AAR CORP
Form DEF 14A
August 31, 2017

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

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

AAR CORP.

(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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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

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o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

Dear Fellow Stockholders:

On behalf of our Board of Directors, I invite you to join us at our 2017 annual meeting of stockholders. The annual meeting will be held on Wednesday, October 11, 2017 at 9:00 a.m., Central Time, at the Company's corporate headquarters located at One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191.

Our fiscal year ended May 31, 2017 was a strong year for the Company. We achieved positive financial results, a 43% increase in our stock price and continued performance momentum across our aviation services businesses. We aim to capitalize on this momentum in the current fiscal year by enhancing our services portfolio and extending our market reach.

Your Board is committed to creating long-term value for you through its oversight of the Company's business strategy, financial performance, operating results and risk management. We value the input that we receive from you on all important matters affecting the Company. We will continue to make stockholder engagement an ongoing priority for the Company.

We say goodbye this year to two wonderful leaders of the Company: Ron Fogleman and Tim Romenesko. Ron, our longest-serving independent director and our first Lead Director, will retire at our 2017 annual meeting of stockholders. Tim will retire in December 2017 after 36 years of service with the Company in numerous capacities, including President and Chief Operating Officer and, currently, Vice Chairman, Chief Financial Officer and a director of the Company. On behalf of our Board, our management and our employees, I want to thank Ron and Tim for their outstanding contributions to the Company.

We were very pleased to welcome to the Company this year Duncan J. McNabb, who joined our Board in April 2017, and Michael D. Milligan, who will join the Company on September 1, 2017 as our new Chief Financial Officer. In addition, John M. Holmes, previously the head of our Aviation Services business group, became President and Chief Operating Officer of the Company on June 1, 2017 and a director on July 10, 2017. Your Board is confident that the Company remains in strong and capable hands, with leaders keenly focused on the Company's future success.

We look forward to seeing you at the annual meeting. Please vote your shares as promptly as possible, whether or not you plan to attend the annual meeting. Every stockholder vote is important!

David P. Storch
Chairman and Chief Executive Officer

August 31, 2017

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Notice of Annual Meeting of Stockholders to be Held on Wednesday, October 11, 2017

To Our Stockholders:

We are pleased to invite you to attend our 2017 annual meeting of stockholders. Please read the information in this notice and proxy statement to learn more about AAR CORP. and the matters to be voted on at the annual meeting.

Date	Wednesday, October 11, 2017
Time	9:00 a.m., Central 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 four directors;
	Vote on an advisory proposal to approve our Fiscal 2017 executive compensation;
	Vote on an advisory proposal on the frequency of our future executive compensation votes;
	Ratify the appointment of KPMG LLP as our independent registered public accounting firm for Fiscal 2018; 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 16, 2017.
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 31, 2017

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PROXY STATEMENT FOR OUR 2017 ANNUAL MEETING OF STOCKHOLDERS

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Important Notice Regarding the Availability of the Proxy Materials for Our Annual Meeting of Stockholders to Be Held on Wednesday, October 11, 2017:

This Notice and Proxy Statement, our 2017 Annual Report to Stockholders and our Annual Report on Form 10-K for the fiscal year ended May 31, 2017 are available free of charge at *www.proxyvote.com*

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2017 PROXY STATEMENT SUMMARY

This summary highlights selected information contained in this proxy statement. Please read the entire proxy statement carefully before voting your shares.

Annual Meeting Information

Date and Time	Wednesday, October 11, 2017 at 9:00 a.m., Central Time
Place	AAR CORP. One AAR Place 1100 North Wood Dale Road Wood Dale, Illinois 60191
Record Date	Wednesday, August 16, 2017
Voting	Stockholders of record as of the close of business on the record date may vote by proxy over the Internet at 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 at the Annual Meeting

		Board Recommendation
Proposal 1	Election of four directors (pages 6-10):	**FOR ALL NOMINEES**

Name	Brief Biography
PATRICK J. KELLY (Independent director)	Since 1986, Managing Director of KMK & Associates, LLC (a private equity firm with interests in companies operating in the food, distribution, technology, financial services, real estate and energy industries).
DUNCAN J. MCNABB (Independent director)	Since 2011, Co-Founder and Managing Partner of Ares Mobility Solutions, Inc. (a privately-held logistics business); General, U.S. Air Force (Retired); Former Commander of the United States Transportation Command ("US TRANSCOM").
PETER PACE (Independent director)	General, U.S. Marine Corps (Retired); Former Chairman of the Joint Chiefs of Staff (the most senior position in the United States Armed Forces).
RONALD B. WOODARD (Independent director)	Since 2014, retired Chairman of MagnaDrive, Inc. (an industrial torque transfer equipment company which he co-founded after 32 years of service with The Boeing Company).

Proposal 2	Advisory proposal to approve our Fiscal 2017 executive compensation (pages 11-12).	**FOR**

Proposal 3	Advisory proposal on the frequency of our future executive compensation votes (page 13).	**"1 YEAR"**
Proposal 4	The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2018 ("Fiscal 2018") (pages 14-15).	**FOR**

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Fiscal 2017 Business Performance Highlights

The Company is a leading global provider of aviation services to the commercial aviation and government and defense markets. AAR combines a close-to-the-customer business model with a broad menu of capabilities to help customers operate more efficiently, reduce costs and maintain high levels of safety, quality and service.

We operate in two business segments: Aviation Services and Expeditionary Services.

Our *Aviation Services* business segment consists of:

- Supply chain activities airframe and engine parts supply; inventory management; original equipment manufacturer ("OEM") parts distribution; component repair management; and aircraft and engine sales and leasing that help our customers reduce costs and increase aircraft availability; and

- Maintenance, repair, and overhaul ("MRO") services aircraft maintenance and modifications; landing gear, wheel and brake services; component repair and engineering solutions that enable our customers to operate safely and efficiently.

Our *Expeditionary Services* business segment includes aircraft and search and rescue services in support of vital defense, contingency and humanitarian aid operations in austere environments around the world. Expeditionary Services also includes our mobility services business, which supplies shelters, containers and pallets to support the movement of troops and supplies, our composites business and the integration of command and control systems and technical services.

In Fiscal 2017:

- We reported sales of $1.768 billion, net income of $50.2 million and total diluted earnings per share of $1.64 ($1.45 per share from continuing operations and $0.19 per share from discontinued operations);

- We continued to maintain a strong balance sheet, with working capital of $553.4 million, net debt of $149.0 million and available liquidity of $365.0 million as of May 31, 2017;

- We returned capital of $30.0 million to our stockholders through common stock repurchases and dividends; and

- We continued to execute our strategy as a pure-play aviation services company serving global commercial and government markets by focusing on our key imperatives:

  - Pursue connected businesses that reinforce collective growth prospects;

  - Expand margins through differentiated capabilities;

Increase our global footprint;

Leverage data and digital solutions to deliver lower customer costs;

Establish positioning on new generation aircraft platforms; and

Attract, empower and deploy exceptional, entrepreneurial talent.

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Fiscal 2017 Executive Compensation Highlights

Key Elements of Our Fiscal 2017 Executive Compensation Program

Set our Chief Executive Officer's base salary at $835,000, which was at or around the 25th percentile among CEOs of our peer group;

Set the base salaries of our other named executive officers at or around the 50th percentile of our market peers;

Fixed the annual cash bonus targets of our executive officers at the market median;

Emphasized performance-based compensation over fixed compensation;

Continued to use performance-based restricted stock and stock options as the preferred stock vehicles for our executive officers;

Retained performance measures under our annual cash bonus plan (earnings per share and working capital turns) and for our performance-based restricted stock (cumulative net income and return on invested capital) that are critical barometers of the Company's success; and

Eliminated all tax gross-ups in our executive agreements and replaced single-trigger change-in-control provisions with double-trigger provisions.

