

AEROCENTURY CORP
Form PREM14A
June 11, 2018

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

SCHEDULE 14A
(Rule 14a-101)
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate Box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

AeroCentury Corp.
(Name of Registrant as Specified In Its Charter)
Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1)
Title of each class of securities to which transaction applies:

Common Stock, \$0.001 per share

2)
Aggregate number of securities to which transaction applies:

129,286 shares of AeroCentury common stock

3)

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

The aggregate consideration under the Merger Agreement (as defined in the attached proxy statement) will be payable in the form of up to 129,286 shares of AeroCentury common stock plus \$3,500,000 in cash, subject to a possible adjustment to such amount of cash as set forth in the Merger Agreement. It is not possible at the time of this filing to determine the value of this possible adjustment, or whether this possible adjustment would be positive or negative in value. Solely for purposes of calculating the filing fee, the proposed maximum aggregate value of the transaction assumes that no such adjustment to the purchase price will be required. The Merger Agreement ascribes a value of \$17.79 per share of AeroCentury common stock to be issued. Solely for purposes of calculating the filing fee, the maximum aggregate value was determined based upon the sum of (i) the product of (x) \$17.79 and (y) 129,286, and (ii) \$3,500,000. The fee was determined by multiplying \$0.0001245 by the product calculated in the preceding sentence and rounding upward to the nearest \$1,000.

4)
Proposed maximum aggregate value of transaction:

\$5,800,000

5)
Total Fee Paid:

\$722.10

Fee paid previously with preliminary materials.

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

1)
Amount Previously Paid:

2)
Form, Schedule or Registration Statement No.:

3)
Filing Party:

4)
Date Filed:

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Notice of Special Meeting OF STOCKHOLDERS

To be Held on [], 2018

You are hereby notified that a special meeting of stockholders of AeroCentury Corp., a Delaware corporation (“AeroCentury”) will be convened at 10 a.m. Pacific Daylight Time on [], 2018 at AeroCentury’s office located at Chapin Avenue, Suite 310, Burlingame, California 94010 (the “Special Meeting”), in order to consider and vote upon the following proposals:

1.

Share Issuance Proposal: To approve the issuance of up to 129,286 shares of AeroCentury common stock (the “AeroCentury Stock Consideration”) in connection with AeroCentury’s acquisition (the “JetFleet Acquisition”) of JetFleet Holding Corp. (“JetFleet”); and

2.

Adjournment Proposal: To permit AeroCentury to adjourn the Special Meeting, if necessary or advisable, for further solicitation of proxies if there are not sufficient votes at the originally scheduled date and time of the Special Meeting to approve the other proposal(s) to be submitted for a vote at the Special Meeting.

Only stockholders of record at the close of business on [], 2018 (the record date for the Special Meeting), are entitled to notice of the meeting and an opportunity to vote. Each stockholder is entitled to one vote for each share of AeroCentury common stock held on the record date. A quorum comprising the holders of the majority of the issued and outstanding shares of AeroCentury common stock on the record date, excluding shares held by AeroCentury as treasury stock, must be present or represented by proxy for the transaction of business at the Special Meeting.

We are asking that you provide AeroCentury’s board of directors with your vote prior to the meeting by completing and returning the enclosed proxy card as soon as possible. Additionally, we hope that you can attend the meeting in person. If you submit your proxy and later wish to change your vote, you may do so either by submitting a new proxy or by voting in person at the meeting. If you cannot attend the meeting and vote in person, please submit a proxy as soon as possible so that your shares can be voted as you instruct. Please submit your proxy in accordance with the specific instructions set forth on the enclosed proxy card.

Please refer to the questions and answers section commencing on page 5 of the accompanying proxy statement, the section of the proxy statement entitled “Summary of the Transaction” beginning on page 1, and the instructions on the proxy card.

Michael G. Magnusson
President

[], 2018

IMPORTANT NOTE: We are soliciting your vote to approve the issuance of the AeroCentury Stock Consideration in connection with JetFleet Acquisition as further described in the accompanying proxy statement. Under the rules of the NYSE American exchange, we must obtain the approval of the holders of a majority of AeroCentury’s common stock voting at the Special Meeting prior to issuing the AeroCentury Stock Consideration. However, the Delaware General Corporation Law (the “DGCL”) and the Merger Agreement governing the JetFleet Acquisition do not require the approval of AeroCentury’s stockholders to the JetFleet Acquisition, the Merger or the Merger Agreement, and we are not seeking your approval of the JetFleet Acquisition, the Merger or the Merger Agreement or soliciting your proxy for that purpose.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR AEROCENTURY’S SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [], 2018:

This proxy statement, as well as AeroCentury’s annual and periodic reports, are available on AeroCentury’s website at http://www.aerocentury.com/corporate_highlights.php. In accordance with SEC rules, our proxy materials posted on this website do not contain any cookies or other tracking features. The SEC maintains a website located at www.sec.gov that also contains this information. The information on AeroCentury’s website and the Commission’s website are not part of this proxy statement.

