trends and future aircraft demands
Financial Management	Maintain a conservative capital structure: Strong balance sheet with substantial liquidity of $3.2 billion* Low debt/equity target of 2.5x High fixed rate debt target of 80% Large unencumbered asset base of $14.1 billion*

*

As of December 31, 2017. We define liquidity as $292 million of unrestricted cash plus $2.9 billion of undrawn balances under our unsecured revolving credit facility.

2017 Performance

2017 Financial Highlights

We had another successful year in 2017. Revenues increased 6.9% to $1.5 billion compared to 2016, supported by solid balance sheet growth with assets totaling $15.6 billion as of December 31, 2017. Pre-tax profit margin has expanded over the last five years, increasing from 34.2% in 2013 to 40.2% in 2017. Over the same period, our pre-tax return on equity increased from 12.1% to 16.2%.

	Compound Annual Growth Rate 2013-2017
Total assets	14%
Total revenues	15%
Income before taxes	20%
Net income	41%

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2017 Business Highlights

In 2017, we successfully executed our operational strategy which is designed to drive long-term stockholder value.

Aircraft Activity. During the year ended December 31, 2017, we purchased and took delivery of 30 aircraft from our new order pipeline, purchased 10 incremental aircraft, sold 31 aircraft and received insurance proceeds relating to the insured losses of two aircraft, ending the year with a total of 244 owned aircraft with a net book value of $13.3 billion. The weighted average lease term remaining on our operating lease portfolio was 6.8 years and the weighted average age of our fleet was 3.8 years as of December 31, 2017. Our fleet grew by 10.3% based on net book value of $13.3 billion as of December 31, 2017 compared to $12.0 billion as of December 31, 2016. In addition, our managed fleet increased to 50 aircraft as of December 31, 2017 from 30 aircraft as of December 31, 2016. We have a globally diversified customer base comprised of 91 airlines in 55 countries. As of February 22, 2018, all of our aircraft in our operating lease portfolio were subject to lease agreements.

New Order Pipeline. During 2017, we increased our total commitments with Airbus and Boeing by a net 35 aircraft. As of December 31, 2017, we had commitments to purchase 368 aircraft from Airbus and Boeing for delivery through 2023, with an estimated aggregate commitment of $27.0 billion. We ended 2017 with $23.4 billion in committed minimum future rental payments and placed 79% of our order book on long-term leases for aircraft delivering through 2020. This includes $10.1 billion in contracted minimum rental payments on the aircraft in our existing fleet and $13.3 billion in minimum future rental payments related to aircraft which will deliver between 2018 and 2022.

Financing. In 2017, we issued $2.2 billion senior unsecured notes with an average interest rate of 3.16%, with maturities ranging from 2022 to 2027. In 2017, we increased our unsecured revolving credit facility capacity to approximately $3.8 billion, representing an 18.6% increase from 2016 and extended the final maturity to May 5, 2021. We ended 2017 with total debt outstanding, net of discounts and issuance costs, of $9.7 billion, of which 85.4% was at a fixed rate and 94.6% of which was unsecured. Our composite cost of funds decreased to 3.20% as of December 31, 2017 from 3.42% as of December 31, 2016.

Tax reform. On December 22, 2017, the Tax Reform Act was signed into law. The Tax Reform Act significantly revised the U.S. corporate income tax law by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. As a result of the Tax Reform Act, we recorded an estimated tax benefit of $354.1 million or $3.16 per diluted share due to the re-measurement of deferred tax assets and liabilities for the quarter ended December 31, 2017.

Financial Highlights. In 2017, total revenues increased by 6.9% to $1.5 billion, compared to 2016. The increase in our total revenues is primarily due to the $1.2 billion increase in the net book value of our operating lease portfolio. Our net income for the year ended December 31, 2017 was $756.2 million, or $6.82 per diluted share compared to $374.9 million, or $3.44 per diluted share for the year ended December 31, 2016. The increase in our net income and diluted earnings per share for the year ended December 31, 2017 was due to the $1.2 billion increase in the net book value of our operating lease portfolio, and the re-measurement of our U.S. deferred tax liabilities associated with the enactment of the Tax Reform Act, resulting in a tax benefit of $354.1 million. Our pre-tax profit margin for the year ended December 31, 2017 was 40.2% as compared to 40.9% for the year ended December 31, 2016.