Actual Pay-for-Performance Results for Our Named Executive Officers

Pay-for-performance compensation (annual cash bonus plus the dollar value of performance-based restricted stock and stock options) represented 84.5% of the total direct compensation of our Chief Executive Officer, David P. Storch, in Fiscal 2017, compared to fixed compensation (base salary) of 15.5% of his total direct compensation; and

Pay-for-performance compensation represented 79.9% of the total direct compensation of our other named executive officers in Fiscal 2017, compared to fixed compensation (base salary plus time-based restricted stock) of 20.1% of their total direct compensation.

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Key Compensation Policies and Practices

Annual stockholder approval of our executive compensation

Performance-based (i.e., non-guaranteed) annual cash bonuses

Significant emphasis on performance-based stock-based compensation

Challenging performance targets under our annual cash bonus and stock-based compensation plans

Multi-year vesting periods for stock awards

"Double trigger" change-in-control provisions (requiring a change-in-control *and* a termination of employment)

No tax gross-ups

No repricing of stock options without stockholder approval

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

Stock ownership and retention guidelines for directors and executive officers

Prohibitions on short sales, pledging and hedging transactions

Clawback of incentive compensation in the event of certain financial restatements

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Fiscal 2017 Corporate Governance Highlights

Our goal is to ensure that our corporate governance practices reflect best practices consistent with the Company's culture, strategy and performance.

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

Corporate Governance Information	As of August 31, 2017
Number of directors	14*
Number of independent directors	11*
Average age of directors	65*
Average tenure of directors	10 years*
Director retirement age	75 on nomination date
Lead director	Yes
Stock ownership and retention guidelines	Yes
Annual stock grant to non-employee directors	Yes
Independent directors executive sessions	Yes
Independent compensation consultant	Yes
Annual Board and Board Committee self-evaluations	Yes
Director orientation and continuing education programs	Yes
All directors are "audit committee financial experts"	Yes
Code of business ethics and conduct	Yes
Ethics hotline policy	Yes
Related person transaction policy	Yes
Disclosure committee for financial reporting	Yes
Annual stockholder approval of executive compensation	Yes
Stockholder engagement program	Yes
No poison pill	Yes

* We will have 12 directors following the retirement of General Fogleman and Mr. Romenesko on October 11, 2017 (the date of our annual meeting of stockholders). Ten of the 12 directors will be independent directors, the average age of the directors will be 64 and the average tenure of the directors will be 9.5 years (8.5 years for the 10 independent directors).

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

We will hold our 2017 annual meeting of stockholders on Wednesday, October 11, 2017 at 9:00 a.m., Central Time, at AAR CORP.'s corporate headquarters located at One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191. We invite you to attend the annual meeting and ask that you vote on the proposals described in this proxy statement, whether or not you attend the annual meeting.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

Why am I receiving these proxy materials?

Our Board of Directors is providing these proxy materials to you, beginning on or about August 31, 2017, in connection with its solicitation of proxies for use at the Company's 2017 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, and corporate governance and other information about the Company required by the rules of the Securities and Exchange Commission ("SEC").

Can I access the proxy materials electronically?

Yes, we are distributing our proxy materials over the Internet under the "notice and access" approach permitted by the SEC rules. 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 31, 2017. 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 printed copies of our proxy materials.

This proxy statement, our annual report to stockholders for the fiscal year ended May 31, 2017 ("Fiscal 2017") and our Fiscal 2017 annual report on Form 10-K may be viewed online at *www.proxyvote.com.*

What proposals am I voting on at the annual meeting?

You will vote on four proposals at the annual meeting:

Proposal 1 The election of Patrick J. Kelly, Duncan J. McNabb, Peter Pace and Ronald B. Woodard as directors to serve until the 2020 annual meeting of stockholders;

Proposal 2 An advisory proposal to approve our Fiscal 2017 executive compensation;

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Proposal 3 An advisory proposal on the frequency of our future executive compensation votes; and

Proposal 4 The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2018 ("Fiscal 2018").

Who is entitled to vote at the annual meeting?

You are entitled to vote at the annual meeting if you were an AAR CORP. stockholder at the close of business on August 16, 2017. This date is referred to as the "record date" in this proxy statement.

Stockholder of Record. You are a "stockholder of record" if your shares are registered in your name with Computershare, our 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, 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 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 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 brokers, banks and other nominees on behalf of their 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.

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 during the meeting.

On the record date, 34,622,093 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 I 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., Central Time, on October 10, 2017 (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 I revoke a proxy?

You may revoke your proxy (e.g., to change your vote) at any time before your proxy 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;

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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 persons designated on the proxy card as the Company's "proxy holders" will vote all shares covered by your proxy card in accordance with your instructions on the proxy card. If no instructions are given, the proxy holders will vote the shares as follows:

FOR the election of the four director nominees;

FOR the advisory proposal to approve our Fiscal 2017 executive compensation;

FOR "**1 YEAR**" on the advisory proposal on the frequency of our future executive compensation votes; and

FOR the ratification of KPMG LLP as our independent registered public accounting firm for Fiscal 2018.

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 interests 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 annual meeting. A quorum will exist if a majority of the outstanding shares of common stock entitled to vote at the annual 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" occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to that proposal and has not received instructions on how to vote from the beneficial owner of the shares.

Please note that brokers, banks and other nominees will have discretionary authority to vote their shares on the ratification of KPMG LLP. However, they will not have discretionary authority to vote their shares on the election of directors, the advisory proposal to approve our Fiscal 2017 executive compensation or the advisory proposal on the frequency of our future executive compensation votes, unless their beneficial owners provide specific voting instructions in each case. Accordingly, please provide specific voting instructions on these proposals to your broker, bank or other nominee 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.

	Required Vote	Effect of "Withhold" Votes, Abstentions and Broker Non-Votes
Proposal 1 **Election of four directors**	Affirmative vote of a plurality of the shares of common stock present and entitled to vote (the four 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 this matter. There will be no abstentions for this matter.
Proposal 2 **Advisory proposal to approve our Fiscal 2017 executive compensation**	Affirmative vote of a majority of the shares of common stock present in person or by proxy and entitled to vote.	Abstentions will have the effect of a vote "against." Broker non-votes will have no effect on the voting for this matter.
Proposal 3 **Advisory proposal on the frequency of our future executive compensation votes**	Affirmative vote of a majority of the shares of common stock present in person or by proxy and entitled to vote.	Abstentions and broker non-votes will have no effect on the voting for this matter.
Proposal 4 **Ratification of the appointment of KPMG LLP**	Affirmative vote of a majority of the shares of common stock present in person or by proxy 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 votes at the annual meeting 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 $12,500, 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. Directors, officers and employees of the Company also may solicit proxies for no additional compensation.

Where will I find the voting results on the proposals presented at the annual meeting?

We intend to announce the preliminary voting results at the annual meeting. We will publish the final voting results on a Current Report on Form 8-K that we will file with the SEC within four business days of the annual meeting.

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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 of Directors. The Board has currently set the number of directors at 14. Our directors are divided into three classes: Class I (four directors), Class II (five directors), and Class III (five directors). Each class has a three-year term.

Effective as of the date of the annual meeting, Ronald R. Fogleman (a Class II director) and Timothy J. Romenesko (a Class III director) will retire from the Board, and the size of the Board will be reduced to 12 members, with each Class consisting of four directors.

The Board of Directors has nominated four individuals to be elected as Class III directors at the annual meeting, each to serve a three-year term expiring at the 2020 annual meeting or until the individual is succeeded by another qualified director who has been duly elected. The Class III nominees for director are Patrick J. Kelly, Duncan J. McNabb, Peter Pace and Ronald B. Woodard.

