

WILLIS LEASE FINANCE CORP

Form DEF 14A

April 27, 2018

Table of Contents

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

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

Definitive Additional Materials

Soliciting Material under §240.14a-12

Willis Lease Finance 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0 11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

Table of Contents

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

Thursday, May 24, 2018 11:00 a.m. Willis Lease Finance Corporation  
773 San Marin Drive, Suite 2215  
Novato, California, 94998

To our Stockholders:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of WILLIS LEASE FINANCE CORPORATION, which will be held at our executive offices at 773 San Marin Drive, Suite 2215, Novato, California, 94998 at 11:00 a.m. local time on Thursday, May 24, 2018. Directions to attend the Annual Meeting, where you may vote in person, can be found on our website: [www.willislease.com](http://www.willislease.com) (see “Investors”).

In addition to any other business that may properly come before the meeting or any adjournment or postponement thereof, the following proposals are to be voted on at the Annual Meeting:

- The election of two Class II Directors to serve until the 2021 Annual Meeting of Stockholders, specifically: Robert J. Keady and Austin C. Willis. The Board of Directors recommends that you vote FOR this proposal.
- The approval of the 2018 Incentive Stock Plan. The Board of Directors recommends that you vote FOR this proposal.
- An advisory vote on the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm. The Board of Directors recommends that you vote FOR this proposal.

The Board of Directors has fixed the close of business on April 2, 2018 as the record date for determining those stockholders who will be entitled to notice of and to vote at the meeting. The stock transfer books will not be closed between the record date and the date of the meeting. A quorum comprising the holders of the majority of the outstanding shares of our common stock on the record date must be present or represented for the transaction of business at the 2018 Annual Meeting of Stockholders. Accordingly, it is important that your shares be represented at the meeting.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE AS PROMPTLY AS POSSIBLE to ensure that your shares will be voted at the 2018 Annual Meeting of Stockholders. You may revoke your proxy at any time prior to the time it is voted.

The proxy material is being mailed to you on or about April 27, 2018. Please read the proxy material carefully. Your vote is important, and we appreciate your cooperation in considering and acting on the matters presented.

By Order of  
the Board of  
Directors,

Dean M.  
Poulakidas  
Senior Vice  
President,  
General  
Counsel and  
Corporate  
Secretary

April 26,  
2018

---

Table of Contents

TABLE OF CONTENTS

	Page
<u>SOLICITATION AND VOTING OF PROXIES</u>	1
<u>INFORMATION ABOUT THE BOARD OF DIRECTORS AND THE COMMITTEES OF THE BOARD</u>	2
<u>PROPOSAL 1 — ELECTION OF TWO CLASS II DIRECTORS</u>	7
<u>EXECUTIVE OFFICERS OF THE COMPANY</u>	8
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	9
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	10
<u>COMPENSATION OF EXECUTIVE OFFICERS — COMPENSATION DISCUSSION AND ANALYSIS</u>	10
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	17
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	17
<u>COMPENSATION TABLES</u>	18
<u>CEO - MEDIAN EMPLOYEE PAY RATIO</u>	23
<u>PROPOSAL 2 — APPROVAL OF 2018 INCENTIVE STOCK PLAN</u>	24
<u>REPORT OF THE AUDIT COMMITTEE</u>	30
<u>PROPOSAL 3 — ADVISORY VOTE ON THE APPOINTMENT OF KPMG LLP</u>	31
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	32
<u>STOCKHOLDER PROPOSALS</u>	32
<u>STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS</u>	32
<u>OTHER MATTERS</u>	33
<u>ANNEX A — 2018 INCENTIVE STOCK PLAN</u>	34



Table of Contents

SOLICITATION AND VOTING OF PROXIES

General

This proxy statement is furnished in connection with the solicitation by the Board of Directors (also referred to as the “Board”, “Directors”, or individually, “Director”) of WILLIS LEASE FINANCE CORPORATION (“we,” “us,” “our,” “Willis Lease” or the “Company”) for proxies to be voted at the 2018 Annual Meeting of Stockholders, which will be held at 11:00 a.m. local time on Thursday, May 24, 2018, at our executive offices located at 773 San Marin Drive, Suite 2215, Novato, California 94998, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of 2018 Annual Meeting of Stockholders.

This proxy statement is being mailed to stockholders on or about April 27, 2018. Our 2017 Annual Report is being mailed to stockholders concurrently with this proxy statement. You should not regard the 2017 Annual Report as proxy soliciting material or as a communication by means of which any solicitation of proxies is to be made.

Important Notice Regarding the Availability of Proxy Materials for  
the Annual Meeting to be held on May 24, 2018:

The Proxy Statement and the 2017 Annual Report are also available at

<https://materials.proxyvote.com/970646>.

Voting

The close of business on April 2, 2018 is the record date for determining whether you, in your capacity as a stockholder, are entitled to notice of and to vote at the 2018 Annual Meeting of Stockholders. As of that date, we had 6,355,447 shares of common stock, \$0.01 par value, issued and outstanding. All of the shares of our common stock outstanding on the record date are entitled to vote at the 2018 Annual Meeting of Stockholders. If you are entitled to vote at the meeting, you will have one vote for each share of common stock you hold with regard to each matter to be voted upon.

The required quorum for the meeting is a majority of the outstanding shares of common stock eligible to be voted on the matters to be considered at the meeting.

Shares of our common stock represented by proxies which are properly executed and returned to us on the accompanying proxy card will be voted at the 2018 Annual Meeting of Stockholders in accordance with the instructions marked on the proxy card. If you do not mark any instructions on the proxy card, your shares represented by the proxy card will be voted for the election of the Board's nominees as Class II Directors, for the approval of Proposal 2, and in favor of Proposal 3. In the election for two Directors (Proposal 1), the nominees for Class II Director receiving the highest number of affirmative votes will be elected. The affirmative vote of a majority of the shares voted in person or by proxy at the 2018 Annual Meeting is required for the adoption of Proposal 2 and Proposal 3.

If a properly signed proxy or ballot indicates that you abstain from voting or that your shares are not to be voted on a particular proposal, your shares will not be counted as having been voted on that proposal, although your shares will be counted as being in attendance at the meeting for purposes of determining the presence of a quorum. Broker non votes (i.e., shares held by brokers or nominees, as to which instructions have not been received from beneficial owners or persons entitled to vote, that the broker or nominee does not have discretionary power to vote on a particular matter) are counted towards a quorum, but are not counted for purposes of the proposals in determining whether a matter has been approved by a majority of the shares represented in person or by proxy and entitled to vote.

Our management does not know of any matters to be presented at the 2018 Annual Meeting of Stockholders other than those set forth in this proxy statement and in the Notice accompanying this proxy statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment.



## Table of Contents

### Revocability of Proxies

If you give a proxy in the form accompanying this proxy statement, you have the right to revoke it at any time before it is voted at the meeting. You may revoke your proxy by:

- filing an instrument of revocation with our Corporate Secretary;
- presenting at or prior to the meeting a duly executed proxy bearing a later date; or
- attending the meeting and electing to vote in person.

### Solicitation

This solicitation is made by our Board of Directors on our behalf. The entire cost of preparing, assembling and mailing the Notice of 2018 Annual Meeting of Stockholders, this proxy statement and the enclosed proxy card, and of soliciting proxies, will be paid by us. Proxies will be solicited principally through the use of mail services, but we may solicit proxies personally or by telephone, electronic mail or special letter by our officers and our regular employees for no additional compensation. We have retained American Stock Transfer & Trust and Broadridge to aid in the solicitation at an estimated cost to us of approximately \$11,400 plus out-of-pocket expenses.

## INFORMATION ABOUT THE BOARD OF DIRECTORS AND THE COMMITTEES OF THE BOARD

### Board of Directors

Our Bylaws authorize us to have seven Directors. At the present time, the Board consists of five Directors who are divided into three classes, one Director in Class I and two Directors in each of Class II and Class III. One class is elected each year for a three year term. Hans Joerg Hunziker, Robert J. Keady and Robert T. Morris are independent Directors, as defined in the NASDAQ listing standards.

Our business, property and affairs are managed under the direction of the Board. Directors are kept informed of our business through discussions with our Chairman and Chief Executive Officer (“CEO”) and our other officers, by

reviewing materials provided to them and by participating in meetings of the Board and its committees. The Board held a total of seven meetings during the fiscal year ended December 31, 2017. Each incumbent Director attended at least 75% of the aggregate of (i) the total number of meetings of the Board, and (ii) the total number of meetings held by all committees of the Board on which that Director served.

#### Communications with the Board

You may communicate with the Board of Directors by sending a letter to: Board of Directors, Willis Lease Finance Corporation, c/o Office of the Corporate Secretary, 773 San Marin Drive, Suite 2215, Novato, California 94998. Our Office of the Corporate Secretary will receive your correspondence and forward it to the Board of Directors or to any individual Director or Directors to whom your communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to us or our business, or is similarly inappropriate. The Office of the Corporate Secretary has the authority to discard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

#### Attendance at the Annual Meeting of Stockholders

Chairman Charles F. Willis, IV, by video conference, and Director Robert T. Morris, in person, attended the 2017 Annual Meeting of Stockholders. Our other Directors did not attend, and we have no policy requiring Board members to attend our annual meeting.