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Preliminary Proxy Statement — Subject To Completion — Dated [], 2018
AeroCentury Corp.

1440 Chapin Avenue, Suite 310
Burlingame, California 94010

PROXY STATEMENT
FOR SPECIAL MEETING OF STOCKHOLDERS

[], 2018

The enclosed proxy is solicited by and on behalf of the Board for use at the Special Meeting to be held on [], 2018 at 10:00 a.m., Pacific Daylight Time, at AeroCentury's office located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010 and at any adjournments or postponements thereof, for the purposes set forth in the foregoing Notice of Special Meeting of Stockholders. The enclosed proxy is first being mailed on or about [], 2018 to AeroCentury stockholders of record as of the close of business on [], 2018.

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**SUMMARY OF MATERIAL TERMS OF THE JETFLEET ACQUISITION,
INCLUDING THE ISSUANCE OF THE AEROCENTURY STOCK CONSIDERATION**

Important Note: This section and various other portions of this proxy statement contain summaries of the JetFleet Acquisition, the Merger Agreement (as defined hereinafter) governing the JetFleet Acquisition and the issuance of the AeroCentury Stock Consideration contemplated by the Merger Agreement. These summaries are not complete, and they may omit information that you might consider important. You should read the Merger Agreement, which is attached in Annex A to this proxy statement, for a complete understanding of the actual terms of that agreement. Likewise, the descriptions of these provisions in this proxy statement do not modify, limit or qualify the terms or conditions of the Merger Agreement.

Parties

AeroCentury: AeroCentury Corp. (“AeroCentury”) is an airline leasing and financing services company founded in 1997 and headquartered in Burlingame, California. AeroCentury serves customers worldwide and is principally engaged in regional aircraft leasing. As of March 31, 2018, AeroCentury had total assets of \$4,793,100 in cash, and \$221,394,800 in non-cash assets.

Shares of AeroCentury’s common stock are traded on the NYSE American exchange under the symbol “ACY.”

JetFleet: JetFleet Holding Corp. (“JetFleet”), is a California corporation founded in 1994 that does business in the aircraft leasing and finance industry. JetFleet primarily serves as a holding company, the only subsidiary of which is JetFleet Management Corp. (“JMC”). JMC manages the regional aircraft lease portfolio for AeroCentury, pursuant to a management agreement which was amended and restated in August 2015. As of March 31, 2018, JetFleet had assets of \$8,877,300.

Shares of JetFleet are privately held by approximately 60 shareholders of record as of April 27, 2018 and there is no established public trading market for such shares.

Structure

At the closing of the JetFleet Acquisition, JetFleet will merge (the “Merger”) with and into Falcon Landing, Inc., a California corporation (the “Merger Sub”) and wholly-owned subsidiary of AeroCentury, with JetFleet being the surviving corporation and becoming a wholly-owned subsidiary of AeroCentury, pursuant to an Agreement and Plan of Merger dated as of October 26, 2017 (the “Merger Agreement”). See “The JetFleet Acquisition — General Description.” It is intended that the Merger will not qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code, and JetFleet shareholders who are U.S. persons may therefore recognize gain or loss upon consummation of the Merger.

Merger Consideration

Upon consummation of the Merger, each share of JetFleet common stock will be canceled and will represent only the right to receive the Merger Consideration (defined below). The “Merger Consideration” will be up to 129,286 shares of AeroCentury common stock (the “AeroCentury Stock Consideration”) and \$3,500,000 in cash, subject to positive or negative adjustment for certain items pursuant to the Merger Agreement.

Required Vote

JetFleet Approvals: The approval of the Merger Agreement and the Merger requires the affirmative vote of the holders of a majority of the shares of JetFleet common stock outstanding and entitled to vote upon the proposal. The Merger Agreement also requires that, as a condition to closing, the Merger Agreement be approved by the holders of at least a

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majority of the shares of outstanding JetFleet common stock not beneficially owned by any officers or directors of AeroCentury or any affiliate thereof. On March 14, 2018, the requisite majority of JetFleet shareholders so approved the Merger Agreement.

AeroCentury Approvals: A vote of AeroCentury's stockholders is not required for the approval of the JetFleet Acquisition, the Merger Agreement or the Merger under the Delaware General Corporation Law or the Merger Agreement. However, the NYSE American exchange listing qualification rules require the approval of the holders of a majority of AeroCentury's common stock voting on the matter prior to the issuance of shares if any individual director, officer or substantial shareholder of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction and the present or potential issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common shares of 5% or more. The issuance of the AeroCentury Stock Consideration in connection with the JetFleet Acquisition will result in an increase of about 9% of AeroCentury's common stock, and Toni M. Perazzo, a principal stockholder, officer and director of AeroCentury and JetFleet holds more than a 5% interest in JetFleet shares. Thus AeroCentury cannot issue the AeroCentury Stock Consideration in the JetFleet Acquisition and comply with the listing qualification rules of the NYSE American exchange without obtaining the approval of the issuance of the AeroCentury Stock Consideration by holders of a majority of the shares of AeroCentury common stock voting on the proposal at the AeroCentury special meeting. The record date for determining AeroCentury shares entitled to notice of the AeroCentury special meeting, (the "Special Meeting") and to vote upon the proposals considered there, is [], 2018.

