

AEROCENTURY CORP
Form DEFM14A
July 27, 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)

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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SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 31, 2018

July 27, 2018

Dear AeroCentury Stockholder:

You are cordially invited to attend a special meeting of stockholders of AeroCentury Corp. (“AeroCentury”). The meeting will be held at 10 a.m. Pacific Daylight Time on August 31, 2018 at AeroCentury’s office located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010.

The purpose of the special meeting is to approve the issuance of up to 129,286 shares of AeroCentury common stock (the “AeroCentury Stock Consideration”) in connection with our acquisition of JetFleet Holding Corp. (“JetFleet”), which will be effected through a merger (the “Merger”) of a wholly-owned subsidiary of AeroCentury with and into JetFleet, with JetFleet becoming a wholly-owned subsidiary of AeroCentury. This special meeting is separate from AeroCentury’s 2018 Annual Meeting of Stockholders which was held on May 3, 2018.

AeroCentury’s board of directors has approved the acquisition of JetFleet (the “JetFleet Acquisition”), the Merger and the transactions related to it, including the issuance of the AeroCentury Stock Consideration. AeroCentury’s stockholders are not required to approve the issuance of the AeroCentury Stock Consideration, the JetFleet Acquisition or the Merger under the Delaware General Corporation Law or under the Merger Agreement. JetFleet’s shareholders have previously approved the Merger in accordance with the California General Corporation Law. However, because the AeroCentury shares that comprise the AeroCentury Stock Consideration will exceed 5% of the number of shares of AeroCentury’s common stock outstanding prior to the JetFleet Acquisition and because an individual director, officer and significant shareholder of AeroCentury has a greater than 5% interest in JetFleet and in the consideration to be paid in the JetFleet Acquisition, the applicable listing qualification rules of the NYSE American exchange on which AeroCentury’s common stock is traded provide that the AeroCentury Stock Consideration cannot be issued in connection with the JetFleet Acquisition without AeroCentury stockholder approval.

ACCORDINGLY, STOCKHOLDER APPROVAL OF THIS SHARE ISSUANCE IS IMPORTANT FOR US TO BE ABLE TO COMPLETE THE JETFLEET ACQUISITION.

With this letter, we are including the notice of the AeroCentury special meeting, the proxy statement and a proxy card. The AeroCentury board of directors believes the proposals described in the proxy statement relating to the JetFleet Acquisition are in the best interests of AeroCentury and its stockholders and accordingly, recommends that you vote “FOR” the proposals set forth in the enclosed proxy statement.

Your vote is important. Whether or not you plan to attend the special meeting, we hope you will vote as soon as possible so that your shares are represented. We urge you to complete, sign and date your proxy card and promptly return it in the postage-paid envelope provided. This will not prevent you from voting in person, but will ensure that your vote is counted if you cannot attend. Thank you for your ongoing support of and continued interest in AeroCentury Corp.

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If you have any questions, require assistance with voting, or need additional copies of proxy materials or proxy cards, please contact:

1290 Avenue of the Americas, 9th Floor,
New York, NY 10104
(888) 607-9252 (Toll Free)
Via Email: AeroCentury@georgeson.com
Sincerely,

Michael G. Magnusson
President

The accompanying proxy statement is dated July 27, 2018 and is first being mailed on or about July 28, 2018 to AeroCentury's stockholders of record as of the close of business on July 27, 2018.

PLEASE NOTE THAT THIS SPECIAL MEETING IS SEPARATE FROM AEROCENTURY'S 2018 ANNUAL MEETING OF STOCKHOLDERS WHICH WAS HELD ON MAY 3, 2018.

ANY PROXY CARD YOU RETURNED OR OTHER PROXY INSTRUCTIONS GIVEN WITH RESPECT TO THE 2018 ANNUAL MEETING WILL NOT BE USED IN CONNECTION WITH THIS SPECIAL MEETING. IN ORDER TO VOTE ON THIS PROPOSAL ON THE ISSUANCE OF SHARES, YOU MUST SUBMIT THE ENCLOSED PROXY CARD, OR ATTEND THIS SPECIAL AUGUST 31, 2018 MEETING, AS DESCRIBED BELOW.

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Notice of Special Meeting OF STOCKHOLDERS

To be Held on AUGUST 31, 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 August 31, 2018 at AeroCentury’s office located at 1440 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 July 27, 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

July 27, 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 AUGUST 31, 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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AeroCentury Corp.

1440 Chapin Avenue, Suite 310

Burlingame, California 94010

PROXY STATEMENT

FOR SPECIAL MEETING OF STOCKHOLDERS

AUGUST 31, 2018

The enclosed proxy is solicited by and on behalf of the Board for use at the Special Meeting to be held on August 31, 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 July 28, 2018 to AeroCentury stockholders of record as of the close of business on July 27, 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 July 27, 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 third 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 6 of 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 August 31, 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 August 31, 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 third 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 completion of the Merger, the failure of AeroCentury's stockholders to approve the Share Issuance Approval would likely result in AeroCentury and JetFleet deciding to terminate the Merger Agreement and abandoning the current terms of the JetFleet Acquisition.

Where can I find additional information about the JetFleet Acquisition, the Merger and the Special Meeting?

This proxy statement includes important information about the issuance of the AeroCentury Stock Consideration, the JetFleet Acquisition, the Merger and the Special Meeting. In addition, copies of certain reports and statements that AeroCentury has previously filed with the Commission may be obtained by any shareholder without charge by making a request through our "Investor Relations" website at http://www.aerocentury.com/corporate_highlights.php or by written request addressed to: AeroCentury Corp., 1440 Chapin Avenue, Suite 310, Burlingame, California 94010, Attention: Corporate Secretary.

Who can help answer my questions?

AeroCentury stockholders should call Georgeson, Inc., AeroCentury's proxy solicitor, toll-free at (888) 607-9252, with any questions about the JetFleet Acquisition, the Merger or the Special Meeting, or to obtain additional copies of proxy materials or proxy cards.

What do I need to do now?

After carefully reading and considering the information contained in this proxy statement, please fill out and sign the proxy card, and then mail your completed and signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares of common stock may be voted at the Special Meeting. Your proxy card will instruct the persons identified as your proxy to vote your shares at the Special Meeting as directed by you. If you hold your shares through a broker or other nominee, you should follow the instructions provided by your broker or other nominee when instructing them on how to vote your shares. The Special Meeting will take place at 10 a.m. Pacific Daylight Time on August 31, 2018 at AeroCentury's office located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. See "The Special Meeting of AeroCentury Stockholders."

You may also obtain additional information about AeroCentury from the documents AeroCentury files with the Commission, or by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 77.

AeroCentury Corp.

1440 Chapin Avenue, Suite 310

Burlingame, California, 94010

If your brokerage firm, bank, trust or other nominee holds your shares in "street name," you should also call your brokerage firm, bank, trust or other nominee for additional information.

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RISK FACTORS

Any decision by the AeroCentury stockholders to approve the issuance of the AeroCentury Stock Consideration in connection with the JetFleet Acquisition involves risk. AeroCentury stockholders should therefore carefully consider each of the following risks and all of the other information contained or incorporated by reference in this proxy statement, including the matters addressed in the section entitled “Cautionary Statement on Forward-Looking Statements” on page 18, before deciding how to vote your shares of Common Stock at the Special Meeting. We have also disclosed a number of material risks facing AeroCentury under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated herein by reference. If any of the risks described below or in the documents incorporated by reference into this proxy statement actually materialize, the business, financial condition, results of operations, prospects or stock price of AeroCentury could be materially and adversely affected. When used in this section, the terms “you,” “your” and similar terms mean the AeroCentury stockholders. This proxy statement contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed.

The risks described below are not the only risks that we will face following the completion of the JetFleet Acquisition. Additional risks and uncertainties not currently known to us may also materially and adversely affect the business operations and financial condition or the price of AeroCentury common stock following completion of the JetFleet Acquisition.

Risks Related to the JetFleet Acquisition

If the JetFleet Acquisition is not consummated, in order to eliminate the AeroCentury/JetFleet management fee structure, AeroCentury may have to pay a substantial termination payment it would have otherwise not have been compelled to pay.

