

Aircastle LTD  
Form 10-K  
March 05, 2010

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Fiscal Year Ended December 31, 2009
- or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 001-32959**

**AIRCASTLE LIMITED**

(Exact name of Registrant as Specified in its Charter)

**Bermuda**  
*(State or other Jurisdiction of  
Incorporation or organization)*

**98-0444035**  
*(I.R.S. Employer  
Identification No.)*

**300 First Stamford Place, 5th Floor, Stamford, Connecticut 06902**  
*(Address of Principal Executive Offices)*

Registrant's telephone number, including area code: **(203) 504-1020**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Shares, par value \$.01 per share	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

## Edgar Filing: Aircastle LTD - Form 10-K

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>		Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting Company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

The aggregate market value of the Registrant's Common Shares based upon the closing price on the New York Stock Exchange on June 30, 2009 (the last business day of registrant's most recently completed second fiscal quarter), beneficially owned by non-affiliates of the Registrant was approximately \$344.9 million. For purposes of the foregoing calculation, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and executive officers and shareholders owning 10% or more of the outstanding common shares of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

As of February 23, 2010, there were 79,511,808 outstanding shares of the registrant's common shares, par value \$0.01 per share.

### DOCUMENTS INCORPORATED BY REFERENCE

<b>Documents of Which Portions Are Incorporated by Reference</b>	<b>Parts of Form 10-K into Which Portion Of Documents Are Incorporated</b>
Proxy Statement for Aircastle Limited 2010 Annual General Meeting of Shareholders	Part III (Items 10, 11, 12, 13 and 14)

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## TABLE OF CONTENTS

		<b>Page</b>
<u>PART I</u>		
<u>Item 1.</u>	<u>Business</u>	1
<u>Item 1A.</u>	<u>Risk Factors</u>	11
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	37
<u>Item 2.</u>	<u>Properties</u>	37
<u>Item 3.</u>	<u>Legal Proceedings</u>	37
<u>Item 4.</u>	<u>Reserved</u>	37
<u>PART II</u>		
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	39
<u>Item 6.</u>	<u>Selected Financial Data</u>	42
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	44
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	82
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	82
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	83
<u>Item 9A.</u>	<u>Controls and Procedures</u>	83
<u>Item 9B.</u>	<u>Other Information</u>	85
<u>PART III</u>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	86
<u>Item 11.</u>	<u>Executive Compensation</u>	86
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	86
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	86
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	87
<u>PART IV</u>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	E-1
<u>SIGNATURES</u>		S-1
<u>EX-10.4</u>		
<u>EX-10.6</u>		
<u>EX-10.24</u>		
<u>EX-10.25</u>		
<u>EX-10.26</u>		
<u>EX-10.27</u>		
<u>EX-10.28</u>		
<u>EX-10.29</u>		
<u>EX-10.30</u>		
<u>EX-10.31</u>		
<u>EX-10.35</u>		
<u>EX-12.1</u>		

[EX-21.1](#)  
[EX-23.1](#)  
[EX-31.1](#)  
[EX-31.2](#)  
[EX-32.1](#)  
[EX-32.2](#)  
[EX-99.1](#)

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**Table of Contents**

**SAFE HARBOR STATEMENT UNDER THE  
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Certain items in this Annual Report on Form 10-K (this report), and other information we provide from time to time, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not necessarily limited to, statements relating to our ability to acquire, sell and lease aircraft, raise capital, pay dividends, and increase revenues, earnings and EBITDA and the global aviation industry and aircraft leasing sector. Words such as anticipates, expects, intends, plans, projects, believes, may, will, would, seeks, estimates and variations on these words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle Limited can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained in this report. Factors that could have a material adverse effect on our operations and future prospects or that could cause actual results to differ materially from Aircastle Limited's expectations include, but are not limited to, prolonged capital markets disruption and volatility, which may adversely affect our continued ability to obtain additional capital to finance our working capital needs, our pre-delivery payment obligations and other aircraft acquisition commitments, our ability to extend or replace our existing financings, and the demand for and value of aircraft; our exposure to increased bank and counterparty risk caused by credit and capital markets disruptions; volatility in the value of our aircraft or in appraisals thereof, which may, among other things, result in increased principal payments under our term financings and reduce our cash flow available for investment or dividends; general economic conditions and business conditions affecting demand for aircraft and lease rates; our continued ability to obtain favorable tax treatment in Bermuda, Ireland and other jurisdictions; our ability to pay dividends; high or volatile fuel prices, lack of access to capital, reduced load factors and/or reduced yields and other factors affecting the creditworthiness of our airline customers and their ability to continue to perform their obligations under our leases; termination payments on our interest rate hedges; and other risks detailed from time to time in Aircastle Limited's filings with the Securities and Exchange Commission, or the SEC, including as described in Item 1A. Risk Factors, and elsewhere in this report. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this report. Aircastle Limited expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

**WEBSITE AND ACCESS TO COMPANY'S REPORTS**

The Company's Internet website can be found at [www.aircastle.com](http://www.aircastle.com). Our annual reports on Forms 10-K and 10-K/A, quarterly reports on Forms 10-Q and 10-Q/A, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website under Investors SEC Filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) are available free of charge through our website under Investors Corporate Governance. In addition, our Code of Ethics for the Chief Executive and Senior Financial Officers, which applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller, is available in print, free of charge, to any shareholder upon request to Investor Relations, Aircastle Limited, c/o Aircastle Advisor LLC, 300 First Stamford Place, 5th Floor, Stamford, Connecticut 06902.

The information on the Company's website is not part of, or incorporated by reference, into this report, or any other report we file with, or furnish to, the SEC.

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**Table of Contents****PART I.****ITEM 1 BUSINESS**

*Unless the context suggests otherwise, references in this report to Aircastle, the Company, we, us, or our refer to Aircastle Limited and its subsidiaries. References in this report to AL refer only to Aircastle Limited. References in this report to Aircastle Bermuda refer to Aircastle Holding Corporation Limited and its subsidiaries. References in this report to Fortress refer to Fortress Investment Group LLC, affiliates of which manage the Fortress funds, and certain of its affiliates and references to the Fortress funds or Fortress Shareholders refer to AL shareholders which are managed by affiliates of Fortress. Throughout this report, when we refer to our aircraft, we include aircraft that we have transferred into grantor trusts or similar entities for purposes of financing such assets through securitizations and term financings. These grantor trusts or similar entities are consolidated for purposes of our financial statements. All amounts in this report are expressed in U.S. dollars and the financial statements have been prepared in accordance with U.S. generally accepted accounting principles or US GAAP.*

We are a global company that acquires, leases, and sells high-utility commercial jet aircraft to passenger and cargo airlines throughout the world. High-utility aircraft are generally modern, operationally efficient jets with a large operator base and long useful lives. As of December 31, 2009, our aircraft portfolio consisted of 129 aircraft that were leased to 60 lessees located in 33 countries, and managed through our offices in the United States, Ireland and Singapore. Typically, our aircraft are subject to net operating leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs, although in a majority of cases, we are obligated to pay a portion of specified maintenance or modification costs. From time to time, we also make investments in other aviation assets, including debt investments secured by commercial jet aircraft. Our revenues and income from continuing operations for the year ended December 31, 2009 were \$570.6 million and \$102.5 million, respectively, and for the fourth quarter of 2009 were \$135.8 million and \$23.0 million, respectively.

The commercial air travel and air freight markets have been long-term growth sectors, generally increasing with world economic activity roughly at a rate of one to two times global GDP growth. Over time, the growth in air travel and air cargo activity has stimulated increases in the world aircraft fleet, as well as increases in demand for leased aircraft. However, demand for aircraft is subject to volatility arising from cyclical economic forces and other disturbances affecting air travel and cargo market traffic. Notwithstanding the significant current economic slowdown, the worldwide mainline commercial fleet (passenger aircraft with 100 seats or more and freighters) is expected to grow at an average annual rate, net of retirements, of approximately 3.5% to 4.0%.

The current worldwide economic slowdown is depressing air traffic and cargo volumes considerably, and the International Air Transport Association, or IATA, recently characterized 2009 as the worst demand decline in the history of aviation. While passenger traffic declined by 3.5% and cargo traffic fell by 10.1% for the full year 2009, according to IATA, signs of recovery have begun to emerge in both passenger and cargo traffic. During December 2009, passenger and cargo air traffic grew by 4.5% and 24.4% versus the same period in the prior year, respectively, according to IATA. This represents the most significant growth since the downturn began. Early data for 2010 indicates that both the passenger and cargo markets will continue to improve, with passenger and cargo traffic increasing 6.4% and 28.3%, respectively, versus January 2009. IATA recently upgraded its forecast for 2010 from 0.4% and 3.5% growth in the passenger and cargo markets, respectively, in its July 2009 update, to 4.5% and 7.0% growth in the passenger and cargo markets, respectively, in its December 2009 update. We are encouraged by the recent trends and believe that passenger and cargo traffic will return to solid growth rates once the global economy recovers, and that demand for high-utility aircraft will strengthen as a result. Going forward, we believe the market will be driven to a large extent by expansion in larger emerging markets and rising levels of per capita air travel.



The market for mainline commercial aircraft is highly fragmented, with nearly 1,000 owners, including airlines, other aircraft lessors and financial institutions, and as a group, aircraft lessors account for an increasing share of the world's fleet. However, as a result of the current economic slowdown and

**Table of Contents**

financial markets disruptions, not only will it be more difficult for leasing companies to continue growing, but the composition of this market may undergo substantial changes, which may present both risks and opportunities for our company.