Each nominee is currently serving as a director of the Company. Each director nominee 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.

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Information about Our Director Nominees and Our Continuing Directors

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

OUR DIRECTOR NOMINEES

	Director Since
Class III Directors whose terms expire at the 2020 annual meeting	
PATRICK J. KELLY (independent director), 62: Since 1986, Managing Director of KMK & Associates, LLC (a private equity firm with interests in companies operating in the food, distribution, technology, financial services, real estate and energy industries). *Director Qualifications:* 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.	2006
DUNCAN J. MCNABB (independent director), 65: Since 2011, Co-Founder and Managing Partner of Ares Mobility Solutions Inc. (a privately-held logistics business); General, U.S. Air Force (Retired) after 37 years of active commissioned service. Former Commander, U.S. Air Mobility Command, 33rd Vice Chief of Staff of the U.S. Air Force and Former Commander of US TRANSCOM. *Other current public company directorship:* Atlas Air Worldwide, Inc. *Director Qualifications:* The Board of Directors concluded that General McNabb should serve as a director of the Company based on his government resourcing and government affairs expertise, his strategic planning, operations and leadership skills and his 37-year record of service with the United States Air Force, including his service as Commander of the United States Transportation Command (the single manager for global air, land and sea transportation for the Department of Defense).	2017

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	Director Since
PETER PACE (independent director), 71: General, U.S. Marine Corps (Retired). From 2005 to 2007, Chairman of the Joint Chiefs of Staff (the most senior position in the United States Armed Forces). *Other current public company directorships:* Qualys, Inc. *Other public company directorships held in the past five years*: Laserlock Technologies, Inc., Pike Electric Corp., Textura Corporation and Wi2Wi Corporation. *Director Qualifications:* 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 16th Chairman of the Joint Chiefs of Staff (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), his understanding of the government and defense markets, and his current and prior service as a director of other public companies.	2012
RONALD B. WOODARD (independent director), 74: 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 of service). 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 de Havilland Aircraft. Prior to that, Vice President and General Manager of the Materiel Division of Boeing Commercial Aircraft, and various other management positions. *Other current public company directorships held in the past five years:* Outerwall, Inc. (formerly Coinstar, Inc.). *Director Qualifications:* 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.	2004

Our Board of Directors unanimously recommends that you vote "FOR" each director nominee.

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OUR CONTINUING DIRECTORS

	Director Since
Class I Directors whose terms expire at the 2018 annual meeting	
ANTHONY K. ANDERSON (independent director), 61: 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. *Other current public company directorships:* Avery Dennison Corp., Exelon Corp. and Marsh & McLennan Companies. *Other public company directorships held in the past five years:* First American Financial Corporation. *Director Qualifications:* The Board of Directors concluded that Mr. Anderson should 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.	2012
MICHAEL R. BOYCE (independent director), 69: Chairman of the Board of PQ Corporation (a specialty chemicals and catalyst company) and Chairman and Chief Executive Officer of The Peak Group (an operating and acquisition company). 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). *Other current public company directorships:* Stepan Company. *Director Qualifications:* The Board of Directors concluded that Mr. Boyce should 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 experience.	2005
DAVID P. STORCH, 64: Chairman of the Board of AAR CORP. since 2005 and Chief Executive Officer since 1996. President of AAR CORP. from 1989 to 2007 and 2015 to June 2017. *Other current public company directorships:* KapStone Paper and Packaging Corp. and Kemper Corporation. *Director Qualifications:* The Board of Directors concluded that Mr. Storch should serve as a director of the Company based on his current position as Chairman of the Board and Chief Executive Officer of the Company, his leadership and management skills, his understanding of the Company's businesses gained during his 38-year career with the Company, his knowledge of the commercial aviation and government and defense services industries, and his leadership role in transforming the Company into a leading international provider of aviation services to the commercial aviation and government and defense markets.	1989

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	Director Since
JENNIFER L. VOGEL (independent director), 55: Since 2012, co-founder and owner of InVista Advisors, an advisory firm focused on legal department effectiveness, leadership, compliance, crisis readiness and risk management. From 2003 to 2010, Senior Vice President, General Counsel, Secretary and Chief Compliance Officer of Continental Airlines, Inc. *Other public company directorships held in the past five years:* American Science and Engineering, Inc., Clearwire Corporation and Virgin America, Inc. *Director Qualifications:* The Board of Directors concluded that Ms. Vogel should serve as a director of the Company based on her experience as a highly successful corporate executive with over 25 years of leadership experience in the airline and energy industries, including her leadership positions with Continental Airlines and on the board of Virgin America, her legal and corporate governance expertise, her experience in regulatory issues, mergers and acquisitions, ethics and compliance matters and her experience as a director of other public companies.	2016
Class II Directors whose terms expire at the 2019 annual meeting	
NORMAN R. BOBINS (independent director), 74: Director of The PrivateBank. From 2008 - 2017, Non-Executive Chairman of The PrivateBank and Trust Company Chicago (a financial services company) and chief executive, Norman Bobins Consulting LLC (a financial consulting company). 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. *Other current public company directorships:* Omega Healthcare Investors, Inc. *Other public company directorships held in the past five years:* AGL Resources Inc., Aviv REIT, Inc., Nicor Inc., The PrivateBancorp, 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 46 years of banking experience, his financial and accounting knowledge, his service as a director of other public companies, and his civic involvement and business acumen as a director of numerous not-for-profit organizations.	2007
JOHN M. HOLMES, 40: President and Chief Operating Officer of AAR CORP. since June 1, 2017. From 2015 to June 1, 2017, Chief Operating Officer of the Aviation Services business group of AAR CORP. From 2012 to 2015, Group Vice President, Aviation Services Inventory Management and Distribution; and prior thereto, General Manager and Division President of AAR Allen Asset Management. *Director Qualifications:* The Board of Directors concluded that Mr. Holmes should serve as a director of the Company based on his knowledge of the Company's businesses, its portfolio of services and the markets in which it competes, and the customer and supplier relationships that Mr. Holmes has developed during his 16-year tenure with the Company, as well as his demonstrated leadership ability as Chief Operating Officer of the Aviation Services business group since 2012.	2017

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	Director Since
JAMES E. GOODWIN (independent director), 73: Since April 2016, Lead Director of Federal Signal Corporation (a safety and security products manufacturer). From 2009 to April 2016, Chairman of Federal Signal Corporation. 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. *Other current public company directorships:* Federal Signal Corporation and John Bean Technologies Corporation. *Other public company directorships held in the past five years:* First Chicago Bancorp. *Director Qualifications:* The Board of Directors concluded that Mr. Goodwin should serve as a director of the Company based on his significant 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.	2002
MARC J. WALFISH (independent director), 65: 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. *Director Qualifications:* 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, his knowledge of the capital markets and his expertise in corporate finance, strategic planning and risk management.	2003

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PROPOSAL 2 ADVISORY PROPOSAL TO APPROVE OUR FISCAL 2017 EXECUTIVE COMPENSATION

We are asking you to approve the following advisory proposal commonly known as a "say-on-pay" proposal on the compensation awarded to our named executive officers for Fiscal 2017 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 2017 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 hold an annual vote on say-on-pay because we believe it is important to obtain the opinions of our stockholders on our executive compensation program. Each year our Compensation Committee takes a fresh look at the Company's executive compensation program to determine whether to make any design or implementation changes in light of the prior year's say-on-pay vote, stockholder feedback, market practices, peer group changes, the financial and operating performance of the Company and other relevant factors.