Table of Contents

Committees of the Board

The Board of Directors has an Audit Committee and a Compensation Committee, both currently comprised solely of independent Directors as defined by the NASDAQ listing standards (the “Audit Committee” and the “Compensation Committee”, respectively).

The Board does not have a nominating committee or committee performing the functions of such a committee. The Board has determined that the function of a nominating committee is adequately fulfilled by the independent Directors. As there is no such established committee, the Company has no nominating committee charter. The full Board of Directors participates in the consideration of any Director nominee.

Although we have not formally set any specific minimum qualifications that Director nominees must possess, we look for candidates with appropriate experience in aviation and leasing, a strong professional background, and a general understanding of marketing, finance and other disciplines related to the success of a company in our industry. Also, although not part of any formal policy, our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. Our Directors are generally nominated by our management or other Directors, and each nominee is evaluated based on the above qualifications and in the context of the Board as a whole. While we do not normally engage professional search firms or other third parties in connection with our Board nomination process, we may do so in the future.

As we do not have a history of stockholder nominations of Directors, we do not have a formal policy regarding stockholder nominees to the Board. Under our bylaws, stockholders wishing to nominate a candidate for Director must give notice to our Corporate Secretary no later than the close of business on the 90th day prior to the first anniversary of our preceding year’s annual meeting. If the annual meeting is more than 30 days before or 60 days after such anniversary date, the notice must be delivered no later than the 90th day prior to such annual meeting or the 10th day following the day on which we publicly announce the annual meeting date. The notice should set forth: (i) the name, age, business address and residence address of the nominee; (ii) the principal occupation or employment of the nominee; (iii) the class and number of our shares beneficially owned by the nominee; (iv) a description of all arrangements or understandings between the stockholder and the nominee and any other person(s) pursuant to which the nomination is made by the stockholder; and (v) any other information relating to the nominee that is required to be disclosed in proxy statements for the election of Directors pursuant to Regulation 14A under the Securities Exchange Act of 1934. Nominees proposed by stockholders will be evaluated in the same manner as those proposed by management or existing Directors.

The Audit Committee oversees our accounting function, internal controls and financial reporting process on behalf of the Board. The NASDAQ’s listing rules require that our Audit Committee be composed of at least three independent Directors. The Audit Committee meets with our financial management and our independent registered public accounting firm to review our financial statements and filings, the audit and matters arising from them, and financial reporting procedures, including any significant judgments made in preparation of the financial statements. The Audit

Committee currently consists of the Board's independent Directors: Directors Robert T. Morris (Chair), Hans Joerg Hunziker and Robert J. Keady. All members of the Audit Committee are able to read and understand financial statements. Mr. Morris also qualifies as an audit committee financial expert, as defined by the SEC, and is financially sophisticated as required by the NASDAQ listing standards. The Audit Committee held four meetings during the 2017 fiscal year. The Audit Committee's charter is available on the Company's website ([www.willislease.com](http://www.willislease.com)).

The Compensation Committee reviews and approves our compensation arrangements for executive officers and administers the Company's 2007 Incentive Stock Plan, amended and restated with the approval of the Shareholders at the 2015 Annual Meeting (the "2007 Incentive Stock Plan"). The Compensation Committee currently consists of the Board's independent Directors: Directors Hans Joerg Hunziker (Chair), Robert J. Keady and Robert T. Morris. The Compensation Committee held six meetings during the 2017 fiscal year. For additional details, see "Compensation of Executive Officers — Compensation Discussion and Analysis" elsewhere in this proxy statement. The Compensation Committee's charter is available on the Company's website ([www.willislease.com](http://www.willislease.com)).

The Board of Directors may also establish a committee of independent Directors, as defined by the NASDAQ listing standards, to address specific strategic issues from time to time, including in 2017.

## Table of Contents

### Board Leadership Structure

Our Company is led by its founder, Charles F. Willis, IV, who serves as Chairman of the Board and Chief Executive Officer. This approach is commonly utilized by public companies in the United States and we believe it has been effective for our Company as well. Serving in both these roles since the Company was founded has allowed Mr. Willis to be seen by participants in the aviation industry and by our customers, business partners, investors and other stakeholders as providing strong leadership for our Company and in our industry. The Board believes that his combined role remains the optimal structure for us and our stockholders because it enables decisive leadership, ensures clear accountability and enhances our ability to consistently communicate our message and strategy to all of our stakeholders. Moreover, Mr. Willis possesses detailed and in depth knowledge of the issues, opportunities and challenges facing us and our business and, therefore, is best positioned to develop agendas that focus the Board's time and attention on the most critical matters, while minimizing the potential for confusion or duplication of efforts. We recognize that different board leadership structures may be appropriate for companies in different situations and at different times, and we believe that no one structure is suitable for all companies. While we believe that our current Board leadership structure remains optimal for us, demonstrating to our employees, suppliers, customers and other stakeholders that Willis Lease is under strong leadership, this may change in the future and we may decide having different individuals serve as Chairman and CEO is preferable.

We have not appointed an independent Board chairman or lead independent Director, as we believe that the members of our Board and the two standing Board committees consisting of entirely independent Directors provide an appropriate level of oversight. In this regard, the Audit Committee oversees the accounting and financial reporting processes, as well as risk, legal and compliance matters. The Compensation Committee oversees the compensation of our Chairman and Chief Executive Officer and, upon the recommendation of the CEO, the compensation of the other Named Executive Officers ("NEOs"). Each of these committees is led by a chairperson other than the Chairman and CEO and, as discussed in more detail in this proxy, the entire Board of Directors is actively involved in overseeing our risk management. The entire Board monitors or, as appropriate, the independent Directors monitor matters such as the composition of the Board and its committees, Board performance and "best practices" in corporate governance. Our independent Directors also conduct meetings in executive session. These meetings are typically held in conjunction with Board meetings. In 2017, six Board meetings included an independent Directors' session. This allows Directors to speak candidly on any matters of interest without the Chief Executive Officer or other managers present. We believe this framework strikes a sound balance with appropriate oversight and that appointing an independent Board chairman would not improve the performance of the Board in a material way.

### The Board's Role in Risk Oversight

It is management's responsibility to manage risk and bring to the Board's attention the most material risks to the Company. Our Board, including through the Audit Committee and Compensation Committee, each of which are comprised solely of independent Directors, regularly reviews various areas of significant risk to the Company, and advises and directs management on the scope and implementation of policies, strategic initiatives and other actions designed to mitigate various types of risks. Specific examples of risks primarily overseen by the full Board include competition risks, industry risks, economic risks, interest rate risks, liquidity risks, business operations risks and risks

related to acquisitions and dispositions. Our Audit Committee regularly reviews with management and the independent auditors significant financial risk exposures and the processes management has implemented to monitor, control and report such exposures. Specific examples of risks primarily overseen by the Audit Committee include risks related to the preparation of Willis Lease's financial statements, disclosure controls and procedures, internal controls and procedures required by the Sarbanes Oxley Act of 2002 and the Dodd Frank Wall Street Reform and Consumer Protection Act, accounting, financial and auditing risks, treasury risks (insurance, credit and debt), risks posed by significant litigation matters, data security risks and risks associated with proposed affiliate transactions. Our Audit Committee also oversees compliance with the Company's Standards of Ethical Conduct Policy and other applicable laws and regulations, and any reports received on the Company's whistleblower hotline are submitted to the Chair of the Audit Committee. The Compensation Committee reviews and evaluates risks related to the attraction and retention of talent, risks associated with management succession planning, and risks related to the design of compensation programs established by the Compensation Committee for our executive officers. The Compensation Committee has determined in its reasonable business judgment that our compensation policies and practices for all employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company.

Table of Contents

## Director Compensation

For details regarding Director compensation, see “Compensation Tables — Director Compensation” elsewhere in this proxy statement.

## Biographical Information

	Director Since	Age*
Class I Director Whose Term Expires at the 2020 Annual Meeting: Robert T. Morris	2006	69
Class II Directors Whose Term Expires at the 2018 Annual Meeting (provided they are re-elected at the 2018 Annual Meeting): Austin C. Willis	2008	37
Robert J. Keady	2015	67
Class III Directors Whose Term Expires at the 2019 Annual Meeting: Charles F. Willis, IV	1985	69
Hans Joerg Hunziker	2006	68

---

\*Age as of April 2, 2018.

## Principal Occupations, Background and Qualifications of Director Nominees and Continuing Directors

Class III Directors Whose Term Expires at the 2019 Annual Meeting:

Charles F. Willis, IV

Director Charles F. Willis, IV is the founder of Willis Lease, has served as Chief Executive Officer and a Director since: 1985 since our incorporation in 1985, served as President until July 2011, and has served as Chairman of the CEO and Board of Directors since 1996. Mr. Willis has over 45 years of experience in the aviation industry. From Chairman 1975 to 1985, Mr. Willis served as President of Willis Lease's predecessor, Charles F. Willis Company, of which purchased, financed and sold a variety of large commercial transport aircraft and provided the Board consulting services to the aviation industry. During 1974, Mr. Willis operated a small business not involved in the aviation industry. From 1972 through 1973, Mr. Willis was Assistant Vice President of Sales at Seaboard World Airlines, a freight carrier. From 1965 through 1972, he held various positions at Alaska Airlines, including positions in the flight operations, sales and marketing departments. As our founder and Chief Executive Officer, Mr. Willis brings to the Board significant senior leadership, sales and marketing, industry, technical and global experience, as well as a deep institutional knowledge of the Company, its operations and customer relations.