We intend to pay quarterly dividends to our shareholders; however, our ability to pay quarterly dividends will depend upon many factors, including those described in Item 1A. Risk Factors, and elsewhere in this report. The table below is a summary of our quarterly dividend history for the years ended December 31, 2007, 2008 and 2009, respectively. These dividends may not be indicative of the amount of any future dividends.

<b>Declaration Date</b>	<b>Dividend per Common Share</b>	<b>Aggregate Dividend Amount (Dollars in thousands)</b>	<b>Record Date</b>	<b>Payment Date</b>
December 13, 2006	\$ 0.4375	\$ 22,584	December 29, 2006	January 15, 2007
March 14, 2007	\$ 0.50	33,634	March 30, 2007	April 13, 2007
June 14, 2007	\$ 0.60	40,460	June 29, 2007	July 13, 2007
September 13, 2007	\$ 0.65	43,822	September 28, 2007	October 15, 2007
December 11, 2007	\$ 0.70	55,004	December 31, 2007	January 15, 2008
March 24, 2008	\$ 0.25	19,640	March 31, 2008	April 15, 2008
June 11, 2008	\$ 0.25	19,647	June 30, 2008	July 15, 2008
September 11, 2008	\$ 0.25	19,655	September 30, 2008	October 15, 2008
December 22, 2008	\$ 0.10	7,862	December 31, 2008	January 15, 2009
March 13, 2009	\$ 0.10	7,923	March 31, 2009	April 15, 2009
June 10, 2009	\$ 0.10	7,923	June 30, 2009	July 15, 2009
September 10, 2009	\$ 0.10	7,924	September 30, 2009	October 15, 2009
December 14, 2009	\$ 0.10	7,955	December 31, 2009	January 15, 2010

**Competitive Strengths**

We believe that the following competitive strengths will allow us to capitalize on future growth opportunities in the global aviation industry:

***Diversified portfolio of high-utility aircraft.*** We have a portfolio of high-utility aircraft that is diversified with respect to geographic markets, lessees, end markets (i.e., passenger and freight), lease maturities and aircraft type. As of December 31, 2009, our aircraft portfolio consisted of 129 aircraft comprising a variety of passenger and freighter aircraft types that were leased to 60 lessees located in 33 countries, and had lease maturities ranging from 2010 to 2020. Our lease expirations are well dispersed, with a weighted average remaining lease term of 4.9 years for aircraft we owned at December 31, 2009. Moreover, over the next two years, approximately nine percent of our fleet, weighted by net book value has scheduled lease expirations, after taking into account lease and sales commitments. While we seek to place our aircraft on lease to operators and on terms that provide the best risk-adjusted returns, many airlines are in a weak financial condition and suffer from liquidity problems. Accordingly, we believe that our focus on portfolio

diversification reduces the risks associated with individual lessee defaults and adverse geopolitical or economic issues, and results in generally predictable cash flows.

***Experienced management team with significant expertise.*** Our management team has significant experience in the acquisition, leasing, financing, technical management, restructuring/repossession and sale of aviation assets. This experience enables us to access a wide array of placement opportunities throughout the world and also evaluate a broad range of potential investments and sales opportunities in the global aviation industry. With extensive industry contacts and relationships worldwide, we believe our management team is highly qualified to manage and grow our aircraft portfolio and to address our long-term capital needs. In addition,

## Table of Contents

our senior management personnel have extensive experience managing lease restructuring and aircraft repossessions, which we believe is critical to mitigate our customer default exposure.

***Existing fleet financed on a long-term basis.*** Our aircraft are currently financed in six separate long-term asset-based financings with the earliest maturity date being in 2013, thereby limiting our near-term financial markets exposure on our owned aircraft portfolio. We have also demonstrated access to several debt financing sources including commercial bank, securitization, and export credit agency-backed markets.

***Disciplined acquisition approach and broad sourcing network.*** We evaluate the risk-adjusted return of any potential acquisition first as a discrete investment and then from a portfolio management perspective. To evaluate potential acquisitions, we employ a rigorous due diligence process focused on: (i) cash flow generation with careful consideration of macro trends, industry cyclicality and product life cycles; (ii) aircraft specifications and maintenance condition; (iii) when applicable, lessee credit worthiness and the local jurisdiction's rules for enforcing a lessor's rights; and (iv) other legal and tax implications. We source our acquisitions through well-established relationships with airlines, other aircraft lessors, financial institutions and other aircraft owners.

***Global and scalable business platform.*** We operate through offices in the United States, Ireland and Singapore, using a modern asset management system designed specifically for aircraft operating lessors and capable of handling a significantly larger aircraft portfolio. We believe that our facilities, systems and personnel currently in place are capable of supporting an increase in our revenue base and asset base without a proportional increase in overhead costs.

## **Business Strategy**

Although current market conditions have improved compared to the conditions prevailing in 2008 and 2009, the availability of equity and debt capital remains limited. However, we plan to grow our business and profits over the long term by continuing to employ our fundamental business strategy:

***Selectively investing in additional commercial jet aircraft and other aviation assets when attractively priced opportunities and cost effective financing are available.*** We believe the large and growing aircraft market will continue to provide significant acquisition opportunities over the long term and that the recent economic and financial market dislocations will offer attractive near term investment opportunities. We regularly evaluate potential aircraft acquisitions and expect to resume our investment program through additional passenger and cargo aircraft purchases when attractively priced opportunities and cost effective financing are available.

***Maintaining an efficient capital structure by using varying long-term debt structures to obtain cost effective financing and leveraging the efficient operating platform and strong operating track record we have established.*** We have financed our aircraft acquisitions using varying long-term debt structures obtained through several different markets to obtain cost effective financing. Although we expect our access to capital to continue to be somewhat limited in the short-term, we expect capital to be available in the longer-term, thus allowing us to acquire additional aircraft and other aviation assets to optimize the return on our investments and to grow our business and profits. We will also seek opportunities to increase our profits by leveraging the efficient operating platform we have established.

***Reinvest a portion of the cash flows generated by our business and from selective asset dispositions in additional aviation assets and/or our own debt and equity securities.*** Aircraft have a finite useful life and through a strategy of reinvesting a portion of our cash flows in our business, we will seek to maintain our

asset base. We will also continue to evaluate additional

## **Table of Contents**

investment opportunities in the context of the relative risk/return profile as compared to the merits of repurchasing our own debt or equity securities.

We also believe our team's capabilities in the global aircraft leasing market place us in a favorable position to explore new income-generating activities as capital becomes available for such activities. However, the financing markets continue to have limited capacity, which may constrain our ability to undertake new transactions. As such, during the near term, we intend to continue to focus our efforts on investment opportunities that both tap commercial financing capacity where it is accessible on reasonable terms and also where there is potential availability of debt financing that benefits from government guarantees either from the European Export Credit Agencies, or ECAs, or from the Export-Import Bank of the United States, or EXIM. In any case, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital, on our cost of capital or on our business, financial condition or results of operations.

## **Acquisitions and Dispositions**

We originate acquisitions and dispositions through well-established relationships with airlines, other aircraft lessors, financial institutions and brokers, as well as other sources. We believe that sourcing such transactions both globally and through multiple channels provides for a broad and relatively consistent set of opportunities.

On June 20, 2007, we entered into an acquisition agreement, which we refer to as the Airbus A330 Agreement, under which we agreed to acquire new A330 aircraft, or the New A330 Aircraft, from Airbus SAS, or Airbus. During 2009, we acquired two New A330 Aircraft. We currently have ten New A330 Aircraft remaining to be delivered, with two scheduled for delivery in 2010, seven in 2011 and one in 2012.

Our objective is to develop and maintain a diverse and stable operating lease portfolio; however, we review our operating lease portfolio periodically to make opportunistic divestitures of aircraft and to manage our portfolio diversification. In 2008 we sold eight aircraft and in 2009 we sold three Boeing Model 737-300 aircraft. We also purchased, and then sold, a spare engine in the fourth quarter of 2009. We also intend to take advantage of sales opportunities during cyclical upturns.

We have an experienced acquisitions and sales team based in Stamford, Connecticut; Dublin, Ireland and Singapore that maintains strong relationships with a wide variety of market participants throughout the world. We believe that our seasoned personnel and extensive industry contacts facilitate our access to acquisition and sales opportunities and that our strong operating track record over the past five years facilitates our access to debt and equity capital markets.

Potential investments and dispositions are evaluated by teams comprised of marketing, technical, credit, financial and legal professionals. These teams consider a variety of aspects before we commit to purchase or sell an aircraft, including its price, specification/configuration, age, condition and maintenance history, operating efficiency, lease terms, financial condition and liquidity of the lessee, jurisdiction, industry trends and future redeployment potential and values, among other factors. We believe that utilizing a cross-functional team of experts to consider the investment parameters noted above will help us assess more completely the overall risk and return profile of potential acquisitions and will help us move forward expeditiously on letters of intent and acquisition documentation. Our letters of intent are typically non-binding prior to internal approval, and upon internal approval are binding subject to the fulfillment of customary closing conditions.

## **Finance**

Our debt financing arrangements are typically secured by aircraft and related operating leases, and, in the case of our securitizations and pooled aircraft term financings, the financing parties have limited recourse to Aircastle Limited.