Dividend Increase. On November 8, 2017, our Board of Directors approved an increase in our quarterly cash dividend of 33%, from $0.075 per share to $0.10 per share.

Productivity. As of December 31, 2017, we had 87 full-time employees and $15.6 billion of total assets. Per employee, our revenue and net income for the year ended December 31, 2017 was approximately $17.4 million and $8.7 million, respectively.

For a comprehensive discussion of our financial results, please review our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the SEC on February 22, 2018 and is available at http://www.airleasecorp.com/investors.

Return to Stockholders

The chart below illustrates the returns we delivered to our stockholders from 2016 through 2017 as compared to the S&P MidCap 400 Index over the same timeframe. In 2017, the S&P Midcap 400 Index increased by 16%, while our total stockholder return increased by 41%.

TOTAL STOCKHOLDER RETURN AIR LEASE vs S&P MIDCAP 400 INDEX

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Stockholder Outreach and Executive Compensation Program Refinements

To better understand our investors perspectives regarding our executive compensation program, for the last several years we have engaged in stockholder outreach. We spoke with stockholders in the spring of 2017 after issuing our proxy statement and again in late 2017 and early 2018. In our most recent outreach, we engaged with stockholders holding 44% of outstanding shares (none of whom were our employees or directors). While we regularly communicate with our stockholders, during our most recent outreach we contacted our large stockholders to specifically discuss our compensation philosophy and program and to listen to their feedback. The compensation committee considered our stockholders views when making decisions about changes to our 2017 and 2018 compensation programs.

We continued to enhance our executive compensation program in response to evolving compensation practices and feedback from our stockholder engagement efforts, specifically by making the following responsive changes:

Demonstrated Responsiveness to Stockholder Feedback

Changes that Support Stronger Executive Pay with Company Performance Alignment

CEO Annual Compensation and Annual Bonus. In connection with our leadership transition in July 2016, we changed our new Chief Executive Officer s compensation structure to place a greater proportion of compensation at risk and subject to long-term Company performance

- In 2017, we retained the structure and as a result, 85.5% of the CEO s 2017 pay mix at target was at risk

Changed our Executive Chairman s Annual Bonus. In 2018, we changed the structure of our Executive Chairman s annual bonus so that he is paid in RSUs that cliff vest two years from the date of grant, which will not occur until the amount of the annual bonus is determined in 2019. We believe denominating our Executive Chairman s annual bonus in stock instead of cash and effectively requiring a three-year vesting period further aligns our Executive Chairman s compensation with stockholder s long-term interests

Changed our Book Value RSUs. In 2018, we changed our Book Value RSUs in several ways to further drive long-term sustainable book value growth

- Increased weighting of Book Value RSUs relative to TSR RSUs because we believe incentivizing the executives to grow our long-term book value per share in a capital-intensive business like ours will lead to value creation for stockholders

2018 Book Value RSUs cliff vest at the end of three years versus previous years grants that vested ratably each year over three years

Reset actual target book value per share growth at the beginning of 2018 and made target book value growth harder to reach compared to previous years grants

Revised the terms so that the opportunity associated with the Book Value RSUs can vary from 0%-200% of target

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Reviewed awards based on Total Shareholder Return. The compensation committee explored alternatives to our long-term incentive program to ensure that awards continue to focus executives on actions that generate sustainable value creation and create alignment with stockholders. The committee determined that TSR RSUs (which have a 3-year performance measurement period and measure total stockholder return against the S&P MidCap 400 Index with target payout requiring achieving the 55th percentile) are effective but reduced the portion of TSR RSUs to 25% of the total annual equity awards granted in 2018 as a result of the decision to increase the weighting of Book Value RSUs relative to TSR RSUs

Terminated Senior Officer Participation in Deferred Cash Bonus Plan. In February 2016 and 2017, we reduced the amount of our senior officers cash compensation by replacing long-term cash deferred bonuses with time-based RSUs beginning in 2016. In February 2018, we terminated our senior officers participation in the Deferred Cash Bonus Plan

