

AAR CORP  
Form DEF 14A  
August 28, 2015

Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**AAR CORP.**

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(Name of Registrant as Specified In Its Charter)

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(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:
  
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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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Table of Contents

**Notice of Annual Meeting of Stockholders  
to be Held on Tuesday, October 13, 2015**

**To Our Stockholders:**

We are pleased to invite you to attend our 2015 annual meeting of stockholders. Please read the information below and in the accompanying proxy statement to learn more about AAR CORP. and the matters to be voted on at the annual meeting.

**Date** Tuesday, October 13, 2015

**Time** 9:00 a.m., Chicago time

**Place** AAR CORP.  
One AAR Place  
1100 North Wood Dale Road  
Wood Dale, Illinois 60191

**Purposes** You will be asked at the annual meeting to:

Elect three directors;

Vote on an advisory resolution to approve our Fiscal 2015 executive compensation;

Ratify the appointment of KPMG LLP as our independent registered public accounting firm for Fiscal 2016; and

Transact any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

**Record Date** You may vote your shares at the annual meeting if you were a stockholder on August 18, 2015.

**Voting** **Your vote is important. We encourage you to vote your shares as soon as possible. You may vote by proxy over the Internet, by telephone, or by completing and returning the enclosed proxy card in the postage-paid envelope provided. We also welcome you to attend the meeting and vote in person.**

By Order of the Board of Directors,

Robert J. Regan  
*Vice President, General Counsel and Secretary*

August 28, 2015



Table of Contents

**PROXY STATEMENT FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS**

**Table of Contents**

	<b>Page</b>
<b><u>2015 PROXY STATEMENT SUMMARY</u></b>	<b>iv</b>
<b><u>QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING</u></b>	<b>1</b>
<b><u>PROPOSAL 1 ELECTION OF OUR DIRECTORS</u></b>	<b>4</b>
<u>Information about Our Director Nominees and Our Continuing Directors</u>	<b>4</b>
<b><u>PROPOSAL 2 ADVISORY RESOLUTION TO APPROVE OUR FISCAL 2015 EXECUTIVE COMPENSATION</u></b>	<b>8</b>
<b><u>PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2016</u></b>	<b>10</b>
<b><u>CORPORATE GOVERNANCE</u></b>	<b>11</b>
<u>General</u>	<b>11</b>
<u>Stockholder Engagement</u>	<b>11</b>
<u>Ethics Hotline</u>	<b>11</b>
<u>Director Nominations and Qualifications</u>	<b>11</b>
<u>Director Independence</u>	<b>12</b>
<u>Board Leadership and Lead Director</u>	<b>12</b>
<u>Risk Management Oversight</u>	<b>13</b>
<u>Executive Sessions</u>	<b>13</b>
<u>Corporate Governance Guidelines</u>	<b>13</b>
<u>Code of Business Ethics and Conduct</u>	<b>13</b>

<u>Related Person Transaction Policy</u>	14
<u>Communications with the Board of Directors</u>	14
<b><u>BOARD MATTERS</u></b>	15
<u>Board Committees</u>	15
<u>Audit Committee Fiscal 2015 Report</u>	15
<u>Board Meetings and Attendance</u>	17
<u>Director Compensation</u>	18
<u>Director Compensation Table</u>	19
<u>Compensation Committee Interlocks and Insider Participation</u>	20
<b><u>EXECUTIVE COMPENSATION</u></b>	21
<u>Compensation Discussion and Analysis</u>	21
<u>Compensation Committee Fiscal 2015 Report</u>	37

Table of Contents

	<b>Page</b>
<u>Summary Compensation Table</u>	<u>38</u>
<u>Fiscal 2015 Grants of Plan-Based Awards</u>	<u>41</u>
<u>Outstanding Equity Awards at Fiscal 2015 Year-End</u>	<u>42</u>
<u>Fiscal 2015 Option Exercises and Stock Vested</u>	<u>44</u>
<u>Retirement Program Benefits</u>	<u>44</u>
<u>Fiscal 2015 Pension Benefits</u>	<u>44</u>
<u>Fiscal 2015 Non-Qualified Deferred Compensation</u>	<u>46</u>
<u>Potential Payments Upon a Termination of Employment or a Change in Control of the Company</u>	<u>48</u>
<u>Tables of Potential Payments Upon a Termination of Employment or a Change in Control</u>	<u>52</u>
<b><u>SECURITY OWNERSHIP OF OUR MANAGEMENT AND OTHERS</u></b>	<b><u>54</u></b>
<u>Security Ownership of Management</u>	<u>54</u>
<u>Security Ownership of Certain Beneficial Owners</u>	<u>55</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>56</u>
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	<b><u>57</u></b>
<b><u>STOCKHOLDER PROPOSALS FOR OUR 2016 ANNUAL MEETING</u></b>	<b><u>58</u></b>
<b><u>OTHER BUSINESS</u></b>	<b><u>58</u></b>

**Important Notice Regarding the Availability of Our Proxy Materials  
For Our Annual Meeting of Stockholders to be Held on Tuesday, October 13, 2015:**

Copies of this Notice and Proxy Statement, our 2015 Annual Report to Stockholders and our Annual Report on Form 10-K for the fiscal year ended May 31, 2015 are available free of charge at

*www.proxyvote.com.*

Table of Contents

**2015 Proxy Statement Summary**

This summary highlights certain information addressed in more detail elsewhere in this proxy statement. Please read the entire proxy statement carefully before voting your shares.