2018 WLFC Proxy Statement 5

---



Table of Contents

Hans Joerg Hunziker

Director Hans Joerg Hunziker previously served as one of our Directors from November 2000 until July 1, 2003. since: 2006 He was elected a Class II Director at the 2006 Annual Meeting. Since 2002, Mr. Hunziker has been the Independent owner and CEO of AllJets AG (formerly known as HLF Aviation GmbH and Hunziker Lease & Finance), a company he founded in Switzerland that offers independent business consulting services to the aviation industry. From 1998 to 2002, he was the President and Chief Executive Officer of Flightlease AG Ltd., a public company involved in aircraft leasing as a subsidiary of SAirGroup whose headquarters are in Zurich, Switzerland. From 1998 to 2001, he was also co-CEO of GATX Flightlease Management GmbH, an asset management and commercial aircraft leasing company. From 1996 to 1998, he was the Chief Financial Officer of SAirServices Ltd., a group of companies including aircraft maintenance and overhaul, ground handling services, information technology and real estate, and Managing Director of SAirServices Invest Ltd. From 1991 to 1996, he was Chief Financial Officer of Swissair Associated Companies Ltd., a group of 150 companies, primarily in the hotel, catering (Gate Gourmet) and trading business. Mr. Hunziker holds a master's degree in Economics and Business Administration from the University of Zurich. He also received the equivalent of a doctoral degree from the University of Zurich, after successful completion of his thesis on Strategic Planning in the Airline Industry. In addition to previously serving as a Director of Willis Lease, he was Chairman of the Board of Flightlease Holdings (Guernsey) Limited (and a director of several of its subsidiaries in Guernsey and Bermuda), as well as Chairman of the Board of Flightlease (Netherlands) B.V., SRTechnics Group AG, SRTechnics Switzerland AG, Swisscargo AG and SAirServices Invest AG. He was a member of the Board of Directors of Jetbird AG from 2006-2009, and was also previously a member of the Board of Directors of each of FlightTechnics LLC, Delaware, Swissport Brazil Ltd., Polygon Insurance Company Ltd. and Gotland Shipping AG. Mr. Hunziker brings to the Board a high level of financial sophistication, broad international exposure and significant experience in commercial aviation and the aviation equipment leasing industry.

Class II Directors Whose Term Expires at the 2021 Annual Meeting (provided they are re-elected at the 2018 Annual Meeting):

Robert J. Keady

Director Robert J. Keady was elected to the Board in February 2015 and re-elected at the 2015 Annual Meeting. since: 2015 Mr. Keady founded and currently serves as the President of Eastern Aviation Consulting Group, LLC, a Independent company that provides consulting services for several aerospace and aviation firms. Prior to Eastern Aviation Consulting Group, LLC, Mr. Keady spent 33 years at Pratt & Whitney Commercial Engines, where he served as Vice President, Business Development & Marketing, as well as in numerous other senior management positions. Eastern Aviation Consulting Group's client list has included major aviation manufacturers as well as a diverse client base of maintenance, repair and operations companies and services providers. Mr. Keady received his BA in Sociology from the University of Notre Dame and a Master of Science in Management from Purdue University. Mr. Keady brings to the Board an in-depth understanding of and experience in the engine, airline, lessor and MRO industries.

6 2018 WLFC Proxy Statement

---

Table of Contents

Austin C. Willis

Director since: Austin C. Willis was elected to the Board in December 2008. Mr. Willis was the founder of J.T. Power LLC, a privately held company engaged in the business of selling commercial jet turbine engine parts and leasing commercial aircraft. He served as J.T. Power's President from its founding in 2004 until 2012, when day-to-day management as President of J.T. Power was transitioned to another individual, with Mr. Willis continuing as Chief Executive Officer. This transition was implemented to facilitate Mr. Willis' enlistment in the U.S. armed forces in 2012, which enlistment the Board fully supported. In addition to his duties with J.T. Power and the U.S. armed forces, Mr. Willis has invested in commercial real estate in south Florida since 2013. Since 2006 Mr. Willis also owned and served as Chief Executive Officer of Aviation Management LLC, an aviation consulting firm, which Mr. Willis sold in 2014. From February 2016 until his deployment by the Special Forces of the U.S. Army in July 2016, Mr. Willis served as the Company's Senior Vice President of Corporate Development, a position he resumed upon his return in April 2017. Mr. Willis holds a bachelor's degree from the London School of Economics and Political Science where he studied finance and industrial relations. He is the son of Charles F. Willis, IV. Mr. Willis brings to the Board familiarity with the aviation industry generally, with a focus on the after market disposition of the aircraft engines and parts that comprise the Company's engine portfolio.

Class I Director Whose Term Expires at the 2020 Annual Meeting:

Robert T Morris

Director since: 2006 Robert T. Morris was elected to the Board in October, 2006. He is currently President of Robert Morris & Company, a company he founded in 1992. Mr. Morris joined Union Bank of California Independent Leasing in 2004 to establish an innovative equipment leasing group, and served as its President through March 2007. Prior to joining Union Bank of California Leasing, he was a consultant to more than 25 commercial banks for their equipment leasing operations over a 12 year period. He has also worked for Bank of San Francisco, Bank of Montreal and GATX Leasing Corporation. Mr. Morris holds a master's degree from the American Graduate School of International Management and a Bachelor of Arts Degree from the University of Denver with majors in Economics, Political Science and History. Mr. Morris brings to the Board considerable expertise in the aviation equipment leasing industry, with a focus on finance and risk evaluation.

PROPOSAL 1: ELECTION OF TWO CLASS II DIRECTORS

Our Board is divided into three classes, each class having a three-year term that expires in successive years. At the 2018 Annual Meeting of Stockholders, two Directors will be elected in Class II, to serve a three-year term expiring at the 2021 Annual Meeting of Stockholders or until succeeded by another qualified Director who has been duly elected.

The nominees for Director in Class II are Robert J. Keady and Austin C. Willis.

The proxy holders intend to vote all proxies received by them for the foregoing nominees, unless instructions to the contrary are marked on the proxy. In the event that any nominee is unable or declines to serve as a Director at the time of the 2018 Annual Meeting of Stockholders, the proxies will be voted for any nominee who shall be designated by the present Board to fill the vacancy. As of the date of this proxy statement, the Board is not aware of any nominee who is unable or will decline to serve as a Director.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION OF THE NOMINEES AS CLASS II DIRECTORS.**

Table of Contents

EXECUTIVE OFFICERS OF THE COMPANY

Our current executive officers and their respective ages as of April 2, 2018 were as listed below.

Name	Age	Positions and Offices
Charles F. Willis, IV*	69	Chief Executive Officer
Brian R. Hole	40	President
Scott B. Flaherty	52	Senior Vice President and Chief Financial Officer
Dean M. Poulakidas	49	Senior Vice President, General Counsel and Corporate Secretary
Austin C. Willis*	37	Senior Vice President, Corporate Development

---

\*See business experience background under “Principal Occupations, Background and Qualifications of Director Nominees and Continuing Directors.”

Brian R. Hole

President Brian R. Hole joined Willis Lease in August 2014 and was promoted to President on April 1, 2016. Prior to his appointment as President, he served as Senior Vice President & Chief Investment Officer. Formerly, Mr. Hole was Owner and President of Aviation Opportunity Management LLC, where he advised bank, private equity and alternative investment funds regarding investment in large commercial aircraft and engines. Prior to starting his own business, from 2008 to 2012, Mr. Hole served as an attorney for United Technologies Corporation, Pratt & Whitney Division, where he worked with the Commercial Engines Group in assisting with the next generation product family of engines, and specifically, on the partnership for the PW1100G engine on the Airbus A320neo family of aircraft and at IAE International Aero Engines, where he structured and negotiated engine sales and aftermarket programs as well as spare engine and aircraft financings. Mr. Hole earned his undergraduate degree from Georgetown University and a law degree, with high honors, from the University of Connecticut School of Law.

Scott B. Flaherty

Senior Vice President, Chief Financial Officer. Prior to joining Willis Lease, Mr. Flaherty was Senior Vice President of Finance and Chief Financial Officer at Colt Defense LLC from 2009 until April of 2016. Colt Defense LLC emerged from a Chapter 11 reorganization in January of 2016. Prior to Colt Defense LLC, Mr. Flaherty was a Managing Director at Banc of America Securities LLC where he ran the origination effort, within the equity capital markets group, for various industries. Mr. Flaherty also was an investment banker at Credit Suisse First Boston. He worked as an engineer at the Pratt and Whitney division of the United Technologies Corporation for eight years. Mr. Flaherty earned his undergraduate degree from Worcester Polytechnic Institute and an MBA from the Leonard N. Stern School of Business at New York University.

Dean M. Poulakidas

Senior Vice President, General Counsel and Corporate Secretary  
Dean M. Poulakidas joined Willis Lease in September 2011 and currently serves as our Senior Vice President, General Counsel and Corporate Secretary. Prior to his appointment as General Counsel, he served as Senior Counsel until March 31, 2013. Formerly, Mr. Poulakidas was Vice President and Corporate Counsel with International Lease Finance Corporation (ILFC), where he managed a wide variety of aviation transactions working with airlines, manufacturers, purchasers, financiers, service providers and aviation authorities in many jurisdictions. Prior to ILFC, he was a corporate attorney at Pillsbury Madison & Sutro, where his transactional experience included international and domestic joint ventures, mergers and acquisitions. Mr. Poulakidas earned his undergraduate degree from the University of California at Los Angeles, his masters degree from Columbia University and his law degree from the University of California's Hastings College of the Law.