Under current provisions of the AeroCentury Management Agreement, which has a term expiring in 2025, if AeroCentury desired to terminate the Management Agreement without JetFleet’s consent, AeroCentury would be required to make a termination payment to JetFleet. The purpose of the termination payment was to provide JetFleet, in the event of an early termination of the Management Agreement, funds to enable JetFleet to continue operations while it sought replacement customers for its aircraft portfolio management services. Were AeroCentury to terminate the Management Agreement at this time rather than acquire JetFleet by the JetFleet Acquisition, the termination payment that AeroCentury would be required to pay JetFleet would be approximately \$18 million, which is greater than the total consideration that is expected to be received by JetFleet shareholders in the JetFleet Acquisition. Alternatively, AeroCentury may continue under the current Management Agreement until the expiration of the term in 2025, and then seek to develop an internal management system or a new third-party management company. Any delay in resolving the issue of third-party management of AeroCentury’s business could, however, impede AeroCentury’s ability to efficiently raise capital.

By acquiring JetFleet, AeroCentury’s management will become internalized.

After the consummation of the JetFleet Acquisition, JetFleet will become a wholly-owned subsidiary of AeroCentury and sole responsibility for management of the combined company will fall upon its management. AeroCentury will be solely in control and responsible for retention of current JetFleet employees and all personnel decisions at JetFleet. If AeroCentury is dissatisfied with management services following consummation of the Merger, AeroCentury would have to address the shortcomings internally, and if they cannot be resolved with the existing management and personnel, AeroCentury may be required to reorganize its management structure and replace personnel or seek new third party management services, either of which could result in AeroCentury incurring significant expense and use of resources.

There is no assurance that the Deemed AeroCentury Per-Share Value of \$17.79 of AeroCentury common stock to be paid to JetFleet shareholders in the JetFleet Acquisition will be the value of a share of AeroCentury common stock at the time of the consummation of the JetFleet Acquisition.

The number of shares of AeroCentury common stock to be paid to JetFleet shareholders was determined using the Deemed AeroCentury Per Share Value of \$17.79. This amount was based on a negotiated valuation of AeroCentury common stock, with input from the financial advisor to the

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AeroCentury Independent Directors and was not based on the quoted closing price of the AeroCentury common stock on the NYSE American exchange on the date of the Merger Agreement or any other date. The Deemed AeroCentury Per Share Value is fixed in the Merger Agreement and will not be adjusted for any change in market price as quoted on the NYSE American exchange. There is no assurance that, at the time the shares of AeroCentury common stock are paid to JetFleet shareholders in the JetFleet Acquisition that the value of AeroCentury common stock on the NYSE American exchange will be equal to or less than the Deemed AeroCentury Per Share Value. For instance, the value of the shares already tradable on the NYSE American exchange could be higher than the Deemed AeroCentury Per-Share Value, so that the AeroCentury Stock Consideration could be deemed to have been issued at a discount. For GAAP purposes, all or a portion of the Merger Consideration and certain other costs may be treated as a non-recurring expense in the period in which the JetFleet Acquisition is consummated, which could affect AeroCentury's common stock market price and compliance with the AeroCentury Credit Facility (as defined at page 61) covenants.

Because of the contractual management company relationship between AeroCentury and JetFleet in existence at the time of the JetFleet Acquisition, all or a portion of the consideration paid by AeroCentury is likely to be treated as a settlement loss expense under GAAP. The impact of this expense is demonstrated in the unaudited pro forma condensed combined balance sheet as of December 31, 2017 on page F-57. Furthermore, certain costs incurred by AeroCentury in connection with the JetFleet Acquisition will also be expensed before and after the period in which the JetFleet Acquisition is consummated and will further depress earnings for those periods. The effect of such expenses on AeroCentury's earnings may have an adverse impact on AeroCentury's stock price in the period immediately following the JetFleet Acquisition.

The consent of AeroCentury's Credit Facility lenders to the JetFleet Acquisition has been received and AeroCentury has obtained waivers of certain financial covenants for the periods after the JetFleet Acquisition that are affected by the non-recurring Merger expenses and settlement loss that AeroCentury will incur. However, there is no assurance that AeroCentury modifications or waivers from the AeroCentury Credit Facility will be sufficient to keep AeroCentury in compliance with its financial covenants in periods after the JetFleet Acquisition.

Following consummation of the Merger, AeroCentury will assume all expenses previously covered under Management Agreement, rather than paying a third party management fee.

Under the Management Agreement, AeroCentury pays a management fee to JetFleet based upon the book value of AeroCentury's aircraft assets, an acquisition fee for each asset purchased by AeroCentury, and a remarketing/re-lease fee for each sale or re-lease transaction entered into with respect to AeroCentury's aircraft. In return, JetFleet provides AeroCentury with comprehensive management services, under which JetFleet has full responsibility for payment of all employee salaries and benefits, outside technical services, worldwide travel needed to promote AeroCentury's business, office space, utilities, IT and communications, furniture and fixtures, and other general administrative and overhead costs. Under the Management Agreement, if the fees collected are not enough to cover JetFleet's expenses in managing AeroCentury's portfolio, such losses are borne entirely by JetFleet. If the Merger is consummated, then the obligation to pay JetFleet management fees will cease, but the costs previously borne by JetFleet in managing AeroCentury's assets will be borne by AeroCentury and will not be limited, as was the case when the Management Agreement was in place.

By acquiring JetFleet in a reverse triangular merger, AeroCentury will assume any pre-existing liabilities of JetFleet. Following consummation of the Merger, JetFleet will become a wholly-owned subsidiary of AeroCentury. To the extent that JetFleet or any of its subsidiaries have liabilities, these will become liabilities of AeroCentury on a consolidated basis. While the Merger Agreement provides for limited indemnification by JetFleet shareholders for certain liabilities of JetFleet or its subsidiaries that arise from pre-Merger occurrences, and AeroCentury has performed due diligence reviews of the liabilities of JetFleet and its subsidiaries, the indemnification is limited to the consideration paid by AeroCentury to JetFleet shareholders.

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There can be no assurance that AeroCentury will be able to raise additional capital after consummation of the Merger. One of the reasons AeroCentury is pursuing the Merger with JetFleet is the recognition that the current Management Agreement structure is an impediment to the ability of AeroCentury to raise additional capital. There is no assurance, however, that if the Merger is consummated, AeroCentury will then be able to locate and consummate a capital-raising transaction with any party, as there are several other considerations, some of which are beyond the control of AeroCentury, that will determine AeroCentury's ability to consummate such a transaction.

The portion of the Merger Consideration subject to an indemnification escrow may not be adequate to cover post-Closing costs and indemnification obligations.

Pursuant to the Merger Agreement and subject to the limitations set forth in Article 8 of the Merger Agreement, from and after the Closing, each Converting Shareholder will severally but not jointly indemnify and hold harmless AeroCentury, the Merger Sub and JetFleet and their respective officers, directors, agents and employees and each person, if any, who controls or may control AeroCentury within the meaning of the Securities Act (each, an "Indemnified Person") from and against any and all losses, liabilities, damages, fees, taxes, interest, costs and expenses, including reasonable costs of investigation and defense and reasonable fees and expenses of counsel, experts and other professionals, directly or indirectly, whether or not due to a third-party claim, to the extent arising from certain claims arising from a breach of any JetFleet's representations and warranties made in the Merger Agreement. At the Closing, AeroCentury will withhold from the payment and issuance of the Merger Consideration to the Converting Shareholders, and will deposit a portion of the Merger Consideration (cash and AeroCentury common stock) into the escrow account established to hold the portion of cash and shares set aside for indemnification purposes (as defined below) (the "Escrow Fund") with Continental Stock Transfer & Trust Company (the "Escrow Agent"). The cash and AeroCentury common stock remaining in the Escrow Fund on December 15, 2018 will be distributed to the Converting Shareholders, subject to amounts held in reserve in accordance with the Merger Agreement for indemnification claims made and unsatisfied as of such date, if any. The amounts held in reserve may not be adequate to satisfy all indemnification claims, especially if such claims result from fraud, an intentional misrepresentation or an intentional breach of the Merger Agreement. In that case, AeroCentury may need to pursue additional remedies to seek such indemnification amounts, and as a result may incur additional costs in order to pursue such remedies. Note that only certain indemnification obligations of the Converting Shareholders are limited to recovery from the Escrow Fund. See the section below entitled "The JetFleet Acquisition — The Merger Agreement — Indemnification and Escrow" for more information.

The portion of the Merger Consideration payable in connection with the JetFleet Acquisition subject to holdback for post-Closing adjustments to the Merger Consideration may not be adequate.

\$175,000 of the Merger Consideration (the "Holdback Amount") will be deposited into the account designed to hold the Holdback Amount (the "Holdback Account") at the Closing to cover certain post-Closing adjustments to the Merger Consideration based on differences between certain adjustments to the Merger Consideration estimated at closing and the actual amount of such adjustment as determined after the Closing. Any cash remaining in the Holdback Account will be released promptly to the Converting Shareholders following a post-Closing Merger Consideration adjustment process. In the event the amount deposited in the Holdback Account is not adequate to cover all post-Closing adjustments, AeroCentury may need to seek additional remedies. There can be no assurance that AeroCentury would be able to recover the full amount or any of such shortfall in the amount of Holdback Account available to cover any such adjustments.