In the event there are not sufficient votes for a quorum, or to approve any matter being presented at the time of the special meeting, the special meeting may be adjourned to permit the further solicitation of proxies.

Effect of the Merger on AeroCentury

Shareholders

Holders of AeroCentury common stock will continue to hold their existing shares following the effective time of the Merger. However, upon completion of the Merger, current holders of AeroCentury common stock will experience dilution of their equity and voting power. The shares of AeroCentury Common Stock to be distributed to JetFleet shareholders will equal approximately 8.3% of AeroCentury's post-Merger outstanding common stock.

Resales of AeroCentury Common Stock

Shares of AeroCentury common stock comprising part of the Merger Consideration will be issued under an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") set forth in Securities Act Section 3(a)(10), and are expected to be listed for inclusion on the NYSE American exchange. Such shares, when held by persons who are not affiliates of AeroCentury, may be resold without registration under the Securities Act.

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Anticipated Closing

The JetFleet Acquisition is expected to close shortly after the receipt of the requisite approval AeroCentury's stockholders at the Special Meeting and the satisfaction or waiver of other conditions to closing set forth in the Merger Agreement. Assuming the Special Meeting results in the approval of the issuance of the AeroCentury Stock Consideration, we expect the closing of the JetFleet Acquisition to occur late in the second quarter of 2018.

Representations and Warranties

Each party to the Merger Agreement has made customary representations and warranties to the other party in order to induce the respective parties to enter into and perform their obligations under the Merger Agreement. You should not construe the representations and warranties described below, and contained in the Merger Agreement, to constitute assertions of fact upon which you may rely in making an investment decision. The representations and warranties are subject to limitations, qualifications, exceptions and exclusions agreed to by the parties, and certain of the representations and warranties are established solely or primarily to allocate risk between the parties. As such, they do not, and are not intended to, give rise to private remedies or serve as a basis for a shareholder's reliance in making an investment decision. The representations and warranties are briefly described in "The JetFleet Acquisition — the Merger Agreement — Representations and Warranties," beginning at page 57, and are set forth in Articles 3 and 4 of the Merger Agreement.

Pre-Closing Covenants

The Merger Agreement contains certain affirmative covenants requiring either or both parties to take specified actions during the period between signing and closing, and certain negative covenants prohibiting or restricting one or both parties from taking specified actions during that period. The parties believe that those covenants, which are set forth in Article 5 of the Merger Agreement, are appropriate and are customary for a transaction of this type. See "JetFleet Acquisition — the Merger Agreement — Pre-Closing Covenants of the Parties" beginning on page 60.

Closing Conditions

The closing of the Merger is conditioned upon, among other things:

- the continuing accuracy of each party's representations and warranties;
- the receipt of JetFleet shareholder approval;
- the issuance of the Permit by the California Commissioner of the California Department of Business Oversight;
- the receipt of all required regulatory approvals;
- the compliance by each party with its covenants as set forth in the Merger Agreement;
- there being no injunction from any governmental entity; and
- each party having complied with certain operating restrictions.

See "JetFleet Acquisition — the Merger Agreement — Conditions to the Merger" beginning at page 61 below, and Article the Merger Agreement.

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Termination

The Merger Agreement contains customary termination provisions, including the ability of the parties to terminate by mutual agreement (whether or not the stockholder approvals have been obtained), the ability of one party to terminate because of a breach by the other party, the ability of either party to terminate if the Merger is not consummated by May 26, 2018, the ability of JetFleet to terminate if it is unable to obtain the requisite shareholder approval, the ability of AeroCentury to terminate if the number of dissenting JetFleet shares represents more than 7.5% of the number of outstanding shares, and the ability of AeroCentury to terminate within 10 days following delivery of any supplemental disclosure schedule submitted by JetFleet.

Additionally, each party may obtain injunctive relief to prevent a breach or wrongful termination of the Merger Agreement.

See “JetFleet Acquisition — the Merger Agreement — Termination of the Merger Agreement” beginning on page 65.

Dissenters’ Rights

No appraisal or dissenters’ rights are available to AeroCentury stockholders. Dissenters’ rights are available to the shareholders of JetFleet under Chapter 13 of the California Corporations Code.

Interests of JetFleet’s Directors and Executive Officers in the Merger

JetFleet’s directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of JetFleet shareholders generally. These include:

- executive officers of AeroCentury are also executive officers of JetFleet and its subsidiaries;
- JetFleet is a principal shareholder of AeroCentury;
- JetFleet’s President and Chairperson, Toni M. Perazzo, is a major beneficial owner of JetFleet shares and beneficially owns a significant portion of AeroCentury’s common stock; and
- provisions in the Merger Agreement relating to directors’ and officers’ insurance for directors and officers of JetFleet for events occurring before the Merger.