The Company's Fiscal 2016 say-on-pay proposal received the support of over 75% of the shares voted at our 2016 annual meeting. We listen carefully to the views of our stockholders as expressed in the say-on-pay vote and as communicated to us throughout the year. In the case of executive compensation, the consistent message from stockholders revolves around "pay for performance."

Our Fiscal 2017 executive compensation program embraced pay-for-performance by providing for:

A mix of fixed pay (primarily base salary) and variable performance-based compensation (annual cash bonus and long-term stock awards);

An emphasis on performance-based restricted stock awards over time-based restricted stock awards;

The use of measures that are critical to our business results as the performance goals under our short-term and long-term incentive compensation plans; and

Executive pay practices with balanced incentive and risk management features.

Please see the "Compensation Discussion and Analysis" section of this proxy statement for a detailed description of the Fiscal 2017 executive compensation program approved by the Compensation Committee of the Board of Directors.

Fiscal 2017 Emphasis on Performance-Based Compensation

The table below shows the breakdown of performance-based compensation and fixed compensation actually paid to David P. Storch, the Company's Chief Executive Officer, and the other named executive

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officers for Fiscal 2017 (other than Michael J. Sharp, who retired as Vice President and Chief Financial Officer in July 2016):

NAMED EXECUTIVE OFFICER	PERFORMANCE-BASED COMPENSATION ($)			FIXED COMPENSATION ($)	
	Annual Performance-Based Cash Bonus	**Performance-Based Restricted Stock**	**Stock Options**	**Base Salary**	**Time-Based Restricted Stock**
David P. Storch	1,511,183	1,584,000	1,462,500	835,000	
Timothy J. Romenesko	838,842	528,000	487,500	463,500	
John M. Holmes	788,381	2,528,000	487,500	463,500	
Robert J. Regan	508,898	462,000	390,000	401,700	
Eric S. Pachapa	265,534		32,500	263,333	36,000

Based on the above, the percentage of performance-based compensation versus the percentage of fixed compensation for each named executive officer for Fiscal 2017 is set forth below:

NAMED EXECUTIVE OFFICER	TOTAL PERFORMANCE-BASED COMPENSATION	TOTAL FIXED COMPENSATION
David P. Storch	84.5%	15.5%
Timothy J. Romenesko	80.0%	20.0%
John M. Holmes	89.1%	10.9%
Robert J. Regan	77.2%	22.8%
Eric S. Pachapa	49.9%	50.1%

Our Compensation Committee believes that the executive compensation paid to our named executive officers in Fiscal 2017, in form and amount, was fair, appropriate and in the best interests of the Company and its stockholders.

This say-on-pay advisory vote is not binding on the Board of Directors. The Board, however, will review and consider the voting results and other relevant factors in responding to this advisory vote.

Our Board of Directors unanimously recommends that you vote "FOR" the advisory proposal to approve our Fiscal 2017 executive compensation.

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PROPOSAL 3 ADVISORY PROPOSAL ON THE FREQUENCY OF OUR FUTURE EXECUTIVE COMPENSATION VOTES

We are asking you to vote on how frequently the advisory vote on our executive compensation (the subject of Proposal 2 above) should be presented to our stockholders. This proposal is commonly known as a "say-on-pay frequency" proposal.

You may vote your shares to have the advisory vote on our executive compensation held each year, every two years or every three years, or you may abstain from voting under applicable SEC rules. For the reasons stated below, we recommend that you vote "1 Year" on the frequency of future advisory votes on executive compensation.

The Company has held a say-on-pay vote each year beginning in 2011 (the date the SEC rules went into effect). We believe that continuing to hold an annual say-on-pay vote is the appropriate policy for the Company and its stockholders. We make decisions each year on executive compensation, compensation policies and compensation practices based on factors deemed relevant by our Compensation Committee, with the advice of our independent compensation consultant. These factors include, in particular, information about the Company's performance, peer group information and information about the performance of our executives. An annual say-on-pay vote will permit our stockholders the opportunity to provide direct and timely feedback on our compensation-related decisions, rather than waiting two or three years to share their views.

In our last say-on-pay frequency vote at the 2011 annual meeting, the holders of over 88% of the shares voted at the meeting supported holding a say-on-pay vote every year. In communications with us since that time, our stockholders have consistently expressed a strong preference for an annual say-on-pay vote.

Accordingly, we recommend that you vote in favor of the following advisory proposal:

> "**RESOLVED,** that the stockholders of the Company approve, on an advisory basis, an annual ("1 Year") vote on executive compensation."

This advisory vote on say-on-pay frequency is not binding on the Board of Directors. The Board, however, will review and consider the voting results and other relevant factors in making a final decision regarding the frequency of our future executive compensation votes.

**Our Board of Directors unanimously recommends that you vote "1 Year"
on the frequency of future advisory votes on executive compensation.**

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PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2018

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 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 on these matters.

The Audit Committee appointed KPMG LLP ("KPMG") as the Company's independent registered public accounting firm for Fiscal 2018. 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 from the Company;

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

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

KPMG's reputation in the industry and its experience in accounting matters for aerospace and defense companies;

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

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

The Board of Directors asks that you ratify the appointment of KPMG as our independent registered public accounting firm for Fiscal 2018. 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 from 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 2016 and Fiscal 2017 for audit, audit-related and tax services.

Description of Fees	Fiscal 2016 ($)	Fiscal 2017 ($)
Audit Fees	1,854,803	1,618,459
Audit-Related Fees[1]	330,000	617,040
Tax Fees[2]	448,566	248,477

1

Fiscal 2016 and 2017 audit-related fees were for assistance with SEC comment letters and acquisition due diligence assistance.

2 Tax fees in Fiscal 2016 and Fiscal 2017 were for reviews of domestic and foreign income tax returns and VAT services.

Audit Committee pre-approval is required for any audit, audit-related, tax or other services to be provided by the independent registered public accounting firm.

Our Board of Directors unanimously recommends that you vote "FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for Fiscal 2018.

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CORPORATE GOVERNANCE

General

Good corporate governance is an essential part of our corporate culture. We review our corporate governance policies and procedures on an annual basis. We strive to emulate "best practices," tailoring them, as appropriate, to fit our culture, strategy and performance. We believe that we comply with all applicable SEC and NYSE corporate governance rules and regulations. We also have adopted additional corporate governance practices that we believe are in the best interests of the Company and its stockholders.

Copies of the following corporate governance documents are available on the Company's website at ***www.aarcorp.com*** under "Investor Relations/Corporate Governance":

Corporate Governance Guidelines, including policies on:

- Director qualification standards
- Stock ownership and retention guidelines for directors and executive officers
- Director retirement
- Annual performance evaluations of the directors and the Chief Executive Officer

Categorical Standards for Determining Director Independence

Code of Business Ethics and Conduct

Audit Committee Charter

Compensation Committee Charter

Nominating and Governance Committee Charter

Executive Committee Charter

Conflict Minerals Policy and Form SD Filings

These corporate governance documents are also available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this proxy statement.

Our Corporate Culture "Doing It Right"

Our corporate culture is defined by our purpose, our mission and our values:

Our Purpose

"Doing it Right to better connect to the world."

Our Mission

"To be the best at designing and delivering technical, operational and financial solutions to enhance the efficiency and competitiveness of our commercial aviation and government customers."

Our Values

Quality first. Safety always.

Find a way. Every day.

Do it fast. Do it well.

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Be honest. Inspire trust.

Work as one. Be inclusive.

Ideas matter. Think new. Think ahead.

Make money. Have fun.

Own it.