Developed Custom Benchmark Group. In 2018, we developed a new more refined benchmark group consisting of 18 companies across diversified financial services and real estate investment trusts based on quantitative and qualitative factors, including company size, business model and financial profile

Changes to our 2017 and 2018 executive compensation program continued to provide for more at risk compensation, including more being delivered in equity and subject to long-term Company performance

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2017 Executive Compensation Program

The compensation committee designed our 2017 compensation program to incentivize, reward and retain leaders who create long-term value for our stockholders. Material components of our 2017 compensation program are included in the chart below.

Pay Element	Form	2017 Metrics	2017 Performance Link
Salary	Cash	N/A	N/A
Annual Incentive Plan	Cash	Financial Metrics (80%) Overall Revenue Dollar Value of Aircraft Added to Our Fleet Pre-Tax Operating Margin Pre-Tax Return on Equity	Revenue and dollar value of aircraft added to our fleet incentivize executives to **grow our top line** Pre-tax operating margin and return on equity keep our executives focused on **profitable growth and the efficient use of stockholders capital**
		Strategic Objectives (20%) Cumulative aircraft placement goals through 2020 Add new airline customers Meet sales goals for mid-life aircraft Other strategic goals	Our strategic objectives are directly linked to **our financial stability and revenue**
Long-Term Incentive Plan	RSUs	Book Value (50%)	**Book value is a key value driver** of our Company
		Relative TSR (50%)	Relative TSR focuses executives on **actions that will generate sustainable value**

			creation
Deferred Bonus	RSUs	N/A	Provide retention incentives that are time vesting and based on amounts already earned Beginning in 2017, new Deferred Bonuses are no longer granted to our CEO and Executive Chairman, and 100% of their 2017 equity award grants were subject to performance-based vesting Beginning in 2018, new Deferred Bonuses are no longer granted to any of our NEOs

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2017 Executive Compensation Decisions and Outcomes

The 2017 compensation outcomes were consistent with our pay-for-performance philosophy. Key decisions made and outcomes for 2017 included:

Base Salaries. Mr. Plueger s annual base salary of $1,000,000 remained the same since being decreased in July 2016 when he became Chief Executive Officer. Mr. Udvar-Házy s annual salary remained unchanged at $1,800,000.

Annual Bonus. Consistent with strong corporate performance, the corporate factor used to determine annual incentive compensation was 118%, resulting in a bonus of 118% of target for the Chief Executive Officer.

Revenues increased 6.9% to $1.5 billion compared to 2016, supported by solid balance sheet growth with assets totaling $15.6 billion at year ended December 31, 2017.

Pre-tax profit margin of 40.2% for the year ended December 31, 2017.

Pre-tax return on equity was 17.1% at year ended December 31, 2017 (adjusted for the impact of the Tax Reform Act).

Long Term Incentives. As the compensation committee continued to rebalance total compensation so that a greater percentage of total compensation is delivered in the form of equity, the value of long-term incentives (LTI) awarded to our NEOs in 2017 increased year over year. In February 2017, our NEOs (other than our Chief Executive Officer and our Executive Chairman) received time-vesting RSUs in lieu of long-term cash deferred bonuses. Our Chief Executive Officer and our Executive Chairman did not receive any time-vesting RSUs in 2017, as 100% of their LTI awards were subject to performance-based vesting.

Compensation Governance Best Practices

Another important objective of our executive compensation program is to incorporate pay and governance best practices, as highlighted below.