JetFleet’s board of directors was aware of these interests and took them into account in approving the Merger. See “JetFleet Acquisition — Interests of JetFleet’s Directors and Executive Officers in the JetFleet Acquisition” beginning on page 51.

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QUESTIONS AND ANSWERS ABOUT THE JETFLEET ACQUISITION, THE ISSUANCE OF THE AEROCENTURY STOCK CONSIDERATION AND THE SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the proposed JetFleet Acquisition, the issuance of the AeroCentury Stock Consideration in connection with the JetFleet Acquisition, and the Special Meeting. These questions and answers may not address all questions that may be important to you as a holder of shares of AeroCentury common stock. For important additional information, please refer to the more detailed discussion contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement. We sometimes make reference to AeroCentury, Corp. in this proxy statement by using the terms “AeroCentury,” “we,” “our” or “us.”

Why am I receiving this proxy statement?

On October 26, 2017, AeroCentury, JetFleet, the Merger Sub and Fortis Advisors LLC (“Fortis”) entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which AeroCentury agreed to acquire JetFleet by merging Merger Sub with and into JetFleet, such that JetFleet will be the surviving corporation in the Merger and will continue as a wholly-owned subsidiary of AeroCentury (the “Merger”). The AeroCentury board of directors (the “Board”) has approved the acquisition of JetFleet (the “JetFleet Acquisition”) and the Merger, including the issuance of up to 129,286 shares of AeroCentury common stock to JetFleet shareholders (the “AeroCentury Stock Consideration”) as part of the consideration for the Merger. The Board is furnishing this proxy statement in connection with the solicitation of proxies to be voted at the Special Meeting, or at any adjournments or postponements of the Special Meeting to be held on [], 2018 at AeroCentury’s offices (the “Special Meeting”) in Burlingame, California, at which AeroCentury’s stockholders will be asked to vote to approve the issuance of the AeroCentury Stock Consideration.

Who are the parties to the Merger?

AeroCentury

AeroCentury is a Delaware corporation whose common stock is publicly traded on the NYSE American exchange under the symbol “ACY.” AeroCentury currently has approximately 1,300 shareholders of record.

AeroCentury is an established lessor of 50 to 100 passenger regional aircraft. AeroCentury’s business model is to carefully expand its portfolio of leased aircraft to achieve earnings growth while maintaining a manageable level of investment risk. AeroCentury’s principal executive offices are located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. AeroCentury’s phone number is (650) 340-1888.

Audited financial statements of AeroCentury for the year ended December 31, 2017 and unaudited financial statements for the quarter ended March 31, 2018 are incorporated by reference to AeroCentury’s annual report on Form 10-K filed with the Commission on March 8, 2018, and AeroCentury’s quarterly report on Form 10-Q filed with the Commission on May 15, 2018, respectively. For additional information on AeroCentury, please visit the website of the Commission at www.sec.gov to view AeroCentury’s annual and periodic reports and other securities law filings. The information found at the Commission’s website is not a part of this Proxy Statement.

Merger Sub

Falcon Landing, Inc. (“Merger Sub”) is a direct, wholly-owned subsidiary, of AeroCentury, incorporated in California solely for the purpose of entering into the Merger Agreement and completing the Merger, and has not carried on any activities to date, other than activities incidental to its formation or undertaken in connection with the Merger. Merger Sub’s principal executive offices are located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. Merger Sub’s phone number is (650) 340-1888.

JetFleet

JetFleet is a holding company, the principal operating subsidiary of which is JetFleet Management Corp. (“JMC”). JMC manages the regional aircraft lease portfolio for AeroCentury pursuant to a

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management agreement (the “Management Agreement”). Toni M. Perazzo, the President of JMC and JetFleet, is also Chief Financial Officer and Chair of the Board, and she holds significant beneficial ownership positions in both AeroCentury and JetFleet. The other officers of JetFleet also hold officer positions with AeroCentury.

JetFleet was formed as a California corporation in January 1994. JetFleet’s principal executive offices are located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. JetFleet’s phone number is (650) 340-1880. JetFleet currently has approximately 60 shareholders of record.

JetFleet’s wholly owned subsidiary JMC is a significant holder of AeroCentury common stock, holding 214,876 shares of AeroCentury common stock, which shares will be distributed by JetFleet to JetFleet shareholders immediately prior to consummation of the Merger (the “Closing”) in the form of a dividend (the “Pre-Closing Stock Dividend”), provided that AeroCentury may grant a waiver permitting the Pre-Closing Stock Dividend to be paid after the Closing. In addition to the Pre-Closing Stock Dividend, JetFleet may pay a pre-closing cash dividend (the “Pre-Closing Cash Dividend” and, together with the Pre-Closing Stock Dividend, the “Pre-Closing Dividends”), which is expected to be equal to all of JetFleet’s cash on hand other than a reserve for unpaid taxes and such cash that is required for JetFleet to have sufficient remaining working capital to operate in the ordinary course and satisfy its other obligations.