While such financing has historically been available on reasonable terms given the loan to value profile we have pursued, the recent financial markets turmoil has

**Table of Contents**

reduced the availability of both debt and equity capital. Though we expect the financing market to continue to improve in time, current market conditions remain difficult and we are presently taking a very cautious approach to incremental financing and with respect to refinancing risk, which may constrain our ability to undertake new transactions. During the near term, we intend to continue to focus our efforts on investment opportunities that both tap commercial financial capacity where it is accessible on reasonable terms, and also where there is potential availability of debt financing that benefits from government guarantees, either from the ECAs or from EXIM. ECA-supported financing could play an important role in funding our New A330 Aircraft purchases.

To the extent that we acquire additional aircraft, we intend to fund such investments through medium to longer-term financings and cash on hand. We may repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-term debt financings, additional equity offerings or cash generated from operations. Therefore, our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Securitizations and Term Debt Financings, Credit Facilities, and Equity Offerings.

**Segments**

We operate in a single segment.

**Aircraft Leases**

Typically, we lease our aircraft on an operating lease basis. Under an operating lease, we retain the benefit, and bear the risk, of re-leasing and of the residual value of the aircraft upon expiration or early termination of the lease. Operating leasing can be an attractive alternative to ownership for airlines because leasing (i) increases fleet flexibility, (ii) requires a lower capital commitment for the airline, and (iii) significantly reduces aircraft residual value risk for the airline. Under our leases, the lessees agree to lease the aircraft for a fixed term, although certain of our operating leases allow the lessee the option to extend the lease for an additional term or terminate the lease prior to its expiration. As a percentage of lease rental revenue for the year ended December 31, 2009, our three largest customers, Martinair (including its affiliates, KLM and Transavia), U.S. Airways, Inc., and Emirates, accounted for 10%, 8% and 5%, respectively.

The scheduled maturities of our aircraft leases by aircraft type grouping are currently as follows, taking into account lease placement and renewal commitments:

	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012	2013	2014	2015	2016	2017	2018	2019	2020	Off- Lease <sup>(3)</sup>	Total
A319/A320/A321	2		6	3	4	6	9						30
A330-200/300		1	6		2		1	1	1				12
737-300/300QC/400/400SF/500	1	3	4	2	4	3				3	1	1	22
737-700/800		3	6	7	8	2						1	27
747- 400BCF/400ERF/400BDSF					1		1	4	4		1		11
757-200	1	1	1	5	1	1						2	12
767-200ER/300ER	1	1	5	2	2	1							12
Other Aircraft Types		1		2									3



<b>Total</b>	5	10	28	21	22	13	11	5	5	3	3	3	129
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(1) Includes one Airbus Model A319 aircraft originally scheduled to expire in 2009 but delayed to the first quarter of 2010 to allow the existing customer to complete final maintenance work.

5

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**Table of Contents**

- (2) Includes one Boeing Model 757-200 aircraft which we have contracted to sell when it is scheduled to come off lease.
- (3) The three off-lease aircraft comprise two Boeing Model 757-200 aircraft which we contracted to sell in the second quarter of 2010 and one Boeing Model 737-300 aircraft we are actively marketing for sale or lease.

Taking into account lease and sale commitments, we have fifteen aircraft to remarket in 2010 and 2011, representing approximately 9% of our net book value.

**2009 Lease Expirations and Lease Placements**

*Scheduled lease expirations placements.* For our 20 aircraft originally having lease expirations in 2009, we executed leases and lease renewals, or commitments to lease or renew, with respect to 19 aircraft, including one aircraft we took back earlier than originally scheduled in 2009 on a consensual basis from a lessee. The lease expiration for the remaining aircraft was delayed to the first quarter of 2010 to allow the existing customer to complete final maintenance work, and we are actively marketing it for lease or sale. For the 19 aircraft, the weighted average lease term for the new leases or renewals will be six years with monthly lease rates that are approximately five percent higher than the previous rentals. The relatively strong lease rate performance reflects a generally strong market at the time the new leases or renewals were executed, when our strategy was to lock in re-lease and renewal rates as far in advance of lease expiry as practicable and to seek longer lease terms.

*Aircraft acquisitions placements.* In May 2009, we took delivery of one new Airbus Model A330-200 aircraft and immediately placed it on lease with Aerovias del Continente Americano, or Avianca, a new customer. In December 2009, we advanced another New A330 Aircraft position, and acquired and leased another Airbus Model A330-200 aircraft to Avianca.

	1,908
*	
	16,208
*	
Mark B. Segall	
*	--
	4,000
*	
Robert H. Simandl(8)	
*	1,585
	12,755
*	

John F. Tweedy(9)	250
*	
	12,650
*	
Dennis Ackerman(10)	853
*	
	10,096
*	
Raymond Cheung(11)	158
*	
	10,825
*	
All directors, nominees and executive officers as a group (11 persons)(12)	501,095
41.6	
	504,106
5.4	

- (1) As of April 5, 2013, there were 2,174,912 and 9,191,127 shares of Class A Common Stock and Class B Common Stock outstanding, respectively. A total of 1,199,334 shares of Class A Common Stock are entitled to vote at the Annual Meeting (the voting rights of two shareholders owning an aggregate of 975,578 shares of Class A Common Stock have been suspended).
- (2) The shares of Class A Common Stock beneficially owned by Daniel Bernstein include 1,583 shares allocated to Mr. Bernstein in the Company's 401(k) Plan over which he has voting but no investment power. The shares of Class B Common Stock beneficially owned by Daniel Bernstein include 59,052 shares owned by a family limited liability company of which Mr. Bernstein and his children are members, 10,047 Class B shares allocated to Mr. Bernstein in the Company's 401(k) Plan over which he has no voting or investment power and 5,000 shares of restricted stock.
- (3) The shares of Class B Common Stock beneficially owned by Howard B. Bernstein include 4,000 shares of restricted stock.
- (4) The shares of Class A Common Stock beneficially owned by Colin Dunn include 887 shares allocated to him in the Company's 401(k) Plan over which he has voting but no investment power. The shares of Class B Common

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Stock beneficially owned by Mr. Dunn include 5,259 shares allocated to him in the Company's 401(k) Plan over which he has no voting or investment power and 4,000 shares of restricted stock.

- (5) The shares of Class B Common Stock beneficially owned by Avi Eden include 4,000 shares of restricted stock.
- (6) The shares of Class B Common Stock beneficially owned by Peter Gilbert include 1,250 shares of Class B Common Stock held of record by Mr. Gilbert's wife and 4,000 shares of restricted stock.
- (7) The shares of Class A Common Stock beneficially owned by John S. Johnson include 155 shares held by Mr. Johnson as custodian for his grandchildren. The shares of Class B Common Stock beneficially owned by Mr. Johnson include 1,944 shares held by Mr. Johnson as custodian for his grandchildren and 4,000 shares of restricted stock.
- (8) The shares of Class A Common Stock beneficially owned by Robert H. Simandl include 1,200 shares held of record by Mr. Simandl's wife. The shares of Class B Common Stock beneficially owned by Mr. Simandl include 3,600 shares held of record by Mr. Simandl's wife and 4,000 shares of restricted stock.

-9-

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- (9) The shares of Class B Common Stock beneficially owned by John F. Tweedy include 4,000 shares of restricted stock.
- (10) The 853 shares of Class A Common Stock beneficially owned by Dennis Ackerman are allocated to him in the Company's 401(k) Plan; he has voting but no investment power with respect to these shares. The shares of Class B Common Stock owned by Mr. Ackerman include 6,096 shares allocated to him in the Company's 401(k) Plan over which he has no voting or investment power and 4,000 shares of restricted stock.
- (11) The 158 shares of Class A Common Stock beneficially owned by Raymond Cheung are allocated to him in the Far East Retirement Plan (as described under "Other Non-Performance Benefit Plans" within the Executive Compensation section of this Proxy Statement); he has voting but no investment power with respect to these shares. The shares of Class B Common Stock beneficially owned by Mr. Cheung include 825 shares allocated to him in the Far East Retirement Plan over which he has no voting or investment power and 4,000 shares of restricted stock.
- (12) Includes 3,481 and 22,227 shares of Class A Common Stock and Class B Common Stock, respectively, allocated in the Company's 401(k) Plan and Far East Retirement Plan over which such persons have with respect to the Class A Common Stock, voting but no investment power, and with respect to the Class B Common Stock, no voting or investment power. The Class B Common Stock also includes 45,000 restricted shares.

\*Shares constitute less than one percent of the shares of Class A Common Stock or Class B Common Stock outstanding.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and greater than ten percent beneficial owners to file with the Securities and Exchange Commission certain reports regarding such persons' ownership of the Company's securities. Directors, officers and greater than ten percent beneficial owners are required by applicable regulations to furnish Bel with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of the forms or information furnished to Bel, the Company believes that all 2012 filing requirements applicable to its directors, officers and greater than ten percent beneficial owners were satisfied on a timely basis.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### General

This Compensation Discussion and Analysis (“CD&A”) explains the material elements of our executive compensation program by describing the following:

- the objectives of the issuer’s compensation programs;
- the conduct that the compensation programs are designed to reward;
  - the elements of the compensation program;
- the rationale for each of the elements of the compensation program;
- how the issuer determines the amount (and, where applicable, the formula) for each element of the compensation program; and
- how each element and the issuer’s decisions regarding that element fit into the issuer’s overall compensation objectives and affect decisions regarding other elements of the compensation program.