A Converting Shareholder's obligation to indemnify AeroCentury may in certain circumstances exceed such Converting Shareholder's pro rata share of the Holdback Account.

Any indemnification claim could result in a reduction in the amount of cash and AeroCentury common stock held in the Escrow Fund. However, certain indemnification obligations contained in the Merger Agreement are not limited to recovery from the Escrow Fund, and in some circumstances, may be equal to the amount of after-tax consideration that a Converting Shareholder receives in the JetFleet

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Acquisition. In the event the Converting Shareholder's indemnification obligations exceed such Converting Shareholder's pro rata share of the Escrow Fund, AeroCentury may need to, at its own expense, pursue additional remedies against individual Converting Shareholders. See the section below entitled "The JetFleet Acquisition — The Merger Agreement — Indemnification and Escrow" for additional information. There can be no assurance that AeroCentury would be able to recover the full amount or any of such shortfall in the amount of the Escrow Fund available to cover the indemnification obligations of the Converting Shareholders.

The Permit issued by the California Commissioner is not an endorsement of the JetFleet Acquisition, the Merger or the related transactions, nor is it a recommendation as to the merits and risks of an investment in the AeroCentury common stock or a recommendation of how AeroCentury's stockholders should vote.

The California Commissioner conducted a Fairness Hearing on February 22, 2018 in accordance with Sections 25121 and 25142 of the California Corporations Code and the regulations adopted thereunder. These laws and regulations govern certain disclosure-based requirements and financial analytics that were, or may have been, applied by the California Commissioner. Although the Permit was issued because the California Commissioner determined that the Merger and the related transactions were "fair, just and equitable," such determination did not imply a conclusion that the terms of the JetFleet Acquisition were the best that the JetFleet Board could have achieved or that the JetFleet Acquisition was advisable or the best alternative for AeroCentury, that the AeroCentury common stock to be issued as Merger Consideration represented an advisable investment for JetFleet shareholders, or that outcomes other than the JetFleet and the terms and conditions of the Merger described in this proxy statement were not feasible or achievable. AeroCentury stockholders should not presume that the issuance of the Permit constituted a recommendation as to the merits of the AeroCentury Stock Consideration, nor should any particular AeroCentury stockholder presume that the California Commissioner has addressed all factors the stockholder might deem appropriate in deciding how to vote at the Special Meeting.

The fairness opinion received by AeroCentury's Independent Directors from their financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

AeroCentury's Board received a fairness opinion, dated October 25, 2017, from Duff & Phelps, its financial advisor. This opinion has not been updated as of the date of this document and will not be updated by the later of the acceptance for filing of the Agreement of Merger by the California Secretary of State, or at such later time as provided in the Merger Agreement (the "Effective Time"). Changes in the operations and prospects of AeroCentury or JetFleet, general market and economic conditions and other factors that may be beyond the control of AeroCentury and JetFleet may alter the value of AeroCentury or JetFleet or the prices of shares of AeroCentury common stock or JetFleet shares by the Effective Time. The fairness opinion does not speak as of the time the JetFleet Acquisition is completed or as of any other date other than the date of the opinion. The full text of the fairness opinion is attached as Annex B to this proxy statement. For a description of the opinion, see "The JetFleet Acquisition — Background of and Reasons for the JetFleet Acquisition — Opinion of Duff & Phelps, LLC." For a description of the other factors considered by AeroCentury's Board in determining to approve the JetFleet Acquisition, the Merger and the transactions related thereto, see "The JetFleet Acquisition — Background of and Reasons for the JetFleet Acquisition."

The unaudited pro forma condensed combined financial statements included in this document are preliminary and the actual financial condition and results of operations after the JetFleet Acquisition may differ materially.

The unaudited pro forma condensed combined financial statements in this document are presented for illustrative purposes only and are not necessarily indicative of what AeroCentury's actual financial condition or results of operations would have been had the JetFleet Acquisition been completed on the dates indicated. The unaudited pro forma condensed combined financial statements reflect adjustments, which are based upon assumptions and preliminary estimates, to record JetFleet's identifiable assets and liabilities at fair value. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement. For more information, see "Unaudited Pro Forma Condensed Combined Financial Statements" on pages [F-55](#) through [F-63](#).

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Certain of AeroCentury's directors and executive officers have interests in the JetFleet Acquisition that may differ from the interests of AeroCentury stockholders.

AeroCentury's stockholders should be aware that some of AeroCentury's directors and executive officers have interests in the JetFleet Acquisition and have arrangements that differ from, or that are in addition to, those of AeroCentury's stockholders generally. These interests and arrangements may create potential conflicts of interest. Board was aware of these interests and considered these matters, among others, when deciding whether to approve the JetFleet Acquisition.

These interests include:

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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 AeroCentury's 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 JetFleet Acquisition, the Merger and the related transactions.

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Pursuant to the Merger Agreement, AeroCentury will provide insurance for the directors and officers of JetFleet with respect to matters occurring at or prior to the Effective Time of the Merger.

For a more complete description of these interests, see "The JetFleet Acquisition — Interests of Certain AeroCentury Directors and Executive Officers in the JetFleet Acquisition."

Termination of the JetFleet Acquisition could adversely impact AeroCentury.

If the JetFleet Acquisition is terminated, there may be various consequences. For example, AeroCentury's or JetFleet's businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the JetFleet Acquisition, without realizing any of the anticipated benefits of completing the JetFleet Acquisition. Each of the parties has incurred substantial costs in connection with the JetFleet Acquisition, including legal and accounting fees, investment banking fees, printing charges and filing fees.

Additionally, if the JetFleet Acquisition is terminated, the market price of AeroCentury's common stock could decline to the extent that the current market prices reflect a market assumption that the JetFleet Acquisition will be completed. Holders of AeroCentury common stock will have a reduced ownership and voting interest after the JetFleet Acquisition and will exercise less influence over management.

Holders of AeroCentury common stock currently have the right to vote in the election of the Board and on other matters affecting AeroCentury. It is currently expected that the former shareholders of JetFleet as a group will receive shares in the JetFleet Acquisition constituting approximately 22% of the outstanding shares of AeroCentury common stock immediately after the JetFleet Acquisition, assuming no adjustment is triggered under the Merger Agreement.

As a result, current stockholders of AeroCentury as a group will own approximately 78% of the outstanding shares of AeroCentury common stock immediately after the JetFleet Acquisition. Because of this, current AeroCentury stockholders may have less influence than they now have on the management and policies of AeroCentury.

In addition to the risks discussed above concerning the JetFleet Acquisition, and the Merger and related transactions, AeroCentury is subject to risks relating to its business, history and legal and regulatory circumstances that could adversely affect the price of AeroCentury common stock. These are set forth in detail in AeroCentury's Commission filings, which can be found at the Commission's EDGAR website at <http://www.sec.gov> or our "Investor Relations" website at http://www.aerocentury.com/corporate_highlights.php.

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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

In connection with the safe harbor established under the Private Securities Litigation Reform Act of 1995, AeroCentury cautions that certain information contained or incorporated by reference in this proxy statement and our other filings with the Commission, in its press releases and in statements made by or with the approval of authorized personnel is forward-looking information that involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements contained herein. Forward-looking statements discuss AeroCentury's current expectations and projections relating to its financial conditions, results of operations, plans, objectives, future performance and business. Forward-looking statements are typically identified by words or phrases such as "may," "will," "would," "can," "should," "likely," "anticipate," "potential," "e," "pro forma," "continue," "expect," "project," "intend," "seek," "plan," "believe," "target," "outlook," "forecast," the negatives other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements include all statements that do not relate solely to historical or current facts, including statements regarding AeroCentury's expectations, intentions or strategies and regarding the future. AeroCentury disclaims any intent or obligation to update these forward-looking statements. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to:

- the fact that certain directors and executive officers of AeroCentury and JetFleet may have interests in the JetFleet Acquisition that are different from, or in addition to, the interests of AeroCentury's shareholders generally;
- the fact that competition may adversely affect the operations and financial results of AeroCentury and JetFleet and;
- the fact that AeroCentury's business may be adversely affected by certain operational risks related to JetFleet following the JetFleet Acquisition, including whether the management and key employees of JetFleet will continue their employment;
- the fact that assumption of the claims and litigation-related liabilities and risks of JetFleet could have an adverse impact on our business and our financial performance;
- the risk that the failure to complete the JetFleet Acquisition could adversely impact AeroCentury's business;
- the possibility that various closing conditions for the JetFleet Acquisition may not be satisfied or waived;
- the risks of integration of the business of JetFleet and the possibility that costs or difficulties related to such integration of the business of JetFleet with AeroCentury will be greater than expected;
- the possibility that the anticipated benefits from the proposed JetFleet Acquisition, including cost savings resulting from removal of the third-party management fee structure, and the expected enhancement of AeroCentury's ability to raise capital and grow its business by improving the visibility into the overall profitability of AeroCentury's leasing company business, cannot be fully realized or may take longer to realize than expected;
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the fact that AeroCentury has and will continue to incur substantial transaction-related costs in connection with the JetFleet Acquisition;

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the possibility that the amount of the expected pro forma settlement loss to be recognized by AeroCentury as a result of the JetFleet Acquisition could exceed the amount currently estimated by AeroCentury;

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the fact that the unaudited pro forma combined financial information included in this proxy statement may not be a reliable indicator of AeroCentury's results of operations or financial condition;

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- the risk of shareholder litigation in connection with the JetFleet Acquisition and any related significant costs of defense, indemnification and liability;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- the fact that the fairness opinion rendered by Duff & Phelps, LLC considered factors as of the date of the opinion and does not reflect changes in events or circumstances after the date of its opinion;
- the fact that the issuance of the shares of AeroCentury common stock to the AeroCentury shareholders will result in dilution to the holders of AeroCentury common stock;
- the fact that the number of shares of AeroCentury common stock to be issued in connection with the JetFleet Acquisition is not adjustable based on the market price of AeroCentury common stock and, as a result, the Merger Consideration at Closing may have a greater implied value than at the time the Merger Agreement was signed;
- the possibility that the closing stock price of AeroCentury's common stock at Closing could exceed the Deemed AeroCentury Per Share Value, in which case the AeroCentury Stock Consideration could be deemed to have been issued at a discount; and
- the possibility that, pursuant to the terms of the Merger Consideration, there could be a positive adjustment to the amount of the Merger Consideration payable to JetFleet's shareholders.

For a further discussion of these and other risks, contingencies and uncertainties applicable to AeroCentury and JetFleet, see "Risk Factors" beginning on page 13 of this proxy statement.

All forward-looking statements in this proxy statement are qualified in their entirety by this cautionary statement, and no person undertakes any obligation to update publicly any forward-looking statement for any reason, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which only speak as of the date of this proxy statement or, in the case of documents incorporated by reference, the date of those documents.

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SPECIAL MEETING OF AEROCENTURY STOCKHOLDERS

General; Date, Time and Place

This proxy statement is being furnished in connection with the solicitation of proxies on behalf of the Board for use at a Special Meeting of AeroCentury stockholders to be held on August 31, 2018 at 10 a.m. Pacific Daylight Time or at any adjournments or postponements thereof. The Special Meeting will be held at AeroCentury's office located at 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. If you need directions to the location of the Special Meeting in order to attend the Special Meeting and vote in person, please contact AeroCentury's Investor Relations Department at (650) 340-1888 or by mail to 1440 Chapin Avenue, Suite 310, Burlingame, California 94010.

Purpose of Meeting

The Special Meeting is being held to request that stockholders consider and vote upon the following matters:

1.

Share Issuance Proposal: a proposal to approve the issuance of up to 129,286 shares of AeroCentury common stock (the "AeroCentury Stock Consideration") in connection with the JetFleet Acquisition; and

2.

Adjournment Proposal: a proposal 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.

AeroCentury does not expect a vote to be taken on any other matters at the Special Meeting. If any other matters are properly presented at the Special Meeting for consideration, however, the stockholders or holders of proxies, if properly authorized, will have discretion to vote on these matters in accordance with their best judgment.

Record Date; Voting Information

The "Record Date" for the Special Meeting is July 27, 2018. If you were a stockholder of record of AeroCentury common stock at the close of business on the Record Date, you are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements thereof. At the close of business on the Record Date, 1,416,699 shares of AeroCentury common stock were outstanding and entitled to vote. Holders of AeroCentury common stock are entitled to one vote on each matter submitted to the stockholders for each share of AeroCentury common stock held as of the Record Date.

Required Vote

Proposal 1 (the "Share Issuance Proposal"): the affirmative vote of a majority of the shares of AeroCentury common stock voting on the Share Issuance Proposal must be voted in favor of the Share Issuance Proposal in order to approve Share Issuance Proposal. Any abstentions will be counted as present for determining whether a quorum is present for the conduct of business, and any broker non-votes will not be counted as present. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote in person at the Special Meeting, or fail to instruct your bank or broker how to vote with respect to the JetFleet Acquisition proposal, it will have no effect upon the JetFleet Acquisition proposal, assuming a quorum of shares of AeroCentury common stock is present or represented at the Special Meeting.

Proposal 2 (the "Adjournment Proposal"): the affirmative vote of a majority of the shares of AeroCentury common stock voting on the Adjournment Proposal must be voted in favor of the Adjournment Proposal in order to approve the Adjournment Proposal. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote in person at the Special Meeting, or fail to instruct your bank or broker how to vote with respect to the Adjournment Proposal, it will have no effect upon the Adjournment Proposal, assuming a quorum of shares of AeroCentury common stock is present or represented at the Special Meeting.

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Quorum

Shares entitled to vote at the Special Meeting may be voted on a proposal at the Special Meeting only if a quorum of those shares exists with respect to that proposal. The presence at the Special Meeting, in person or represented by proxy, of a majority of shares of AeroCentury common stock issued and outstanding and entitled to vote at the Special Meeting will constitute a quorum for purposes of the Share Issuance Proposal or the Adjournment Proposal.

Adjournments or Postponement

If a quorum is not present with respect to any proposal to be voted upon at the Special Meeting, the chair of the Special Meeting or the stockholders entitled to vote at the Special Meeting, present in person or represented by proxy, have the power to cause the Special Meeting to be adjourned, including for the purpose of soliciting additional proxies, from time to time, without notice other than announcement at the Special Meeting, until a quorum is present or represented by proxy. At an adjourned meeting at which a quorum is present or represented by proxy, any business may be transacted which might have been transacted at the Special Meeting as originally notified. It is currently anticipated that if a quorum is not present with respect to any matter to be voted upon at the Special Meeting, the chair of the Special Meeting would adjourn the Special Meeting. Additionally, in the Adjournment Proposal, AeroCentury's stockholders are being asked to approve a proposal that would allow AeroCentury to adjourn the Special Meeting if there are insufficient votes to approve the Share Issuance Proposal at the Special Meeting.

Recommendation of AeroCentury's Board of Directors

After due consideration, the Board approved the execution of the Merger Agreement, declared that the Merger and the other transactions contemplated by the Merger Agreement were advisable and fair to and in the best interests of AeroCentury and its stockholders, and approved the Merger Agreement, the Merger and the other the transactions contemplated by the Merger Agreement, including the issuance of the AeroCentury Stock Consideration in connection therewith.

For a description of the factors considered by the Board in making its determinations with respect to the Merger Agreement and the JetFleet Acquisition, including the Merger, see the sections in this proxy statement entitled "The JetFleet Acquisition — Reasons for the JetFleet Acquisition" and "The JetFleet Acquisition — Determination and Recommendation of AeroCentury's Board of Directors."

The Board recommends that JetFleet shareholders vote "FOR" the Share Issuance Proposal to approve the issuance of the AeroCentury Stock Consideration in connection with the JetFleet Acquisition, and "FOR" the Adjournment Proposal to adjourn the Special Meeting, if necessary or advisable, to solicit additional proxies to approve the other proposals to be submitted for a vote at the Special Meeting.

Voting by AeroCentury's Directors and Executive Officers

As of the close of business on the Record Date, AeroCentury's directors and executive officers and certain of their affiliates held, directly or indirectly, 367,539 shares ("Affiliate Shares") of AeroCentury common stock entitled to vote at the Special Meeting on all matters. 366,554 of these shares are beneficially held by Toni M. Perazzo and 214,876 of these shares are held by JetFleet (the 214,876 shares held by JetFleet are included in the 366,554 shares beneficially owned by JetFleet, since Ms. Perazzo is a director, officer and principal beneficial shareholder of JetFleet). The 367,539 Affiliate Shares represents approximately 25.9% in voting power of the outstanding shares of AeroCentury common stock entitled to be cast at the Special Meeting on all matters. Each of AeroCentury's directors and executive officers has indicated his or her present intention to vote, or cause to be voted, the shares of AeroCentury common stock owned by him or her, or with respect to which such director or executive officer has voting control, to approve each of the proposals to be considered and voted upon at the Special Meeting. For more information on the conflicts of interest with respect to AeroCentury's directors and executive officers and certain of their affiliates and related persons, as well as the applicable provision of the DGCL, see "The JetFleet Acquisition — Interests of Certain AeroCentury Directors and Executive Officers in the JetFleet Acquisition."