Audited financial statements of JetFleet for the years ended December 31, 2016 and 2017 are contained on pages F-2 to F-29 of this proxy statement. Unaudited financial statements of JetFleet for the year ended December 31, 2015 are contained on pages F-42 to F-54 of this proxy statement. Unaudited financial statements of JetFleet for the quarter ended March 31, 2018 are contained on pages F-30 to F-41 of this proxy statement. These financial statements include financial statements for the most recent fiscal year and fiscal quarter, and for the the two prior fiscal years which were provided to JetFleet shareholders.

Shareholder Representative

Under the Merger Agreement, upon approval of the Merger by JetFleet’s shareholders, the JetFleet shareholders were deemed to have appointed Fortis as the “Shareholder Representative.” Fortis is a party to the Merger Agreement solely in its capacity as the Shareholder Representative. The Shareholder Representative is appointed for the purpose of making of any and all decisions required or permitted relating to rights and obligations of JetFleet shareholders pursuant to the Merger Agreement, including the negotiation and settlement of indemnification claims as described in Article 8 of the Merger Agreement. The Shareholder Representative will take direction from the Shareholder Advisory Board, which consists of Toni M. Perazzo, a principal shareholder, officer and director of JetFleet and AeroCentury, and Hurdle H. Lee III, a member of the JetFleet board of directors (the “JetFleet Board”) who is not affiliated with AeroCentury.

What are the proposals on which I am being asked to vote?

You are being asked to vote on the following proposals (and the Board recommends that you vote “FOR”):

Proposal 1 (the “Share Issuance Proposal”): AeroCentury stockholders are being asked to vote upon a proposal to approve the issuance of up to 129,286 shares of AeroCentury common stock to JetFleet shareholders in connection with the JetFleet Acquisition. This proposal requires the affirmative vote of the holders of a majority of the shares of AeroCentury’s outstanding common stock voting on the Share Issuance Proposal. The approval of AeroCentury’s stockholders is not required for approval of the Merger Agreement or the Merger under the Delaware General Corporation Law (“DGCL”) or the Merger Agreement. However, because AeroCentury is listed on the NYSE American exchange, AeroCentury must comply with all applicable listing qualification rules set forth by the exchange. Because the shares expected to comprise the AeroCentury Stock Consideration will exceed 5% of the number of shares of AeroCentury’s common stock outstanding prior to the transaction, and because an individual director, officer and significant beneficial owner of AeroCentury, Toni M. Perazzo, has a greater than 5% interest in company to be acquired and in AeroCentury, AeroCentury stockholder approval of the issuance of the AeroCentury Stock Consideration is required under such exchange listing qualification rules.

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Assuming the presence of a quorum at the Special Meeting, abstentions and broker non-votes will have no effect upon the matters submitted for a vote of the AeroCentury stockholders. The Board recommends AeroCentury stockholders vote their shares “FOR” the authorization of the AeroCentury Stock Consideration.

Proposal 2: (the “Adjournment Proposal”): To approve a proposal to permit AeroCentury to adjourn the Special Meeting, if necessary or advisable, for further solicitation of proxies if there are not sufficient votes at the originally scheduled date and time of the Special Meeting to approve the other proposal(s) to be submitted for a vote at the Special Meeting. The Board recommends AeroCentury stockholders vote their shares “FOR” this proposal.

All outstanding shares of AeroCentury common stock will be entitled to vote on Share Issuance Proposal and Adjournment Proposal.

What is the total possible Merger Consideration?

The aggregate potential amount of consideration (the “Merger Consideration”) to be paid by AeroCentury in exchange for all of the outstanding shares of JetFleet common stock will consist of \$3,500,000 in cash (the “Aggregate Base Cash Consideration”) and up to 129,286 shares of AeroCentury common stock, subject to positive or negative adjustment for certain items at the closing of the Merger (the “Closing”). The adjustment will be based upon (a) cash and equivalents of JetFleet at Closing, if any (i.e. after payment of the Pre-Closing Cash Dividend), (b) indebtedness for borrowed money (including capital lease obligations) of JetFleet, if any, (c) any remaining unpaid third-party expenses of JetFleet incurred in connection with the Merger and related transactions, including accounting and legal fees rendered to JetFleet, if any, (d) unpaid amounts owed to directors, employees and independent contractors of JetFleet that are payable as a result of the Merger and related transactions (if any), (e) the difference between the amount of JetFleet’s non-cash working capital on the date of Closing and an agreed-upon baseline level of non-cash working capital, and (f) unpaid taxes of JetFleet. Any adjustments will be first applied against the cash portion of the Merger Consideration.