8 2018 WLFC Proxy Statement

---

Table of ContentsSECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of April 2, 2018 by: (i) each person who is known to us to own beneficially more than five percent of the outstanding shares of our common stock; (ii) each Director; (iii) each officer listed in the Summary Compensation Table; and (iv) all Directors and Executive Officers as a group. Unless specified below, the mailing address for each individual, officer or Director is c/o Willis Lease Finance Corporation, 773 San Marin Drive, Suite 2215, Novato, CA 94998. As of April 2, 2018, we had 6,355,447 shares of common stock, \$0.01 par value, issued and outstanding.

Name and Address of Beneficial Owner	Common stock(1)			
	Number of Shares		Percentage of Class	
Charles F. Willis, IV	2,967,875	(2)	46.70	%
Austin C. Willis	119,881	(3)	1.89	%
Dean M. Poulakidas	57,701		*	
Scott B. Flaherty	53,000		*	
Brian R. Hole	52,550		*	
Robert J. Keady	20,861		*	
Hans Joerg Hunziker	17,796		*	
Robert T. Morris	8,020		*	
All Directors and Executive Officers as a group (8 persons)	3,297,684		51.89	%
Dimensional Fund Advisors Inc.	545,148	(4)	8.58	%
Renaissance Technologies LLC	476,500	(5)	7.50	%

\* Less than one percent of our outstanding common stock.

- (1) Except as indicated in the footnotes to this table, the stockholders named in the table are known to us to have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. With respect to restricted stock, individuals have voting power but not investment power before such restricted stock vests. Of the shares listed above for Messrs. Charles Willis, Austin Willis, Poulakidas, Flaherty, Hole, Keady, Hunziker and Morris, 251,999 shares, 20,500 shares, 26,500 shares, 43,166 shares, 41,000 shares, 4,551 shares, 3,301 shares, and 3,301 shares, respectively, are unvested shares of restricted stock over which the respective stockholder has voting power but not investment power.
- (2) Includes 2,134,148 shares held by CFW Partners, L.P., a California limited partnership, of which Charles F. Willis, IV, holds a one percent (1%) interest as sole general partner and an eighty percent (80%) interest as a limited partner. A trust for the benefit of Austin C. Willis holds the remaining nineteen percent (19%) interest as a limited partner. Also includes (i) 3,484 shares held under an account in the name of Charlotte Montresor Willis; (ii) 584 shares held under an account in the name of Wylder Grace Willis 2016 Trust; and, (iii) 720,470 shares held by Mr. Charles Willis in his individual capacity. Mr. Austin Willis also had shared voting power over 109,189 shares and shared dispositive power over 88,689 Shares. (Pursuant to the Military Durable Power of

Attorney dated August 24, 2012 and further discussed in Item 6 of the amendment to the 13D filed on August 28, 2013, Mr. Charles Willis has shared voting power and shared dispositive power with regard to the Shares held by Mr. Austin Willis and the 19% limited partnership interest in CFW Partners held by Mr. Austin Willis.)

- (3) Includes (i) 50,000 shares pledged and (ii) 10,692 shares held under an account in the name of Charles F. Willis V 2016 Trust.
- (4) Based on Schedule 13G filed by Dimensional Fund Advisors LP with the Securities and Exchange Commission on February 9, 2018. According to its Schedule 13G/A, Dimensional Fund Advisors LP reported having sole voting power over 540,501 shares and sole dispositive power over 545,148 shares and is the beneficial owner of 545,148 shares as a result of its serving as investment advisor, sub-adviser and/or manager to four investment



Table of Contents

companies registered under the Investment Company Act of 1940. Dimensional Fund Advisors LP's mailing address is Building One, 6300 Bee Cave Rd., Austin, TX 78746.

(5) Based on Schedule 13G filed by Renaissance Technologies LLC with the Securities and Exchange Commission on February 13, 2018. According to its Schedule 13G, Renaissance Technologies LLC ("RTC") reported having sole voting power over 457,121 shares, sole dispositive power over 461,307 shares, and shared dispositive power over 15,193 shares and Renaissance Technologies Holding Corporation, as majority owner of RTC, has beneficial ownership of 476,500 shares beneficially owned by RTC. Renaissance Technologies LLC's mailing address is 800 Third Avenue, New York, NY 10022.

SECTION 16(a) BENEFICIAL OWNERSHIP  
REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our Directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Directors, executive officers and holders of more than ten percent of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely upon review of the copies of such reports furnished to us and written representations from our officers and Directors for the fiscal year ended December 31, 2017, we believe that during the fiscal year ended December 31, 2017 and through April 15, 2018, our Directors, executive officers and holders of more than ten percent of our common stock complied with all applicable Section 16(a) filing requirements.

COMPENSATION OF EXECUTIVE OFFICERS – COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the material elements of our compensation program for NEOs. The Compensation Committee oversees the design and administration of our executive compensation programs. The Compensation Committee is currently comprised of three independent Directors: Hans Joerg Hunziker (Chair), Robert J. Keady and Robert T. Morris. The Compensation Committee meets formally at least twice per year, and more often if needed. In 2017, the Compensation Committee met formally six times. Each meeting agenda includes an executive session with no member of management present. The Compensation Committee's charter is available on the Company's website ([www.willislease.com](http://www.willislease.com)).

2017 Performance Overview

In 2017, the Company again saw record revenues driven by solid revenue growth in the core leasing business and a significant increase in spare parts and equipment sales. Highlights of our 2017 financial and operational performance include:

- Pre-tax earnings increased 50.4% to \$36 million in 2017 from \$23.9 million in 2016.
- Average utilization for the year was 90%, in line with 2016 performance.
- Total revenue grew 32.6% to \$274.8 million in 2017, from \$207.3 million in 2016.
- Lease rent and maintenance reserve revenues grew 8.7% and 40.5% respectively in 2017, totaling \$210.6 million. The \$23.1 million increase in maintenance reserve revenues for 2017 was partially offset by a \$15.4 million increase in non-cash write-down of equipment expense.
- The equipment portfolio grew 18.1% in 2017 to \$1.343 billion, from \$1.137 billion a year ago, net of assets sales and depreciation expense.
- Spare parts and equipment sales grew 189% on a year over year basis.

10 2018 WLFC Proxy Statement

---

## Table of Contents

- The Company purchased \$345 million of equipment in 2017, compared to \$149 million in 2016.
- Net income attributable to common shareholders grew 338% to \$60.3 million for the year or to \$9.69 of diluted weighted average earnings per common share.
- Tangible book value per diluted weighted average common shares outstanding increased 42.4% to \$41.63 at December 31, 2017, compared to \$29.23 a year ago.
- The Company maintained \$399 million of undrawn revolver capacity as of December 31, 2017.
- The book value of leased assets, either owned directly or through our joint ventures, was \$1.6 billion at the end of 2017.
  
- Under the Company's five-year repurchase plan, a total of 155,312 shares of common stock were repurchased in 2017 for \$3.5 million.
  
- The Company issued 1,500,000 shares of 6.5% Series A-2 Preferred Stock, \$0.01 par value per share and at a purchase price of \$20.00 per share, in September 2017.
  
- The Company closed a \$336 million asset-backed securitization, Willis Engine Structured Trust III (West III) on August 4, 2017. The Notes are secured by a portfolio of 56 engines.

We feel each of the above items contributed to our superior return to our shareholders, with an 11.8% annualized return over the prior five year period (ending December 29, 2017).

## Results from Our Stockholder Advisory Vote

The Compensation Committee carefully considers feedback from the Company's stockholders regarding the Company's executive compensation program, including the results of the stockholders' advisory vote on executive compensation at the 2017 Annual Meeting which was approved by more than 65% of the votes cast. In accordance with the preference which received the most votes cast at the 2017 Annual Meeting among the alternatives regarding the frequency of future advisory votes on executive compensation, the Board decided that until at least the next advisory vote on the frequency of future advisory votes on executive compensation, such advisory votes would be submitted to stockholders every three years. The 2020 Annual Meeting provides stockholders with their next advisory vote on executive compensation. Stockholders are invited to express their views to the Board regarding executive compensation as well as other matters as described in this proxy statement under the heading "Communications with the Board".

## Compensation Philosophy and Objectives

The objectives of our compensation programs are to attract and retain high performing executives, to provide a substantial link between the Company's performance and executive pay, and to provide stockholders with a superior rate of return. It is the Compensation Committee's philosophy to link the NEOs' compensation to corporate performance. The individual elements of compensation are addressed differently. Base salaries should be sufficiently competitive to attract and retain highly capable executives; annual cash incentives are intended to reward meeting or exceeding budgeted earnings and other established goals each year; and long term incentives, now primarily in the form of grants of restricted stock, are intended to align executive and stockholder interest, reward long term growth of revenues and earnings, and provide an incentive for key executives to stay with the organization over the long term.

