

WILLIS LEASE FINANCE CORP

Form DEF 14A

April 27, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

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:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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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

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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.



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### 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.

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### 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.

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### 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.

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## Director Compensation

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

## Biographical Information

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

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\*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.

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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.

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Austin C. Willis

Director since: Austin C. Willis was elected to the Board in December 2008. Mr. Willis was the founder of J.T. 2008 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.**

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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                   |

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\*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.

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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



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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.

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- 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

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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.

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|                                   |                                       |                                      |
|-----------------------------------|---------------------------------------|--------------------------------------|
| 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. |                                      |

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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.



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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'

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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

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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.

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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.

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## 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<br>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<br>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<br>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<br>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<br>Senior Vice President,<br>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.

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- (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<br>(a)              | Grant<br>Date<br>(b) | Potential Payouts<br>Under Non-Equity Incentive<br>Plan Awards(1) |                       |                        | All Other<br>Stock Awards:<br>Number of Shares<br>of Stock or Units<br>(#)(2)<br>(f) | Grant Date Fair<br>Value of Stock<br>and Option<br>Awards<br>\$(3)<br>(g) |
|--------------------------|----------------------|---|-----------------------|------------------------|--|---|
|                          |                      | Threshold<br>(\$)<br>(c)  | Target<br>(\$)<br>(d) | Maximum<br>(\$)<br>(e) |  |   |
| Charles F.<br>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.<br>Flaherty     | 3/17/2017            | —   | \$ 186,250            | —                      | 15,000   | \$ 379,500  |
| Dean M.<br>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.



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The following table sets forth certain information with respect to the outstanding equity awards held by the Named Executive Officers at the end of 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<br>(a) | Option Awards<br>Number of Shares<br>Acquired on<br>Exercise |  | Value Realized on<br>Exercise<br>(\$)<br>(c) | Stock Awards<br>Number of Shares<br>Acquired on<br>Vesting |  | Value Realized<br>on Vesting<br>(\$)<br>(e) |
|----------------------------------|--|--|--|--|--|---|
|                                  | (#)<br>(b)   |  |  | (#)<br>(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                                  |

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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



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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 (\$) | Stock Awards (\$) | Option Awards (\$) | Non - Equity Incentive Plan Compensation (\$) | All Other Compensation (\$) | Total (\$) |
|------------------------|----------------------------------|-------------------|--------------------|---|-----------------------------|------------|
| (a)                    | (b)(1)                           | (c)(2)            | (d)                | (e)   | (f)                         | (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.

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- (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                | \$ 5,441,681 |
| Ratio of CEO to median employee compensation | 51.9 to 1    |

We identified the Company's median employee by reviewing the taxable earnings for all our employees who were employed by us on December 31, 2017. We included all Company employees, except our Chief Executive Officer, whether employed on a full-time or part-time basis. For currency conversions required for the Company's employees not compensated in U.S. dollars, we utilized the Bid Ask midpoint attributable to the relevant foreign currencies on the last trading calendar day of 2017 (i.e., December 29, 2017) as reported by FactSet Research Systems Inc. We otherwise did not make any assumptions, adjustments or estimates with respect to compensation, and we did not annualize the compensation for any full-time employees that were not employed by us for all of 2017. With respect to the annual total compensation of our Chief Executive Officer, we used the amount reported for 2017 in the "Total" column of our Summary Compensation Table above. We then calculated the annual total compensation of the identified median employee in the same manner as we would have calculated such employee's amount in the "Total" column of our Summary Compensation Table if such employee's compensation had been presented in the Summary Compensation Table.

This pay ratio is a reasonable estimate calculated in a manner consistent with Securities and Exchange Commission rules based on our payroll and employment records and the methodology described above. The Securities and Exchange Commission rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

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PROPOSAL 2: APPROVAL OF 2018 INCENTIVE STOCK PLAN

General

We are asking stockholders to approve the Willis Lease 2018 Incentive Stock Plan (the “Incentive Plan”), which shall replace the Company’s amended and restated 2007 Incentive Stock Plan (the “2007 Plan”).

98,834 shares of Common Stock were available for future grants of equity awards under the 2007 Plan as of April 1, 2018. In addition, we expect to grant under the 2007 Plan shares of restricted stock to our Directors on the date of the Company’s Annual Meeting of Stockholders as described above in Director Compensation. Our Board believes that we currently have an insufficient number of shares available for additional future stock settled awards, which we rely on to link employee and executive compensation to stockholder returns as well as to attract and retain key individuals. Accordingly, our Board approved the Incentive Plan on April 10, 2018 in order to have sufficient shares available for future awards. If the Incentive Plan is approved by shareholders, we expect the pool of requested shares (800,000 plus the number of shares remaining under the 2007 Plan and any future forfeited awards under the 2007 Plan) to last approximately three to four years based on our recent three year average usage of equity. If the Incentive Plan is approved, we will not make further grants under the 2007 Plan after the restricted stock awards to our Directors on the date of the Company’s Annual Meeting of Stockholders, but instead the number of shares remaining under the 2007 Plan will be included in the number available under the Incentive Plan, as will any forfeited awards under the 2007 Plan.

The purpose of the Incentive Plan will be to promote the interests of the Company by providing eligible persons with the opportunity to acquire a proprietary interest or otherwise increase their proprietary interest in the Company as an incentive for them to remain in the service of the Company.

A copy of the Incentive Plan is attached to this proxy statement as Annex A and is incorporated herein by reference. The following description is a summary and does not purport to be a complete description and is qualified in its entirety by reference to the text of the Incentive Plan set forth in Annex A. See Annex A for more detailed information.

Purpose of Adopting the Incentive Plan

Adoption of the Incentive Plan will provide the Company with the continued ability to provide equity based and cash based compensation to eligible employees, Directors and consultants, thereby aligning their interests with those of the stockholders to increase the Company’s value over the long term.