The Merger Consideration will be allocated to those JetFleet shareholders who do not exercise dissenter’s rights under the California Corporations Code (such non-dissenting JetFleet shareholders, the “Converting Shareholders”), as summarized in the section below entitled “The JetFleet Acquisition — The Merger Agreement — Merger Consideration.” A portion of the Merger Consideration is subject to an escrow as partial security for the Converting Shareholders’ indemnification obligations, as further discussed in the section below “The JetFleet Acquisition — The Merger Agreement — Indemnification and Escrow.”

Though not part of the Merger Consideration to be paid by AeroCentury to the JetFleet shareholders, the Merger Agreement requires that JetFleet distribute, prior to the Closing, all 214,876 shares of AeroCentury common stock held by JMC to the JetFleet shareholders in the Pre-Closing Stock Dividend and permits JetFleet to distribute a portion of JetFleet’s cash on hand to the JetFleet shareholders in the Pre-Closing Cash Dividend. Although the amount of the Pre-Closing Cash Dividend, if any, is at the sole discretion of JetFleet, it is expected that the Pre-Closing Cash Dividend will consist of substantially all of JetFleet’s cash on hand other than a reserve for unpaid taxes and such cash that is required for JetFleet to have sufficient remaining working capital to operate in the ordinary course and satisfy its other obligations. Thus, if the Merger is consummated, JetFleet shareholders will receive their pro-rata share of the 214,876 shares of AeroCentury common stock currently held by JetFleet, and any such Pre-Closing Cash Dividend prior to or promptly after the Closing.

How was the amount of Merger Consideration determined?

The Merger Consideration, consisting of \$3,500,000 in cash and 129,286 shares of AeroCentury common stock, was determined based upon negotiated valuations of each of JetFleet and AeroCentury of \$5,800,000 and \$25,200,000, respectively, reflecting a post-Merger valuation of AeroCentury common stock at \$17.79 per share (the “Deemed AeroCentury Per Share Value”). In connection with and in support of these negotiations, Duff & Phelps, LLC, a financial advisor engaged by AeroCentury (“Duff & Phelps”), provided a valuation analysis of JetFleet and AeroCentury to the directors of AeroCentury other than Toni M. Perazzo (the “AeroCentury Independent Directors”) and, for information purposes only, to JetFleet.

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These negotiated valuations do not necessarily represent the actual fair market values of JetFleet and AeroCentury, or, in the case of AeroCentury, its historical or current publicly traded stock price or the price at which AeroCentury's shares may trade at any time in the future. JetFleet and AeroCentury believe that, due to high volatility and low float and trading volume of AeroCentury's common stock, the quoted market price on the NYSE American exchange was not a reliable indicator of the valuation of AeroCentury's common stock.

JetFleet and AeroCentury agreed that \$3,500,000 of the Merger Consideration would be payable in cash and \$2,300,000 (the remainder of the \$5,800,000 agreed-upon value) would be payable in the form of 129,286 shares of AeroCentury common stock valued at the Deemed AeroCentury Per Share Value of \$17.79.

What will AeroCentury stockholders receive when the Merger occurs?

Consideration for the Merger pursuant to the Merger Agreement will only be paid to the JetFleet shareholders.

What happens to JetFleet shares when the Merger occurs?

Upon consummation of the Merger, all JetFleet shares shall be cancelled and converted into the right to receive the Merger Consideration applicable for such shares, as adjusted pursuant to the Merger Agreement.

Will I have appraisal or dissenter's rights with respect to the Merger?

No. AeroCentury stockholders will not have appraisal or dissenter's rights in the Merger. JetFleet shareholders have dissenter's rights under the Merger Agreement pursuant to Chapter 13 of the California Corporations Code.

Will there be a meeting of JetFleet's shareholders or will JetFleet's shareholders otherwise vote on the Merger?

There will be no meeting of JetFleet's shareholders. Following the distribution of an information statement to JetFleet's shareholders in February 2018, such shareholders approved the Merger and the Merger Agreement by written consent, including consent of (i) holders of a majority of JetFleet's outstanding shares of common stock and (ii) holders of a majority of JetFleet's outstanding shares of common stock not beneficially owned by Toni M. Perazzo, any other officers or directors of AeroCentury or any affiliate of any of the foregoing persons. No further consent or vote of JetFleet's shareholders is required to complete the Merger.

Do any of AeroCentury's directors or executive officers have interests in the Merger that may be different from or in addition to the interests of AeroCentury's stockholders?

Certain AeroCentury directors and executive officers have interests in the Merger that are different from, or in addition to, those of AeroCentury's stockholders generally. These interests include:

Toni M. Perazzo is a significant beneficial owner of JetFleet shares and its President and Chair of the JetFleet Board.

Ms. Perazzo is also a significant beneficial owner of AeroCentury common stock, a member of Board, and AeroCentury's Chief Financial Officer. Due to Ms. Perazzo's beneficial ownership of a portion of JetFleet's outstanding equity, she will be entitled to receive a corresponding portion of the Merger Consideration and, as a result of such interests, Ms. Perazzo is (or may be deemed to be) an interested party in the Merger. Ms. Perazzo abstained from voting at the JetFleet Board's meetings at which the Merger and related transactions were discussed or approved. Likewise, the AeroCentury Independent Directors negotiated the terms of the Merger and the Merger Agreement and engaged an independent financial advisor, Duff & Phelps.