What We Do:

Pay for Performance
Double-Trigger Change in Control Provisions
Provide moderate and reasonable severance benefits no greater than three times base salary and target annual bonus

Manage the use of equity incentives conservatively with a net equity burn rate over the last year of less than 1%
Tally Sheets
Stock Ownership Guidelines (6x Base Salary for Chief Executive Officer)
Mitigate Undue Risk
Independent Compensation Consultant
Clawback Policy
Annual Say-on-Pay
Robust Stockholder Engagement Program

What We Don t Do:

x Hedging and Pledging
x Tax Gross-Ups
x Dividend or Dividend Equivalents on Performance Awards
x Re-Price Stock Options
x Pension Benefits (other than 401(k))
x Employment Agreements

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Stockholder Advisory Vote Approving Executive Compensation

Notwithstanding the majority of votes in favor of holding the advisory vote on named executive officer compensation every three years at the 2012 annual meeting of stockholders, the Board of Directors decided to hold the advisory vote every year, at least until the stockholders vote on the 2018 Frequency Vote Proposal (Proposal 4), in response to the significant number of shares voted in favor of an annual vote and a desire to adopt what is now perceived to be a governance best practice. At the Annual Meeting, we again will provide our stockholders with the opportunity to approve, on an advisory basis, executive compensation.

At our 2017 annual meeting of stockholders, the advisory vote to approve named executive officer compensation (compensation proposal) received the affirmative support of 76.5% of our stockholders represented at the meeting and entitled to vote on the matter. In evaluating our executive compensation program, our compensation committee considered the voting results for the compensation proposal, our stockholder outreach and other factors as discussed in this CD&A.

Compensation Program Overview and Objectives

Our executive compensation program is designed to attract, retain and motivate the highest caliber executives in the aircraft leasing industry by offering a comprehensive compensation program that is attractive enough to entice and retain successful senior executives. We also believe it is important that our compensation program attracts the highly talented executive who is experienced and capable of managing our aircraft fleet with a small team to help drive our profitability. At the end of 2017, we had total assets of $15.6 billion and we had 87 total employees. We believe that the ratio of employees to total assets compares favorably to other companies in capital-intensive businesses. In addition to managing significant assets on a per employee basis, our team has delivered outstanding long-term performance at a very low cost to stockholders. In fact, in 2017 our entire compensation expense (for all employees) represented just 3.9% of revenues.

Our executive compensation program also is designed to reward our executives for contributing to achievement of our annual and long-term objectives. We set robust goals to align performance based compensation with the creation of long-term value for our stockholders. We also believe that ownership of our stock is critical to alignment with our stockholders and our 87 employees along with our independent directors collectively own over 9% of the Company.

How We Determine Compensation

Role of the compensation committee. The compensation committee is composed of Dr. Sugar, who serves as Chairman of the committee, Ms. Krongard and Mr. Milton. The compensation committee oversees the design, administration and evaluation of our overall executive compensation program and recommends to the independent directors of the Board of Directors the total compensation for our Executive Chairman and our Chief Executive Officer and President. It also approves the total compensation for the other NEOs. Each member of the compensation committee must be an independent, non-employee director, as those terms are defined in SEC, NYSE and Internal Revenue Service rules. Among other things, the compensation committee will at least annually:

- Review and adjust (or recommend adjustments to) each NEO s compensation in order to ensure an appropriate mix of cash and equity, and an appropriate balance of fixed and at-risk compensation, in light of, among other factors, each individual s particular role and responsibilities, personal motivations, stock ownership exposure and wealth accumulation.

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Consult with the compensation committee s independent compensation consultant to help ensure that the total compensation paid to each NEO is appropriate in light of our compensation objectives, tax and accounting considerations and compensation best practices.

Consider specific input from stockholders on our executive compensation programs in the design of the next year s executive compensation program.

Design annual incentive awards with quantitative factors and qualitative milestones applicable to all our officers that further our overall business objectives, and approve award payouts based on performance actually achieved.

Role of Stockholder Input on Executive Compensation. To better understand our investors perspectives regarding our executive compensation program, for the last several years we have engaged in stockholder outreach. We spoke with stockholders in the spring of 2017 after issuing our proxy statement and again in late 2017 and early 2018. That outreach and the changes made to our 2017 and 2018 executive compensation program in response to that outreach are described more fully in the section titled *Stockholder Outreach and Executive Compensation Program Refinements*. These changes resulted for 2018 in a change in our Executive Chairman s annual bonus, changes in our Book Value RSUs to further drive long-term sustainable book value growth and termination of our senior officers participating in the deferred cash bonus plan. For 2018 we have also developed a new, more refined benchmark group. We encourage stockholders to reach out with any questions or feedback related to our compensation program, and we are committed to hearing from our stockholders as part of our annual outreach process.