**Annual Meeting Information**

**Time and Date** Tuesday, October 13, 2015 at 9:00 a.m., Chicago time

**Place** AAR CORP.  
One AAR Place  
1100 North Wood Dale Road  
Wood Dale, Illinois 60191

**Record Date** Tuesday, August 18, 2015

**Voting** Stockholders of record as of the record date may vote over the Internet at [www.proxyvote.com](http://www.proxyvote.com); by telephone at 1-800-690-6903; by completing and returning their proxy card or voting information card; or in person at the annual meeting.

**Proposals To Be Voted On By Our Stockholders**

			Board Recommendation
<b>Proposal 1 Election of three directors (pages 4-7):</b>			<b>FOR</b>
<b>Name</b>	<b>Age</b>	<b>Brief Biography</b>	
ANTHONY K. ANDERSON	59	Independent business consultant and former Vice Chairperson and Managing Partner of Midwest Area at Ernst & Young LLP (a global accounting firm).	<b>FOR</b>
MICHAEL R. BOYCE	67	Chairman and Chief Executive Officer of The Peak Group (an operating and acquisition company) and since May 2015, Chairman of the Board of PQ Corporation (a specialty chemicals and catalyst company).	<b>FOR</b>
DAVID P. STORCH	62	Chairman of the Board, President and Chief Executive Officer of AAR CORP.	<b>FOR</b>
<b>Proposal 2 Advisory resolution to approve our Fiscal 2015 executive compensation (pages 8-9).</b>			<b>FOR</b>
<b>Proposal 3 Ratification of the appointment of KPMG LLP as our independent registered public accounting firm (page 10).</b>			<b>FOR</b>

**Fiscal 2015 Business Performance Highlights**



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AAR CORP. (the "Company") is a leading provider of diversified products and services to the worldwide aviation and government and defense markets.

Fiscal 2015 was a transformative year for the Company, highlighted by the following actions:

### **We exited non-core businesses:**

Sold our cargo loading manufacturing business for a purchase price of \$733.3 million, generating net proceeds after taxes in excess of \$600 million

Discontinued operations of our metals and composites manufacturing businesses, with the sale of these businesses expected to occur in Fiscal 2016

Table of Contents

**We repositioned the Company as an industry-leading aviation services company by streamlining operations, focusing on higher-margin activities and delivering best-in-class services to customers across two business segments:**

Aviation Services business segment: Aftermarket parts supply and maintenance, repair and overhaul ("MRO") activities

Expeditionary Services business segment: AAR Airlift and AAR Mobility operations

**We returned total cash in the approximate amount of \$162 million to our stockholders:**

Repurchased approximately \$150 million of our shares of common stock

Paid \$12 million of cash dividends

**We made significant balance sheet improvements:**

Redeemed \$325 million of 7.25% high-yield notes

Reduced outstanding debt by approximately \$480 million

Reduced total net debt to capital ratio to 10.5% from 35.3%

Reduced annual interest expense by approximately \$25 million

Reduced the outstanding share count by 4.8 million shares to 35.5 million shares through a self-tender offer completed in May 2015 and stock repurchases made throughout Fiscal 2015

**We refinanced our revolving credit facility on favorable terms:**

Increased our borrowing capacity to \$500 million (with potential additional capacity of up to \$750 million)

Reduced our borrowing rates

Extended the term of the facility to March 2020

**Fiscal 2015 Executive Compensation Highlights**

**Overview**

Our Compensation Committee approved a Fiscal 2015 executive compensation program that further emphasizes the importance of pay for performance, placing greater reliance on at-risk performance-based compensation and lesser reliance on fixed compensation.

Our Compensation Committee took the following specific actions with respect to our Fiscal 2015 executive compensation program:

Froze base salaries at their Fiscal 2014 levels with no increase (with one exception involving a promotion);

Did not pay any annual cash bonuses under the Fiscal 2015 short-term incentive plan based on the Company's earnings per share and cash flow from operations performance;

Paid special transaction bonuses based on the Company's successful divestiture of its cargo loading manufacturing business in March 2015;

Reduced significantly the dollar value of stock awards granted under the Fiscal 2015 long-term incentive plan compared to the dollar value granted under the Fiscal 2014 long-term incentive plan (e.g., a 43% dollar value reduction in the case of our Chief Executive Officer);

Granted at-risk performance-based restricted stock representing 75% of total stock awards to the named executive officers; and

Approved return on invested capital and cumulative net income as the two performance goals for at-risk performance-based restricted stock awards under the Fiscal 2015 long-term incentive plan.