#### Overview

We are engaged in a very competitive industry worldwide, with relatively low barriers to competitive entry in the electronic products market. Just as stock prices in our industry tend to be volatile, our customers’ demand for our products varies significantly from year to year. We have only limited visibility as to future customer requirements. For this reason, we have found it necessary to keep our overhead relatively low so that we can operate effectively even when demand for our products weakens. In the area of compensation, we seek to control salaries as best we can and focus our incentives on other elements that can vary from year to year with our performance. Our goal is to compensate our Named Officers at levels that will enable us to retain their services while retaining control over our overhead.

Our performance-based elements of compensation are salary, bonuses and long-term stock incentive compensation. Other non-performance elements of compensation consist of retirement benefits, certain other plan benefits and certain perquisites. In order to effectively control overhead costs in times of volatile product demand, our executive compensation philosophy is to limit annual increases in base salaries and to supplement the overall compensation package with annual bonuses in amounts that are primarily dependent upon the Company’s financial performance for the period.

We compete in our industry on the basis of product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. Our compensation structure is intended to reward and incentivize the types of performance which improve our ability to excel in these areas, as well as performance which enhances our overall financial stability and global presence.

#### Compensation Elements

##### Salary

We pay salaries to our Named Officers in order to provide a base compensation to them for their day-to-day responsibilities in managing our business. We do not rely upon consultants to set our salaries, to establish salary ranges or to provide advice regarding other compensation matters, nor do we engage in any benchmarking activities. The Company views base salary simply as a fixed component of overall compensation, with a large variable portion

being derived from annual bonuses as described below.

-11-

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In terms of overall compensation, our Chief Executive Officer receives salary recommendations from our U.S. management team and our Far East management team. Our Chief Executive Officer then formulates his own recommendations which he presents to our Compensation Committee. Our Chief Executive Officer does not participate in the deliberations regarding his own salary, but does participate in discussions regarding salary levels for our other Named Officers. Salary levels are typically reviewed in December, and adjusted from time to time after taking into account overall Company performance as well as team performance. In December 2010, the Chief Executive Officer recommended base salary increases to the Compensation Committee for the other Named Officers. The Compensation Committee implemented a salary increase for the Chief Executive Officer and approved the proposed base salaries for the three other Named Officers effective January 1, 2011 as set forth below. These salaries remained the same for 2012.

Daniel Bernstein	\$300,000
Colin Dunn	\$225,000
Dennis Ackerman	\$215,000
Raymond Cheung	\$200,000

## Bonus

We do not have a bonus plan for any of our associates. Instead, financial results are monitored on a quarterly basis by the Chief Executive Officer, the Vice President of Finance and the Vice President of Operations. Management utilizes net income as the financial measure in evaluating the Company's performance as compared to prior quarters. Based on the quarterly review, a bonus accrual may be established by the Compensation Committee based on recommendations from the Chief Executive Officer, the Vice President of Finance and the Vice President of Operations. At the end of each year in which a bonus accrual has been established, the Compensation Committee receives recommendations from the Chief Executive Officer with respect to the payment of specific bonuses to specific individuals, based upon the overall size of that year's bonus pool as well as individuals' respective participation in achieving team objectives throughout the year. The decision to grant bonuses is ultimately made by the Company's Compensation Committee. The target bonus payment for Bel's key executives (including the Named Officers, in addition to other key executives) is 4-6 months of their annual salary; however, this varies dependent upon the bonus pool established during the year and may vary by individual based on extenuating circumstances.

In 2012, a total bonus pool of \$1.2 million was allocated among executives, management, and technical and administrative employees of the Company based on number of weeks pay, in accordance with their respective contributions to our corporate performance. A total of \$218,179 of the total bonus pool was allocated to our Named Officers and reflected twelve weeks pay for Mr. Bernstein and Mr. Dunn, fourteen weeks pay for Mr. Ackerman and ten weeks pay for Mr. Cheung.

In 2011, a total bonus pool of \$1.3 million was allocated among executives, management, and technical and administrative employees of the Company based on number of weeks pay, in accordance with their respective contributions to our corporate performance. A total of \$253,077 of the total bonus pool was allocated to our Named Officers and reflected fourteen weeks pay for each executive officer.

In 2010, a total bonus pool of \$3.7 million was allocated among executives, management, and technical and administrative employees of the Company based on number of weeks pay, in accordance with their respective contributions to our corporate performance. A total of \$526,154 of the total bonus pool was allocated to our Named Officers and reflected thirty-six weeks pay for each executive officer.

## Long-Term Stock Incentive Compensation



Our 2011 Equity Compensation Program, as approved by our shareholders at the 2011 Annual Meeting, permits us to issue four types of non-cash awards based on our Class B Common Stock: restricted stock grants, incentive stock options, non-qualified stock options and stock appreciation rights. For the past five years, we relied upon restricted stock awards as our primary form of long-term stock incentive compensation.

On October 28, 2009, we granted restricted shares to several of our associates, including our Named Officers. In 2009, 10,000 shares of restricted stock were granted to Mr. Bernstein and 8,000 shares of restricted stock were granted to each of Mr. Dunn, Mr. Ackerman and Mr. Cheung. The shares awarded are earned in 25% increments on the second, third, fourth and fifth anniversaries of the grant date, provided the employee has remained employed by the Company through such anniversary dates; otherwise the unearned shares are forfeited. We did not grant any restricted stock awards to any of our Named Officers during 2010, 2011 or 2012. While our 2011 Equity Compensation Program does not preclude the grant of restricted shares on an annual basis, the Compensation Committee concluded that given the structure and amount of the restricted stock awards made in 2009, there was no need to grant additional restricted stock awards to the Named Officers during 2010, 2011 or 2012.

-12-

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Our experience has been to consider restricted stock awards at the director meetings held at the time of our annual meeting of shareholders, as opposed to granting options and stock awards throughout the year. By making our grant determinations at a single time each year, we avoid even an appearance of coordinating grants with release dates of material information not previously disclosed to the public.

Our 2011 Equity Compensation Program is designed to help attract and retain superior individuals for positions of substantial responsibility within our Company and to provide these persons with an additional incentive to contribute to the success of our Company, all of which we expect will result in increased shareholder value. Restricted stock grants are awards of actual shares of our common stock, without any initial cost to the associate, but subject to a vesting restriction. The shares cannot be sold or transferred until the restriction ends and the shares become “vested.” Shares not vested are forfeited back to us if it becomes impossible to meet the condition for ending the restriction. Restricted stock grants offer the opportunity to obtain shares of our common stock without payment to us, provided the condition to ending the restriction is met. We award restricted stock grants because we believe that they aid in retaining our key executives, who are positioned to benefit from an increase in share value.

#### Retirement Benefits

We have designed our Supplemental Executive Retirement Plan, or “SERP”, to provide a limited number of our key management and highly compensated associates with supplemental retirement and death benefits. Each of our Named Officers is a participant in the SERP. Participants in the SERP are selected by our Compensation Committee based upon recommendations from our Chief Executive Officer. We believe that this benefit incentivizes key associates to remain with us on a career-long basis and engenders loyalty to our Company.

Benefits available under the SERP vary depending upon when and how a participant terminates employment with us. If a participant retires on his normal retirement date (65 years old, 20 years of service, and five years of participation in the SERP), his or her normal retirement benefit under the SERP would be annual payments equal to 40% of his or her average base compensation -- using compensation from the highest five consecutive calendar years of SERP participation -- payable in monthly installments for the remainder of his or her life. If a participant retires early (55 years old, 20 years of service, and 5 years of participation in the SERP), his or her early retirement benefit would be an amount (i) calculated as if his or her early retirement date were in fact such participant’s normal retirement date, (ii) multiplied by a fraction, the numerator being the actual years of service the participant has with us and the denominator being the years of service the participant would have had if he or she had retired at his or her normal retirement date, and (iii) actuarially reduced to reflect the early retirement date. If a participant dies prior to receiving 120 monthly payments under the SERP, his or her beneficiary is entitled to continue receiving benefits for the shorter of (i) the time necessary to complete 120 monthly payments or (ii) 60 months. If a participant dies while employed by us, his or her beneficiary will receive, as a survivor benefit, an annual amount equal to (i) 100% of the participant’s annual base salary at the date of death for one year, and (ii) 50% of the participant’s annual base salary at the date of death for each of the following four years, each payable in monthly installments. Our SERP also provides for disability benefits, and a forfeiture of benefits if a participant terminates employment for reasons other than those contemplated under the SERP.

In the event of a “change in control” (as defined in the SERP), each participant who is employed by us at the time of the change in control will be entitled to a normal retirement benefit commencing immediately following termination of employment (or in the case of certain participants who are “specified employees” for purposes of Section 409A of the Code (discussed below), six months after termination of employment). The normal retirement benefit payable under these circumstances will be the actuarial equivalent of the benefit that would commence upon the date that the participant would have attained his or her normal retirement date if he or she had not terminated employment. Further, each participant’s average base compensation will be deemed to be equal to his or her annual base compensation in effect prior to the change in control. If we have established a trust to accumulate assets from which to pay SERP benefits, then we will fully fund the trust in connection with a change in control in order to ensure

that there will be sufficient assets set aside to pay all SERP benefits. A “change in control” for purposes of the SERP includes a merger or consolidation with another corporation whereby our shareholders do not own a majority of the surviving or successor entity, an acquisition of 50% or more of our voting securities by one person or a group of persons acting together, a sale of all or substantially all of our assets to any person, our dissolution or liquidation or if the members of our incumbent Board of Directors (or their successors, if approved by them) cease for any reason to constitute at least two-thirds of the members of our Board.