The charts below show that a significant portion of our CEO's and approximately half of our other NEOs' target total direct compensation (current salary, target annual cash incentives, and the three-year average long term equity award values) is variable, "at risk" or focused on long term results ("at risk" actual compensation as a percentage of total actual direct compensation is higher due to above target annual incentive payments made in 2017). "At risk" pay is tied to the

Table of Contents

achievement of corporate and individual performance or share price performance. The chart below reflects the average grant date fair value of awards issued to executives in 2015, 2016, and 2017.

Compensation Committee Process for Establishing Pay

The Compensation Committee retains compensation consultants from time to time to evaluate executive compensation levels and advise on specific programs. Those compensation consultants report directly to the Compensation Committee. During 2017, the Compensation Committee retained Pearl Meyer to advise on various compensation issues. Pearl Meyer has provided the Compensation Committee information regarding its independence as an advisor, including the fact that it has no other contract or business relationship with Willis Lease, and the Compensation Committee took that information into account in concluding that there was no conflict of interest within the meaning of Rule 10C-1 under the Securities Exchange Act of 1934 affecting Pearl Meyer's independence.

The base salary, annual incentive compensation and long term incentive compensation of the NEOs are determined in part by the Compensation Committee reviewing data on prevailing compensation practices of comparable companies with whom we compete for executive talent and evaluating such information in connection with our corporate goals and compensation practices. The Compensation Committee considers various sources of data when determining executive compensation levels, including compensation data from a sampling of public companies and public compensation surveys.

However, it is difficult to determine a precise peer group of publicly held companies because the vast majority of the Company's direct competitors are business units within much larger corporations, such as General Electric, United Technologies and Bank of Tokyo Mitsubishi, such that the heads of the leasing divisions do not appear in proxy statements as NEOs. Other direct competitors are internationally based, where compensation programs are not comparable due to the fact that components of compensation are often driven by the cultural norms and local tax implications. In 2015, the Compensation Committee, with the assistance of Pearl Meyer, reviewed the approach to identify companies for compensation comparison ("2015 Comparator Companies") to supplement the Committee's understanding of compensation policies and practices of aviation leasing and finance competitors. In selecting the public companies for inclusion as 2015 Comparator Companies, the following factors were considered: a more analogous range of annual revenues (\$30 million to \$600 million), business operation (leasing, distribution or support services), and location. In 2016, Pearl Meyer evaluated our group of 2015 Comparator Companies and recommended no changes to the comparator group (the "2016 Comparator Companies"). The approved 2016 Comparator Companies include:

AeroVironment, Inc.

LMI Aerospace Inc.

On Deck Capital, Inc.

Air Transport Services Group, Inc. Marlin Business Services Corp.

P.A.M. Transportation Services, Inc.

Edgar Filing: WILLIS LEASE FINANCE CORP - Form DEF 14A

CAI International Inc.	McGrath Rentcorp	Patriot Transportation Holding, Inc.
Consumer Portfolio Services, Inc.	Medallion Financial Corp.	Regional Management Corp.
Electro Rent Corporation	Mobile Mini, Inc.	SIFCO Industries Inc.
Erickson Incorporated	Neff Corp.	Spartan Motors Inc.
General Finance Corporation	NewStar Financial, Inc.	
KVH Industries Inc.	Nuverra Environmental Solutions, Inc.	

12 2018 WLFC Proxy Statement

---

## Table of Contents

Subsequent to the Compensation Committee's approval of the 2016 Comparator Companies, Electro Rent Corporation was taken private and Erickson Incorporated has filed for bankruptcy protection and will no longer be included as comparator companies.

In 2017, Pearl Meyer evaluated the 2016 Comparator Companies with the following factors considered: a more analogous range of annual revenues (\$70 million to \$840 million), business operation (leasing, distribution, or support services), and location. Pearl Meyer recommended the inclusion of Aircastle LTD., VSE Corp., and Civeo and the elimination of Medallion Financial Corp. LMI Aerospace, Inc. was excluded as it was acquired, and Nuverra Environmental Solutions, Inc. was excluded as it filed for bankruptcy protection.

Our general guideline is to provide a total compensation opportunity that is reasonable. The Compensation Committee does not seek to specifically benchmark compensation based upon the sample companies reviewed nor does the Compensation Committee employ any other formulaic process in making compensation decisions. Rather the Compensation Committee uses its subjective judgment based upon a review of all information, including an annual review for each officer of his or her level of responsibility, contributions to our financial results and our overall performance. The Compensation Committee makes a generalized assessment of these factors and this information is not weighted in any specific manner. Actual compensation packages may vary based on the Compensation Committee's and Mr. Charles Willis' subjective evaluation of each executive's performance and potential, as well as the Company's overall financial position and performance.

## Governance of Compensation Programs

Our Chief Executive Officer, in conjunction with our human resources department, develops recommended annual salaries, incentive targets and long term incentive compensation for the NEOs. After reviewing the survey and peer group information described above under "Compensation Philosophy and Objectives" and the market information provided by the Compensation Committee's outside consultant, the Compensation Committee determines in its subjective judgment the annual salaries, incentive targets and long term incentive compensation for the NEOs.

## Elements of Compensation

Each element of compensation has a different purpose, although in combination they are intended to make sure that Willis Lease has a competitive compensation package that attracts top talent and provides incentives that encourage a high level of short and long term performance for the benefit of stockholders. The Compensation Committee looks at these elements both individually (to ensure that each element is achieving its objective) and collectively (to ensure that the total compensation package is competitive). Components of the total executive compensation package, the details of which are discussed below, generally include (i) base salary, (ii) annual cash incentive compensation, (iii) long term incentive compensation in the form of restricted stock and target performance shares, (iv) participation in the

Company's employee stock purchase plan and other employee benefit plans and programs, and (v) in some cases, severance payments to be made upon an employment termination or change of control of the Company.

The Compensation Committee's subjective determinations for 2017 compensation took special note of NEOs' contribution to the transactions and other strategic initiatives set forth in the "2017 Performance Overview" above.

**Base Salary:** Each officer's base salary is set on the basis of the Compensation Committee's assessment of salary levels in effect for comparable positions in the labor market, the officer's personal performance, and considerations of any special internal responsibilities. Specifically, as the Company is different in some respects from the other industrial and financial companies in the survey samples, and as to some degree responsibilities of the Company's executive officers differ from those in typical companies, the Compensation Committee gives some consideration to internal responsibilities when determining salaries. The weight given to these various factors may vary from individual to individual.

Base salaries are reviewed annually each year after updated peer company salary information becomes available, and adjustments are made in accordance with the factors described above. Base salary increases depend in part on market competitiveness, time in position, individual performance and growth during the year, and expected future performance. In 2017, the Compensation Committee approved an increase of 5.27%, 3.5% and 6.4% to each of Mr. Charles Willis', Mr. Poulakidas' and Mr. Flaherty's base salary, respectively. In addition, the Compensation Committee approved an increase of 9.2% to Mr. Hole's salary as part of his performance as President of the Company. There were no increases in base salaries for the other executive officers in 2017.



Table of Contents

Annual Incentive Compensation: Target cash incentive percentages for the NEOs started with the target incentive percentage relative to salary set forth in their respective employment agreements, which percentages were determined in part by compensation negotiations at hire and by evaluating target incentive levels in the prevailing market. (See “Compensation Philosophy and Objectives”.) The employment agreement for Messrs. Charles Willis, Hole, Flaherty, Poulakidas and Austin Willis provide for target incentive percentages of 100%, 85%, 50%, 50% and 30%, respectively.

The Company established a Company-wide incentive plan for 2017. The 2017 cash incentive pool was determined based on the Company’s lease portfolio utilization rate, weighted 20% and pre-tax income (defined as profits reported by the Company and referenced in its income statements as “income before income taxes”), weighted 80%. Once the incentive pool was determined, it was to be allocated to individuals 70% based on the Company achieving its targets and 30% based on an assessment of individual contributions. The budgeted 2017 bonus assumed a utilization rate of 85.2% and pre-tax income of \$23.0 million. No cash incentives would have been paid under the plan if the Company did not achieve a full-year (i) lease portfolio utilization rate of at least 82.7%, and (ii) pre-tax income of at least \$16.110 million; and also did not achieve a mid-year (i) lease portfolio utilization rate of at least 85.2%, and (ii) pre-tax income of at least \$12.083 million. Mid-year incentives equal to 30% of target incentives were payable if average lease portfolio utilization and pre-tax income goals at mid-year were met, with such mid-year incentives reducing dollar for dollar the incentive to be paid after the end of the year. With an average 90% lease portfolio utilization rate and \$36.01 million pre-tax income, the 2017 cash incentive pool was funded at 177.8% of target incentives.

Because of the performance of the Company as reflected above, the Compensation Committee approved incentives for the 2017 year with 70% of the potential incentive based objectively on the lease portfolio utilization rate and pre-tax income achievement as set forth above. The other 30% of the potential incentive (based on the incentive pool established by the lease portfolio utilization rate and pre-tax income achievement) with respect to each individual was determined by the Committee based on the Committee’s subjective judgment after receiving input regarding executive performance and recommendations from the Chief Executive Officer with respect to executives other than the Chief Executive Officer and other reports from management about each such individual’s contribution to the Company’s performance during 2017. The Compensation Committee considered numerous quantitative and qualitative factors for this portion of the incentives in a subjective manner, including:

The amounts earned by the NEOs under the Company’s 2017 incentive plan are set forth under the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table.