Table of Contents**Chief Executive Officer Compensation****CEO Total Direct Compensation: Fiscal 2015 Compared With Fiscal 2014\***

The total direct compensation of David P. Storch, our Chief Executive of Officer, was \$4,760,362 in Fiscal 2015, which represented a less than one percent increase over his total direct compensation of \$4,722,717 in Fiscal 2014:

<b>Compensation Element</b>	<b>Fiscal 2014 Actual (\$)</b>	<b>Fiscal 2015 Actual (\$)</b>
Base Salary	906,449	906,449**
Annual Cash Bonus	851,548	
Special Transaction Bonus	N/A	2,158,713
Long-Term Incentive Compensation	2,964,720	1,695,200
<b>Total Direct Compensation</b>	<b>4,722,717</b>	<b>4,760,362</b>

\*

Total direct compensation is the sum of base salary, annual cash bonus and long-term incentive compensation awards, expressed in dollars. For Fiscal 2015 only, total direct compensation also included a special transaction bonus.

\*\*

Mr. Storch voluntarily reduced his base salary by 15.4% to \$767,000, effective September 1, 2015. Please refer to "Executive Compensation Compensation Discussion and Analysis Fiscal 2016 Executive Compensation Actions" for other changes to Mr. Storch's Fiscal 2016 compensation.

**CEO Compensation Mix in Fiscal 2015**

Mr. Storch's Fiscal 2015 total direct compensation was significantly weighted toward at-risk performance-based compensation. His at-risk performance-based restricted stock award and special transaction bonus represented 72% of his total direct compensation in Fiscal 2015, compared with fixed compensation at 28% of his total direct compensation.



Table of Contents

**Compensation for Named Executive Officers other than the CEO**

The Fiscal 2015 total direct compensation for the four other named executive officers of the Company consisted of 73% of at-risk performance-based compensation, compared with fixed compensation at 27% of total direct compensation.

\*

One named executive officer received an annual cash bonus under a business group performance incentive plan; he did not receive a special transaction bonus.

**Key Compensation Policies and Practices**

The key elements of the Company's executive compensation program are:

Annual advisory stockholder approval of executive compensation;

Non-guaranteed performance-based annual cash bonuses;

Challenging performance targets under both the short-term and long-term incentive plans;

Significant vesting periods for stock-based awards;

No repricing of stock options without stockholder approval;

No dividends on at-risk performance-based restricted stock until performance goals are met;

Stock ownership guidelines for directors and executive officers;

Insider trading policy prohibiting short sales, pledging and hedging transactions;

No tax-gross ups in any new agreement since 2012; and

Clawback of incentive compensation in the event of certain financial restatements.

Table of Contents

**CORPORATE GOVERNANCE HIGHLIGHTS**

Good corporate governance remains an essential part of the Company's culture. The Board of Directors annually reviews the Company's key corporate governance documents, including the Corporate Governance Guidelines and the Board Committee charters, to ensure that they reflect best practices consistent with the Company's culture and strategy.

The following table identifies the Company's key corporate governance practices and related information:

<b>Corporate Governance Information</b>	<b>As of August 28, 2015</b>
Number of Directors	11
Number of Independent Directors	9
Average Age of Directors	66
Average Tenure of Directors	11 years
Director Retirement Age	75 on nomination date
Lead Director	Yes
Stock Ownership Guidelines	Yes
Annual Stock Grant to Non-Employee Directors	Yes
Independent Directors Executive Sessions	Yes
Independent Compensation Consultant	Yes
Annual Board and Committee Self Evaluations	Yes
Code of Business Ethics and Conduct	Yes
Ethics Hotline Policy	Yes
Related Person Transaction Policy	Yes
Disclosure Committee for Financial Reporting	Yes
Annual Advisory Stockholder Approval of Executive Compensation	Yes



**One AAR Place  
1100 North Wood Dale Road  
Wood Dale, Illinois 60191**

We will hold our 2015 annual meeting of stockholders on Tuesday, October 13, 2015, at 9:00 a.m., Chicago time, at AAR CORP.'s corporate headquarters located at One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191. We cordially invite you to attend the annual meeting and ask that you vote on the proposals described in this proxy statement.

## **QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING**

### **Why am I receiving the proxy materials?**

Our Board of Directors is providing these proxy materials to you, beginning on or about August 28, 2015, in connection with its solicitation of proxies for use at the Company's 2015 annual meeting of stockholders.