Stockholder Engagement

We maintain a stockholder engagement program as a "best practice" under our corporate governance and executive compensation initiatives. The purposes of this program are to promote communication, increase transparency and, most importantly, better understand and address the perspectives of our stockholders. We believe that opportunities to receive and consider stockholder feedback enhance our corporate governance and executive compensation practices. For example, in recent years we eliminated tax gross-up provisions in our executive agreements and single-trigger Change-in-Control provisions in our stock award agreements in response to stockholder concerns.

In Fiscal 2017, our stockholder engagement program consisted of individual meetings and calls with stockholders and presentations at various investor conferences. Through this program, we estimate that we communicated with stockholders owning over a majority of our outstanding shares. We also engage directly with proxy advisory firms that represent the interests of various stockholders.

Board Refreshment

We regularly consider the size, skills, tenure and diversity of our Board of Directors to assure that we maintain a proper balance between director stability and fresh perspectives in the boardroom. We maintain a director skillset matrix to help ensure that we have expertise on our Board across the functions deemed critical to the Company's success.

We recruit new directors to complement and diversify the experiences, skills and perspectives of our existing directors. To that end, we have added three new directors in the last two years:

In 2017, we welcomed Duncan J. McNabb and John M. Holmes to the Board. In selecting General McNabb as a director of the Company, the Board placed significant weight on General McNabb's government procurement skillset. The Board chose to add Mr. Holmes as a director principally because of his in-depth understanding of the Company's business operations.

In 2016, the Board added Jennifer L. Vogel as a new director. Ms. Vogel is an accomplished aviation executive with significant expertise in corporate governance and regulatory compliance.

See "Proposal 1 Election of Our Directors" for additional information about General McNabb, Mr. Holmes and Ms. Vogel.

Director Nominations and Qualifications

The Board of Directors, acting through its Nominating and Governance Committee, is responsible for identifying, evaluating and recommending candidates for director. The Nominating and Governance Committee solicits director candidate recommendations from management, other directors, business and community leaders and stockholders. The Nominating and Governance Committee also may retain the services of a search firm to assist in identifying director candidates.

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The Nominating and Governance Committee considers all director candidates in the same manner, including director candidates recommended by stockholders, regardless of the source of the recommendation. In its evaluation of director candidates, the Nominating and Governance Committee considers the factors specified in the Company's Corporate Governance Guidelines, including:

A high level of integrity and professional and personal ethics and values consistent with those of the Company;

Professional background and relevant business and industry experience;

Current employment, leadership experience and other board service;

Demonstrated business acumen or special technical skills or expertise (e.g., auditing, financial, law and aviation/aerospace);

A commitment to enhancing stockholder value and serving the interests of all stockholders;

Independence (including within the meaning of the applicable NYSE rules) and freedom from any conflicts of interest that may interfere with a director's ability to discharge his/her fiduciary duties;

Willingness and ability to make the commitment of time and attention necessary for effective Board service;

A balance of business, financial and other experience, expertise, capabilities and perspectives among sitting directors in the context of the current composition of the Board, operating requirements of the Company and long-term interests of stockholders; and

Other factors the Nominating and Governance Committee deems appropriate.

The Nominating and Governance Committee considers the racial, ethnic and gender diversity of the Board and director candidates, as well as the diversity of their knowledge, skills, experience, background and perspective, to assure that the Company maintains the benefit of a diverse, balanced and effective Board. The Nominating and Governance Committee and the full Board maintain a current matrix of skills, competencies and experiences of each director. This matrix enables the Committee and the Board to ensure that the Board as a whole has the diversity of expertise and experience necessary for the effective oversight of the Company.

A full list of the qualifications of director candidates considered by the Committee is set forth in the Corporate Governance Guidelines on the Company's website at ***www.aarcorp.com*** under "Investor Relations/Corporate Governance" and is available in print to any stockholder upon written request to the Secretary of the Company at the address listed on the first page of this proxy statement. The Nominating and Governance Committee regularly reviews these qualifications and the performance of individual directors and the Board as a whole.

Following its evaluation of director candidates, the Nominating and Governance Committee recommends its director nominees to the full Board of Directors. Based on its review and consideration of the Committee's recommendation, the Board makes the final determination of the director nominees to be presented for election by the Company's stockholders.

Stockholders may submit a proposed director nomination to the Nominating and Governance Committee for consideration at the 2018 annual meeting of stockholders by writing to the Secretary, AAR CORP., One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191. To be eligible for consideration under the Company's By-Laws, a proposed nomination must be received by the Secretary of the Company no later than April 16, 2018, must state the reasons for the proposed nomination and must contain the

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information required under the Company's By-Laws, including the full name and address of the proposed nominee, a brief biographical background setting forth the nominee's past and present directorships, employment and occupations, information as to stock ownership and certain arrangements regarding the Company's common stock. A proposed nomination must also include a statement indicating that the proposed nominee has consented to being named in the proxy statement and to serve if elected.

Director Independence

A majority of the members of the Board of Directors must be independent directors under the Company's Corporate Governance Guidelines and applicable SEC and NYSE rules. The Nominating and Governance Committee and the Board of Directors review each director annually and make a determination concerning independence after consideration of all known facts and circumstances. The Board has established categorical standards to assist it in determining director independence. The Company's "Categorical Standards for Determining Director Independence" include all of the elements of the applicable SEC and NYSE rules with respect to director independence.

Based on these categorical standards, its review of all relevant facts and information available, and the recommendations of the Nominating and Governance Committee, the Board, at its meeting in July 2017, affirmatively determined that no director has a material relationship with the Company that would impair the director's ability to exercise independent judgment and, accordingly, that each director is an independent director, except for Mr. Storch, Mr. Romenesko (who will retire from the Board at the 2017 annual meeting of stockholders) and Mr. Holmes, all of whom are current employees of the Company. Under the NYSE rules, a director employee, by definition, is not an independent director.

This year the Board considered, among many factors, the impact of tenure on a director's independence, particularly with respect to the five continuing directors with 10 or more years of service. The Board concluded that the directors, through their communications and interactions with management, their decisions and their adherence to their fiduciary duties to stockholders, demonstrated their independence from management.

Lead Director

The Board of Directors determines the leadership structure for the Board and the Company in a manner that it believes best serves the interests of the Company's stockholders. In 2013, the Board decided that independent leadership would be enhanced with the designation of an independent Lead Director. Ronald R. Fogleman, Chair of the Nominating and Governance Committee, has served as the Board's Lead Director since the position was established in 2013. General Fogleman will continue to serve as Lead Director until his retirement at the 2017 annual meeting of stockholders, at which time James E. Goodwin will become Lead Director pursuant to a vote of the independent directors at the Board's July 2017 meeting.

The Corporate Governance Guidelines provide that the Board shall have a Lead Director elected annually by the independent directors. The Lead Director chairs all executive sessions of the independent directors and works closely with the Chairman of the Board on Board agendas, schedules and meetings.

The key responsibilities of the Lead Director include:

Presides at all Board meetings when the Chairman of the Board is not present;

Serves as the liaison between the Chairman of the Board and the independent directors;

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Consults with the Chairman of the Board on important matters relevant to the Company and the Board;

Has the authority to call meetings of the Board or meetings of the independent directors;

Facilitates the Board and Board Committee self-evaluation process;

Facilitates and communicates the Board's performance evaluation of the Chairman of the Board and Chief Executive Officer;

Chairs executive sessions of the independent directors; and

Performs additional duties as the Board of Directors may from time to time designate.

Board Chairman

Under the Corporate Governance Guidelines, the independent directors have the authority to combine or separate the offices of Chairman of the Board and Chief Executive Officer. Currently, the Company's Chief Executive Officer, David P. Storch, is also Chairman of the Board.