Long term Incentive Compensation: To reward executives for the long term growth in the value of the Company’s shares, the Compensation Committee also makes long term incentive grants annually. Grants of restricted stock awarded to officers, including all NEOs, are based primarily on competitive grant practices as determined by the Compensation Committee. Also, as explained above, each element of compensation is determined separately and

therefore other forms of compensation paid to the NEOs do not directly influence the amount of long term incentive compensation that the Company awards.

The 2007 Incentive Stock Plan provides (and the 2018 Incentive Stock Plan that stockholders are being asked to approve would provide) the flexibility to grant a variety of types of equity awards to provide long term incentives to employees. The Compensation Committee's primary types of long term incentive grants are restricted stock and performance shares. The Compensation Committee, after consulting with its compensation consultants, has determined that restricted stock and performance shares are the best vehicles for long term executive incentives, instead of the stock options previously granted. In the Compensation Committee's judgment, restricted stock reduces the dilution of stockholders'

14 2018 WLFC Proxy Statement

---

Table of Contents

interest by providing similar value with an estimate of only 1/3 of the number of shares as would be involved in an option grant. The introduction of the requirement to expense option awards for financial statement reporting purposes also makes restricted stock more attractive in both an absolute dollar sense and simplicity in calculating the accounting expense of the grants. The Compensation Committee also believes that restricted stock has a stronger retention value than do options, which can expire without providing any incentive benefit. The current expectation is that restricted stock awards will be the primary form of long term incentives for our executives.

## 2017 Awards

Beginning in 2016, the Compensation Committee established an equity award grant structure which awards a combination of time-based vesting restricted stock and target performance shares. Each NEO was eligible to receive a range of performance shares based on achievement of a minimum, target or maximum pre-tax return on equity or growth in share price over the one-year period ending December 31, 2016. For the CEO, if the Company's stock price achieves a 5%, 10% or 15% growth over a base price of \$17.60 per share, the CEO would receive 50%, 100% or 200% of his target number of performance shares. Our year ending stock price was \$25.58, which reflects a 45% increase over the base price. For the other NEOs, if the Company's pre-tax return on equity (income before taxes divided by prior year-end equity) for fiscal year 2016 achieved 8%, 9% or 10%, each NEO would receive 50%, 100% or 200% of their target number of performance shares. Our fiscal year 2016 pre-tax return on equity was 11.4%, which reflects a 94% increase over fiscal year 2015 pre-tax return on equity. Once earned, performance shares are subject to additional vesting over a three year period. As a result of the Company's performance on the two measures, the Compensation Committee approved granting the maximum number of performance shares, with such grant occurring on March 17, 2017, as follows:

Executive	Restricted Stock	Target Performance Shares	Earned Performance Shares	Total Restricted Shares Granted on March 17, 2017
Charles F. Willis, IV	54,000	22,000	44,000	98,000
Brian R. Hole	7,500	7,500	15,000	22,500
Scott B. Flaherty	5,000	5,000	10,000	15,000
Dean M. Poulakidas	5,000	5,000	10,000	15,000
Anthony R. Spaulding	3,000	3,000	6,000	9,000

Pursuant to Mr. Flaherty's employment agreement with the Company, he received 10,000 restricted shares of the Company's common stock on March 30, 2018, which was contingent upon the Company achieving its adjusted budget during the 2017 fiscal year. One-third of these shares will vest on each anniversary of the grant date through the third anniversary, provided that Mr. Flaherty is employed by the Company on each such anniversary date.

## 2018 Awards

As with the prior year's equity awards, for 2017, the Compensation Committee established an equity award grant structure which awards a combination of time-based vesting restricted stock and target performance shares. Each NEO was eligible to receive a range of performance shares based on achievement of a minimum, target or maximum goals. The Committee also determined to increase for 2017 the proportion of equity that was tied to performance-based awards for the CEO from 29% to 33%. For the awards to be issued in early 2018, the Committee determined that the performance shares for the NEOs other than the CEO would be based on pre-tax return on average assets (income before taxes, as adjusted for non-budgeted and unusual items, divided by average adjusted assets over the period) for the one year period ending December 31, 2017. The Committee contemplated the effectiveness of various performance measures including the prior pre-tax return on equity measure and levered and unlevered return on assets measures and believes that the use of pre-tax return on average assets provides a more comprehensive assessment of the Company's performance given the current capital structure and management's ability to influence results. For these NEOs, if the Company's pre-tax return on average assets for fiscal year 2017 achieved 2%, 2.5% or 3%, each NEO would receive 50%, 100% or 200% of their target number of performance shares. Our fiscal year 2017 pre-tax return on average assets was 3.4%. Consistent with the prior award for the CEO, if the Company's stock price achieves a 5%, 10% or 15% annual growth over a base price set as of December 31, 2016 of \$17.60 per share, the CEO would receive 50%, 100% or 200% of his target number of performance shares. Our year ending stock price was \$25.58, which reflects a 45% increase over the base price.

Once earned, performance shares are subject to additional vesting over a three year period. As a result of the Company's performance on the two measures, the Compensation Committee approved granting of the maximum number of

Table of Contents

performance shares which occurred April 1, 2018, and will be disclosed in our 2019 proxy statement under the Grants of Plan-Based Awards and the Summary Compensation Table:

Executive	Restricted Stock	Target Performance Shares	Earned Performance Shares	Total Restricted Shares Granted on April 1, 2018
Charles F. Willis, IV	60,000	30,000	60,000	120,000
Brian R. Hole	8,000	8,000	16,000	24,000
Scott B. Flaherty	5,500	5,500	11,000	16,500
Dean M. Poulakidas	5,500	5,500	11,000	16,500
Austin C. Willis	5,500	5,500	11,000	16,500

Employee Stock Purchase Plan: With the exception of the CEO, whose ownership level precludes his participation under IRS regulations, our NEOs, as well as all other eligible employees, may purchase Company shares at a discount under our Employee Stock Purchase Plan (as amended, the “ESPP”).

Under the ESPP, 325,000 shares of common stock were reserved for issuance, of which 66,916 remain available to be issued to employees. Participants may purchase no more than 1,000 shares or \$25,000 of common stock in any one calendar year. Each January 31 and July 31, shares of common stock are purchased with the employees’ payroll deductions from the immediately preceding six months at a price per share of 85% of the lesser of the market price of the common stock on the purchase date or the market price of the common stock on the date of entry into an offering period.

Perquisites and Other Personal Benefits: The Company provides its NEOs with limited perquisites and other personal benefits in addition to those provided to other employees, including additional life insurance, financial tax planning, personal use of company cars, club memberships, travel expenses, and spousal travel under limited circumstances. The Company also provided our CEO with relocation assistance in connection with his moves to the United Kingdom and Florida. The costs to the Company of the perquisites and personal benefits for the NEOs for the fiscal year ended December 31, 2017 are included in the “2017 Summary Compensation Table” in this proxy statement.

#### Executive Stock Ownership

The Company promotes share ownership by its executives, and encourages them to acquire shares through the ESPP (in which all eligible executives may participate) and long term stock incentives in the form of restricted stock. The Compensation Committee has approved stock ownership guidelines that cover NEOs and Directors. Pursuant to the guidelines, the Company’s NEOs and Directors are required to maintain the following levels of equity in the Company: Chief Executive Officer, five times base salary; President, three times base salary; other NEOs, two times base salary; and Directors, three times the amount of their annual cash retainer. For purposes of determining an individual’s

ownership level, shares held directly or indirectly with a pecuniary interest, vested restricted stock and unvested time-based restricted stock are included in the calculation while unexercised options and unvested performance-contingent restricted stock are not. The covered individuals generally have five years to achieve the required ownership level.

#### Employment Agreements and Severance Payments

Employment agreements have been entered into with Messrs. Charles Willis, Hole, Flaherty, Poulakidas and Austin Willis. In addition to providing for severance as described below, such agreements provide for base salary (subject to increase but not decrease unless part of a salary reduction program affecting all senior executive officers), bonus compensation (as described in the “Annual Incentive Compensation” section of the “Elements of Compensation” portion of the Compensation Discussion and Analysis) and certain benefits. As described in detail below, the employment contracts specify certain severance benefits to be paid in the event of an involuntary termination. Consistent with our compensation philosophy, the Compensation Committee believes that the interests of stockholders are best served if the interests of senior management are aligned with those of the stockholders. To this end, we provide enhanced change of control severance benefits to certain of our executive officers to reduce any reluctance of the executive officers to pursue or support potential change in control transactions that would be beneficial to our stockholders. The agreement to pay such severance resulted from negotiations of employment terms with our NEOs. For further details, please refer to the section “Termination and Change in Control Payments” elsewhere in this proxy statement. The employment agreements also provide a nondisclosure and non-solicitation of employees covenant for three years after termination of employment. None of the NEOs are eligible for a tax gross-up of any parachute excise tax in the event of a change in control.

Table of Contents

Impact of Accounting and Tax Treatments of a Particular Form of Compensation

The accounting and tax treatment of the elements of our compensation program is one factor considered in the design of the compensation program. Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a \$1 million limit on the amount that the Company may deduct for compensation paid to certain executive officers. Previously, this limitation did not apply to compensation that met the requirements under Section 162(m) for qualified performance-based compensation. This exemption from Section 162(m)'s deduction limit for certain performance-based compensation has generally been repealed, effective for years beginning after December 31, 2017 and the group of covered executive officers has been expanded to include the chief financial officer and certain former executive officers. Therefore, compensation (including performance-based compensation) paid to covered executive officers in excess of \$1 million in calendar year 2018 and subsequent calendar years generally will not be deductible unless it qualifies for transition relief applicable to certain written binding contracts in effect on November 2, 2017 that are not modified in any material respect on or after such date. Since the scope of the transition relief is uncertain at this time, the impact of the elimination of the performance-based compensation exemption from Section 162(m) with respect to performance awards and arrangements outstanding on November 2, 2017 is not yet known.