### **What information is contained in the proxy materials?**

The proxy materials contain information about the proposals to be voted on at the annual meeting, the compensation of our directors and our most highly paid executive officers, corporate governance and other information about the Company.

### **How do I access the proxy materials electronically?**

Again this year we are pleased to be distributing our proxy materials via the Internet under the "notice and access" approach permitted by the rules of the Securities and Exchange Commission ("SEC"). This approach reduces the cost and environmental impact of printing and distributing the proxy materials for our annual meeting.

We mailed a "Notice of Internet Availability of Proxy Materials" to all of our stockholders on or about August 28, 2015. The Notice provides you with instructions on how to:

Access and review our proxy materials over the Internet;

Submit your vote over the Internet; and

Request and receive printed proxy materials.

This proxy statement, our annual report to stockholders for the fiscal year ended May 31, 2015 ("Fiscal 2015") and our Fiscal 2015 annual report on Form 10-K may be viewed online at [www.proxyvote.com](http://www.proxyvote.com).

### **What proposals are stockholders voting on at the annual meeting?**

Stockholders will vote on three proposals at the annual meeting:

Proposal 1 The election of Anthony K. Anderson, Michael R. Boyce and David P. Storch as directors to serve until the 2018 annual meeting of stockholders;

Proposal 2 An advisory resolution to approve the Company's Fiscal 2015 executive compensation; and

Proposal 3 The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2016 ("Fiscal 2016").

**Who is entitled to vote?**

You are entitled to vote your shares if you were an AAR CORP. stockholder at the close of business on August 18, 2015. This date is referred to in this proxy statement as the "record date."

*Stockholder of Record.* You are a "stockholder of record" if your shares are registered in your name with Computershare, the Company's transfer agent. If you were a stockholder of record at the close of business on the record date, you may vote your shares by proxy by completing, signing, dating and returning the enclosed proxy card or voting by telephone or over the Internet, or in person by attending and voting at the annual meeting.

*Beneficial Owner.* You are a "beneficial owner" of shares if your shares are held in a stock brokerage account or by a bank or other nominee. If you were a beneficial owner of shares at the close of business on the record date, you may vote your shares by giving voting instructions to your

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broker, bank or other nominee who is the "stockholder of record" of your shares. The Company has directed brokers, banks and other nominees to obtain voting instructions from their beneficial owners. Proxies submitted by nominees on behalf of beneficial owners will count toward a quorum and will be voted as instructed by the beneficial owners. You will receive additional instructions from your broker, bank or other nominee explaining how you may vote your shares held by your nominee.

You may receive more than one set of proxy materials. This means you hold your shares in more than one account. Please vote all of your shares.

A list of stockholders of record entitled to vote will be available at the Company's corporate headquarters for 10 days prior to the meeting and at the meeting location during the meeting.

On the record date, 35,516,483 shares of common stock of the Company were outstanding. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the annual meeting.

### **How do stockholders vote by telephone or over the Internet?**

Specific instructions for using the telephone and Internet voting methods are set forth on the proxy card. These instructions are designed to authenticate your identity, allow you to give your voting instructions and confirm that those instructions have been properly recorded. You may vote by telephone or over the Internet 24 hours a day, seven days a week, until 10:59 p.m. (Chicago time) on the day prior to the annual meeting. If you vote by telephone or over the Internet, please do not return your proxy card.

### **How do stockholders revoke a proxy?**

You may revoke your proxy (e.g., to change your vote) at any time before it is exercised by:

Sending a written notice of revocation to the Secretary of the Company at the Company's address listed on the first page of this proxy statement;

Submitting a later-dated proxy by telephone, over the Internet or by mail; or

Voting in person at the annual meeting.

### **How will the proxy holders vote the shares?**

The proxy holders will vote shares in accordance with instructions on the proxy card. If no instructions are given, the proxy holders will vote the shares as follows:

**FOR** the election of the three director nominees;

**FOR** the advisory resolution to approve our Fiscal 2015 executive compensation; and

**FOR** the ratification of KPMG LLP as our independent registered public accounting firm for Fiscal 2016.

If any other matter properly comes before the annual meeting, the proxy holders will use their judgment to vote in a manner consistent with the best interest of stockholders. If any director nominee becomes unavailable for election for any reason prior to the annual meeting vote, the Board

may reduce the number of directors to be elected or substitute another person as nominee, in which case the proxy holders will vote for the substitute nominee.

**What are the quorum and vote requirements?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will exist if a majority of the outstanding shares of common stock entitled to vote at the meeting is present in person or by proxy at the annual meeting. Abstentions and broker non-votes, if any, will be counted as present for purposes of determining whether there is a quorum. A "broker non-vote" will occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

**Please note that brokers will have discretionary authority to vote shares on the ratification of KPMG; however, brokers may not vote shares on the election of directors or on the advisory resolution to approve executive compensation without specific instructions from their beneficial owners. Accordingly, please follow your broker's instructions so that your vote may be counted.**

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The following table indicates the vote required for approval of each matter to be presented to the stockholders at the annual meeting and the effect of "withhold" votes, abstentions, and broker non-votes.