As of December 31, 2012, Mr. Dunn was eligible for normal retirement under the SERP. Had he retired on December 31, 2012, Mr. Dunn would have been eligible for a monthly benefit under the SERP in the amount of \$7,140 payable for life. As of December 31, 2012, Mr. Bernstein was eligible for early retirement under the SERP. Had he retired on December 31, 2012, Mr. Bernstein would have been eligible for a monthly benefit under the SERP in the amount of \$6,076 payable for life. Had each of our Named Officers terminated employment on December 31, 2012 in connection with a change in control, they would have been entitled under the SERP to a monthly benefit for life as follows: Mr. Bernstein, \$8,409; Mr. Dunn, \$7,500; Mr. Ackerman, \$4,760; and Mr. Cheung, \$5,125. The present value of those change in control benefits for the Named Officers, using the actuarial assumptions used for our financial reporting purposes, would be as follows: Mr. Bernstein, \$1,537,561; Mr. Dunn, \$1,112,052; Mr. Ackerman, \$1,013,499; and Mr. Cheung, \$992,466.

#### Other Non-Performance Benefit Plans

Our Named Officers are eligible to participate, as are all our associates who meet service requirements under the several plans, in the following types of non-performance benefit plans:

- Our associates, including our Named Officers, are entitled to participate in either our domestic 401(k) plan or our Far East Retirement Plan. Pursuant to our domestic 401(k) plan, we make matching contributions of pre-tax elective deferral contributions made by associates. The Company amended its domestic 401(k) plan effective January 1, 2012. During 2012, under the new plan design, the Company matched 100% of the first 1% of compensation contributed by participants and 50% of the next 5% of compensation contributed by participants. Compensation of participants in excess of statutory limits for tax-qualified plans (\$250,000 in 2012) is disregarded for purposes of determining contributions by participants and matching contributions. Matching contributions were made in cash in 2012. During 2011 and prior years, we matched 100% for the first \$200 of an associate's contribution, 50% for the next \$200 and 25% for the next \$200 of an associate's contribution. In addition, we had been adding 3% of an associate's base salary as an annual profit sharing contribution for years prior to 2012. This 3% was reviewed on an annual basis by the Board of Directors. Our matching contributions under the domestic 401(k) plan were made in shares of our Class B Common Stock for years prior to 2012. The Far East Retirement Plan is a defined contribution mandatory provident fund arrangement established pursuant to Hong Kong law. Subject to certain minimum and maximum levels under Hong Kong law, five percent of a participant's salary must be contributed to the Far East Retirement Plan. We match amounts contributed to the Far East Retirement Plan. Our current match equals 7% of an associate's base salary. Under the Far East Retirement Plan, our matching amounts are currently made partly in shares of our Class B Common Stock - approximately 10% of our contribution - and partly in cash - approximately 90% of our contribution. Mr. Cheung is the only Named Officer who participates in the Far East Retirement Plan.
- We maintain medical and dental health insurance plans for our associates on a non-discriminatory basis. Except for union associates covered by union programs, associates in the U.S. contribute approximately 20% of the premiums related to our medical and dental insurance plans. We also provide life insurance for all U.S. associates.

We believe that the insurance plans we offer are important components of our comprehensive benefit package, which should induce associates to remain with us. We believe that our domestic 401(k) plan and our Far East Retirement Plan induce our associates to save for future retirement needs, and we encourage this by matching individual plan contributions, as described above, by participating associates.

#### Perquisites

In 2012, we provided our Chief Executive Officer with a housing allowance for three months in San Diego, California. Mr. Bernstein's presence in San Diego enables him to be more proximate to our largest customers, major design centers and our marketing and sales groups. We also provide him with an automobile in New Jersey that we

maintain for his use throughout the year. Other than these benefits, the perquisites to our Named Officers are nominal.

-14-

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## Severance

The Company has a written severance pay plan that applies to all of our full-time, non-union associates. The written plan formalizes an approach that we had been taking on an informal basis for the past several years. The purposes of the plan are to reward the loyalty of our associates in the context of a Sale of the Business, a phrase that is defined in the severance pay plan, and to assure that we are capable of retaining our associates in the event that we pursue a Sale of the Business. Under the plan, a “Sale of the Business” is defined to mean the occurrence of any of the following events:

- the acquisition of beneficial ownership of more than 50% of our voting stock or of all or substantially all of our assets; or
- the consummation of a merger, consolidation or other combination of our company with or into another entity, subject to certain exceptions; or
- if the members of our incumbent Board of Directors (or their successors, if approved by them) cease for any reason to constitute at least two-thirds of the members of our Board.

Provided that certain disqualifying events do not occur, severance payments will be made under the plan if a participant is terminated involuntarily within 24 months after a Sale of the Business (provided that the participant does not accept employment with the acquirer in connection with such Sale of the Business), the participant resigns for reasons permitted under the plan within 24 months after a Sale of the Business or if the participant is not offered “comparable employment” (as defined) with the acquirer.

The severance pay plan contains a schedule by which payment levels are determined based on years of service with us. The schedule provides for three weeks of compensation for each of the first two years worked with us, two weeks of compensation for each of the next thirteen years of service, and three weeks of compensation for each additional year of service, with an upper limit of 52 weeks of compensation. If the plan were to be triggered as of April 1, 2013, our Named Officers would be entitled to receive the following severance payments:

Daniel Bernstein	\$300,000
Colin Dunn	\$216,346
Dennis Ackerman	\$215,000
Raymond Cheung	\$200,000

## Compliance with Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code denies a deduction to any publicly-held corporation for compensation paid to certain “covered employees” in a taxable year to the extent that compensation exceeds \$1,000,000 for a covered employee. Certain performance-based compensation that has been approved by our shareholders is not subject to this limitation. As a result, stock options granted under our 2011 Equity Compensation Program and our prior stock option plans are not subject to the limitations of Section 162(m). However, restricted stock awards granted under our 2011 Equity Compensation Program, or previously under our 2002 Equity Compensation Program, generally will not be treated as performance-based compensation. Restricted stock award grants made to date have not been at levels that, together with other compensation, approached the \$1,000,000 limit. Also, since we retain discretion over any bonuses we may grant, those bonuses also will not qualify for the exemption for performance-based compensation. The Compensation Committee intends to provide executive compensation in a manner that will be fully deductible for federal income tax purposes, so long as that objective is consistent with overall business and

compensation objectives. However, we reserve the right to use our judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) when we believe that such payments are appropriate and in the best interests of our shareholders, after taking into consideration changing business conditions or the executive officer's performance.

-15-

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## Summary of Cash and Certain Other Compensation

The following table sets forth, for the years ended December 31, 2012, 2011 and 2010, a summary of the compensation earned by our Chief Executive Officer, Vice President of Finance and our two other executive officers serving at December 31, 2012 with total compensation in excess of \$100,000. In this proxy statement, we refer to these executive officers as the “Named Officers”.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Daniel Bernstein, President and Chief Executive Officer	2012	300,000	69,231	-	140,552	22,620	532,403
	2011	300,000	80,769	-	212,468	22,650	615,887
	2010	225,000	155,769	-	91,008	24,720	496,497
Colin Dunn, Vice President, Treasurer and Secretary	2012	225,000	51,923	-	81,831	9,592	368,346
	2011	225,000	60,577	-	218,477	9,340	513,394
	2010	190,000	131,539	-	134,412	8,605	464,556
Dennis Ackerman, Vice President of Operations	2012	215,000	57,885	-	58,336	8,929	340,150
	2011	215,000	57,885	-	94,816	9,040	376,741
	2010	175,000	121,154	-	39,473	8,155	343,782
Raymond Cheung, Vice President Asia Operations	2012	200,000	39,140	-	75,479	20,460	335,079
	2011	200,000	53,846	-	114,671	23,606	392,123
	2010	170,000	117,692	-	61,109	19,227	368,028

We accrued the bonuses set forth in the table above for 2010, 2011 and 2012 in our consolidated statements of operations for the years ended December 31, 2010, 2011 and 2012, respectively, but such bonuses were not paid until the following year.

In the table above, when we refer to changes in pension values, we are referring to the aggregate change in the present value of the Named Officer’s accumulated benefit under our SERP from the measurement date used for preparing our



2011 year-end financial statements to the measurement date used for preparing our 2012 year-end financial statements.

In the table above, “all other compensation” for 2012 consists of the following:

- for Mr. Bernstein: (i) an employer matching contribution made to his 401(k) account of \$8,270, (ii) \$2,100 in dividends that we paid with respect to restricted shares that we previously granted to him under our 2002 Equity Compensation Program, (iii) \$3,500, the cost to us of providing Mr. Bernstein with an automobile in New Jersey and maintaining that automobile, and (iv) \$8,750, the cost to us of providing Mr. Bernstein with living quarters for a three-month period while he worked from our facility in San Diego, California.

-16-

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- for Mr. Dunn: (i) an employer matching contribution made to his 401(k) account of \$7,912 and (ii) \$1,680 in dividends that we paid with respect to restricted shares that we previously granted to him under our 2002 Equity Compensation Program.
- for Mr. Ackerman: (i) an employer matching contribution made to his 401(k) account of \$7,249 and (ii) \$1,680 in dividends that we paid with respect to restricted shares that we previously granted to him under our 2002 Equity Compensation Program.
- for Mr. Cheung: (i) a contribution to his Far East Retirement Plan account of \$14,000, an amount in excess of Mr. Cheung's 2012 pre-tax elective deferral contributions (included under "Salary"), (ii) \$1,680 in dividends that we paid with respect to restricted shares that we previously granted to him under our 2002 Equity Compensation Program and (iii) \$4,780 related to automobile expenses.