If stockholders approve the 2018 Incentive Stock Plan as the Incentive Plan, the Company will use the Incentive Plan to compensate eligible employees, Directors and consultants. If the required votes to approve the Incentive Plan are not obtained, the Incentive Plan will not become effective and the Company will continue to make grants of awards to the extent available pursuant to the terms of the 2007 Plan as currently in effect and subject to applicable law.

Summary of the Key Terms of the Incentive Plan

Eligibility. All employees, Directors and consultants of the Company or of any parent or any subsidiary of the Company are eligible to receive awards under the Incentive Plan (each employee, Director or consultant who receives such an award, a “Participant”). As of April 2, 2018, there were approximately 167 employees, 3 independent Directors and 7 consultants who were eligible to participate in the Incentive Plan. Participants receive grants of awards at the

discretion of the Board or Compensation Committee as compensation for their services to the Company.

Types of Awards. The types of awards that are available for grant under the Incentive Plan are:

- incentive stock options;
- non qualified stock options;
- restricted stock bonuses;
- restricted stock purchase rights;

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- stock appreciation rights;
- phantom stock units;
- restricted stock units;
- performance share bonuses;
  - performance share units;
- stapled stock appreciation rights; and
- cash incentives.

**Administration of the Incentive Plan.** The Board shall administer the Incentive Plan unless and until the Board delegates administration to a committee (the “Committee”). The Board has the power and authority to, among other things: (i) designate eligible participants in the Incentive Plan, (ii) determine the type(s), number, terms and conditions of awards, as well as the timing and manner of grant, (iii) interpret the Incentive Plan, and establish, amend and revoke rules and regulations to administer the Incentive Plan, (iv) amend the Incentive Plan or any award granted pursuant thereto and (v) exercise such powers and perform such acts as the Board deems necessary, desirable or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Incentive Plan. If the Board delegates administration to the Committee, the Committee may exercise, in connection with the administration of the Incentive Plan, any of the powers and authority granted to the Board under the Incentive Plan. The Committee may delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise, subject to such resolutions as may be adopted from time to time by the Board. The Board (references in this summary to the Board shall hereafter be to the Committee or the subcommittee, as applicable) may revoke the delegation to the Committee at any time and assume the administration of the Incentive Plan.

**Stock Subject to the Incentive Plan.** The maximum aggregate number of shares of our Common Stock that may be issued pursuant to stock awards under the Incentive Plan would be 800,000 shares, plus those shares of Common Stock remaining available for grant under the 2007 Plan as of the day after the Company’s Annual Meeting of Stockholders as well as those shares of Common Stock that would otherwise have become available for grant under the 2007 Plan because of forfeitures of awards previously granted under the 2007 Plan (the “Share Reserve”). Any stock award will reduce the Share Reserve by one share. To the extent that a distribution pursuant to a stock award is made in cash, the Share Reserve will be reduced by the number of shares of Common Stock subject to the redeemed or exercised portion of such stock award. Shares of Common Stock covered by stock awards that expire, are cancelled, terminate, or are reacquired by us prior to vesting will revert to or be added to the Share Reserve and become available for issuance under the Incentive Plan. Shares of Common Stock tendered in payment of an option exercise price, delivered or withheld by the Company to satisfy any tax withholding obligation, or covered by a stock settled stock appreciation right or other awards that were not issued upon the settlement of the award will not again be available for issuance under the Plan.

**Other Share Limits.** The maximum aggregate number of shares of Common Stock that may be issued pursuant to incentive stock options under the Incentive Plan is 800,000 shares.

**Fair Market Value.** Generally, fair market value of the Company’s Common Stock will be the closing sales price of the Company’s Common Stock on any established stock exchange (including the Nasdaq Stock Market) or on the Nasdaq SmallCap Market (if applicable) on the date of determination. On April 2, 2018, the fair market value per share of the Company’s Common Stock determined on this basis was \$34.09.

**Terms and Conditions of Options.** The Incentive Plan provides that options must have an exercise price that is at least equal to 100% of the fair market value of our Common Stock on the date the option is granted. To the extent permitted in his or her option agreement and to the extent permitted by law, an option holder may exercise an option by payment of the exercise price in a number of different ways, including: (i) in cash or by check at the time the option is exercised, or (ii) in the discretion of the Board: (1) by delivery to the Company of other Common Stock, (2) pursuant

to a “same day sale” program to the extent permitted by law, (3) by any other form of consideration permitted by law, or (4) by some combination of the foregoing. Unless there is a provision to the contrary in the individual optionholder’s stock

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award agreement, payment for Common Stock pursuant to an option may only be made in the form of cash, check or pursuant to a “same day sale” program. The vesting of options generally will be determined by the Board.

If an optionholder’s continuous service terminates for any reason other than disability, death or misconduct he or she will generally have three months from the date of such termination to exercise his or her options (to the extent that the optionholder was entitled to exercise such options as of the date of such termination), unless his or her option agreement provides otherwise. If an optionholder’s continuous service terminates as a result of disability or death, he or she will generally have twelve months in the case of disability and eighteen months in the case of death for his or her estate to exercise his or her options (to the extent that the optionholder was entitled to exercise such options as of the date of such termination), unless his or her option agreement provides otherwise. If an optionholder’s continuous service is terminated for misconduct, his or her option will immediately terminate, unless his or her option agreement provides otherwise. However, in no event may the optionholder exercise an option past the expiration of its term as set forth in the option agreement. The term of each option granted under the Incentive Plan will generally be ten years from the date of grant.

Automatic Awards to Non Employee Directors. The Incentive Plan provides that in addition to any other awards that non employee Directors may be granted, non employee Directors will automatically be granted restricted stock as follows:

- An initial award to a new, non-employee Director, of 5,000 shares of restricted stock. Such shares will vest over a four year period.
- The annual award of restricted stock will be equal in value to fifty percent of the Director’s annual fee. The shares will vest on the first anniversary of grant.