	<b>Required Vote</b>	<b>Effect of "Withhold" Votes, Abstentions and Broker Non-Votes</b>
<b>Proposal 1</b> <b>Election of Three Directors</b>	Affirmative vote of a plurality of the shares of common stock present and entitled to vote (the three nominees who receive the greatest number of votes will be elected directors of the Company).	"Withhold" votes and broker non-votes will have no effect on the voting for the election of directors.
<b>Proposal 2</b> <b>Advisory Resolution to Approve Fiscal 2015 Executive Compensation</b>	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote "against" and broker non-votes will have no effect on the voting for this matter.
<b>Proposal 3</b> <b>Ratification of the Appointment of KPMG LLP</b>	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote "against"; there will be no broker non-votes for this matter.

### **How will the vote be tabulated?**

Inspectors of election appointed for the annual meeting will tabulate all votes cast in person or by proxy at the annual meeting. In the event a quorum is not present at the annual meeting, we expect that the annual meeting will be adjourned or postponed to solicit additional proxies.

### **Who is the Company's proxy solicitor?**

The Company has engaged D. F. King & Co., Inc., 48 Wall Street, New York, New York 10005, to assist the Company in soliciting proxies at a total estimated cost of \$11,500, plus reasonable out-of-pocket expenses. The cost of soliciting proxies will be paid by the Company. D. F. King & Co., Inc. may solicit proxies by mail, telephone, facsimile, e-mail, or in person. Certain officers, directors and employees of the Company may also solicit proxies for no additional compensation.

Table of Contents

**PROPOSAL 1 ELECTION OF OUR DIRECTORS**

The Company's Restated Certificate of Incorporation and By-Laws provide that the Board of Directors shall consist of between three and 15 directors, with the exact number of directors to be set from time to time by the Board. The number of directors is currently set at 11. The members of the Board are divided into three classes, each having a three-year term that expires in successive years: Class I (three directors), Class II (four directors), and Class III (four directors).

The Board of Directors has nominated three individuals to be elected as Class I directors at the annual meeting, each to serve a three-year term expiring at the 2018 annual

meeting or until the individual is succeeded by another qualified director who has been duly elected. The nominees for director in Class I at the annual meeting are Anthony K. Anderson, Michael R. Boyce and David P. Storch.

Each nominee is currently serving as a director of the Company. Each nominee, other than Mr. Storch, has been determined by the Board to be "independent" within the meaning of the rules of the New York Stock Exchange ("NYSE") and the SEC. As Chairman, President and Chief Executive Officer of the Company, Mr. Storch does not qualify as an independent director under the NYSE and SEC rules.

**Information about Our Director Nominees and Our Continuing Directors**

Information about the director nominees and continuing directors whose terms expire in future years is set forth below:

**OUR DIRECTOR NOMINEES**

	<b>Director Since</b>
<i>Class I Directors whose terms expire at the 2018 annual meeting</i>	
<b>ANTHONY K. ANDERSON</b> , 59: Since 2012, an independent business consultant. From 2006 to April 2012, Vice Chairperson and Managing Partner of Midwest Area at Ernst & Young LLP (a global accounting firm). Prior thereto, served in various management positions during a 35-year career with Ernst & Young LLP.	2012
<i>Other current public company directorships:</i> Avery Dennison Corp., Exelon Corp. and First American Financial Corporation.	
<i>Director Qualifications:</i> The Board of Directors concluded that Mr. Anderson should continue to serve as a director of the Company based on his 35 years working with a global accounting firm, his accounting and financial knowledge, his leadership in developing management talent programs, his service as a director of other public companies, and his professional, civic and charitable service, including as a director of numerous not-for-profit organizations.	
<b>MICHAEL R. BOYCE</b> , 67: Since 1998, Chairman and Chief Executive Officer of The Peak Group (an operating and acquisition company). Since May 2015, Chairman of the Board of PQ Corporation (a specialty chemicals and catalyst company), and from 2005 to May 2015, Chairman and Chief Executive Officer of PQ Corporation. From 1990 to 1998, President and Chief Operating Officer of Harris Chemical Group, Inc. (a chemicals company).	2005
<i>Other current public company directorship:</i> Stepan Company.	
<i>Director Qualifications:</i> The Board of Directors concluded that Mr. Boyce should continue to serve as a director of the Company based on his experience as Chairman and Chief Executive Officer of two leading global organizations, his insight into global manufacturing, supply and distribution practices and his international business development skills.	