The Board continues to believe that having Mr. Storch as Chairman and Chief Executive Officer is the most effective and appropriate leadership structure for the Board and the Company based on the following factors: Mr. Storch's tenure with the Company; Mr. Storch's knowledge of the Company's businesses and the markets in which they compete; the performance of the Company during Mr. Storch's tenure; Mr. Storch's leadership and communication skills; and the strong independent oversight provided by the Lead Director and the other independent directors on the Board. As Chairman and Chief Executive Officer, Mr. Storch plays a vital role, in the Board's view, in connecting the Board to the Company and its employees, customers, stockholders and communities.

Risk Management Oversight

The Board of Directors, directly and through its committees, oversees management's process for assessing and managing the Company's exposure to risks. The Board regularly reviews and responds to management's business strategies and initiatives, the Company's quarterly and annual financial results, and information relating to the Company's competitive position, customer base, and capital and liquidity position. The Board holds an annual strategy session with senior management devoted entirely to a review and consideration of the Company's businesses, markets, customers, competitors, and strategic initiatives and direction. This meeting includes an assessment of the key challenges and risks of the Company's individual businesses and the opportunities for addressing and responding to these challenges and risks.

The Board designated two Board meetings per year for the review and consideration of the Company's risk profile and its risk mitigation strategies. These risk sessions focus particularly on cybersecurity risks and the activities of the Company's enterprise risk management committee.

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The following table outlines the risk oversight responsibilities of the Board committees, and the succeeding narrative elaborates on these responsibilities:

Committee	Risk Oversight Responsibilities
Nominating and Governance Committee	Corporate governance
	Board and committee membership
	Management succession planning and diversity
	Board, Committee and CEO effectiveness
Compensation Committee	Annual cash bonus programs
	Stock-based compensation
	Compensation policies and practices
	Impact of performance-based compensation on risk-taking by management
	Executive agreements
Audit Committee	Financial reporting and investor disclosure
	Accounting and auditing
	Quality and adequacy of processes and internal controls

Ethics Hotline

Oversight of enterprise risk management program

Cybersecurity risk

The Nominating and Governance Committee oversees and reports to the Board on corporate governance risks, including Board and committee membership, director independence and related party transactions. It makes recommendations to the full Board on succession planning at the CEO and senior executive level and the annual evaluation of the performance of the Board of Directors. The Nominating and Governance Committee, together with the Compensation Committee, also conducts the annual performance evaluation of the Company's Chief Executive Officer.

The Compensation Committee oversees and reports to the Board on the Company's cash bonus programs and stock-based compensation to be sure that they are appropriately structured to incentivize officers and key employees while avoiding unnecessary or excessive risk-taking.

The Audit Committee, on behalf of the Board, oversees the enterprise risk management committee, which is composed of Company employees and is responsible for identifying the principal risks to the Company, developing and implementing risk mitigation strategies, auditing the effectiveness of the risk mitigation strategies and reporting to the Audit Committee. The enterprise risk management committee meets regularly with the Audit Committee to review and discuss the Company's principal risks and outline its risk mitigation approach for addressing these risks. The Audit Committee also reviews and assesses management's processes for managing risks relating to accounting, financial reporting, investment, tax and legal compliance, risks identified by the Company's internal and external auditors, and matters raised through the Company's Ethics Hotline.

The Board and its committees receive information from, and have regular access to, the individual members of management responsible for managing risk, including the Company's Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Vice Chairman and Chief Financial Officer, the Controller and Chief Accounting Officer, the General Counsel, the Internal Auditor and the business group leaders.

The directors also meet each quarter with a broader group of the Company's employees at regularly scheduled Board dinners and in other informal settings to learn more about the Company's businesses and

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its employees. The Board also tries to schedule at least one meeting per year at a Company facility other than the corporate headquarters to promote interaction with local management and employees and allow directors a first-hand opportunity to inspect the Company's business operations.

Executive Sessions

Independent directors of the Board meet in executive session without management as part of each regular Board meeting and otherwise when circumstances make it advisable or necessary. The Lead Director presides at all executive sessions of the independent directors.

Corporate Governance Guidelines

The Board of Directors adopted Corporate Governance Guidelines to codify its policies and procedures and to demonstrate its commitment to corporate governance best practices. These Guidelines, under the administration of the Nominating and Governance Committee of the Board of Directors, address director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, management evaluation and succession, and the annual performance evaluation of the Board of Directors. These Guidelines are reviewed and approved annually, most recently in July 2017, by the Nominating and Governance Committee and the Board of Directors.

Ethics Hotline

The Company maintains an Ethics Hotline through an independent third-party provider to receive confidential complaints, information, suggestions or recommendations concerning the Company, its officers, directors, employees, policies, procedures, employment and business practices, accounting or audit matters, financial reporting or compliance with other Company policies or applicable regulatory or legal requirements. The Ethics Hotline, which is toll-free and also accessible through the Company's website, permits individuals to identify themselves or remain anonymous at their election.

Code of Business Ethics and Conduct

The Company's Code of Business Ethics and Conduct adopted by the Board of Directors applies to all directors, officers, and employees, including the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Vice Chairman and Chief Financial Officer, the Controller and Chief Accounting Officer, the General Counsel, the Internal Auditor and the business group leaders.

The purpose of the Code of Business Ethics and Conduct is to promote the highest ethical standards in the Company's business practices and procedures, including: the ethical handling of actual or apparent conflicts of interest; full, fair and timely disclosure; and compliance with applicable laws and governmental rules and regulations.

Employees are encouraged to report to the Company any conduct that they believe in good faith to be in violation of the Code of Business Ethics and Conduct. We post any amendments to the Code of Business Ethics and Conduct and any waivers from the Code granted by the Board to directors or executive officers on the Company's website, as required under SEC rules.

Related Person Transaction Policy

The purpose of the Related Person Transaction Policy, as adopted by the Board of Directors, is to provide for the identification, review, and consideration of transactions between the Company or its subsidiaries and any related persons. "Related persons" means: the Company's directors; director nominees; executive

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officers; greater than five percent beneficial owners of the Company's voting securities; members of their immediate families; and any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner, a principal, or in a similar position, or in which such person has a 10% or greater beneficial ownership interest.

Under the Policy, any related person transaction involving amounts in excess of $120,000 must be reviewed, considered, and approved by the Board of Directors directly or through the Nominating and Governance Committee. Review of a proposed related person transaction takes into consideration the purpose of, and the potential benefits to the Company from, the related person transaction and the impact of the related person transaction on a director's independence in the event that the related person is a director or an immediate family member of a director. No member of the Board or the Nominating and Governance Committee may participate in any review, consideration, or approval of any related person transaction with respect to which such member or any of his or her immediate family members is the related person.

The Policy provides that the Company may undertake certain pre-approved related person transactions (e.g., transactions in which the related person's interest derives solely from his or her service as a director of another corporation or entity that is a party to the transaction) without further specific review, consideration and approval.

Norman R. Bobins is a director of the Company and a Director of The PrivateBank. The PrivateBank is a member of the lending group under our credit agreement. All loans under the credit agreement are made in the ordinary course of business, are made on substantially the same terms, including interest rates, as those prevailing at the time for comparable loans with persons not related to the lender, and do not involve more than the normal risk of collectability or present other unfavorable features.

Patrick J. Kelly is a director of the Company and the majority owner of Resource 1, a technology staffing company. In Fiscal 2017, the Company paid approximately $455,720 to Resource 1 for staffing services.

The Company has a Board-approved Founder's Agreement with Ira A. Eichner, the Founder and former Chairman of the Board of the Company. The Founder's Agreement recognizes Mr. Eichner's extraordinary contributions to the Company. Under the Founder's Agreement, Mr. Eichner receives a quarterly retainer of $25,000. Mr. Eichner is Mr. Storch's father-in-law. Mr. Storch's son, Michael E. Storch, is an employee of the Company in the Aviation Services business group and received total compensation of $158,851 in Fiscal 2017.