Role of Management. The compensation committee formulates its recommendation for the overall compensation of our Executive Chairman and our Chief Executive Officer and President without management participation and reviews it with the independent members of the Board of Directors. Finally, the compensation committee determines the overall compensation of our other NEOs with input from our Chief Executive Officer and Executive Chairman. None of our NEOs is present when his compensation is discussed by the compensation committee. Our management administers all compensation and benefits programs, subject to the oversight of the compensation committee. This delegation to management is strictly limited to implementation of the programs, and does not include any discretion to make material decisions regarding the overall executive compensation program.

Role of Independent Compensation Consultant. The compensation committee has engaged Exequity as an independent compensation consultant to provide advice with respect to compensation decisions for our executive officers. The independent compensation consultant assists in evaluating our compensation objectives, obtaining market information, and designing various aspects of our compensation program. The independent compensation consultant attends meetings of the compensation committee by invitation, and committee members have direct access to the independent compensation consultant without management involvement. The independent compensation consultant will also consult with our senior executives as directed by the compensation committee. The compensation committee has the sole authority to hire and fire the independent compensation consultant. In order to help ensure impartiality and objectivity, the compensation committee requires that the independent compensation consultant provide services only to the committee and not to management, absent specific committee approval. In 2017, Exequity did not perform any services unrelated to its compensation committee engagement, including any separate work for our management or employees. The independence of Exequity has been evaluated in accordance with SEC and NYSE rules, and it has been determined that its work did not raise any conflicts of interest.

Peer Group and Benchmarking

We operate in a highly-specialized industry in which most of the companies are foreign, private or are subsidiaries of other large companies. For this reason, traditional industry specific peer group benchmarking is challenging and would produce incomparable data.

Given that we have limited direct publicly-traded peers, it is equally challenging to find relevant and directly comparable compensation benchmarking data for our industry. Nevertheless, since 2012, Exequity has collected compensation information about similarly sized U.S.-based employers for the compensation committee s consideration derived from the entire S&P MidCap 400 Index. This is the group against which the Company benchmarks relative total stockholder return for TSR RSU performance purposes and reflects comparably capitalized companies regardless of industry affiliation.

Over the last several years, the compensation committee has also considered compensation data of diversified financial services firms, including asset management firms, with market capitalizations of between $1 billion and $10 billion and revenues up to $2.5 billion (Diversified Financial Services Benchmark). These companies are relevant because they focus on complex, high-value added, transactional activities.

While the compensation data from the Diversified Financial Services Benchmark was valuable to the compensation committee, this benchmark group was large with 40 companies and included companies not relevant to the Company s core business. As a result, in the fall of 2017 the compensation committee asked Exequity to work with the Company to explore developing a new custom benchmark group.

In developing the new custom benchmark group, Exequity and the Company performed a comparative top-down and bottom-up business model analysis on companies that are publicly traded in the U.S. with market capitalization between $1 billion and $10 billion. That analysis compared key characteristics of the Company s business, including exposure to real assets, dependence on a highly skilled management team, credit exposure/underwriting expertise, and significant capital expenditures, to the characteristics of traditional and alternative asset managers, specialty finance lenders, insurance companies and REITs (real estate investment trusts). The analysis included all companies within the Diversified Financial Services Benchmark. A range of REITs were included because of their exposure to real assets, income from lease revenue, highly skilled management teams, large capital bases and significant capital expenditures. The remaining firms selected represent an array of asset management and specialty finance firms which the Company believes exhibit in-depth knowledge of their asset classes akin to the Company s expertise in managing aircraft. A separate review was done of the companies that were within the Diversified Financial Services Benchmark but would not be included in the custom benchmark group. Companies such as institutional brokerage firms, information services companies and consumer finance companies were excluded from the new benchmark group given the disparity in their business models to aircraft leasing.

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In 2018, the compensation committee adopted a new custom benchmark group consisting of the following companies (the Custom Benchmark Group):

Company	Trading Symbol	Business
Aircastle Limited	AYR	aircraft financing and leasing
Affiliated Managers Group, Inc.	AMG	investment management