Terms and Conditions of Restricted Stock Bonuses and Performance Share Bonuses. Restricted stock bonuses and performance share bonuses are grants of shares of Common Stock not requiring the payment of any monetary consideration by a Participant (except as may be required by the General Corporation Law of the State of Delaware). The vesting of restricted stock bonuses may be based on a Participant’s continuous service or the achievement of performance criteria. The vesting of performance share bonuses will always be based on the achievement of performance criteria. Restricted stock bonuses that vest based solely on a Participant’s continuous service will not fully vest in less than two years. Restricted stock bonuses that vest based solely on a Participant’s performance will not fully vest in less than one year. In the event a Participant’s continuous service terminates, all unvested shares under these awards shall be reacquired by us at no cost to us.

Terms and Conditions of Restricted Stock Purchase Rights. Restricted stock purchase rights entitle a Participant to purchase shares of Common Stock that are subject to restrictions determined by the Board. The purchase price is determined by the Board and will not be less than 100% of the fair market value per share of Common Stock on the date the stock award is made or at the time the purchase is consummated. The purchase price of Common Stock acquired pursuant to a restricted stock purchase right will be paid by a Participant either in cash or by check at the time of purchase, or at the discretion of the Board, according to a deferred payment or other similar arrangement to the extent permitted by law. The Board shall determine the criteria under which shares of Common Stock under a restricted stock purchase right agreement may vest.

Terms and Conditions of Stock Appreciation Rights. The Board may grant stock appreciation rights independently of or in connection with an option grant. The base price per share of a stock appreciation right will be at least 100% of the fair market value per share of underlying Common Stock on the date of grant. Each stock appreciation right entitles a Participant upon redemption to an amount equal to (a) the excess of (1) the fair market value on the redemption date of one share of Common Stock over (2) the base price, times (b) the number of shares of Common Stock covered by the stock appreciation right being redeemed. To the extent a stock appreciation right is granted concurrently with an option grant, the redemption of the stock appreciation right will proportionately reduce the

number of shares of Common Stock subject to the concurrently granted option. Stock appreciation rights may be paid in shares of Common Stock, cash or a combination thereof in the Board's discretion.

Terms and Conditions of Phantom Stock Units. A phantom stock unit is the right to receive the value of one share of Common Stock, redeemable upon terms and conditions set by the Board. Distributions upon redemption of phantom

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stock units may be in shares of Common Stock valued at fair market value on the date of redemption or in cash, or a combination of both, as determined by the Board in its sole discretion.

**Terms and Conditions of Restricted Stock Units and Performance Share Units.** The Board also may award restricted stock units and performance share units, both of which entitle a Participant to receive one share of Common Stock per unit at the time the unit vests or the value thereof. Holders of restricted stock units or performance share units are not entitled to dividend equivalents unless provided by the Board at the time of grant. The Board has discretion to provide that a Participant pay for restricted stock units or performance share units with cash or other consideration permissible by law. The vesting of restricted stock units may be based on a Participant's continuous service or the achievement of performance criteria. The vesting of performance share units will be based on the achievement of performance criteria. Restricted stock units that vest based solely on the achievement of performance criteria will not vest fully in less than one year. In the event a Participant's continuous service terminates, the unvested portion of any restricted stock unit or performance share unit will expire immediately. To the extent permitted by the Board in a restricted stock unit or performance share unit agreement, a Participant may elect to defer receipt of the shares of Common Stock or the value thereof otherwise deliverable upon the vesting of such restricted stock units or performance share units if such election complies with the procedures established by applicable law.

**Terms and Conditions of Cash Awards.** The Board also may grant cash awards and the vesting of such cash awards may be based on the achievement of performance criteria.

**Performance Criteria.** Performance criteria under the Incentive Plan may include, among other criteria: (i) earnings; (ii) net income; (iii) operating income; (iv) operating profit; (v) cash flow; (vi) stockholder returns; (vii) return measures; (viii) earnings before or after either (or any combination of) interest, taxes, depreciation or amortization, (ix) gross revenues, (x) common stock share price, (xi) reductions in expense levels in each case, where applicable, determined either on a Company wide basis or in respect of any one or more business units; (xii) market share, (xiii) annual net income to common stock; (xiv) earnings per share; (xv) annual cash flow provided by operations; (xvi) changes in annual revenues; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, cost targets and goals relating to acquisitions or divestitures; (xviii) sales; (xix) costs; (xx) results of customer satisfaction surveys; (xxi) service reliability; (xxii) operating and maintenance cost management; and/or (xxiii) achievement of business or operational goals such as market share and/or business development.

**Adjustment.** The maximum number of shares of Common Stock subject to the Incentive Plan, the maximum number of shares of Common Stock that can be granted to an employee during any fiscal year pursuant to incentive stock options, non qualified stock options, or stock appreciation rights, and the number of securities or other property and exercise or base price of securities or other property subject to outstanding stock awards, will be appropriately and proportionally adjusted by the Board on account of mergers, consolidations, reorganizations, recapitalizations, reincorporations, stock splits, spin offs, stock dividends, extraordinary dividends and distributions, liquidating dividends, combinations or exchanges of shares, changes in corporate structure or other transactions in which the Company does not receive any consideration (except that conversion of convertible securities of the Company shall not be treated as a transaction in which the Company does not receive any consideration). Subject to any required action by the stockholders, the Board shall make such adjustments and the Board's determinations with respect to any adjustment will be final, binding and conclusive.