Director Orientation and Continuing Education

We hold director orientation sessions with new directors to familiarize them with our businesses, business strategies and corporate policies and practices. Our goal is to assist our new directors in understanding the Company and developing the skills and knowledge that they need to serve the interests of our stockholders. We also make external continuing education programs available to our directors to help them maintain and enhance their skills and knowledge in carrying out their ongoing responsibilities as directors of a public company.

Board and Committee Evaluations

Our Nominating and Governance Committee conducts an annual evaluation of the performance of the Board. The Board's Lead Director reports the evaluation results which include an assessment of the Board's performance as well as the identification of specific areas for improvement to the full Board. Each Board committee also conducts an annual evaluation of its performance and reports the results to the

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full Board. At its July 2017 meeting, the Board decided that Fiscal 2018 director evaluations will include interviews conducted by a third-party firm with specialized expertise in the assessment of Board, Board committee and individual director performance.

Communications with the Board of Directors

Stockholders and other interested parties may communicate with the Board, the Chairman of the Board, the Lead Director, the independent directors as a group, or any individual director or Committee Chair by mail addressed to:

AAR CORP.
Attention: Independent Directors, Lead Director or the name of the individual director
c/o Corporate Secretary
One AAR Place
1100 North Wood Dale Road
Wood Dale, Illinois 60191

The independent members of the Board of Directors have approved procedures for the processing, review and disposition of all communications sent by stockholders or other interested parties to the Board of Directors.

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BOARD MATTERS

Board Committees

The Board has an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and an Executive Committee. The following table identifies the current members of each committee:

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Executive Committee
Anthony K. Anderson		X		
Norman R. Bobins	X	X		
Michael R. Boyce		X	X	
Ronald R. Fogleman*		X (until October 11, 2017)	**Chair** (until October 11, 2017)	X (until October 11, 2017)
James E. Goodwin	**Chair** (until October 11, 2017)		**Chair** (beginning October 11, 2017)	X
John M. Holmes				
Patrick J. Kelly	X		X	
Duncan J. McNabb			X	
Peter Pace	X	X		
Timothy J. Romenesko*				
David P. Storch				**Chair**
Jennifer L. Vogel		X	X	X
Marc J. Walfish	**Chair** (beginning October 11, 2017)		X	X
Ronald B. Woodard	X	**Chair**		

* Retiring as a director at the annual meeting of stockholders on October 11, 2017.

Audit Committee

Audit Committee Fiscal 2017 Report

Dear Fellow Stockholders:

The Audit Committee is comprised entirely of independent directors qualified to serve on the Audit Committee under applicable SEC and NYSE rules and the Company's Categorical Standards for Determining Director Independence. The Board of Directors has determined that each Audit Committee member is an "audit committee financial expert" within the meaning of applicable SEC rules.

The Audit Committee acts pursuant to a written charter adopted by the Board of Directors. The charter was last reviewed and approved by the Audit Committee and the Board of Directors at their July 2017 meetings. The full text of the Audit Committee charter appears on the Company's website and is available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this proxy statement.

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The Audit Committee's primary responsibility is to assist the Board of Directors in fulfilling its duty to stockholders to oversee and review: the quality and integrity of the Company's financial statements and internal controls over financial reporting; the qualifications, independence and performance of the Company's independent registered public accounting firm; and the performance of the Company's Internal Audit function.

The Audit Committee performs the specific functions described in its charter, including:

Approves and engages the independent registered public accounting firm that audits the Company's consolidated financial statements;

Pre-approves all non-audit and audit-related services furnished by the independent registered public accounting firm;

Maintains communication between the Board and the independent registered public accounting firm;

Monitors the qualifications, independence and performance of the independent registered public accounting firm;

Oversees and reviews the Company's financial reporting processes and practices;

Oversees and reviews the quality and adequacy of internal controls over financial reporting, disclosure controls and the organization and performance of the Company's internal audit department;

Reviews the scope and results of audits;

Oversees the Company's enterprise risk management committee; and

Meets with the independent registered public accounting firm representatives and internal audit department representatives without members of management present.

The Audit Committee held seven meetings during Fiscal 2017. The Audit Committee meets outside the presence of management for portions of its meetings to hold separate discussions with KPMG, the Company's independent registered public accounting firm, the internal auditors and other members and representatives of the Company. In July 2017, the Board determined that, effective October 11, 2017, Marc J. Walfish will become Chair of the Audit Committee, replacing James E. Goodwin, who, in turn, will become the Lead Director of the Board and the Chair of the Nominating and Governance Committee upon the retirement of Ronald R. Fogleman from the Board.

The Company's management has primary responsibility for the Company's financial statements and the quality and integrity of the reporting process and systems of internal control. KPMG is responsible for auditing the Company's financial statements and issuing a report on the conformity of those statements with generally accepted accounting principles ("GAAP") and a report on the effectiveness of the Company's internal controls over financial reporting.

In fulfilling its responsibilities, the Audit Committee reviewed and discussed with the Company's management and KPMG the Company's audited financial statements contained in the Company's Annual Report on Form 10-K filed with the SEC, including the critical accounting policies applied by the Company in preparing these financial statements. The Audit Committee also reviewed with management and KPMG the preparation of the financial statements and related disclosures contained in the Company's earnings announcements and Quarterly Reports on Form 10-Q.

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The Audit Committee reviewed and discussed with management and KPMG the overall scope and plans for the audit, the quality, adequacy and assessment of the effectiveness of internal controls over financial reporting and the Internal Audit Department's management, organization, responsibilities, budget and staffing. The Audit Committee also met with KPMG without management present and discussed the results of its audits, its evaluation of the Company's internal controls over financial reporting, disclosure controls and the overall quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant accounting judgments and the clarity of disclosures in the financial statements.

The Audit Committee also reviewed and discussed with KPMG the matters required by PCAOB Auditing Standard No. 1301 ("Communications with Audit Committees") and KPMG's independence from the Company and its management, including the matters in the written disclosures and letter furnished to the Audit Committee by KPMG and required by applicable requirements of the PCAOB.

The Audit Committee concluded that KPMG is independent from the Company and appointed KPMG as the Company's independent registered public accounting firm for Fiscal 2018. The Audit Committee recommends that the stockholders of the Company ratify that appointment (see Proposal 4).

In reliance on its review of the audited financial statements and the discussions referred to above and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in its charter, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2017 for filing with the SEC.

Respectfully submitted,

The Audit Committee of the Board of Directors of AAR CORP.

James E. Goodwin, Chair
Norman R. Bobins
Patrick J. Kelly
Peter Pace
Marc J. Walfish
Ronald B. Woodard

Compensation Committee

The Compensation Committee is comprised entirely of independent directors qualified to serve on the Compensation Committee under applicable SEC and NYSE rules and the Company's Categorical Standards for Determining Director Independence. Its members are Ronald B. Woodard (Chair), Anthony K. Anderson, Norman R. Bobins, Michael R. Boyce, Ronald R. Fogleman, Peter Pace and Jennifer L. Vogel.

The Compensation Committee acts pursuant to a written charter adopted by the Board of Directors. The charter was reviewed and approved by the Compensation Committee and the Board of Directors at their July 2017 meetings. The full text of the Compensation Committee charter appears on the Company's website and is available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this proxy statement.