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How to Submit Your Proxy

A shareholder may submit his, her or its proxy using any of the following methods:

By mail

If you received your Special Meeting materials by mail, you may complete, sign and date the proxy card or voting instruction card and return it in the prepaid envelope. If you are a stockholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by that proxy as recommended by the Board.

In person at the Special Meeting

All stockholders as of the close of business on the Record Date may vote in person at the Special Meeting. You may also be represented by another person at the Special Meeting by executing a proper proxy card designating that person. If you are a beneficial owner of AeroCentury common stock, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the Special Meeting.

By granting a proxy or submitting voting instructions

You may vote by granting a proxy or, for shares of AeroCentury common stock held in street name, by submitting voting instructions to your bank, broker or other holder of record.

Voting of Proxies

If you submit your proxy by completing, signing, dating and mailing your proxy card or voting instruction card, your shares will be voted in accordance with your instructions. If you are a stockholder of record and you sign, date and return your proxy card but do not indicate how you want to vote or do not indicate that you wish to abstain, your shares will be voted "FOR" the Share Issuance Proposal to approve the issuance of the AeroCentury Stock Consideration in connection with the JetFleet Acquisition, and "FOR" the Adjournment Proposal to permit AeroCentury to adjourn the Special Meeting, if necessary or advisable, to solicit additional proxies to approve the other proposals to be submitted for a vote at the Special Meeting.

Revoking Your Proxy

If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting. To do this, you must:

- submit a new proxy by signing and returning another proxy card by mail at a later date so that it is received prior to 11:59 p.m., Eastern Daylight Time, on the night before the Special Meeting;
- provide written notice of the revocation to AeroCentury's General Counsel at AeroCentury Corp., 1440 Chapin Avenue, Suite 310, Burlingame, California 94010, Attention: General Counsel, so that it is received prior to 11:59 p.m., Eastern Daylight Time, on the night before the Special Meeting; or
- attend the Special Meeting and vote in person (attendance itself does not, however, constitute revocation of your proxy).

Attending the Special Meeting

Only stockholders of record, or beneficial owners of AeroCentury common stock, as of the Record Date, may attend the Special Meeting in person. You will need proof of ownership to enter the Special Meeting. Even if you plan to attend the Special Meeting, please submit your proxy.

If your shares are held beneficially in the name of a broker, bank or other holder of record, you must present proof of your ownership of AeroCentury common stock, such as a bank or brokerage account statement, to be admitted to the Special Meeting. Please note that if you plan to attend the Special Meeting

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in person and would like to vote there, you will need to bring a legal proxy from your broker, bank or other holder of record as explained above. If your shares are held beneficially and you would rather have an admission ticket, you can obtain one in advance by mailing a written request, along with proof of your ownership of AeroCentury common stock, to:

AeroCentury Corp.
1440 Chapin Avenue, Suite 310
Burlingame, California 94010
Attention: General Counsel

Shareholders also must present a form of photo identification, such as a driver's license, in order to be admitted to the Special Meeting. No cameras, recording equipment, large bags or packages will be permitted in the Special Meeting.

Confidential Voting

Proxy instructions, ballots and voting tabulations that identify individual AeroCentury stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within AeroCentury or to third parties, except (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation of votes and certification of the vote and (iii) to facilitate a successful proxy solicitation.

Solicitation of Proxies

The cost of soliciting proxies, including expenses in connection with preparing and mailing of this proxy statement, will be borne by AeroCentury. We have engaged Georgeson, Inc. to assist in the solicitation of proxies and provide related advice and informational support for a fee of \$8,000, plus reimbursement of customary disbursements. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. AeroCentury will reimburse brokerage firms and other persons representing beneficial owners of AeroCentury common stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, electronic facsimile transmission and other electronic means, and personal solicitation by our directors, officers or employees. No additional compensation will be paid to our directors, officers or employees for such solicitation.

Copies of certain reports and statements that we have previously filed with the Commission may be obtained by any shareholder without charge by making a request through our "Investor Relations" website at http://www.aerocentury.com/corporate_highlights.php or by written request addressed to: AeroCentury's Investor Relations Department, 1440 Chapin Avenue, Suite 310, Burlingame, California 94010.

Householding of Proxy Materials

Some AeroCentury stockholders who share the same address may receive only one copy of this proxy statement in accordance with a notice delivered from such shareholders' bank, broker or other holder of record, unless the applicable bank, broker or other holder of record received contrary instructions. This practice, known as "householding," is designed to reduce printing and postage costs. Stockholders owning their shares through a bank, broker or other holder of record who wish to either discontinue or commence householding may request or discontinue householding, or may request a separate copy of the proxy statement, either by contacting their bank, broker or other holder of record at the telephone number or address provided in the above referenced notice, or contacting AeroCentury's Investor Relations Department at (650) 340-1888 or by mail to 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. Stockholders who are requesting to commence or discontinue householding should provide their name, the name of their broker, bank or other record holder and their account information.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Special Meeting, please contact Georgeson, Inc., AeroCentury's proxy solicitor, toll free at (888) 607-9252.

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PARTIES TO THE MERGER AGREEMENT

The parties to the Merger Agreement are:

AeroCentury Corp. 1440 Chapin Avenue, Suite 310 Burlingame, California 94010	JetFleet Holding Corp. 1440 Chapin Avenue, Suite 310 Burlingame, California 94010
Falcon Landing, Inc. 1440 Chapin Avenue, Suite 310 Burlingame, California 94010	Fortis Advisors LLC* 12526 High Bluff Drive, #280 San Diego, California 92130

*

Fortis is a party to the Merger Agreement solely in its capacity as the Shareholder Representative (as defined in the Merger Agreement).

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.

Falcon Landing Inc.

Falcon Landing Inc., or “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 JetFleet Acquisition, and has not carried on any activities to date, other than activities incidental to its formation or undertaken in connection with the JetFleet Acquisition. 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 the Management Agreement. Toni M. Perazzo, the President of JMC and JetFleet, is also Chief Financial Officer and a member of the Board of AeroCentury, 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 initially 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.

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 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.

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Fortis Advisors LLC

Under the Merger Agreement, upon approval of the Merger by JetFleet's shareholders, the JetFleet shareholders were deemed to have appointed Fortis Advisors LLC, or 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 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 who is not affiliated with AeroCentury.

Fortis is a Delaware limited liability company and its principal executive offices are located at 12526 High Bluff Drive #280, San Diego, California 92130.

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THE JETFLEET ACQUISITION

General Description

On October 26, 2017, AeroCentury agreed to acquire JetFleet pursuant to the Merger Agreement by means of a “reverse-triangular merger” whereby Merger Sub, a wholly owned subsidiary of AeroCentury, will merge with and into JetFleet, with JetFleet continuing as the surviving entity and a wholly-owned subsidiary of AeroCentury. The Merger Consideration will consist of up to 129,286 shares of AeroCentury common stock, par value \$0.001 per share (the AeroCentury Stock Consideration), plus \$3,500,000 in cash, subject to possible adjustment as set forth in the Merger Agreement.

Corporate Structure Following Completion of the JetFleet Acquisition

Following the completion of the JetFleet Acquisition, JetFleet will be a wholly-owned subsidiary of AeroCentury and JMC will remain a wholly-owned subsidiary of JetFleet.

Background of and Reasons for the JetFleet Acquisition

Background of the JetFleet Acquisition

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 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.

At the same time, although JetFleet had recently entered into a renewal of its Management Agreement with AeroCentury in 2015, JetFleet was going through an unexpected period of transition upon the death of its founding shareholder, CEO and Chair, Neal D. Crispin, in January 2016, which considerably altered JetFleet’s strategic planning considerations.

Thus, in late 2016, JetFleet and AeroCentury initiated discussions regarding a potential combination of the two companies, unifying the AeroCentury aircraft portfolio with the management infrastructure of JetFleet. Because of the dual roles of JetFleet officers as officers of AeroCentury, and of Ms. Perazzo, in particular as a principal shareholder and member of the board of directors both corporations, the AeroCentury Independent Directors, assisted by AeroCentury’s outside counsel, Morrison & Foerster LLP (“Morrison & Foerster”), represented AeroCentury in the negotiations. JetFleet was represented by Toni Perazzo, in her role as JetFleet President, Christopher Tigno, in his role as JetFleet General Counsel.