**Effect of Change of Control.** In the event of a Change of Control (as defined below), other than a dissolution or liquidation of the Company, the Board or the board of Directors of any surviving entity or acquiring entity may provide or require that the surviving or acquiring entity (a) assume or continue all or any part of the awards outstanding under the Incentive Plan or (b) substitute substantially equivalent awards for those outstanding under the Incentive Plan. If the outstanding awards will not be so continued, assumed, or substituted, then with respect to stock

awards held by Participants whose continuous service has not terminated, the Board in its discretion may (1) provide for payment of a cash amount in exchange for the cancellation of the stock awards, (2) continue the stock awards, or (3) terminate the stock awards upon the consummation of the Change of Control, but only if Participants have been permitted to exercise or redeem any portion of (including, at the discretion of the Board, any unvested portion of) any option, stock appreciation right, phantom stock unit, restricted stock unit or performance share unit at or prior to the Change of Control. In the event of a Change of Control involving dissolution or liquidation of the Company, all outstanding stock awards will terminate immediately prior to such dissolution or liquidation.

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“Change of Control” means the occurrence of any of the following: (a) the sale, exchange, lease or other disposition of all or substantially all of the assets of the Company to a person or group of related persons, as such terms are defined or described in Sections 3(a)(9) and 13(d)(3) of the Securities and Exchange Act of 1934; (b) a merger, consolidation or similar transaction involving the Company; (c) any person or group is or becomes the beneficial owner (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company, including by way of merger, consolidation or otherwise, (d) a change in the composition of the Board occurring within a two year period, as a result of which fewer than a majority of the Directors are either (i) Directors of the Company as of the date the Plan first becomes effective, or (ii) elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those Directors whose election or nomination was not in connection with any transaction described above or in connection with an actual or threatened proxy contest relating to the election of Directors to the Company or (e) a dissolution or liquidation of the Company.

**Amendment and Termination of the Incentive Plan.** The Board may amend, suspend or terminate the Incentive Plan in any respect and at any time, subject to stockholder approval, if such approval is required by applicable law or stock exchange rules. Further, any amendment or termination of the Incentive Plan will not materially impair the rights of any Participant with respect to any stock awards already granted to such Participant without such Participant’s consent.

**Effective Date; Term of the Incentive Plan.** If the Incentive Plan is approved by the stockholders at the 2018 Annual Meeting of Stockholders, the Incentive Plan shall become effective the day after its approval by the Company’s stockholders and will terminate on May 25, 2023, unless earlier terminated by the Board.

### Tax Consequences of the Incentive Plan

The following discussion of the federal income tax consequences of the Incentive Plan is intended to be a summary of applicable federal law as currently in effect. Foreign, state and local tax consequences may differ and laws may be amended or interpreted differently during the term of the Incentive Plan or of awards granted thereunder.

**Options:** An optionholder is not taxed when a non-qualified stock option is granted. On exercise, however, the optionholder recognizes ordinary income equal to the difference between the option’s exercise price and the fair market value of the underlying Common Stock on the date of exercise. Any gain (or loss) on subsequent disposition of the shares of Common Stock acquired through exercise of an option is long-term capital gain (or loss) if the shares are held for at least one year following exercise. When an incentive stock option is granted, an optionholder is not taxed on the grant of such option. Upon exercise, the optionholder does not recognize ordinary income and the Company is not entitled to an income tax deduction. The optionholder, however, must treat the excess of fair market value of the underlying Common Stock on the date of exercise over the option’s exercise price as an item of adjustment for purposes of the alternative minimum tax. If the optionholder disposes of the underlying Common Stock after the optionholder has held the Common Stock for at least two years from the date of grant and one year after the incentive stock option was exercised, the amount the optionholder receives upon the disposition over the exercise price is treated as long-term capital gain for the optionholder. If the optionholder makes a “disqualifying disposition” of the underlying Common Stock by disposing of the Common Stock before it has been held for at least two years after the date of grant and one year after the date the incentive stock option was exercised, the optionholder recognizes ordinary income equal to the excess of the fair market value of the underlying Common Stock on the date of exercise over the option’s exercise price. Subject to Section 162(m) described below, the Company generally is entitled to an income tax deduction equal to the ordinary income recognized by the optionholder for the Company’s taxable year that ends with or within the taxable year in which the optionholder recognized such ordinary income.

**Stock Appreciation Rights and Phantom Stock Units:** The grant of a stock appreciation right or phantom stock unit generally is not a taxable event for a Participant or the Company. Upon redemption of the stock appreciation right or

vesting of the phantom stock unit, the Participant generally will recognize ordinary income equal to the amount of cash and/or the fair market value (as of the date of receipt) of shares received. Subject to Section 162(m) described below, the Company will generally be entitled to a tax deduction in the same year and for the same amount of ordinary income recognized. If the stock appreciation right is settled in shares, the Participant's subsequent sale of the shares generally will give rise to capital gain (or loss) equal to the difference between the sale price and the ordinary income recognized when the Participant received the shares, and these capital gains (or losses) will be taxable as long term capital gains if the recipient held the shares for more than one year.

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Restricted Stock Bonuses, Performance Share Bonuses, Restricted Stock Purchase Rights, Restricted Stock Units and Performance Share Units: Recipients of restricted stock bonuses, performance shares bonuses, restricted stock purchase rights, restricted stock units and performance share units do not recognize income at the time of the grant of such awards (unless, in the case of the grant of restricted stock bonuses and performance share bonuses or the purchase of shares under a restricted stock purchase right, the recipient makes an election under Section 83(b) of the Internal Revenue Code to be taxed at the time of grant or exercise, as applicable). However, upon payment to Participants of shares of Common Stock with respect to stock units or upon the lapse of restrictions with respect to restricted stock, Participants generally recognize ordinary income in an amount equal to the fair market value of the stock or units at such time, and subject to Section 162(m) described below, the Company will receive a corresponding deduction.

Section 162(m): As a public company, the Company is subject to the tax deduction rule of Section 162(m) of the Internal Revenue Code (generally applicable to compensation in excess of \$1 million paid to certain of the Company’s executive officers during any year). The Company generally will be entitled to a deduction at the same time and in the same amount as a participant recognizes ordinary income, subject to the limitations imposed under Section 162(m) of the Internal Revenue Code.