### Restricted Stock Awards

We are authorized to grant restricted stock awards under our 2011 Equity Compensation Program. Prior to its expiration date on April 4, 2012, we were also authorized to grant restricted stock awards under our 2002 Equity Compensation Program. Participants have the right to vote (if applicable) and receive dividends on their restricted shares. Restrictions lapse in 25% increments commencing two years after the grant date. On October 28, 2009, Mr. Bernstein received a restricted stock grant of 10,000 shares of Class B Common Stock and Mr. Dunn, Mr. Ackerman and Mr. Cheung each received a restricted stock grant of 8,000 shares of Class B Common Stock. No restricted shares were awarded to the Named Officers in 2012, 2011 or 2010. A total of 8,500 restricted stock awards previously granted to the Named Officers vested during 2012. See the "Stock Awards Vested During 2012" table below. No stock options were granted to or exercised by our Named Officers in 2010, 2011 or 2012 and our Named Officers did not hold any stock options on December 31, 2012.

The following table sets forth, for each of the Named Officers, information regarding stock awards outstanding at December 31, 2012. Each of the stock awards referred to in the table below were granted pursuant to our 2002 Equity Compensation Program. The vesting dates applicable to each stock award are set forth in footnotes that follow the columnar explanations below the table.

Stock Awards Outstanding at December 31, 2012

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
(a)	(b)	(c)
Daniel Bernstein	5,000	97,750
Colin Dunn	4,000	78,200
Dennis Ackerman	4,000	78,200
Raymond Cheung	4,000	78,200

In the table above, we are disclosing:

- in column (b), the number of shares of our Class B Common Stock covered by stock awards granted under our 2002 Equity Compensation Program that were not vested or earned as of December 31, 2012; and
- in column (c), the aggregate market value or payout value as of December 31, 2012 of the stock awards referenced in column (b).

-17-

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In the table above, the vesting dates for the Named Officers' stock awards are as follows:

- As of December 31, 2012, Mr. Bernstein had 5,000 restricted shares of Class B Common Stock, vesting as follows: 2,500 shares vest as of October 28, 2013 and 2,500 shares vest as of October 28, 2014.
- As of December 31, 2012, Mr. Dunn had 4,000 restricted shares of Class B Common Stock, vesting as follows: 2,000 shares vest as of October 28, 2013 and 2,000 shares vest as of October 28, 2014.
- As of December 31, 2012, Mr. Ackerman had 4,000 restricted shares of Class B Common Stock, vesting as follows: 2,000 shares vest as of October 28, 2013 and 2,000 shares vest as of October 28, 2014.
- As of December 31, 2012, Mr. Cheung had 4,000 restricted shares of Class B Common Stock, vesting as follows: 2,000 shares vest as of October 28, 2013 and 2,000 shares vest as of October 28, 2014.

In calculating market values in the table above, we have multiplied the closing market price of our Class B Common Stock on the last trading day in 2012 of \$19.55 by the applicable number of shares of Class B Common Stock underlying the Named Officers' unvested stock awards.

The following table sets forth, for each of the Named Officers, information regarding stock awards that vested during 2012. The "value realized on vesting" represents the number of shares of Class B Common Stock set forth in column (d) multiplied by the market price of our Class B Common Stock on the date on which the Named Officer's stock award vested.

Stock Awards Vested During 2012

Name (a)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
Daniel Bernstein	2,500	40,975
Colin Dunn	2,000	32,780
Dennis Ackerman	2,000	32,780
Raymond Cheung	2,000	32,780

Equity Compensation Plan Information

The following table provides information as of December 31, 2012 with respect to shares of Class A and Class B Common Stock that may be issued under our 2011 Equity Compensation Program which has been approved by the Company's shareholders.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants	(c) Number of Securities Remaining Available For Future Issuance Under Equity
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	Outstanding Options, Warrants and Rights	and Rights	Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Security Holders:			
	Class A: 0	Class A: \$ 0	Class A: 0
2011 Equity Compensation Program	Class B: 0	Class B: \$ 0	Class B: 1,274,600
Equity Compensation Plans Not Approved by Security Holders	-	-	-
	Class A: 0	Class A: \$ 0	Class A: 0
TOTAL	Class B: 0	Class B: \$ 0	Class B: 1,274,600

-18-

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## Retirement Plan Benefits

The following table sets forth, for each of the Named Officers, information regarding the benefits payable under each of our plans that provides for payments or other benefits at, following, or in connection with such Named Officer's retirement. The following table does not provide information regarding tax-qualified defined contribution plans or nonqualified defined contribution plans.

Name (a)	Plan Name (b)	Number of Years of Credited Service (c)	Present Value of Accumulated Benefit (\$) (d)	Payments
				During Last Fiscal Year (\$) (e)
Daniel Bernstein	Supplemental Executive Retirement Plan	34	872,483	0
Colin Dunn	Supplemental Executive Retirement Plan	21	1,058,673	0
Dennis Ackerman	Supplemental Executive Retirement Plan	26	315,266	0
Raymond Cheung	Supplemental Executive Retirement Plan	19	429,982	0

In the table above:

- we have determined the years of credited service based on the same measurement date that we used in preparing our audited financial statements for the year ended December 31, 2012; we refer to that date as the "Plan Measurement Date";
- when we use the phrase "present value of accumulated benefit", we are referring to the actuarial present value of the Named Officer's accumulated benefits under our Supplemental Executive Retirement Plan, calculated as of the Plan Measurement Date; and
- column (e) refers to the dollar amount of any payments and benefits actually paid or otherwise provided to the Named Officer during 2012 under the SERP. For a description of the SERP, see "Compensation Discussion and Analysis - Compensation Elements - Retirement Benefits".

## BOARD OF DIRECTORS

## Director Compensation

The following table sets forth certain information regarding the compensation we paid to our directors, other than Daniel Bernstein, during 2012.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(g)	(j)
Howard B. Bernstein	19,000	-	1,260	20,260
Avi Eden	19,000	-	51,260	70,260
Peter Gilbert	34,000	-	1,260	35,260
John S. Johnson	29,000	-	1,260	30,260
Robert H. Simandl	19,000	-	28,260	47,260
John F. Tweedy	34,000	-	1,260	35,260
Mark B. Segall	19,000	69,600	560	89,190

With respect to compensation of our non-employee directors:

- when we refer to “Fees Earned or Paid in Cash”, we are referring to all cash fees that we paid or were accrued in 2012, including annual retainer fees, committee fees and meeting fees; in 2012, our non-employee directors received an annual retainer of \$15,000, plus \$1,000 for each Board meeting they attended in person and \$750 for each non-audit or non-succession committee meeting they attended in person. Audit Committee members received \$2,500 for each meeting they attended in person. Succession committee members received \$1,250 for each meeting they attended in person.
- when we refer to amounts under Stock Awards, we are referring to the aggregate grant date fair value in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. In May 2012, Mr. Segall received 4,000 shares of restricted stock, which vest as follows: 1,000 shares vest as of May 16, 2014; 1,000 shares vest as of May 16, 2015; 1,000 shares vest as of May 16, 2016 and 1,000 shares vest as of May 16, 2017.
- in May 2011, each of the directors noted above (with the exception of Mr. Segall) received 4,000 shares of restricted stock, which vest as follows: 1,000 shares vest as of May 17, 2013; 1,000 shares vest as of May 17, 2014; 1,000 shares vest as of May 17, 2015 and 1,000 shares vest as of May 17, 2016.
- in May 2007, each of the directors noted above (with the exception of Mr. Segall) received 4,000 shares of restricted stock, which vest as follows: 1,000 shares vested as of May 11, 2009; 1,000 shares vested as of May 11, 2010; 1,000 shares vested as of May 11, 2011 and 1,000 shares vested as of May 11, 2012.

- “all other compensation” consists of the following:

§ For Avi Eden: consulting fees paid to Mr. Eden with respect to advice rendered regarding corporate development issues

§ For Robert H. Simandl: fees paid to Mr. Simandl’s law firm for services rendered and disbursements incurred on our behalf during 2012

§ Each director (with the exception of Mr. Segall) was paid \$1,260 and Mr. Segall was paid \$560 during 2012 related to dividends on their shares of restricted stock

-20-

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In 2012, directors who were executive officers of the Company did not receive directors' fees. In 2012, directors of the Company's foreign subsidiaries did not receive a retainer or meeting fees.

#### The Board of Directors; Committees of the Board

Since the adoption of the Sarbanes-Oxley Act in July 2002, there has been a growing public and regulatory focus on the independence of directors. NASDAQ has adopted amendments to its definition of independence. Additional requirements relating to independence are imposed by the Sarbanes-Oxley Act with respect to members of the Audit Committee. As noted below, the Board has determined that the members of the Audit Committee satisfy all such definitions of independence. The Board has also determined that the following members of the Board satisfy the NASDAQ definition of independence: Howard Bernstein, Peter Gilbert, John S. Johnson, John F. Tweedy, Mark B. Segall, Robert Simandl and Avi Eden. The Board concluded that while Mr. Simandl is compensated for certain legal services that he provides to the Company and Mr. Eden is compensated for certain business development consulting services that he provides to the Company, the fees paid to these individuals in 2012 (\$50,000 to Mr. Eden and \$27,000 to Mr. Simandl) were not of a magnitude that such fees would impair Mr. Simandl's or Mr. Eden's independence. In considering the independence of Mr. Simandl and Mr. Eden, the Board also took note of the willingness of these individuals to express their views without concern for economic repercussions.