At a meeting on November 8, 2016, the Board approved the engagement of a financial advisory and investment banking firm, Duff & Phelps, to serve as an independent financial advisor to the AeroCentury Independent Directors (consisting, at the time, of Roy E. Hahn, Evan M. Wallach and David P. Wilson) to, among other things, provide financial and valuation analyses and other advice to such independent directors in connection with and in support of the negotiations to be conducted by the independent directors and, if requested, to provide an opinion to the AeroCentury independent directors in connection with the JetFleet Acquisition.

After initial term sheet drafts were traded between the parties in the first and second quarters of 2017, the parties mutually agreed to put merger negotiations on hold, as AeroCentury determined that it would not be feasible to consummate the JetFleet Acquisition on the terms then proposed until later in the fiscal year, due to having to devote financial and manpower resources in the late second and third quarter to large aircraft transactions at AeroCentury.

In August 2017, the negotiations regarding the JetFleet Acquisition resumed, and the current AeroCentury Independent Directors, consisting of Roy E. Hahn, Evan M. Wallach, David P. Wilson, and Karen M. Rogge, who was appointed to the Board on June 1, 2017, requested that Duff & Phelps provide an updated valuation analysis of AeroCentury and JetFleet. On September 11, 2017, Duff & Phelps met with the AeroCentury Independent Directors and presented their updated valuation analysis.

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On September 19, 2017, AeroCentury presented a revised offer to JetFleet, to which JetFleet responded on September 21, 2017. After several negotiation sessions between counsel for JetFleet and AeroCentury, Morrison & Foerster delivered a draft Merger Agreement to JetFleet on October 4, 2017. Between October 4, 2017 and October 25, 2017, the parties and their counsel negotiated the terms and conditions of the JetFleet Acquisition through a series of phone calls and in person meetings.

On October 25, 2017, the AeroCentury Independent Directors met to consider the proposed JetFleet Acquisition. At the meeting, 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 JetFleet Acquisition as set forth in the draft Merger Agreement, and the potential risks related to the proposed JetFleet Acquisition. After discussion, the AeroCentury Independent Directors unanimously approved the JetFleet Acquisition. 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 other transactions contemplated by the Merger Agreement. 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 other transactions contemplated by the Merger Agreement was advisable and fair to and in the best interests of AeroCentury and its stockholders, and approved the Merger Agreement, the JetFleet Acquisition and the other the transactions related thereto, including the issuance of shares of AeroCentury common stock in connection therewith.

On October 25, 2017, a special meeting of the JetFleet Board was held for the purpose of approving the JetFleet Merger. All members of the JetFleet Board, including Christopher Hughes, an employee of JetFleet who does not have an ownership interest or executive officer position in AeroCentury, and Hurdle H. Lea, III, a newly appointed director unaffiliated with AeroCentury, were present at the meeting. JetFleet's outside corporate counsel presented an overview of the key terms of the proposed JetFleet Acquisition as set forth in the draft Merger Agreement and distributed to the JetFleet Board members. Counsel also addressed the risks and potential benefits of pursuing alternative strategic transactions and of continuing to operate as an independent company. Following discussion, the JetFleet Board, with Ms. Perazzo abstaining, concluded and declared that the JetFleet Acquisition and the other transactions contemplated by the Merger Agreement were advisable, fair to, and in the best interests of, JetFleet and the JetFleet shareholders. The JetFleet Board, with Ms. Perazzo abstaining, further approved the execution of the Merger Agreement in accordance with the California Corporations Code, adopted a resolution directing that the adoption of the Merger Agreement and approval of the JetFleet Acquisition, including the Merger, be submitted to the JetFleet shareholders for consideration, and recommended that all of the JetFleet shareholders adopt the Merger Agreement and approve the JetFleet Acquisition, including the Merger.

The Merger Agreement was executed by AeroCentury, JetFleet and the other parties thereto on October 26, 2017, and was publicly announced the next day. The Merger Agreement provides for \$3.5 million in cash and 129,286 shares of AeroCentury common stock to be issuable to JetFleet shareholders, subject to adjustment as provided in the Merger Agreement, in return for 100% equity ownership of JetFleet.

On February 22, 2018, the California Department of Business Oversight issued a permit for the issuance by AeroCentury of the AeroCentury Stock Consideration in the Merger after a fairness hearing conducted under California Corporations Code Section 25142.

On February 28, 2018, JetFleet distributed a Confidential Information Statement to its shareholders and solicited such shareholders' approval of the JetFleet Acquisition. On March 15, 2018, written consent was received from holders of a majority of JetFleet's outstanding stock, as well as a majority of JetFleet's outstanding stock not owned by persons affiliated with JetFleet.

After receiving JetFleet shareholder approval for the JetFleet Acquisition, the Company filed a listing application for the shares to be issued in the acquisition. While AeroCentury's stockholders were not

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required to approve the issuance of the AeroCentury Stock Consideration, the JetFleet Acquisition or the Merger under the Delaware General Corporation Law or under the Merger Agreement, because the AeroCentury shares that comprise the merger consideration would exceed 5% of the number of shares of AeroCentury's common stock outstanding prior to the Merger, and because an individual director, officer and significant shareholder of AeroCentury has a greater than 5% interest in JetFleet and in the consideration to be paid in the JetFleet Acquisition, the applicable listing qualification rules of the NYSE American exchange on which AeroCentury's common stock is traded provide that the AeroCentury Stock Consideration cannot be issued in connection with the JetFleet Acquisition without AeroCentury stockholder approval. For this reason alone, AeroCentury is hereby soliciting the consent of its stockholders to the Merger and JetFleet Acquisition.

Reasons for the JetFleet Acquisition

AeroCentury's management and the Board believe that the JetFleet Acquisition will increase the long-term profitability of the Company by removing the existing third-party management fee structure under which JetFleet assumed substantially all the operational costs and salaries of management of AeroCentury, and in returned earned a management fee and acquisition fees that, in recent years, have been in excess of the costs assumed by JetFleet. Furthermore, the removal of the management fee structure will enhance AeroCentury's ability to raise capital and grow its business by improving the visibility into the overall profitability of AeroCentury's leasing company business

Determination and Recommendation of AeroCentury's Board of Directors

At a meeting held on October 25, 2017, the Board approved the execution of the Merger Agreement in accordance with the DGCL, adopted a resolution declaring that the JetFleet Acquisition and the other transactions contemplated by the Merger Agreement was advisable and fair to and in the best interests of AeroCentury and its stockholders, and approved the Merger Agreement, the JetFleet Acquisition and the other the transactions contemplated by the Merger Agreement, including the issuance of the AeroCentury Stock Consideration in connection therewith.

In evaluating the Merger Agreement and the JetFleet Acquisition, the AeroCentury Independent Directors and the full Board regularly consulted with Company Management and its outside legal advisor, Morrison & Foerster. In reaching its decision that the JetFleet Acquisition was advisable and fair to and in the best interests of AeroCentury and its stockholders, the Board considered a number of factors, including the following material factors and benefits of the JetFleet Acquisition, which the Board viewed as supporting its decision:

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JetFleet Operating and Financial Condition. JetFleet's business, including its current and historical financial condition and results of operations, including the following:

strong and stable management team;

long history with AeroCentury

familiarity with the JetFleet management team, and the JetFleet management team's extensive knowledge of AeroCentury's business

successful track record of purchasing, leasing and disposing of aircraft

minimal or no capital expenditure requirements

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Accretion. The fact that the JetFleet Acquisition is expected to be accretive to the earnings per share of AeroCentury. See "The JetFleet Acquisition — Certain Financial Projections"

- Capital Raising. The belief that the integration of JetFleet with AeroCentury will enhance AeroCentury's ability to raise additional debt and equity capital.
- Growth Prospects. The belief that the JetFleet Acquisition will enable AeroCentury to grow more quickly as a result of AeroCentury's enhanced ability to raise additional capital, which will enable AeroCentury to purchase a greater amount of assets and to offer more competitive leasing rates for its assets.

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- Cost Savings. The fact that the acquisition of JetFleet will internalize the management and other fees previously paid by AeroCentury to JetFleet, which is expected to reduce AeroCentury's overall expenses.

- Relative Valuation. The final negotiated Merger Consideration which was valued by Duff & Phelps to be in a range between \$5.4 million to \$6.0 million, as compared to the valuation of JetFleet's equity estimated by Duff & Phelps to be in a range of \$6.0 million to \$8.3 million.