The Compensation Committee believes that it is important to preserve flexibility in administering compensation programs in a manner designed to promote varying corporate goals.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors has submitted the following report for inclusion in this proxy statement:

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on our review of and the discussions with management with respect to the Compensation Discussion and Analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

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

COMPENSATION COMMITTEE

Hans Joerg Hunziker, Committee Chair  
Robert J. Keady

Robert T. Morris

COMPENSATION COMMITTEE INTERLOCKS  
AND INSIDER PARTICIPATION

The Compensation Committee consists of the following three independent Directors: Hans Joerg Hunziker (Chair), Robert J. Keady and Robert T. Morris. None of our executive officers currently serve on our Compensation Committee. None of our executive officers is, or was during 2017, serving as a Director of or member of the compensation committee of another entity, one of whose executive officers serves, or served, on our Compensation Committee or our Board.

2018 WLFC Proxy Statement 17

---



Table of Contents

## COMPENSATION TABLES

The following table sets forth certain information with respect to the compensation of our Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers other than our CEO and Chief Financial Officer, based on total compensation for their services with us in all capacities.

## Summary Compensation Table for Fiscal Year 2017

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Grants (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Charles F. Willis, IV Chief Executive Officer	2017	1,000,000	—	2,479,400	—	1,703,352	258,929	(2) 5,441,681
	2016	991,667	—	1,583,250	—	1,704,000	247,886	4,526,803
	2015	950,000	815,000	2,306,250	—	—	325,036	4,396,286
Brian R. Hole President	2017	406,253	—	569,250	—	585,907	13,135	(3) 1,574,545
	2016	364,500	—	108,050	—	257,000	9,726	739,276
	2015	306,000	202,000	—	—	—	7,934	515,934
Scott B. Flaherty Senior Vice President and Chief Financial Officer	2017	366,875	—	379,500	—	311,551	42,214	(4) 1,100,140
	2016	199,306	70,000	233,900	—	176,625	74,793	754,624
Dean M. Poulakidas Senior Vice President, General Counsel and Corporate Secretary	2017	372,500	—	379,500	—	317,164	13,906	(5) 1,083,070
	2016	369,375	—	—	—	318,875	11,481	699,730
	2015	360,000	154,000	—	—	—	17,209	531,209
Justin C. Willis Senior Vice President, Corporate Development	2017	262,500	—	—	—	130,848	43,193	(6) 436,541

- (1) The amounts in this column represent the grant date fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 as discussed in Note 11 - Stock-Based Compensation Plans - in our report filed on Form 10K for the fiscal year 2017 filed with the SEC.
- (2) Includes (i) a 401(k) matching contribution in the amount of \$12,000, (ii) \$3,126 for the allocated cost of Mr. Charles Willis' participation in a group life, disability and accidental death and dismemberment policy that covers certain of the Company's executive officers, (iii) \$623 for an individual accidental death and dismemberment policy for Mr. Charles Willis, (iv) \$1,227 for tax-related payments in respect of Mr. Charles Willis' temporary relocation to the United Kingdom for tax gross-ups which payments were made to address the difference in tax rates between the United States and the United Kingdom, and the following perquisites:
- \$29,430 for spousal travel. This amount is based on the actual cost to the Company.
  - \$1,697 for spousal UK health insurance.
  - \$862 for personal use of a company car. This amount was calculated as a proration of total fuel costs and highway tolls (based on personal use as a percentage of total use).
  - \$30,000 for financial, tax and estate planning services. This amount is based on the actual cost to the Company.
  - \$179,964 moving reimbursements benefits paid to or on behalf of Mr. Charles Willis in connection with his relocation to the United Kingdom. This amount is based on the actual cost to the Company.
  - In addition, Mr. Charles Willis had guests accompany him on the Company's plane on business trips during 2017, with no or de minimis incremental costs.

Table of Contents

- (3) Includes (i) a 401(k) matching contribution in the amount of \$9,000, (ii) \$2,309 for the allocated cost of Mr. Hole's participation in a group life, disability, and accidental death and dismemberment policy that covers certain of the Company's executive officers, (iii) \$735 for personal use of a company car which was calculated as a proration of total fuel costs and highway tolls (based on personal use as a percentage of total use), and (iv) \$1,091 for personal use of a Company club membership (based on personal usage).
- (4) Includes (i) a 401(k) matching contribution in the amount of \$12,000, (ii) \$2,597 for the allocated cost of Mr. Flaherty's participation in a group life, disability, and accidental death and dismemberment policy that covers certain of the Company's executive officers, (iii) \$466 for personal use of a company car which was calculated as a proration of total fuel costs and highway tolls (based on personal use as a percentage of total use) (iv) \$5,051 for personal use of a Company club membership (based on personal usage), (v) \$17,561 temporary housing reimbursements, and (vi) \$4,539 for spousal travel. Mr. Flaherty joined Willis Lease in 2016.
- (5) Includes (i) a 401(k) matching contribution in the amount of \$9,000, (ii) \$2,481 for the allocated cost of Mr. Poulakidas' participation in a group life, disability, and accidental death and dismemberment policy that covers certain of the Company's executive officers, (iii) \$425 in reimbursements under the Company's Health and Wellness Reimbursement Program, and (iv) \$2,000 travel bonus.
- (6) Includes (i) a 401(k) matching contribution in the amount of \$9,000, (ii) \$1,674 for the allocated cost of Mr. Willis' participation in a group life, disability, and accidental death and dismemberment policy that covers certain of the Company's executive officers, (iii) \$18,987 spousal travel, and (iv) \$13,532 moving reimbursement. Mr. Austin Willis was designated an executive officer in 2017.

## Grants of Plan Based Awards for Fiscal Year Ended 2017

Name (a)	Grant Date (b)	Potential Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2) (f)	Grant Date Fair Value of Stock and Option Awards \$(3) (g)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)		
Charles F. Willis, IV	3/17/2017	—	\$ 1,000,000	—	98,000	\$ 2,479,400
Brian R. Hole	3/17/2017	—	\$ 352,750	—	22,500	\$ 569,250
Scott B. Flaherty	3/17/2017	—	\$ 186,250	—	15,000	\$ 379,500
Dean M. Poulakidas	3/17/2017	—	\$ 186,250	—	15,000	\$ 379,500
Austin C. Willis		—	\$ 90,000	—	—	\$ —

(1) See discussion of 2017 bonus plan in "Compensation of Executive Officers—Compensation Discussion and Analysis—Annual Incentive Compensation" above.

(2) Reflects restricted stock awards granted in 2017. For additional information, please see "Compensation of Executive Officers—Long-Term Incentive Compensation" above.

(3) The amounts in this column represent the grant date fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.



Table of Contents

The following table sets forth certain information with respect to the outstanding equity awards held by the Named Executive Officers at the end of 2017.

## Outstanding Equity Awards at Fiscal 2017 Year End

Name	Option Awards			Stock Awards			
	Number of Securities	Underlying Unexercised Options Exercisable	Option Exercise Price	Option Expiration Date	Award Grant Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Charles F. Willis, IV	—	—	—	7/1/2015	41,666	(2)	
				3/1/2016	50,000	(2)	
				3/17/2017	98,000	(2)	
					189,666		\$ 4,735,960
Brian R. Hole	—	—	—	9/23/2014	2,000	(1)	
				3/17/2017	22,500	(2)	
					24,500		\$ 611,765
Scott B. Flaherty	—	—	—	7/5/2016	6,666	(2)	
	—	—	—	3/17/2017	15,000	(2)	
					21,666		\$ 541,000
Dean M. Poulakidas				3/17/2017	15,000	(2)	
					15,000		\$ 374,550
Austin C. Willis	—	—	—	3/1/2016	2,500	(3)	
				3/31/2016	6,000	(1)	
					8,500		\$ 212,245

(1) Shares of restricted stock vest in four equal annual installments on each anniversary of the grant date.

(2) Shares of restricted stock vest in three equal annual installments on each anniversary of the grant date.

(3) Shares of restricted stock vest in two equal annual installments on the anniversary of the grant date.

The following table sets forth certain information with respect to options exercised by the Named Executive Officer and stock that vested during fiscal year 2017.

## Option Exercises and Stock Vested for Fiscal Year Ended 2017

Name of Executive Officer (a)	Option Awards Number of Shares Acquired on Exercise		Value Realized on Exercise (\$) (c)	Stock Awards Number of Shares Acquired on Vesting		Value Realized on Vesting (\$) (e)
	(#) (b)			(#) (d)		
Charles F. Willis, IV	—		—	107,917		\$ 2,746,209
Brian R. Hole	—		—	7,000		\$ 160,330
Scott B. Flaherty	—		—	3,334		\$ 89,251
Dean M. Poulakidas	—		—	10,416		\$ 246,867
Austin C. Willis	—		—	5,333		\$ 131,008

Table of Contents

Termination and Change in Control Payments

Employment contracts for Messrs. Charles Willis, Hole, Flaherty, Poulakidas and Austin Willis specify certain severance benefits to be paid in the event of an “Involuntary Termination” (i.e., termination of employment by the Company without cause or resignation by the employee for good reason) and, in the case of Messrs. Hole, Flaherty, Poulakidas and Austin Willis, specified severance benefits in the event of an Involuntary Termination within 18 months following a change of control (a “Change of Control Termination”).