Are the shares of AeroCentury common stock that will be issued pursuant to the Merger being registered with the Securities and Exchange Commission?

No. The shares of AeroCentury common stock that the Converting Shareholders will receive pursuant to the Merger will be issued pursuant to an exemption provided by Section 3(a)(10) of the Securities Act as a result of the Permit applied for and received by AeroCentury from the Commissioner (after completion of a fairness hearing as contemplated by Sections 25121 and 25142 of the California Corporations Code).

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Why are the companies proposing to merge?

In 2016, AeroCentury had been exploring capital raising transactions and had potential sources of capital express concern over the management company structure with JetFleet and the resultant relative lack of visibility into the overall profitability of AeroCentury's leasing company business compared to other leasing companies that had internal (as opposed to third-party) management structures. It became clear that in order to most efficiently raise capital, AeroCentury would have to resolve the issue of third-party management of its business by JetFleet. After much discussion and analysis, the Board determined that the acquisition of JetFleet was in the best interests of AeroCentury and its stockholders.

Who will manage the combined company?

Upon consummation of the JetFleet Acquisition, JetFleet will be a wholly-owned subsidiary of AeroCentury. AeroCentury will manage the combined company. The members of JetFleet's management team that currently provide management services to AeroCentury pursuant to the management agreement are expected to constitute the management of AeroCentury after the JetFleet Acquisition.

What are the intended federal income tax consequences of the Merger to United States taxpayers?

The Merger is expected to be a taxable event to the JetFleet shareholders. JetFleet shareholders generally would recognize the full amount of gains and losses, as applicable, realized on the exchange of their JetFleet shares in the Merger. There are not expected to be any tax consequences of the JetFleet Acquisition or Merger to the AeroCentury stockholders.

Who will pay for AeroCentury's and JetFleet's Merger expenses?

Each party to the Merger Agreement will pay for its own expenses related to the Merger and the Merger Agreement.

Are there risks associated with the JetFleet Acquisition or the Merger?

Yes. The material risks associated with the JetFleet Acquisition and the Merger that are known to us are discussed in the section entitled "Risk Factors" beginning on page 13 of this proxy statement.

Did AeroCentury's Board receive a fairness opinion with respect to the Merger?

Yes. At the October 25, 2017 meeting of the AeroCentury Independent Directors, Duff & Phelps delivered to the AeroCentury Independent Directors a written presentation and its oral opinion, which was subsequently confirmed in writing on October 26, 2017, that as of the date of the written opinion and based upon and subject to the assumptions, limitations and qualifications contained in the written opinion (which included an assumption that there will not be any adjustments to the Merger Consideration), the Merger Consideration to be paid by AeroCentury for the acquisition of the common stock of JetFleet pursuant to the Merger Agreement was fair, from a financial point of view, to AeroCentury. The AeroCentury Independent Directors considered, among other things, the Duff & Phelps' valuation and financial analysis and its oral opinion, the rationale and key terms of the proposed Merger as set forth in the draft Merger Agreement, and the potential risks related to the proposed Merger. After discussion, the AeroCentury Independent Directors unanimously approved the JetFleet Acquisition and the Merger. Immediately following the meeting of the AeroCentury Independent Directors, a special meeting of the Board was held for the purpose of considering the JetFleet Acquisition and the Merger. After discussion, the Board, with Ms. Perazzo abstaining, approved the execution of the Merger Agreement in accordance with DGCL, adopted a resolution declaring that the JetFleet Acquisition and the Merger were advisable and fair to and in the best interests of AeroCentury and its stockholders, and approved the Merger Agreement, the JetFleet Acquisition, the Merger and the related transactions, including the AeroCentury Stock Consideration.

Will there be any change to the Board or the executive officers of AeroCentury resulting from the Merger?

No changes to the Board or executive officers of AeroCentury are expected to occur as a result of the Merger.

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Will there be a Fairness Hearing before the California Department of Business Oversight?

The California Commissioner of the California Department of Business Oversight, Division of Finance and Corporate Securities (the “California Commissioner”) convened a hearing on February 22, 2018 (the “Fairness Hearing”). The purpose of the Fairness Hearing was to seek approval of a plan to register, pursuant to Sections 25121 and 25142 of the California Corporations Code, the shares of AeroCentury common stock that are to be issued as Merger Consideration. At the Fairness Hearing, AeroCentury and JetFleet sought a registration permit to be issued by the California Commissioner (such determination, the “Permit”) based upon her determination that the plan to issue AeroCentury common stock as part of the Merger Consideration pursuant to the Merger Agreement was fair, just and equitable. Representatives of AeroCentury and JetFleet presented evidence in support of such determination at the Fairness Hearing, and on February 22, 2018, the California Commissioner issued a Permit to AeroCentury for such AeroCentury Stock Consideration.