- Negotiations with JetFleet. The course of discussions and negotiations between AeroCentury and JetFleet and improvements to the terms of the JetFleet Acquisition in the course of those discussions and negotiations, including with respect to a lower proportion of cash versus stock, certain representations and warranties, indemnification provisions and purchase price adjustments.

- Negotiations by Independent AeroCentury Directors. The fact that the negotiations were conducted on behalf of AeroCentury by those directors of AeroCentury that were unaffiliated with Toni M. Perazzo and had no beneficial ownership or other financial interest in JetFleet, and the assistance of an independent financial advisor, Duff & Phelps.

- Opinion of Duff & Phelps. The opinion delivered to the AeroCentury Independent Directors and the Board on September 25, 2017, by Duff & Phelps that as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications contained in the opinion, the Merger Consideration to be paid by AeroCentury for the common stock of JetFleet in the Merger was fair, from a financial point of view, to AeroCentury, as more fully described below under the caption "The JetFleet Acquisition — Opinion of Duff & Phelps, LLC."

- Advisors. The fact that AeroCentury's legal advisors were involved throughout the process and negotiations and met with the AeroCentury Independent Directors, which provided the AeroCentury Independent Directors with additional perspectives on the negotiations in addition to those of management.

- Customary Conditions; Specific Enforcement. The fact that the terms and conditions of the Merger Agreement minimize, to the extent reasonably practicable, the risk that a condition to the JetFleet Acquisition would not be satisfied and AeroCentury's ability to specifically enforce JetFleet's obligations, including the obligations to consummate the JetFleet Acquisition, under the Merger Agreement.

- No Regulatory Approvals Required. Other than the Permit, no regulatory approvals or filings, including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, are required to complete the JetFleet Acquisition.

- No Registration Required. The fact that no registration of the AeroCentury Stock Consideration on Form S-4 would be required as a result of the exemption from registration available under Section 3(a)(10) of the Securities Act and the fairness permit issued by the California Department of Business Oversight following a hearing, which was expected to reduce the costs of completing the JetFleet Acquisition.

Unanimous Determination. The fact that the AeroCentury Independent Directors were unanimous in their approval of the JetFleet Acquisition and the Merger Agreement (it being noted that Toni M. Perazzo, the only AeroCentury director that was not an AeroCentury Independent Director, abstained with respect to approving the JetFleet Acquisition and the Merger Agreement);

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The AeroCentury Independent Directors and the Board also considered a variety of negative factors and risks in its deliberations concerning the JetFleet Acquisition and the Merger Agreement, including the following:

- Conflicts of Interest. Toni M. Perazzo, a director and executive officer of AeroCentury, and the other executive officers of AeroCentury, may have interests in the JetFleet Acquisition that are different from, or in addition to, those of AeroCentury's shareholders, as described under "The JetFleet Acquisition — Interests of Certain AeroCentury Directors and Executive Officers," beginning on page 51.

- Effect of Failure to Complete the JetFleet Acquisition. If the JetFleet Acquisition is not consummated, the trading price of AeroCentury's common stock could be adversely affected, AeroCentury will have incurred significant transaction and opportunity costs attempting to consummate the JetFleet Acquisition, the market's perceptions of the AeroCentury's prospects could be adversely affected and AeroCentury's directors and officers will have expended considerable time and effort to consummate the JetFleet Acquisition in lieu of other more beneficial activity.

- Negative Effect of Acquisition Accounting on 2018 Net Income. The likelihood that if the JetFleet Acquisition is consummated, AeroCentury will record a settlement loss related to its existing obligations under the Management Agreement with JMC on the closing date of the JetFleet Acquisition in an amount equal to a substantial portion of the Merger Consideration to be paid as part of the JetFleet Acquisition. Although the amount of the loss cannot be ascertained exactly until the JetFleet Acquisition closes, as it depends on several variables, including final adjustments to the agreed Merger Consideration and the quoted market price of AeroCentury common stock on the JetFleet Acquisition closing date, it is expected that such loss will be substantial and could have a negative effect on the trading price of AeroCentury's common stock.

Because the Board determined that the JetFleet Acquisition and the other transactions contemplated by the Merger Agreement was advisable and fair to and in the best interests of AeroCentury and its stockholders, approved the Merger Agreement, the JetFleet Acquisition and the other the transactions contemplated by the Merger Agreement, including the issuance of the AeroCentury Stock Consideration in connection therewith, and because the issuance of the AeroCentury Stock Consideration requires the approval of AeroCentury's stockholders under the listing qualification rules of the NYSE American exchange, the Board recommends that AeroCentury stockholders approve the issuance of the AeroCentury Stock Consideration.

Certain Financial Projections

AeroCentury does not as a matter of course make public its financial forecasts, nor does it make long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, in connection with the review of the JetFleet Acquisition, the combined management of AeroCentury and JetFleet ("Company Management") prepared certain internal financial projections for AeroCentury's anticipated future operations (the "AeroCentury Internal Projections") and provided certain assumptions regarding JetFleet's future operations which were used by Duff & Phelps to prepare internal financial projections for JetFleet's anticipated future operations (the "JetFleet Internal Projections" and, together with the AeroCentury Internal Projections, the "Internal Financial Projections") and which were provided to the Board and used by Duff & Phelps in connection with its financial analysis and fairness opinion relating to the JetFleet Acquisition.

AeroCentury is including a subset of these Internal Financial Projections to provide its stockholder access to certain information that was made available to the Board and Duff & Phelps. However, such Internal Financial Projections are not being included in this proxy statement to influence a stockholder's decision whether to vote such holder's shares for the Share Issuance Proposal or otherwise solicit any proxy with respect to any proposal that is the subject of this proxy statement.

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The Internal Financial Projections were based on Company Management’s reasonable estimates and good faith judgments as to the financial performance of AeroCentury for the years ended December 31, 2018 through December 31, 2022 and of JetFleet for the years ended December 31, 2018 through December 31, 2025, and included among other things projected estimates of revenue, earnings before interest, taxes, depreciation and amortization (“EBITDA”) and free cash flow.

The Internal Financial Projections, in general, were prepared solely for internal use and are subjective in many respects and thus subject to interpretation. While presented with numeric specificity, the financial projections are unaudited and reflect numerous judgments, estimates, variables and assumptions with respect to industry performance, general business, economic, regulatory, legal, market and financial conditions, as well as matters specific to AeroCentury’s and JetFleet’s businesses, which are inherently uncertain and many of which are beyond the control of the AeroCentury or JetFleet. The financial projections also reflect assumptions as to certain business decisions which are subject to change. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than estimated. Since the financial projections cover multiple years, such information by its nature becomes subject to greater uncertainty with each successive year. AeroCentury stockholders are urged to review AeroCentury’s most recent filings with the Commission for a description of risk factors with respect to its business and the sections titled “Risk Factors” and “Cautionary Statement on Forward-Looking Statements” beginning on pages 13 and 18, respectively, of this proxy statement for a description of risk factors with respect to AeroCentury, JetFleet and the JetFleet Acquisition. The financial projections set forth below were provided to Duff & Phelps for use in connection with its financial analysis and fairness opinion relating to the JetFleet Acquisition.

The Internal Financial Projections set forth below were prepared in September 2017, based solely on information available at that time, and have not been updated. The Internal Financial Projections were not prepared with a view toward public disclosure, and the inclusion of this information should not be regarded as an indication that any of AeroCentury, JetFleet, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, nor should this information be relied on as such. None of the AeroCentury, JetFleet, Duff & Phelps, or their respective affiliates assumes any responsibility for the accuracy of this information.

The Internal Financial Projections were not prepared with a view toward complying with GAAP, the published guidelines of the Commission regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither AeroCentury’s independent registered public accounting firm, nor any other independent accountants, have audited, compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the financial projections. Furthermore, the financial projections do not take into account any circumstances or events occurring after the date they were prepared, including the announcement of the JetFleet Acquisition. All amounts are estimated and rounded.

AeroCentury Financial Projections

	Fiscal Years ended December 31 (dollars in thousands)				
(\$ in thousands)	2018	2019	2020	2021	2022
Total Revenue	\$ 33,438	\$ 36,115	\$ 37,860	\$ 37,106	\$ 38,691
EBITDA(1)	\$ 24,837	\$ 27,368	\$ 28,805	\$ 27,829	\$ 29,143
Net Income	\$ 1,516	\$ 2,941	\$ 3,542	\$ 3,727	\$ 4,438
Levered Free Cash Flow(2)	\$ (752)	\$ 472	\$ 435	\$ 303	\$ 57

(1)

EBITDA, as adjusted, is a prospective financial measure that was not calculated in accordance with GAAP. EBITDA, as adjusted, is a non-GAAP financial measure and should not be considered as an alternative to operating income or

net income as a measure of operating performance or cash flows or as a measure of liquidity. Non-GAAP financial measures are not necessarily calculated the same way by different companies and should not be considered a substitute for or superior to GAAP results.