Table of Contents

<p><b>DAVID P. STORCH</b>, 62: Since August 2015 and from 2005 to 2007, Chairman of the Board, President and Chief Executive Officer of AAR CORP. From 2007 to August 2015, Chairman of the Board and Chief Executive Officer of AAR CORP. From 1996 to 2005, President and Chief Executive Officer of AAR CORP. From 1989 to 1996, President and Chief Operating Officer of AAR CORP.</p>	<p><b>Director Since</b> 1989</p>
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*Other current public company directorships:* KapStone Paper and Packaging Corp. and Kemper Corporation.

*Director Qualifications:* The Board of Directors concluded that Mr. Storch should continue to serve as a director of the Company based on his current position as Chairman of the Board, President and Chief Executive Officer of the Company, his leadership and management skills, his understanding of the Company's businesses gained during his 36-year career with the Company, his knowledge of the commercial aviation and government and defense services markets, and his leadership role in transforming the Company into a leading international provider of products and services to the commercial aviation and government and defense services markets.

**OUR CONTINUING DIRECTORS**

*Class II Directors whose terms expire at the 2016 annual meeting*

<p><b>NORMAN R. BOBINS</b>, 72: Since 2008, Non-Executive Chairman of The PrivateBank and Trust Company Chicago (a financial services company) and Chief Executive Officer of Norman Bobins Consulting, LLC. From May 2007 until October 2007, Chairman of the Board of LaSalle Bank Corporation. From 2002 to 2007, President and Chief Executive Officer of LaSalle Bank Corporation. From 2006 to 2007, President and Chief Executive Officer of ABN AMRO North America. From 2002 to 2007, Senior Executive Vice President at ABN AMRO Bank N.V., the Dutch parent of LaSalle Bank Corporation.</p>	<p>2007</p>
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*Other current public company directorships:* AGL Resources Inc., Omega Healthcare Investors, Inc. and PrivateBancorp, Inc.

*Other public company directorships held in the past five years:* Aviv REIT, Inc., Nicor Inc. and SIMS Metal Management Limited.

*Director Qualifications:* The Board of Directors concluded that Mr. Bobins should serve as a director of the Company based on his 44 years of banking experience, his financial and accounting knowledge, his service as a director of other public companies, and his civic involvement as a director of various not-for-profit organizations.

<p><b>RONALD R. FOGLEMAN</b>, 73: Since 1997, President and Chief Operating Officer of B Bar J Cattle &amp; Consulting Company (a consulting company). From 1994 to 1997, General, Chief of Staff of the United States Air Force, Washington, D.C.</p>	<p>2001</p>
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*Other current public company directorship:* Orbital ATK Inc.

*Other public company directorships held in the past five years:* Alliant Techsystems, Inc.

*Director Qualifications:* The Board of Directors concluded that General Fogleman should serve as a director of the Company based on his leadership skills and record of accomplishment during a 34-year career with the United States Air Force, his business experience and business relationships gained through his senior management positions at two consulting organizations, his understanding of the government defense and services markets and his service as a director of other public companies. General Fogleman currently serves as the Company's Lead Director.

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### Table of Contents

	<b>Director Since</b>
<p><b>JAMES E. GOODWIN</b>, 71: Since 2009, Chairman of Federal Signal Corporation (a safety and security products manufacturer). From 2007 to 2008, Interim President and Chief Executive Officer of Federal Signal Corporation. From 2001 to 2007, an independent business consultant. From 1999 to 2001, Chairman and Chief Executive Officer of UAL, Inc. and United Airlines, Inc., from which he retired after 34 years. From 1998 to 1999, President and Chief Operating Officer of United Airlines, Inc. From 1992 to 1998, Senior Vice President of United Airlines, Inc.</p> <p><i>Other current public company directorships:</i> Federal Signal Corporation and John Bean Technologies Corporation.</p> <p><i>Other public company directorship held in the past five years:</i> First Chicago Bancorp.</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that Mr. Goodwin should serve as a director of the Company based on his airline industry experience and expertise, including his leadership positions at UAL, Inc. and United Airlines, Inc., his management experience and his financial expertise, as well as his global consulting experience and his service as a director of other public companies.</p>	2002
<p><b>MARC J. WALFISH</b>, 63: Since 2003, Founding Partner of Merit Capital Partners (a mezzanine investor company). From 1991 to 2003, partner at William Blair Mezzanine Capital Partners. From 1978 to 1991, various positions at Prudential Capital Corporation, most recently as Senior Vice President.</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that Mr. Walfish should serve as a director of the Company based on his experience in the finance industry, including as a founding partner of Merit Capital Partners, a mezzanine investor company, his knowledge of the capital markets and his expertise in corporate finance, strategic planning and risk management.</p> <p><b><i>Class III Directors whose terms expire at the 2017 annual meeting</i></b></p>	2003
<p><b>PATRICK J. KELLY</b>, 60: Since 1986, Managing Director of KMK &amp; Associates, LLC (a private equity firm with interests in companies operating in the food, distribution, technology, financial services, real estate and energy industries).</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that Mr. Kelly should serve as a director of the Company based on his leadership and operational experience at various businesses, his background as a long- term chief executive officer and his business expertise gained through his experience at a private equity firm with a diversified portfolio of operating companies.</p>	2006
<p><b>PETER PACE</b>, 69: General, U.S. Marine Corps (Retired). From 2005 to 2007, Chairman of the Joint Chiefs of Staff.</p> <p><i>Other current public company directorships:</i> Qualys, Inc. and Textura Corporation.</p> <p><i>Other public company directorships held in the past five years:</i> Laserlock Technologies, Inc., Pike Electric Corp., and Wi2Wi Corporation.</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that General Pace should serve as a director of the Company based on his leadership and management skills and experience from over 40 years of service with the United States Marine Corps, culminating in his appointment as the 16<sup>th</sup> Chairman of the Joint Chiefs of Staff (the most senior position in the United States Armed Forces), where he served from 2005 to 2007 as the principal military adviser to the President, the Secretary of Defense, the National Security Council and the Homeland Security Council. The Board also gave positive weight to General Pace's understanding of the government defense and services markets and his service as a director of other public companies.</p>	2012