The maximum of these benefits payable to Mr. Charles Willis would represent (i) three times his base salary, plus (ii) a prorated portion of his annual incentives accrued during the year of termination, plus (iii) three times the average annual incentives he earned during the three years prior to his Involuntary Termination, plus (iv) distribution of unpaid deferred compensation, immediate vesting of all stock options and restricted stock, continued payment for three years for club memberships and financial, tax and estate planning, and continued coverage for three years under the Company’s employee group benefit plans. Additionally, in the event Mr. Charles Willis is terminated with less than the one year’s notice required by his contract, he is entitled to a lump sum payment equal to his annual base salary prorated for the portion of the year for which he did not receive notice. Upon a change of control, Mr. Charles Willis is entitled to immediate vesting of all stock options and restricted stock, whether or not his employment is terminated. In the event that Mr. Charles Willis voluntarily retires, he is entitled to purchase or assume the lease for his company car, to continued payment for his club memberships and financial planning services in accordance with his contract, and to continued coverage under the Company’s employee group benefit plans for one year following his retirement.

The maximum of these severance benefits payable to Mr. Hole would represent (i) six months of his base salary for an Involuntary Termination or one year’s salary for a Change of Control Termination, plus (ii) payment of any vested annual incentives due as of his termination for an Involuntary Termination or Change of Control Termination, plus (iii) only in the case of a Change of Control Termination, the average annual incentives he earned during the two years prior to his termination. In addition, he is entitled to immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage under the Company’s employee group benefit plans for six months following an Involuntary Termination, or for one year following a Change of Control Termination. Additionally, in the event Mr. Hole is terminated with less than the six months’ notice required by his contract, he is entitled to a lump sum payment equal to six months of his annual base salary.

The maximum of these severance benefits payable to Mr. Flaherty would represent (i) six months of his base salary for an Involuntary Termination or one year’s base salary for a Change of Control Termination, plus (ii) payment of any vested annual incentives due as of his termination for an Involuntary Termination or Change of Control Termination, plus (iii) only in the case of a Change of Control Termination the average annual incentives he earned during the two years prior to his termination. In addition, he is entitled to immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage under the Company’s employee group benefit plans for six months following an Involuntary Termination, or for one year following a Change of Control Termination. Additionally, in the event Mr. Flaherty is terminated with less than the one year’s notice required by his contract, he is entitled to a lump sum payment equal to six months of his annual base salary.

The maximum of these severance benefits payable to Mr. Poulakidas would represent (i) six months of his base salary for an Involuntary Termination or one year's salary for a Change of Control Termination, plus (ii) payment of any vested annual incentives due as of his termination for an Involuntary Termination or Change of Control Termination, plus (iii) only in the case of a Change of Control Termination, the average annual incentives he earned during the two years prior to his termination. In addition, he is entitled to immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage under the Company's employee group benefit plans for six months following an Involuntary Termination, or for one year following a Change of Control Termination. Additionally, in the event Mr. Poulakidas is terminated with less than the six months' notice required by his contract, he is entitled to a lump sum payment equal to six months of his annual base salary.

The maximum of these severance benefits payable to Austin Willis would represent (i) six months of his base salary for an Involuntary Termination or one year's salary for a Change of Control Termination, plus (ii) payment of any vested annual incentives due as of his termination for an Involuntary Termination or Change of Control Termination, plus (iii) only in the case of a Change of Control Termination, the average annual incentives he earned during the two years prior to his termination. In addition, he is entitled to immediate vesting of all stock options and restricted stock scheduled to vest during the two years following the termination date, and continued coverage under the Company's employee group benefit plans for six months following an Involuntary Termination, or for one year following a Change of Control



Table of Contents

Termination. Additionally, in the event Austin Willis is terminated with less than the six months' notice required by his contract, he is entitled to a lump sum payment equal to six months of his annual base salary.

If any of these payments or benefits would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code, as amended, and would be subject to the Excise Tax imposed by Section 4999 of the Internal Revenue Code, the employment contracts of each of Messrs. Charles Willis, Hole, Flaherty, Poulakidas and Austin Willis stipulate that payments to each of them will be reduced, to the extent necessary, so that no portion of the payments would be subject to the Excise Tax. This reduction shall only occur if the after tax net present value of the payments, as so reduced, is greater than or equal to the after tax present value of such payments without such reduction.

Other than as described above, if a NEO ceases to be employed by us because of his or her resignation or retirement (other than for reasons constituting a constructive termination under his or her employment agreement), no severance payments are owed by us.

The following table shows potential payments to our Named Executive Officers under existing contracts for (i) an Involuntary Termination, and (ii) Change of Control Termination, in each case, on December 31, 2017.

## Potential Payments on Involuntary Termination or Change of Control Termination

Willis, C		Hole		Flaherty		Poulakidas	
Termination	Change	Termination	Change	Termination	Change	Termination	Change
\$ 3,000,000	\$ 3,000,000	\$ 207,500	\$ 415,000	\$ 186,250	\$ 372,500	\$ 186,250	\$ 372,500
\$ 1,000,000	1,000,000	207,500	207,500	186,250	186,250	186,250	186,250
\$ 3,922,352	3,922,352	480,067	709,567	255,691	344,003	261,304	497,741
\$ 4,735,960	4,735,960	424,490	424,490	416,150	416,150	249,700	249,700
\$ 173,100	173,100	63,900	63,900	57,300	57,300	57,300	57,300
\$ 149,193	149,193	13,019	26,037	11,219	22,439	5,906	11,812
\$ 90,000	90,000	—	—	—	—	—	—
\$ 13,070,605	\$ 13,070,605 (2)	\$ 1,396,476	\$ 1,846,494 (2)	\$ 1,112,860	\$ 1,398,642 (2)	\$ 946,710	\$ 1,375,303 (2)

- (1) The value of the unvested restricted stock awards as of December 31, 2017 was set forth in the Outstanding Equity Awards at Fiscal 2017 Year-End table and based on the Company's closing stock price on December 31, 2017 of \$24.97. These values would be the same for both an Involuntary Termination and a Change of Control Termination of Mr. Charles F. Willis, IV. The additional aggregate value of equity vesting acceleration as of December 31, 2017 for both an Involuntary Termination and a Change of Control Termination for Mr. Hole, Mr. Flaherty, Mr. Poulakidas, and Mr. Austin Willis is limited to awards vesting in the two years following termination.
- (2) No adjustment in these numbers was made to reflect any reduction that would have been made so that payments would not trigger a parachute payment excise tax. However, if a Change of Control Termination occurred on December 31, 2017, such a reduction may have been necessary.

The following table summarizes compensation for 2017 by individual non-employee Directors.

Director Compensation for Fiscal Year Ended 2017

Name	Fees Earned or Paid in Cash (\$) (a)	Stock Awards (\$) (c)(2)	Option Awards (\$) (d)	Non - Equity Incentive Plan Compensation (\$) (e)	All Other Compensation (\$) (f)	Total (\$) (g)
Hans Joerg Hunziker(3)	\$ 145,010	\$ 85,100	—	—	—	\$ 230,109
Robert J. Keady	102,575	85,100	—	—	—	187,675
Robert T. Morris	102,575	85,100	—	—	—	187,675

- (1) Each Director received quarterly payments of \$21,269. For services as chair of the Audit Committee and Compensation Committee, respectfully, Mr. Morris and Mr. Hunziker receive an additional \$4,375 quarterly payment (\$17,500) for the year. Mr. Keady also receives an additional \$4,375 quarterly payment for his services as chair of independent committees of the Board.

Table of Contents

- (2) The amounts in this column represent the grant date fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.
- (3) In recognition of the adverse effects of European exchange rates against the U.S. dollar, the Compensation Committee agreed to allow the compensation of European Directors to be adjusted based on the rate in effect on their first election to the Board, effective January 1, 2008. This adjustment is paid in cash. The unvested restricted stock held by each non-employee Director is as follows: Mr. Hunziker, 5,801; Mr. Keady, 8,301; Mr. Morris, 5,801. Under the 2007 Plan, each non-employee Director received a restricted stock grant of 5,000 shares of common stock when first becoming a non-employee Board member. In addition, each Board member who is to continue to serve as an independent Director is granted restricted stock worth approximately the same dollar amount as the annual cash retainer based on the market price of our common stock on the date of the Company's Annual Meeting of Stockholders. Each 5,000 share initial restricted stock grant vests in a series of four successive equal annual installments over the recipient's period of continued service as a Director, measured from the grant date. Each annual restricted stock grant based on the cash annual retainer amounts vests in one installment on the recipients' completion of one year of Board service, measured from the grant date.

CEO - MEDIAN EMPLOYEE PAY RATIO

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring most publicly-listed companies to annually disclose the ratio of each company's median employee's annual total compensation to the annual total compensation of each such company's chief executive officer. The compensation for our Chief Executive Officer in 2017 was approximately 51.9 times the median pay of our employees.

Median employee total annual compensation	\$ 104,884
CEO total annual compensation	\$