The Company's Board of Directors holds a regular meeting immediately before the Annual Meeting of Shareholders and meets regularly throughout the year. During 2012, the Board held five meetings.

Bel's Board has an Executive Committee, a Compensation Committee, an Audit Committee, a Nominating Committee and a Succession Committee. The Executive Committee is composed of Daniel Bernstein, Robert H. Simandl and John F. Tweedy; the Audit Committee is composed of Peter Gilbert, John S. Johnson and John F. Tweedy; the Nominating Committee is composed of Howard Bernstein, Robert H. Simandl and John F. Tweedy; and the Succession Committee is composed of Peter Gilbert and John F. Tweedy. Throughout 2012, the Compensation Committee was composed of Peter Gilbert and Robert H. Simandl. At the February 13, 2013 Board of Directors' meeting, Mr. Simandl resigned from the Compensation Committee and in his place the Board elected John S. Johnson and Mark Segall to serve on the Compensation Committee along with Peter Gilbert effective immediately.

The function of the Executive Committee is to act in the place of the Board when the Board cannot be convened.

The Compensation Committee is charged with the responsibility of administering the Company's employee benefit plans, reviews the compensation of Bel's executive officers and establishes general compensation policies.

The Audit Committee reviews significant audit and accounting principles, policies and practices, and meets with the Company's independent auditors. The Board of Directors has determined that John S. Johnson constitutes an "audit committee financial expert", as such term is defined by the Securities and Exchange Commission ("SEC"). As noted above, Mr. Johnson -- as well as the other members of the Audit Committee -- has been determined to be "independent" within the meaning of SEC and NASDAQ regulations.

The Nominating Committee is responsible for nominating candidates for election to the Company's Board of Directors.

During 2011, the Board formed a Succession Committee, comprised of Peter Gilbert and John F. Tweedy, to develop a succession plan for Bel's senior executives. The committee implemented a plan to identify and prepare individuals for positions and responsibilities they would need to assume either in the case of an emergency or under an orderly transition. The Succession Committee has identified and presented to the Board current members of Bel's management team that have the qualifications to fill the position of Chief Executive Officer. These candidates will be working with the current Chief Executive Officer, as well as other members of the Board, to become knowledgeable about all

aspects of the position. The committee has also made recommendations with regard to the configuration of the Board in the event the current Chief Executive Officer is no longer able to hold his position on the Board.

-21-

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During 2012, the Executive Committee held no meetings, the Audit Committee held nine meetings, the Compensation Committee held three meetings, the Nominating Committee held one meeting and the Succession Committee held five meetings. Each Director attended at least 75% of the aggregate of the Board and committee meetings on which he served in 2012.

For a description of services provided to the Company by Robert H. Simandl and Avi Eden during 2012, see “Compensation Committee Interlocks and Insider Participation.”

#### Board Leadership Structure and Role in Risk Oversight

Our President, Daniel Bernstein, also serves as Chief Executive Officer of the Company. Additionally, Peter Gilbert serves as the independent Lead Director. Among other things, the Lead Director convenes and chairs regular and special executive sessions of the independent directors and serves as liaison between the independent directors and our President/Chief Executive Officer. We believe that our leadership structure allows the Board to have better control of the direction of management, while still retaining independent oversight.

The Board’s role in our risk oversight process includes receiving regular reports from members of management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic risks. The full Board or the appropriate committee receives these reports from management to enable it to understand our risk identification, risk management and risk mitigation strategies. When a committee receives the report, the chairman of the relevant committee reports on the discussion to the full Board at the next Board meeting. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

#### Nominating Committee Matters

**Nominating Committee Charter.** The Board has adopted a Nominating Committee charter to govern its Nominating Committee. A copy of the charter is set forth on the Company’s website, [www.belfuse.com](http://www.belfuse.com), under the Investor Information tab.

**Independence of Nominating Committee Members.** All members of the Nominating Committee of the Board of Directors have been determined to be “independent directors” pursuant to the definition contained in Rule 4200(a)(15) of the National Association of Securities Dealers’ Marketplace Rules.

**Procedures for Considering Nominations Made by Shareholders.** The Nominating Committee’s charter describes procedures for nominations to be submitted by shareholders and other third-parties, other than candidates who have previously served on the Board or who are recommended by the Board. The charter states that a nomination must be delivered to the Secretary of the Company at the principal executive offices of the Company not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. The public announcement of an adjournment or postponement of an annual meeting will not commence a new time period (or extend any time period) for the giving of a notice as described above. The charter requires a nomination notice to set forth as to each person whom the proponent proposes to nominate for election as a director: (a) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (b) information that will enable the Nominating Committee to determine whether the candidate or

candidates satisfy the criteria established pursuant to the charter for director candidates.

-22-

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Qualifications. The charter describes the minimum qualifications for nominees and the qualities or skills that are necessary for directors to possess. Each nominee:

- must satisfy any legal requirements applicable to members of the Board;
- must have business or professional experience that will enable such nominee to provide useful input to the Board in its deliberations;
  - must have a reputation for honesty and ethical conduct;
- must have a working knowledge of the types of responsibilities expected of members of the board of directors of a public company; and
- must have experience, either as a member of the board of directors of another public or private company or in another capacity, that demonstrates the nominee's capacity to serve in a fiduciary position.

Identification and Evaluation of Candidates for the Board. Candidates to serve on the Board will be identified from all available sources, including recommendations made by shareholders. The Nominating Committee's charter provides that there will be no differences in the manner in which the Nominating Committee evaluates nominees recommended by shareholders and nominees recommended by the Committee or management, except that no specific process shall be mandated with respect to the nomination of any individuals who have previously served on the Board. The evaluation process for individuals other than existing Board members will include:

- a review of the information provided to the Nominating Committee by the proponent;
- a review of reference letters from at least two sources determined to be reputable by the Nominating Committee; and
- a personal interview of the candidate, together with a review of such other information as the Nominating Committee shall determine to be relevant.

Third-Party Recommendations. In connection with the 2013 Annual Meeting, the Nominating Committee did not receive any nominations from any shareholder or group of shareholders which owned more than 5% of the Company's Class A Common Stock or Class B Common Stock for at least one year.

#### Audit Committee Matters

Audit Committee Charter. The Audit Committee performed its duties during 2012 under a written charter approved by the Board of Directors. A copy of the charter is set forth on the Company's website, [www.belfuse.com](http://www.belfuse.com), under the Investor Information tab.

Independence of Audit Committee Members. The Class A and Class B Common Stock are listed on the NASDAQ Global Select Market and the Company is governed by the listing standards applicable thereto. All members of the Audit Committee of the Board of Directors have been determined to be "independent directors" pursuant to the definition contained in Rule 4200(a)(15) of the National Association of Securities Dealers' Marketplace Rules and under the SEC's Rule 10A-3.

Audit Committee Report. In connection with the preparation and filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2012:

(1) the Audit Committee reviewed and discussed the audited financial statements with the Company's management;

-23-

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- (2) the Audit Committee discussed with the Company's independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T;
- (3) the Audit Committee received the written disclosures and the letter from the Company's independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and discussed with the Company's independent accountants their independence; and
  - (4) based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the 2012 Annual Report on Form 10-K.

By: The Audit Committee of the Board of Directors  
Peter Gilbert  
John S. Johnson  
John F. Tweedy

#### Compensation Committee Report

The Compensation Committee has reviewed and discussed the information provided under the caption "Compensation Discussion and Analysis" set forth above. Based on that review and those discussions, the Compensation Committee recommended to our Board that such "Compensation Discussion and Analysis" be included in this proxy statement.

By: The Compensation Committee of the Board of Directors  
Peter Gilbert  
John S. Johnson  
Mark Segall

#### Compensation Committee Interlocks and Insider Participation

Peter Gilbert and Robert H. Simandl served as members of the Compensation Committee of the Company's Board of Directors during 2012.

Mr. Simandl served as the Company's Secretary through May 2003. Mr. Simandl and his predecessor firms have served as general counsel to the Company for more than the past five years. Fees received by Mr. Simandl's firm from the Company during 2012 were not material. The Company will retain Mr. Simandl in 2013.

Director Avi Eden served as a special consultant to the Company on matters related to acquisitions during 2012. Fees received by Mr. Eden from the Company in 2012 were not material. The Company expects Mr. Eden to continue in this role in 2013.

The Audit Committee of the Board of Directors monitors the Company's related party transactions and must approve in advance any new related party transactions. On a quarterly basis, the Audit Committee makes inquiry of management's Disclosure Committee to determine whether any of the members of that committee are aware of any related party transactions. As of December 31, 2012, the Company had \$2.0 million invested in a money market fund with GAMCO Investors, Inc. ("GAMCO"). GAMCO is a current shareholder of the Company, with holdings of its Class A common stock of approximately 31.6%. However, as previously discussed, GAMCO's voting rights are currently suspended. Management's Disclosure Committee did not report any other related party transactions to the Audit Committee during 2012.