Incentive Plan Benefits

The effectiveness of the Incentive Plan is dependent on receiving stockholder approval. The granting of awards under the Incentive Plan to employees and consultants is generally discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group of employees. The granting of restricted stock bonuses to non employee Directors will be non discretionary as described above in the section entitled “Automatic Awards to Non Employee Directors.” In addition, non employee Directors are eligible for discretionary grants of awards.

Plan Benefits

2018 Incentive Plan

The table below provides information regarding the estimate of the aggregate value of non discretionary grants to three non employee Directors for five years based on non-employee Director compensation currently in effect.

| Name and Position            | Value of Restricted Stock |
|------------------------------|---------------------------|
| Non-executive Director group | \$ 1,276,140              |

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE WILLIS LEASE FINANCE CORPORATION 2018 INCENTIVE STOCK PLAN.

Equity Compensation Plan Information

| Number of securities to be issued upon | Weighted - average | Number of securities remaining available for future issuance under equity |
|--|--------------------|---|
|--|--------------------|---|

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| Plan Category                       | exercise of<br>outstanding options,<br>warrants and rights<br>(a) | exercise price of<br>outstanding options,<br>warrants and rights<br>(b) | compensation plan<br>(excluding securities<br>reflected in column (a))<br>(c) |
|-------------------------------------|---|---|---|
| Plans Not Approved by Stockholders: |   |   |   |
| None                                | n/a   | n/a   | n/a   |
| Plans Approved by Stockholders:     |   |   |   |
| Employee Stock Purchase Plan        | —   | n/a   | 72,413  |
| 2007 Stock Incentive Plan           | —   | n/a   | 350,784   |
| Total                               |   | n/a   | 423,197   |



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The 2007 Stock Incentive Plan was approved by shareholders and authorized the issuance of 2,000,000 shares of common stock. On May 28, 2015, the Company's shareholders authorized an increase in the number of shares of Common Stock available for grant by 800,000 shares bringing the total to 2,800,000 shares authorized. By December 31, 2017, there were 2,615,960 shares of restricted stock granted under the 2007 Stock Incentive Plan. Of this amount, 166,744 shares of restricted stock were cancelled and returned to the pool of shares which could be granted under the 2007 Stock Incentive Plan resulting in a net number of 350,784 shares which were available as of December 31, 2017 for future issuance under the 2007 Stock Incentive Plan. As of April 1, 2018, 98,834 shares of Common Stock were available for future issuance under the 2007 Stock Incentive Plan.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors (the "Audit Committee") oversees our accounting function, internal controls and financial reporting process on behalf of the Board of Directors. The Audit Committee is composed of three Directors, each of whom is independent as defined by the NASDAQ listing standards and operates pursuant to the Audit Committee Charter which is available on the Company's website ([www.willislease.com](http://www.willislease.com)).

The Audit Committee reviews our financial reporting process on behalf of the Board. Management has primary responsibility for establishing and maintaining adequate internal financial controls, for preparing the financial statements and for the public reporting process. KPMG LLP ("KPMG"), the Company's independent registered public accounting firm for 2017, is responsible for expressing opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the Company's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed with management and KPMG the audited financial statements for the year ended December 31, 2017 and KPMG's evaluation of the Company's internal control over financial reporting. The Audit Committee has discussed with KPMG the matters that are required to be discussed by Statement on Auditing Standards No. 16, as amended (Communication with Audit Committees). KPMG has provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with KPMG that firm's independence. The Audit Committee has concluded that KPMG's provision of audit and non-audit services to the Company is compatible with KPMG's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board that the audited financial statements for the year ended December 31, 2017 be included in our Annual Report on Form 10-K for 2017 for filing with the Securities and Exchange Commission. This report is provided by the following independent Directors, who comprise the Audit Committee:

Robert T. Morris, Committee Chair  
Hans Joerg Hunziker  
Robert J. Keady

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THE APPOINTMENT OF KPMG LLP

The Audit Committee has appointed the firm of KPMG to audit our 2018 financial statements, and KPMG also served in this capacity in 2017. Although not required by the Company's bylaws or otherwise, the Audit Committee and the Board of Directors believe it appropriate, as a matter of good corporate practice, to request that the stockholders ratify the appointment of KPMG as the Company's independent registered public accounting firm for fiscal year 2018. If the stockholders do not so ratify, the Audit Committee will reconsider the appointment and may retain KPMG or another firm without re-submitting the matter to the Company's stockholders. Even if the stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and the stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

## Fees Billed to Willis Lease by KPMG

For the 2017 and 2016 fiscal years, fees for services provided by KPMG LLP to us were as follows:

|                    | 2017         | 2016         |
|--------------------|--------------|--------------|
| Audit Fees (1)     | \$ 1,058,003 | \$ 1,146,750 |
| Audit Related Fees | 390,886      | 270,350      |
| Tax fees (2)       | 27,561       | 38,051       |
|                    | \$ 1,476,450 | \$ 1,455,151 |

- 
- (1) Audit fees billed to us by KPMG during the 2017 and 2016 fiscal years include the audit of our annual financial statements and quarterly reviews of financial statements included in our quarterly reports on Form 10-Q.  
(2) Fees billed to us by KPMG during 2017 and 2016 for professional services rendered in providing international tax consulting services.

All fees described above were approved by the Audit Committee.

The Audit Committee requires that any services to be provided by our auditors must be approved in advance by the Audit Committee. If approval is required before the Committee can act, a single member of the Committee can approve an engagement, subject to ratification by the Committee at its next meeting. All services were pre-approved by the Committee or its Chair.

