

Compensation Committee Charter

**Fly Leasing Limited**

**As of: March 5, 2014**

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## **Compensation Committee Charter**

### **1. Background**

This Compensation Committee Charter was originally adopted on November 6, 2007 and has been amended and restated as of March 5, 2014.

*This Charter is intended as a component of the robust governance framework within which the Board of Directors (the “Board”) of Fly Leasing Limited (the “Company”), assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company’s Memorandum of Association and Bye-laws, it is not intended to establish by its own force any legally binding obligations.*

### **2. Objectives**

The Compensation Committee (the “Committee”) shall assist the Board in overseeing the Company’s management compensation policies and practices, including (i) reviewing with and providing input and advice to the manager of the Company (the “Manager”) regarding the appropriate compensation of the Company’s Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and other executive officers, noting that whilst they are officers of the Company, they remain employees of the Manager; and (ii) reviewing and providing input and advice to the Manager regarding management incentive compensation policies and programs.

### **3. Committee Membership**

The Committee shall consist of two or more members of the Board, each of whom the Board has selected and determined to be “independent” for purposes of compensation committee membership in accordance with applicable rules of the New York Stock Exchange, as in effect and in accordance with the rules of the Securities and Exchange Commission. In determining whether a director is eligible to serve on the Committee, the Board must also consider all factors specifically relevant to determining whether the director has a relationship to the Company that is material to the director’s ability to be independent from management in connection with the duties of a Committee member or that would impair the director’s ability to make independent judgments about the Company’s executive compensation. These factors must include but are not limited to (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the Company to the director and (2) whether the director is affiliated with the Company, a Company subsidiary or an affiliate of a Company subsidiary.

The Board may appoint or replace Committee members to or from the Committee by

resolution. Members of the Committee may withdraw from membership by written notice to the Chairman of the Board. Members shall continue to be members for as long as they remain directors or until their earlier resignation or removal from the Committee. Any member may be removed by the Board, with or without cause, at any time. The chairman (the “Chairman”) of the Committee shall be appointed from among the Committee members by, and serve at the pleasure of, the Board, shall preside at meetings of the Committee and shall have authority to convene meetings, set agendas for meetings, and determine the Committee’s information needs, except as otherwise provided by action of the Committee. In the absence of the Chairman at a duly convened meeting, the Committee shall select a temporary substitute from among its members to serve as chair of the meeting.

#### **4. Committee Meetings**

The Committee shall establish its own schedule and rules of procedure. Meetings of the Committee may be held telephonically. A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee.

The Committee shall meet at least annually with the CEO, the CFO and any other corporate officers the Board and Committee deem appropriate to discuss and provide input and advice to the Manager with regard to a review of the performance criteria and compensation levels of key executives.

#### **5. Key Responsibilities**

The following responsibilities are set forth as a guide for fulfilling the Committee’s purpose, with the understanding that the Committee’s activities may diverge as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee’s purposes or assigned by the Board from time to time.

The Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee.

To fulfill its purposes, the Committee shall:

1. meet with the Manager of the Company to discuss an appropriate management compensation philosophy and policy for the Company;
2. review corporate goals and objectives relevant to the CEO’s and CFO’s compensation, including annual performance objectives, it being understood that the Manager retains ultimate discretion regarding the CEO’s and CFO’s compensation;
3. review and recommend to the Board for approval any changes in director compensation;

4. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;
5. review and reassess the adequacy of this Charter periodically, and recommend to the Board amendments as the Committee deems appropriate; and
6. report regularly to the Board on Committee findings and recommendations and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.

## **6. Resources and Authority**

In discharging its role, the Committee is empowered to inquire into any matter that it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser to assist it in carrying out its activities. The Committee shall be responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Committee. The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including, without limitation, appropriate funding provided by the Company, and in such amount as determined by the Committee, for payment of reasonable compensation to any compensation consultants, independent legal counsel or other advisers retained by the Committee.

In selecting and retaining, or receiving advice from, a compensation consultant, legal counsel or other adviser (other than in-house legal counsel or any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; or providing information that either is not customized for a particular company or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice), the Committee must first take into consideration all factors relevant to that person's independence from management, including the following factors:

1. The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
2. The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

3. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
5. Any Company stock owned by the compensation consultant, legal counsel or other adviser; and
6. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.