When and where is the Special Meeting?

The Special Meeting will be held at 10 a.m. Pacific Daylight Time on [], 2018 at AeroCentury’s office located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010.

How do I vote?

You may sign and date each paper proxy card you receive and return it in the prepaid envelope. If you return your signed proxy card but do not indicate your voting preferences, we will vote on your behalf “FOR” the proposals specified in this proxy statement.

How may I revoke or change my vote?

You have the right to revoke your proxy any time before the Special Meeting by notifying AeroCentury’s General Counsel of your revocation or returning a later-dated proxy. The last vote received chronologically will supersede any prior vote. You may also revoke your proxy by voting in person at the Special Meeting. Attendance at the Special Meeting, without voting at the Special Meeting, will not in and of itself serve as a revocation of your proxy. You may provide written notice that you would like to revoke your consent to: AeroCentury Corp., Attention: General Counsel, 1440 Chapin Avenue, Suite 310, Burlingame CA 94010.

If my shares of common stock are held in “street name” by my broker or other nominee, will my broker or other nominee vote my shares for me?

Your broker will vote your shares of AeroCentury common stock with respect to the proposals set forth in the accompanying notice to stockholders only if you provide instructions on how to vote by completing and returning a proxy card or instruction form provided to you by your broker. If you do not give instructions to your broker, your broker will not be permitted to vote your shares with respect to the proposals set forth in the notice to stockholders. If your shares are held in street name, you will need proof of ownership to be admitted to the Special Meeting. A recent brokerage statement or a letter from the record holder of your shares is an example of proof of ownership. If you want to vote shares held in street name in person at the Special Meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

What does it mean if I receive more than one proxy?

It means that you hold shares of AeroCentury common stock in multiple accounts. Please complete and return all proxies to ensure that all of your shares of AeroCentury common stock are voted in accordance with your instructions.

What happens if I fail to submit a proxy or vote in person at the Special Meeting, abstain from voting or fail to give voting instructions to my broker or other nominee if I hold my shares of common stock in “street name”?

If you fail to submit a proxy card by mail, vote in person at the Special Meeting or give voting instructions to your broker or other nominee, your shares of AeroCentury common stock will not be

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counted as present for purposes of determining the existence of a quorum. Abstentions will be counted as present for purposes of determining the existence of a quorum. The failure to submit a proxy or voting instruction and abstentions will have the following effects on each of the proposals:

Share Issuance Proposal: A stockholder's failure to submit a proxy card or to vote in person at the Special Meeting, an abstention from voting, or the failure of a stockholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote "AGAINST" the Share Issuance Proposal.

Adjournment Proposal: A stockholder's failure to submit a proxy card or to vote in person at the Special Meeting, an abstention from voting, or the failure of such stockholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee will have no effect on the Adjournment Proposal, assuming a quorum of shares of AeroCentury common stock is present or represented at the Special Meeting.

What constitutes a "quorum"?

A "quorum" refers to the number of shares that must be represented at a meeting in order to lawfully conduct business. A majority of the outstanding common stock entitled to vote at the Special Meeting, present in person or represented by proxy, will constitute a quorum at the Special Meeting. Without a quorum, no business may be transacted at the Special Meeting. All shares of AeroCentury common stock held by stockholders that are present in person or represented by proxy and entitled to vote at the Special Meeting, regardless of how such shares are voted or whether such stockholders abstain from voting, will be counted in determining the presence of a quorum. However, whether or not a quorum exists, a majority of the voting power of those present at the Special Meeting may adjourn the Special Meeting to another date, time and place.

Who is paying for the costs of this proxy solicitation?

AeroCentury pays the costs of soliciting proxies. Upon request, AeroCentury will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

When do you expect the Merger to be completed?

AeroCentury and JetFleet are working to complete the Merger as quickly as possible. AeroCentury expects the Merger to be completed before the end of the second quarter of 2018 or shortly thereafter. See "The JetFleet Acquisition — The JetFleet Acquisition — Conditions to the Merger."

Who may attend the Special Meeting?

For the Special Meeting, only the shareholders of record of AeroCentury, the duly appointed proxy holders of such shareholders of record, and other invitees of the Board or management of AeroCentury may attend the Special Meeting.

What happens if additional matters are presented at the Special Meeting?

If any other matters are properly presented for consideration at the Special Meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named as proxy holders will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at either meeting.

Where can I find the results of the Special Meeting?

We intend to announce preliminary voting results at the Special Meeting and will publish final results in a Current Report on Form 8-K, which will be filed with the Securities and Exchange Commission (the "Commission") within four (4) business days after the Special Meeting.

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What happens if the Share Issuance Proposal is not approved?

If the Share Issuance Proposal is not approved, AeroCentury cannot issue the AeroCentury Stock Consideration in the JetFleet Acquisition without violating the listing qualification rules of the NYSE American exchange. Although the approval of the Share Issuance Proposal by AeroCentury's stockholders is not a condition to the comp