KPMG will be at our Annual Meeting. They will have the opportunity to make a statement, if they desire to do so. They will be available to respond to appropriate questions from stockholders.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As required by NASDAQ rules, all material discretionary transactions between us and our Directors, executive officers or known principal stockholders (or their respective affiliates) must be approved by the Audit Committee. The Audit Committee does not intend to approve any such transactions unless it believes that they are on terms no less favorable to us than could be obtained from unaffiliated third parties. On June 18, 2009, the Board adopted a formal policy governing the disclosure and approval of related party transactions. That policy is available on the Company's website ([www.willislease.com](http://www.willislease.com)).

Over a two-year period, the Company accrued approximately \$80,000 of expenses payable to Mikchalk Lake, LLC, an entity in which our Chief Executive Officer has a significant ownership interest. These expenses were for lodging and other business related services. These transactions were approved by the Board's independent Directors.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be considered at the 2019 Annual Meeting of Stockholders must, under Rule 14a-8 of the Securities Exchange Act of 1934, be received by us no later than December 28, 2018. Your proposal(s) must be mailed to our executive offices, 773 San Marin Drive, Suite 2215, Novato, California 94998, Attention: Corporate Secretary. Your proposal(s) may be included in next year's proxy statement if they comply with certain rules and regulations promulgated by the Securities and Exchange Commission.

Alternatively, under our bylaws, a proposal or nomination that you do not seek to include in our proxy statement pursuant to Rule 14a-8 may be submitted in writing to our Corporate Secretary for the 2019 Annual Meeting of Stockholders not less than 90 days prior to the first anniversary of the preceding year's annual meeting, unless the date of the 2019 Annual Meeting of Stockholders is advanced by more than 30 days or delayed (other than as a result of adjournment) by more than 60 days from the anniversary of the 2018 Annual Meeting. For our 2019 Annual Meeting of Stockholders, this means that your proposal(s) or nomination(s) must be submitted no later than February 23, 2019 (which is 90 calendar days before the anniversary of the 2018 Annual Meeting). If the date of our 2019 Annual Meeting of Stockholders is advanced by more than 30 days or delayed (other than as a result of adjournment) by more than 60 days from the anniversary of our 2018 Annual Meeting, you must submit any such proposal or nomination no later than the close of business on the later of the 90th day prior to the 2019 Annual Meeting of Stockholders or the 10th day following the day on which public announcement of the date of such meeting is first made. Your submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to your ownership of our common stock.

STOCKHOLDERS SHARING THE SAME  
LAST NAME AND ADDRESS

We are sending only one copy of our annual report and proxy statement to stockholders who share the same last name and address unless they have notified us that they want to continue receiving multiple copies. If you would like to have additional copies of our annual report and/or proxy statement mailed to you, or you would like to opt out of this practice for future mailings, please either contact us at 415 408 4700 or submit your request to Willis Lease Finance Corporation, attention Assistant Secretary, 773 San Marin Drive, Suite 2215, Novato, CA 94998. We will promptly send additional copies of the annual report and/or proxy statement upon receipt of such request. Also, if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future, following receipt of such request, we will ensure that change for future mailings of annual meeting materials.

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OTHER MATTERS

Our management does not know of any matters to be presented at the 2018 Annual Meeting of Stockholders other than those set forth herein and in the Notice accompanying this proxy statement.

By Order of the Board of Directors,

Charles F. Willis, IV  
Chairman of the Board

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ANNEX A:  
2018 INCENTIVE STOCK PLAN

WILLIS LEASE FINANCE CORPORATION

2018 INCENTIVE STOCK PLAN

I.PURPOSES

1.1 General Purpose. This Plan seeks to promote the interests of the Company by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest in the Company as an incentive for them to remain in the service of the Company.

1.2 Available Awards. The types of stock awards that may be granted under this Plan include, but are not limited to: (i) Incentive Stock Options, (ii) Non Qualified Stock Options, (iii) Restricted Stock Bonuses, (iv) Restricted Stock Purchase Rights, (v) Stock Appreciation Rights, (vi) Phantom Stock Units, (vii) Restricted Stock Units, (viii) Performance Share Bonuses, (ix) Performance Share Units and (x) Staped SARs. Cash awards may also be granted under this Plan.

1.3 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Directors, and Consultants of the Company and its Affiliates.

II.DEFINITIONS

2.1“Affiliate” means a parent or subsidiary of the Company, with “parent” meaning an entity that controls the Company directly or indirectly, through one or more intermediaries, and “subsidiary” meaning an entity that is controlled by the Company directly or indirectly, through one or more intermediaries. Solely with respect to the granting of any Incentive Stock Options, Affiliate means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

2.2“Annual Grant” shall have the meaning as defined in Section 7.2.

2.3“Award” means Stock Award or cash award.

2.4“Award Agreement” means an agreement, including a Stock Award Agreement, between the Company and a holder of an Award setting forth the terms and conditions of an individual Award grant.

2.5“Beneficial Owner” means the definition given in Rule 13d 3 promulgated under the Exchange Act.

2.6“Board” means the Board of Directors of the Company or to the extent applicable, the Committee.

2.7“Change of Control” means the occurrence of any of the following events:

(i)The sale, exchange, lease or other disposition of all or substantially all of the assets of the Company to a person or group of related persons, as such terms are defined or described in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, that will continue the business of the Company in the future;



(ii) A merger, consolidation or similar transaction involving the Company;

(iii) Any person or group who is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company, including by way of merger, consolidation or otherwise (for the purposes of this clause (iii), a member of a group will not be considered the Beneficial Owner of the securities owned by other members of the group);

(iv) A change in the composition of the Board occurring within a two year period, as a result of which fewer than a majority of the Directors are Directors who either (i) are Directors of the Company as of the date

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the Plan first becomes effective pursuant to Article XVI hereof or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those Directors whose election or nomination was not in connection with any transaction described in subsections (i), (ii), or (iii) of this Section 2.7, or in connection with an actual or threatened proxy contest relating to the election of Directors to the Company; or

(v) A dissolution or liquidation of the Company.