The Compensation Committee is primarily concerned with establishing, reviewing and approving Chief Executive Officer compensation, reviewing and approving other senior executive compensation and

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overseeing the Company's stock plans and other executive compensation and employee benefit plans. The Compensation Committee performs the specific functions described in its charter, including:

Sets the compensation of the Chief Executive Officer and, together with the Nominating and Governance Committee, conducts an annual performance of the Chief Executive Officer;

Reviews and approves compensation policies and practices for all elected corporate officers, including named executive officers;

Administers the Company's annual cash bonus plan (including the umbrella Section 162(m) plan) and the long-term incentive stock plan;

Recommends director compensation and benefits to the Board for approval; and

Oversees administration of certain other employee benefit, director deferred compensation, savings and retirement plans.

The Compensation Committee held four meetings during Fiscal 2017. The Compensation Committee Fiscal 2017 Report on Executive Compensation appears on page 52. Information about the roles of the independent compensation consultant and management in the executive compensation process is set forth under "Executive Compensation Compensation Discussion and Analysis."

Nominating and Governance Committee

The Nominating and Governance Committee is comprised entirely of independent directors qualified to serve on the Committee under applicable SEC and NYSE rules and the Company's Categorical Standards for Determining Director Independence. Its members are Ronald R. Fogleman (Chair until October 11, 2017), Michael R. Boyce, James E. Goodwin (Chair beginning October 11, 2017), Patrick J. Kelly, Duncan J. McNabb, Jennifer L. Vogel and Marc J. Walfish.

The Nominating and Governance Committee acts pursuant to a written charter adopted by the Board of Directors. The charter was reviewed and approved by the Nominating and Governance Committee and the Board of Directors at their July 2017 meetings. The full text of the Nominating and Governance Committee charter appears on the Company's website and is available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this proxy statement.

The Nominating and Governance Committee is responsible for both nominating and governance matters as described in its charter. The Nominating and Governance Committee performs the specific functions described in its charter, including:

Oversees the composition, structure and evaluation of the Board and its committees;

Conducts, together with the Compensation Committee, an annual performance evaluation of the Chief Executive Officer;

Reviews, considers, and acts upon related person transactions;

Develops and recommends Corporate Governance Guidelines for Board approval; and

Monitors and screens directors for independence and recommends to the Board qualified candidates for election as directors and to serve on Board committees.

The Nominating and Governance Committee held four meetings during Fiscal 2017.

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Executive Committee

The Executive Committee is comprised of David P. Storch (Chair), James E. Goodwin, Ronald R. Fogleman (until October 11, 2017), Marc J. Walfish and Jennifer L. Vogel. All of these directors, except Mr. Storch, are independent directors as defined by applicable SEC and NYSE rules. As Chairman and Chief Executive Officer of the Company, Mr. Storch does not qualify as an independent director under the NYSE and SEC rules.

The Executive Committee acts pursuant to a written charter adopted by the Board of Directors. The charter was reviewed and approved by the Board of Directors at its July 2017 meeting. The full text of the Executive Committee charter appears on the Company's website and is available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this proxy statement.

The Executive Committee is authorized to meet between meetings of the Board of Directors and exercise certain powers of the Board with respect to urgent matters or other matters referred to it by the Board for deliberation or action, subject to limitations imposed by the Committee's charter, the Board, applicable law and the Company's By-Laws.

The Executive Committee did not meet during Fiscal 2017.

Board Meetings and Attendance

During Fiscal 2017, the Board held 10 meetings. All directors attended at least 75% of the Board meetings and meetings of Board committees on which they served in Fiscal 2017.

The Company's Corporate Governance Guidelines provide that directors are expected to attend all stockholder meetings. All directors serving at the time attended the Company's 2017 annual meeting of stockholders.

Director Compensation

The Board of Directors reviews director compensation annually to ensure that it is fair, appropriate and in line with its peer group companies. Every other year the Board works with the Compensation Committee's independent compensation consultant to undertake an in-depth analysis of the type and amount of each element of director compensation. This in-depth analysis was last done in Fiscal 2016 and will next be undertaken in Fiscal 2018.

The Fiscal 2017 director compensation program, as approved by the Board, was identical to the Fiscal 2016 director compensation program and consisted of the following compensation elements:

Compensation Element	Fiscal 2017 Non-Employee Director Compensation Program
Annual Retainer	$50,000
Lead Director Annual Retainer	$30,000
Committee Chair Annual Retainer	$10,000
Board and Committee Meeting Fees	$2,500 per meeting ($1,250 for telephone meetings)
Annual Stock Award	5,000 shares of common stock (vesting after one year)

All retainers are paid quarterly, and meeting fees are paid promptly following each meeting attended. The annual stock award for Fiscal 2017 was approved at the Board's April 2016 meeting with an effective date of June 1, 2016 and a vesting date of June 1, 2017.

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Non-employee directors may elect to defer receipt of their compensation under the Company's Non-Employee Directors' Deferred Compensation Plan (the "Director Plan"). Under the Director Plan, which was amended and restated in July 2017, non-employee directors may defer retainers, meeting fees and stock awards into (i) a stock account, with the deferred compensation converted into stock units equivalent to shares of common stock based on the then current stock price, or (b) a cash account, with the deferred compensation credited with interest quarterly based on the 10-year United States Treasury Bond rate. Distributions of deferred compensation are made, at the participant's election, in cash or in shares of common stock. Distribution occurs upon termination of service on the Board or on other dates as specified by the participant.

Each non-employee director, upon being elected a director, receives term life insurance coverage of $200,000 and is eligible (with spouse) to participate in a Company-paid, annual physical program. The Company also reimburses its non-employee directors for travel, lodging and related expenses that they incur in attending Board and committee meetings and for other Company business expenses.

Director Compensation Table

Fiscal 2017 Director Compensation. The following table sets forth all compensation paid to each non-employee director for Fiscal 2017:

Name[1]	Fees Earned or Paid in Cash ($)[2]	Stock Awards ($)[3]	Option Awards ($)[4]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)[5]	Total ($)
Anthony K. Anderson	78,750	121,950				6,013	206,713
Norman R. Bobins	88,750	121,950				1,063	211,763
Michael R. Boyce	80,000	121,950				7,002	208,952
Ronald R. Fogleman	123,750	121,950				5,597	251,297
James E. Goodwin	96,250	121,950				1,063	219,263
Patrick J. Kelly	91,250	121,950				1,063	214,263
Duncan J. McNabb	11,000	21,013				89	32,102
Peter Pace	87,500	121,950				1,063	210,513
Jennifer L. Vogel	87,500	121,950				1,063	210,513
Marc J. Walfish	90,000	121,950				1,063	213,013
Ronald B. Woodard	100,000	121,950				3,594	225,544

1 Mr. Storch, Mr. Romenesko and Mr. Holmes are not included in this table because, as employee directors of the Company, they receive no additional compensation for their service as directors. Their compensation from the Company is set forth in the Summary Compensation Table in this proxy statement. General McNabb's amounts represent compensation paid to him from the date he joined the Board on April 18, 2017 through May 31, 2017.

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The following table provides a breakdown of director fees earned or paid in cash for Fiscal 2017:

Name	Annual Retainer ($)	Committee Chair Retainer Fees ($)	Meeting Fees ($)	Lead Director Fee ($)	Total ($)
Anthony K. Anderson	50,000		28,750		78,750
Norman R. Bobins	50,000		38,750		88,750
Michael R. Boyce	50,000		30,000		80,000
Ronald R. Fogleman	50,000	10,000	33,750	30,000	123,750
James E. Goodwin	50,000	10,000	36,250		96,250
Patrick J. Kelly	50,000		41,250		91,250
Duncan J. McNabb	6,000		5,000		11,000
Peter Pace	50,000		37,500		87,500
Jennifer L. Vogel	50,000		37,500		87,500
Marc J. Walfish	50,000		40,000		90,000
Ronald B. Woodard	50,000	10,000	40,000		100,000