## Other Compensation Committee Matters

Charter. Our Board of Directors has defined the duties of its Compensation Committee in a charter. A copy of the Compensation Committee's charter is included on the Company's website, [www.belfuse.com](http://www.belfuse.com), under the Investor Information tab.

Authority, Processes and Procedures. Our Compensation Committee is responsible for administering our employee benefit plans, for establishing the compensation of our Chief Executive Officer and for determining the compensation of our other executive officers. Our Compensation Committee also establishes policies and monitors compensation for our associates in general. While the Compensation Committee may, and does in fact, delegate authority with respect to the compensation of associates in general, the Compensation Committee retains overall supervisory responsibility for associate compensation. With respect to executive compensation, the Compensation Committee receives recommendations and information from our Chief Executive Officer regarding issues relevant to determinations made by the Compensation Committee. Our Chief Executive Officer participates in Compensation Committee deliberations regarding the compensation of other executive officers, but does not participate in deliberations regarding his own compensation.

Consultants. We typically do not involve consultants in establishing the compensation of our associates or directors, other than attorneys who assist us in the drafting of benefit plans and comparable arrangements.

## Shareholder Communication with the Board

The Board of Directors has established a procedure that enables shareholders to communicate in writing with members of the Board. Any such communication should be addressed to the Company's Secretary and should be sent to such individual c/o Bel Fuse Inc., 206 Van Vorst Street, Jersey City, New Jersey 07302. Any such communication must state, in a conspicuous manner, that it is intended for distribution to the entire Board of Directors. Shareholders may also communicate with the Board by directing communications through the Corporate Secretary by following instructions on the Company's website. Under the procedures established by the Board, upon the receipt of such a communication, the Company's Secretary will send a copy of such communication to each member of the Board, identifying it as a communication received from a shareholder. Absent unusual circumstances, at the next regularly scheduled meeting of the Board held more than two days after such communication has been distributed, the Board will consider the substance of any such communication.

Board members are encouraged, but not required by any specific Board policy, to attend the Company's annual meeting of shareholders. All of the members of the Board attended the Company's 2012 annual meeting of shareholders.

## PROPOSAL 2

### RATIFICATION OF THE DESIGNATION OF DELOITTE & TOUCHE LLP TO AUDIT BEL'S BOOKS AND ACCOUNTS FOR 2013

The Audit Committee has selected Deloitte & Touche LLP to audit Bel's books and accounts for the year ending December 31, 2013 and will offer a resolution at the meeting for shareholders to ratify the designation. Although shareholder ratification is not required, the designation of Deloitte & Touche LLP is being submitted for ratification at the 2013 Annual Meeting of Shareholders because it is perceived to be a matter of good corporate governance practice to submit this issue for ratification by shareholders. Ultimately, the Audit Committee retains full discretion and will make all determinations with respect to the appointment of Bel's independent registered public accounting firm.

The Board of Directors recommends a vote FOR Proposal 2.

-25-

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### PROPOSAL 3

#### ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board of Directors has approved the compensation of our Named Officers as described in this proxy statement under “Compensation Discussion and Analysis” and “Executive Compensation” (see pages 11 to 19). The Board has decided, consistent with the vote of a majority of the votes cast at the 2012 Annual Meeting, to hold a non-binding advisory vote, commonly known as a “Say on Pay” vote, on an annual basis. This vote gives you the opportunity to express your views on our executive compensation. Because your vote is advisory, it will not be binding upon the Compensation Committee. However, the Compensation Committee will take the outcome of the vote into account when making future executive compensation decisions.

Our compensation program is designed to motivate our executive officers to enhance long-term stockholder value and to attract and retain the highest quality executive and key employee talent available. We believe our executive compensation is aligned with increasing the value of our common stock and promoting our key strategies, values and long term financial and operational objectives.

The Board of Directors believes that the compensation of our executive officers is appropriate and recommends a vote FOR the following advisory resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

#### OTHER MATTERS

##### Relationship With Independent Public Accountants

Deloitte & Touche LLP, independent certified public accountants, has been selected by the Board of Directors to audit and report on Bel’s financial statements for the year ending December 31, 2013.

Deloitte & Touche LLP began auditing Bel in 1983. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he so desires. The representative is expected to be available to respond to appropriate questions from shareholders.

##### Audit Fees and Related Matters

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee’s charter, all audit and audit-related work and all non-audit work performed by the Company’s independent accountants, Deloitte & Touche LLP, is approved in advance by the Audit Committee, including the proposed fees for such work. The Audit Committee is informed of each service actually rendered.

Audit Fees. Audit fees billed or expected to be billed to the Company by Deloitte & Touche LLP for the audit of the financial statements and audit of the effectiveness of our internal controls over financial reporting included in the Company’s Annual Reports on Form 10-K, and reviews of the financial statements included in the Company’s Quarterly Reports on Form 10-Q, for the years ended December 31, 2012 and 2011 totaled \$1,587,840 and \$1,402,750, respectively.

Audit-Related Fees. The Company was billed \$1,890 and \$51,890 by Deloitte & Touche LLP in connection with other audit-related reviews performed during the years ended December 31, 2012 and 2011, respectively. Such services are defined as services which are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the caption "Audit Fees" above.

-26-

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**Tax Fees.** The Company was billed \$382,733 and \$309,500 by Deloitte Tax LLP (an affiliate of Deloitte & Touche LLP) for the years ended December 31, 2012 and 2011, respectively, for tax services, principally representing advice regarding the preparation of income tax returns and acquisition-related due diligence.

**All Other Fees.** For the years ended December 31, 2012 and 2011, the Company was not billed by Deloitte & Touche LLP for services not covered in the three immediately preceding paragraphs.

**Other Matters.** The Audit Committee of the Board of Directors has considered whether the provision of Audit-Related Fees, Tax Fees and All Other Fees are compatible with maintaining the independence of the Company's principal accountant.

Applicable law and regulations provide an exemption that permits certain services to be provided by the Company's outside auditors even if they are not pre-approved. The Company has not relied on this exemption at any time since the Sarbanes-Oxley Act was enacted.

#### Miscellaneous

At the time that this proxy statement was mailed to shareholders, management was not aware that any matter would be presented for action at the Annual Meeting other than the election of directors, the ratification of the designation of Deloitte & Touche LLP to audit Bel's books and accounts for 2013, and approval, on an advisory basis, of our executive compensation. If other matters properly come before the Annual Meeting, it is intended that the shares represented by proxies will be voted with respect to those matters in accordance with the best judgment of the persons voting them.

By Order of the Board of Directors  
Colin Dunn, Secretary

Dated: April 12, 2013

A copy of the Company's annual report for the year ended December 31, 2012, including financial statements, accompanies this proxy statement. The annual report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation is to be made.

A copy of the Company's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission, is available (excluding exhibits) without cost to shareholders upon written request made to Mr. Jerry Kimmel, Bel Fuse Inc., 206 Van Vorst Street, Jersey City, New Jersey 07302.

PROXY

BEL FUSE INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF  
DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS,  
MAY 17, 2013

The undersigned hereby appoints Robert H. Simandl and Colin Dunn, and each of them, attorneys and proxies, with power of substitution in each of them, to vote for and on behalf of the undersigned at the annual meeting of the shareholders of the Company to be held on May 17, 2013, and at any adjournment thereof, upon matters properly coming before the meeting, as set forth in the related Notice of Meeting and Proxy Statement, both of which have been received by the undersigned. Without otherwise limiting the general authorization given hereby, said attorneys and proxies are instructed to vote as follows on the reverse side:

(Continued, and to be marked, dated and signed, on the other side)

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FOR the WITHHOLD PROXY  
 nominees listed AUTHORITY  
 below (except as to vote for the  
 marked to the nominees  
 contrary below) listed below  
 o o

Please x  
 mark your  
 votes like  
 this

FOR AGAINST ABSTAIN

1. Election of  
 the Board's  
 nominees  
 for  
 Director. (The  
 Board of  
 Directors  
 recommends  
 a vote  
 "FOR".)

2. With respect to the  
 ratification of the designation  
 of Deloitte and Touche LLP to  
 audit Bel's books and accounts  
 for 2013:

NOMINEES: 1. Daniel Bernstein 2. Peter  
 Gilbert 3. John S. Johnson

3. With respect to the  
 approval, on an advisory basis,  
 of the executive compensation  
 of Bel's named executive  
 officers as described in the  
 proxy statement:

FOR AGAINST ABSTAIN

INSTRUCTION: To withhold authority to vote for  
 any individual nominee listed above, write the  
 nominee's name in the space provided below.

4. Upon all such other matters as may properly come  
 before the meeting and/or any adjournment thereof, as  
 they in their sole discretion may determine. The Board  
 of Directors is not aware of any such other matters.

UNLESS OTHERWISE SPECIFIED IN THE  
 SQUARES OR SPACE PROVIDED IN THIS PROXY,  
 THIS PROXY WILL BE VOTED "FOR" THE BOARD'S  
 NOMINEES, AND "FOR" PROPOSALS 2 AND 3.

COMPANY ID:

PROXY  
 NUMBER:

ACCOUNT  
 NUMBER:

Date Signature

2013

Please sign this proxy and return it promptly whether or not you expect to attend the  
 meeting. You may nevertheless vote in person if you attend.

Please sign exactly as your name appears hereon. Give full title if an Attorney, Executor,  
 Administrator, Trustee, Guardian, etc.

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For an account in the name of two or more persons, each should sign, or if one signs, he should attach evidence of his authority.