2.8 “Code” means the Internal Revenue Code of 1986, as amended.

2.9 “Committee” means a committee of one or more members of the Board (or officers who are not members of the Board to the extent allowed by law) appointed by the Board in accordance with Section 3.3 of the Plan.

2.10 “Common Stock” means the common shares of the Company.

2.11 “Company” means Willis Lease Finance Corporation, a Delaware corporation.

2.12 “Consultant” means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the board of directors of an Affiliate. However, the term “Consultant” shall not include either Directors who are not compensated by the Company for their services as a Director or Directors who are compensated by the Company solely for their services as a Director.

2.13 “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director, or Consultant is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant, or Director, or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service. For example, a change in status from an Employee to a Consultant or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by the Company or an Affiliate, including sick leave, military leave, or any other personal leave.

2.14 “Director” means a member of the Board of Directors of the Company.

2.15 “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code for all Incentive Stock Options. For all other Awards, “Disability” means physical or mental incapacitation such that for a period of six consecutive months or for an aggregate of nine months in any twenty four consecutive month period, a person is unable to substantially perform his or her duties. Any question as to the existence of that person’s physical or mental incapacitation as to which the person or person’s representative and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the person and the Company. If the person and the Company or an Affiliate cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company or an Affiliate and the person shall be final and conclusive for all purposes of the Awards.

2.16 “Employee” means any person employed by the Company or an Affiliate. Service as a Director or compensation by the Company or an Affiliate solely for services as a Director shall not be sufficient to constitute “employment” by the Company or an Affiliate.

2.17“Exchange Act” means the Securities Exchange Act of 1934, as amended.

2.18“Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i)If the Common Stock is listed on any established stock exchange or traded on the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no such sales were reported) as quoted on such exchange or market (or the exchange

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or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(iii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

2.19 "Full Value Stock Award" shall mean any of a Restricted Stock Bonus, Restricted Stock Units, Phantom Stock Units, Performance Share Bonus, or Performance Share Units.

2.20 "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

2.21 "Initial Grant" shall have the meaning as defined in Section 7.1.

2.22 "Misconduct" means any of the following: (i) the commission of any act of fraud, embezzlement or dishonesty by the Optionholder or Participant; (ii) any unauthorized use or disclosure by such person of confidential information or trade secrets of the Company (or any Parent or Subsidiary); (iii) any other intentional misconduct by such person adversely affecting the business or affairs of the Company (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or any Parent or Subsidiary) may consider grounds for dismissal or discharge of any Optionholder, Participant or other person in the Service of the Company (or any Parent or Subsidiary).

2.23 "Non Employee Director" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non employee Director" for purposes of Rule 16b-3.

2.24 "Non Qualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

2.25 "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

2.26 "Option" means an Incentive Stock Option or a Non Qualified Stock Option granted pursuant to the Plan.

2.27 "Option Agreement" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

2.28 "Optionholder" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

2.29“Participant” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

2.30“Performance Share Bonus” means a grant of shares of the Company’s Common Stock not requiring a Participant to pay any amount of monetary consideration.

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2.31“Performance Share Unit” means the right to receive the value of one share of the Company’s Common Stock at the time the Performance Share Unit vests, with the further right to elect to defer receipt of that value otherwise deliverable upon the vesting of an award of Performance Share Units. These Performance Share Units are subject to the provisions of Section 8.7 of the Plan.

2.32“Phantom Stock Unit” means the right to receive the value of one share of the Company’s Common Stock, subject to the provisions of Section 8.4 of the Plan.

2.33“Plan” means this Willis Lease Finance Corporation 2018 Incentive Plan, as amended from time to time.

2.34“Restricted Stock Bonus” means the issuance by the Company of Common Stock subject to vesting without any required payment by the award recipient.

2.35“Restricted Stock Purchase Right” means the right to acquire shares of the Company’s Common Stock upon the payment of the agreed upon monetary consideration, subject to the provisions of Section 8.2 of the Plan.

2.36“Restricted Stock Unit” means the right to receive the value of one share of the Company’s Common Stock at the time the Restricted Stock Unit vests, with the further right to elect to defer receipt of that value otherwise deliverable upon the vesting of an award of restricted stock to the extent permitted in the Participant’s agreement. These Restricted Stock Units are subject to the provisions of Section 8.5 of the Plan.

2.37“Rule 16b 3” means Rule 16b 3 promulgated under the Exchange Act or any successor to Rule 16b 3, as in effect from time to time.

2.38“Securities Act” means the Securities Act of 1933, as amended.

2.39“Share Reserve” shall have the meaning as defined in Section 4.1.

2.40“Stapled SARs” are SARS that are granted concurrently with an Option to acquire the same number of shares of Common Stock as the number of such shares underlying such SARs.

2.41“Stock Appreciation Right” (“SARs”) means the right to receive an amount equal to the Fair Market Value of one share of the Company’s Common Stock on the day the Stock Appreciation Right is redeemed, reduced by the deemed exercise price or base price of such right, subject to the provisions of Section 8.3 of the Plan.

2.42“Stock Award” means any Option award, Restricted Stock Bonus award, Restricted Stock Purchases award, Stock Appreciation Right award, Phantom Stock Unit award, Restricted Stock Unit award, Performance Share Bonus award, Performance Share Unit award, Stapled SARs award, or other stock based award. These Awards may include, but are not limited to those listed in Section 1.2.

2.43“Stock Award Agreement” means a written agreement, including an Option Agreement, between the Company and a holder of a Stock Award setting forth the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

2.44“Ten Percent Stockholder” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

III.ADMINISTRATION

3.1 Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3.3.

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3.2 Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Awards; when and how each Award shall be granted; what type or combination of types of Award shall be granted; the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Award as provided in Section 14 of the Plan.