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Table of Contents

	<b>Director Since</b>
<p><b>TIMOTHY J. ROMENESKO</b>, 58: Since August 2015, Vice Chairman of AAR CORP. and Chief Operating Officer of the Expeditionary Services business group. From March 2015 to August 2015, President of AAR CORP. and Chief Operating Officer of the Expeditionary Services business group. From 2007 to March 2015, President and Chief Operating Officer of AAR CORP. From 1994 to 2007, Vice President, Chief Financial Officer and Treasurer of AAR CORP. From 1991 to 1994, Corporate Controller of AAR CORP.</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that Mr. Romenesko should serve as a director of the Company based on his leadership positions with the Company, his experience in various accounting and financial capacities during his 33-year career with the Company and his knowledge of the Company's commercial aviation and government and defense services markets.</p>	2007
<p><b>RONALD B. WOODARD</b>, 72: Since 2014, retired Chairman of MagnaDrive, Inc. (an industrial torque transfer equipment company, which he co-founded following his retirement from The Boeing Company after 32 years). From 1995 to 1998, President of the Boeing Commercial Airplane Group. From 1991 to 1994, Vice President and General Manager of the Renton Division of Boeing Commercial Aircraft. From 1987 to 1991, President of deHavilland Aircraft. Prior to that, Vice President and General Manager of the Materiel Division of Boeing Commercial Aircraft, and various other management positions.</p> <p><i>Other current public company directorship:</i> Outerwall, Inc. (formerly Coinstar, Inc.)</p> <p><i>Other public company directorships held in the past five years:</i> Continental Airlines, Inc.</p> <p><i>Director Qualifications:</i> The Board of Directors concluded that Mr. Woodard should serve as a director of the Company based on his management and manufacturing experience as a senior officer of The Boeing Company, his knowledge of the commercial aviation industry and his experience as a director of other public companies, including Continental Airlines, Inc.</p> <p><b>Our Board of Directors unanimously recommends that you vote "<u>FOR</u>" each director nominee.</b></p>	2004

Table of Contents**PROPOSAL 2 ADVISORY RESOLUTION TO APPROVE OUR FISCAL 2015 EXECUTIVE COMPENSATION**

We are asking our stockholders to approve the following advisory resolution (commonly known as a say-on-pay proposal) on the compensation awarded to our named executive officers for Fiscal 2015 as disclosed in this proxy statement:

**"RESOLVED**, that the stockholders of the Company approve, on an advisory basis, the compensation of the named executive officers for Fiscal 2015 as reported in this proxy statement pursuant to Item 402 of Regulation S-K under the Securities Exchange Act of 1934, including the Compensation Discussion and Analysis, compensation tables and narrative discussion."

We ask our stockholders to vote on our say-on-pay proposal each year for two principal reasons: (i) we have learned through our stockholder outreach program that our stockholders have a strong interest in the Company's executive compensation program; and (ii) we value the opinions of our stockholders. Accordingly, our Compensation Committee gives serious attention to the results of our annual stockholder say-on-pay vote, together with other relevant factors, in making its decisions regarding the next year's executive compensation program.

Our say-on-pay vote on our Fiscal 2014 executive compensation was overwhelmingly positive, receiving a 96.5% "FOR" vote. This result was viewed as an endorsement of our executive compensation program and the individual compensation decisions made by our Compensation Committee with respect to our named executive officers. Nonetheless, our Compensation Committee revisits the Company's executive compensation program each year to ensure that the design of the program and the individual compensation decisions serve the best interests of the Company's stockholders.