(iv) To adopt sub plans and/or special provisions applicable to Awards regulated by the laws of a jurisdiction other than and outside of the United States. Such sub plans and/or special provisions may take precedence over other provisions of the Plan, with the exception of Section 4 of the Plan, but unless otherwise superseded by the terms of such sub plans and/or special provisions, the provisions of the Plan shall govern.

(v) To authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Board.

(vi) To determine whether Awards will be settled in shares of Common Stock, cash or in any combination thereof.

(vii) To determine whether Awards will be adjusted for Dividend Equivalents, with "Dividend Equivalents" meaning a credit, made at the discretion of the Board, to the account of a Participant in an amount equal to the cash dividends paid on one share of Common Stock for each share of Common Stock represented by an Award held by such Participant.

(viii) To establish a program whereby Participants designated by the Board can reduce compensation otherwise payable in cash in exchange for Awards under the Plan.

(ix) To impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any shares of Common Stock issued as a result of or under an Award, including, without limitation, (A) restrictions under an insider trading policy and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

(x) To provide, either at the time an Award is granted or by subsequent action, that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of shares of Common Stock, cash or a combination thereof, the amount of which is determined by reference to the value of the Award.

(xi) Generally, to exercise such powers and to perform such acts as the Board deems necessary, desirable, convenient or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

3.3 Delegation to Committee.



(i) General. The Board may delegate administration of the Plan to a Committee or Committees consisting of one or more members of the Board or one or more officers of the Company who are not members of the Board (to the extent allowed by law), and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee also may exercise, in connection with the administration of the Plan, any of the powers and authority granted to the

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Board under the Plan, and the Committee may delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee, as applicable), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and reconstitute the Board the administration of the Plan.

(ii) Committee Composition when Common Stock is Publicly Traded. At any such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Non Employee Directors, in accordance with Rule 16b 3. Within the scope of such authority, the Board or the Committee may (delegate to a committee of one or more individuals who are not Non Employee Directors the authority to grant Awards to eligible persons who are either (1) not then subject to Section 16 of the Exchange Act or (2) receiving a Stock Award as to which the Board or Committee elects not to comply with Rule 16b 3 by having two or more Non Employee Directors grant such Stock Award.

3.4 Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

3.5 Compliance with Section 16 of the Exchange Act. With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with the applicable conditions of Rule 16b 3, or any successor rule thereto. To the extent any provisions of this Plan or action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board. Notwithstanding the above, it shall be the responsibility of such persons, not of the Company or the Board, to comply with the requirements of Section 16 of the Exchange Act, and neither the Company nor the Board shall be liable if this Plan or any transaction under this Plan fails to comply with the applicable conditions of Rule 16b 3 or any successor rule thereto, or if any person incurs any liability under Section 16 of the Exchange Act.

#### IV.SHARES SUBJECT TO THE PLAN

4.1 Share Reserve. Subject to the provisions of Section 13 of the Plan relating to adjustments upon changes in Common Stock, the maximum aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards shall not exceed the sum of (i) eight hundred thousand shares of Common Stock, (ii) the authorized shares of Common Stock available for issuance, and not either issued or subject to outstanding awards, under the Company's 2007 Incentive Stock Plan (the "Prior Plan") on the Effective Date shall cease to be set aside or reserved for issuance pursuant to the Prior Plan, effective on the Effective Date, and shall instead be set aside and reserved for issuance pursuant to the Plan and (iii) any shares subject to outstanding awards under the Prior Plan on the Effective Date that cease to be subject to such awards following the Effective Date (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable shares of Common Stock), shall cease to be set aside or reserved for issuance pursuant to the Prior Plan, effective on the date upon which they cease to be so subject to such awards, and shall instead be set aside and reserved for issuance pursuant to the Plan ("Share Reserve"). Each share of Common Stock issued pursuant to an Option or Restricted Stock Purchase Right shall reduce the Share Reserve by one share and each share of Common Stock subject to the redeemed portion of a Stock Appreciation Right (whether the distribution upon redemption is made in cash, stock or a combination of the two) shall reduce the Share Reserve by one share. To the extent that a distribution pursuant to a Stock Award is made in cash, the Share Reserve shall be reduced by the number of shares of Common Stock subject to the redeemed or exercised portion of the Stock Award. Notwithstanding any other provision of the Plan to the contrary, the maximum aggregate number of shares of Common Stock that may be issued under the Plan pursuant to Incentive Stock Options is eight hundred thousand shares of Common Stock ("ISO Limit"), subject to the adjustments provided for in Section 13 of the Plan.

4.2 Reversion of Shares to the Share Reserve.

(i) If any Stock Award granted under this Plan shall for any reason (A) expire, be cancelled or otherwise terminate, in whole or in part, without having been exercised or redeemed in full, or (B) be reacquired by the Company prior to vesting, the shares of Common Stock not acquired by Participant under such Stock Award shall be retained by, revert or be added to the Share Reserve and become available for issuance under the Plan. To the extent that shares of Common Stock are: (a) tendered in payment of the exercise price of an Option, (b) delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) covered by

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stock settled Stock Appreciation Rights or other Stock Awards with respect to which shares of Common Stock were not issued upon the settlement of the Stock Award, then such shares of Common Stock will not again be available for issuance under the Plan.

(ii) Shares of Common Stock that are not acquired by a holder of a stock award granted under the 1996 Plan shall not revert or be added to the Share Reserve or become available for issuance under the Plan.

4.3 Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

V. ELIGIBILITY

5.1 Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors, and Consultants.

5.2 Ten Percent Stockholders. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent of the Fair Market Value of the Common Stock on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

5.3 Performance Based Measures. The Board or Committee determines which, if any, performance measure(s) shall be used with respect to Awards and may use such performance measures it deems appropriate (“Performance Measures”), including without limitation, the