For Fiscal 2015, our Compensation Committee emphasized further the Company's commitment to a pay-for-performance executive compensation program. This commitment placed greater reliance on at-risk performance-based compensation such as performance-based cash bonuses and performance-based restricted stock tied to the Company's cumulative net income performance results over a three-year performance period. It also placed lesser reliance on fixed compensation such as base salary and time-based restricted stock.

The table below shows the breakdown of at-risk performance-based compensation and fixed compensation for the Company's Chief Executive Officer and the other named executive officers for Fiscal 2015:

NAMED EXECUTIVE OFFICER	AT-RISK PERFORMANCE-BASED COMPENSATION		FIXED COMPENSATION	
	Performance-Based Cash Bonuses*	Performance-Based Restricted Stock	Base Salary	Time-Based Restricted Stock
David P. Storch	\$2,158,713	\$1,271,400	\$906,449	\$423,800
Timothy J. Romenesko	\$1,727,250	\$635,700	\$499,272	\$211,900
John M. Holmes	\$548,000	\$156,480	\$409,375	\$52,160
John C. Fortson	\$1,220,356	\$391,200	\$400,000	\$130,400
Robert J. Regan	\$750,825	\$391,200	\$391,586	\$130,400

\*

For Fiscal 2015, the Company paid "special transaction bonuses" to the named executive officers (except for Mr. Holmes) and other Company employees in consideration of the Company's successful divestiture of its cargo loading manufacturing business. The Company did not pay any annual cash bonuses for Fiscal 2015, except that Mr. Holmes received a bonus under a separate performance incentive plan tied to the results of the Aviation Services business group. For further information about the special transaction bonuses and the annual cash bonuses, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.



Table of Contents

The percentage of at-risk performance-based compensation versus the percentage of fixed compensation for each named executive officer for Fiscal 2015 is set forth below:

Named Executive Officer	At-Risk Performance-Based Compensation	Fixed Compensation
David P. Storch	72%	28%
Timothy J. Romenesko	77%	23%
John M. Holmes	60%	40%
John C. Fortson	75%	25%
Robert J. Regan	69%	31%

Our Compensation Committee and our Board of Directors believe that the executive compensation paid to our named executive officers in Fiscal 2015, in form and amount, was fair, appropriate and in the best interest of the Company's stockholders.

We encourage our stockholders to read the "Compensation Discussion and Analysis" on pages 21-37 and the

"Summary Compensation Table" and other compensation tables and related narrative starting on page 38 of this proxy statement. These sections describe our executive compensation policies and practices and provide further information about the compensation of our named executive officers.

**Our Board of Directors unanimously recommends that you vote "FOR" the advisory resolution to approve our Fiscal 2015 executive compensation.**

Table of Contents

**PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2016**

The Company's independent registered public accounting firm reports to, and is engaged at the direction of, the Audit Committee of the Company's Board of Directors.

The Audit Committee appointed KPMG LLP ("KPMG") as the Company's independent registered public accounting firm for Fiscal 2016. The Company's independent registered public accounting firm is responsible for auditing the Company's financial statements and the effectiveness of internal controls over financial reporting and for expressing opinions thereon.

The Audit Committee believes that the appointment of KPMG is in the best interests of the Company and its stockholders for the following primary reasons:

KPMG's independence in light of all services that it provides to the Company;

The quality of KPMG's past performance as the Company's independent registered public accounting firm;

KPMG's reputation in the industry and its expertise with respect to aviation and aerospace companies;

KPMG's understanding of the Company's businesses, operations, accounting policies and practices and internal control over financial reporting;

The reasonableness of the fees paid by the Company to KPMG for its services;

The recognition that a change in the Company's independent auditors is a time-consuming process replete with risks and costs and without any assurance of any benefit to the Company; and

Market information on KPMG's audit quality and performance, including recent Public Company Accounting Oversight Board ("PCAOB") reports on KPMG.

The Board of Directors asks that stockholders ratify the appointment of KPMG as the Company's independent registered public accounting firm for Fiscal 2016. Representatives of KPMG are expected to be present at the annual meeting, with the opportunity to make a statement if they so desire and to respond to appropriate questions of stockholders.

**Independent Registered Public Accounting Firm Fees and Services**

The following table sets forth the aggregate fees billed by KPMG to the Company for Fiscal 2014 and Fiscal 2015 for audit, audit-related and tax services provided by the Company's independent registered public accounting firm.

**Description of Fees**

**Fiscal 2014 (\$)**

**Fiscal 2015 (\$)**

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Audit Fees	1,794,370	1,914,366
Audit-Related Fees <sup>1</sup>	136,000	7,500
Tax Fees <sup>2</sup>	387,109	332,341