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(2)

Levered Free Cash Flow is a prospective financial measure that was not calculated in accordance with GAAP.

Levered Free Cash Flow is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. Non-GAAP financial measures are not necessarily calculated the same way by different companies and should not be considered a substitute for or superior to GAAP results.

JetFleet Financial Projections

	Fiscal Years ended December 31							
	(dollars in thousands)							
(\$ in thousands)	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue	\$ 7,288	\$ 7,553	\$ 7,992	\$ 8,433	\$ 8,419	\$ 8,672	\$ 8,932	\$ 6,517
EBITDA(1)	\$ 1,975	\$ 2,036	\$ 2,261	\$ 2,464	\$ 2,202	\$ 2,207	\$ 2,208	\$ 1,562
Net Income	\$ 1,182	\$ 1,218	\$ 1,353	\$ 1,473	\$ 1,316	\$ 1,318	\$ 1,318	\$ 932
Free Cash Flow(2)	\$ 1,177	\$ 1,214	\$ 1,349	\$ 1,470	\$ 1,313	\$ 1,316	\$ 1,316	\$ 931

(1)

EBITDA, as adjusted, is a prospective financial measure that was not calculated in accordance with GAAP. EBITDA, as adjusted, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. Non-GAAP financial measures are not necessarily calculated the same way by different companies and should not be considered a substitute for or superior to GAAP results.

(2)

Levered Free Cash Flow is a prospective financial measure that was not calculated in accordance with GAAP.

Levered Free Cash Flow is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. Non-GAAP financial measures are not necessarily calculated the same way by different companies and should not be considered a substitute for or superior to GAAP results.

Opinion of Duff & Phelps, LLC

The AeroCentury Independent Directors retained Duff & Phelps, LLC, to serve as their independent financial advisor and to, among other things, provide financial and valuation analyses and other advice to the AeroCentury Independent Directors in connection with and in support of the negotiations conducted by the AeroCentury Independent Directors and, if requested, to provide an opinion to the AeroCentury Independent Directors in connection with the Merger. The AeroCentury Independent Directors retained Duff & Phelps based on Duff & Phelps' qualifications, reputation and experience in providing fairness opinions and its experience in valuing companies. Duff & Phelps is a premier global valuation and corporate finance advisor that is regularly engaged to provide financial advisory services, including fairness opinions and valuation advice, in connection with mergers and acquisitions, leveraged buyouts, going-private transactions and recapitalization transactions.

On October 25, 2017, 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 (the "Duff & Phelps Opinion"), that as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications contained in the Duff & Phelps 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 common stock of JetFleet in the Merger was fair, from a financial point of view, to AeroCentury.

The full text of the Duff & Phelps Opinion, dated October 26, 2017, which sets forth, among other things, certain assumptions made, certain matters considered and the limitations on the review undertaken in connection with the Merger, is attached as Annex B to this proxy statement and is incorporated herein by reference. We urge you to read the Duff & Phelps Opinion carefully and in its entirety.

The Duff & Phelps Opinion was provided for the information and assistance of the AeroCentury Independent Directors in connection with its consideration of the Merger and (i) did not address the merits of AeroCentury's underlying business decision to enter into the Merger versus any alternative strategy or

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transaction, (ii) did not address any term of the Merger Agreement other than the Merger Consideration to be paid by AeroCentury, (iii) did not address the process through which AeroCentury chose to consider the transaction versus any alternative transaction, (iv) did not address any transaction related to the Merger (other than the Merger Consideration), (v) was not, and is not, a recommendation as to how the AeroCentury Independent Directors, the Board or any stockholder of AeroCentury or JetFleet should vote or act with respect to any matters relating to the transaction, or whether to proceed with the transaction or any related transaction; and (vi) did not indicate that the Merger Consideration to be paid by AeroCentury, pursuant to the Merger Agreement, is the best possibly attainable by AeroCentury under any circumstances; instead, it merely stated whether such consideration is within a range suggested by certain financial analyses.

The Duff & Phelps Opinion was only one of the factors taken into consideration by the AeroCentury Independent Directors in making its determination with respect to the Merger. The Duff & Phelps Opinion should not be construed as creating any fiduciary duty on the part of Duff & Phelps to any party. Duff & Phelps did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to its attention after the date of its opinion.

It is important to understand that the Duff & Phelps Opinion was provided to the AeroCentury Independent Directors, not JetFleet or its board of directors, and addressed the fairness of the consideration from the perspective of AeroCentury, not JetFleet's shareholders. Thus, the Duff & Phelps Opinion was not intended to be relied upon by JetFleet Shareholders in deciding on whether to approve the Merger and should not be construed as an opinion or other determination of the fairness of the Merger or the Merger Consideration to JetFleet shareholders.

Duff & Phelps prepared its opinion as of October 26, 2017. The Duff & Phelps Opinion was necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of that date, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion which may come or be brought to the attention of Duff & Phelps after the date of its opinion.

The issuance of the Duff & Phelps Opinion was approved by its fairness review committee. Duff & Phelps acted as financial advisor to the AeroCentury Independent Directors and received a fee for its services. No portion of Duff & Phelps' fee was contingent upon either the conclusion expressed in its opinion or whether or not the Merger is successfully consummated. Pursuant to the terms of the engagement, a portion of Duff & Phelps' fee was paid upon Duff & Phelps' informing the AeroCentury Independent Directors that it was prepared to deliver its opinion. Other than this engagement, during the two years preceding the date of its opinion, Duff & Phelps had no material relationship with any party to the Merger for which compensation was received or was intended to be received, nor is any such material relationship or related compensation mutually understood to be contemplated.

The information set forth below summarizes the material financial and comparative analyses performed by Duff & Phelps, but does not purport to be a complete description of the financial analyses performed by Duff & Phelps or the data considered by it in connection with its opinion. The preparation of a financial opinion involves various subjective determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to particular circumstances. In arriving at its opinion, Duff & Phelps considered a number of analytical methodologies. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the strengths, weaknesses and applicability of any particular technique. While the conclusions reached in connection with each analysis were considered carefully by Duff & Phelps in arriving at its opinion, Duff & Phelps did not consider it practicable to, nor did it attempt to, assign relative weights to the individual analyses and specific factors considered in reaching its opinion. The conclusion reached by Duff & Phelps was based on all analyses and factors, taken as a whole, and also on application of Duff & Phelps' own experience and judgment. This conclusion may involve significant elements of subjective judgment and qualitative analysis. No one method of analysis should be regarded as critical to the overall conclusion. Accordingly, Duff & Phelps believes that its analyses must be considered as a whole, and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading or incomplete view of the evaluation process underlying its opinion.

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In connection with its opinion, Duff & Phelps made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Duff & Phelps also took into account its assessment of general economic, market and financial conditions, as well as its experience in securities and business valuation, in general, and in similar transactions, in particular. Duff & Phelps' procedures, investigations and financial analyses with respect to the preparation of its opinion included, but were not limited to, the following:

1.
Reviewed the following documents:
 - a.
AeroCentury's annual reports and audited financial statements on Form 10-K filed with the Commission for the years ended December 31, 2013 through 2016 and AeroCentury's unaudited interim financial statements for the six months ended June 30, 2017, included in AeroCentury's Form 10-Q filed with the Commission;
 - b.
Unaudited internally prepared financial information for AeroCentury for the years ended December 31, 2013 through 2016 and the eight months ended August 31, 2017, which Company Management identified as being the most current financial statements available;
 - c.
Reviewed financial statements for JetFleet for the years ended December 31, 2013 through 2016 and unaudited internally prepared financial statements for the eight months ended August 31, 2017, which Company Management identified as being the most current financial statements available;
 - d.
Detailed financial projections for AeroCentury prepared by Company Management for the fiscal years ending December 31, 2017 through 2022;
 - e.
Detailed financial projections for JetFleet prepared by Company Management for the fiscal years ending December 31, 2017 through 2022;
 - f.
The Second Amended and Restated Management Agreement dated as of August 17, 2015, by and between AeroCentury and JetFleet Management Corp.;
 - g.
Documents related to the Merger, including the draft Merger Agreement dated as of October 22, 2017; and
 - h.
Other internal documents relating to the history, current operations, and probable future outlook of AeroCentury and JetFleet provided to us by Company Management.
2.
Discussed the information referred to above and the background and other elements of the Merger with Company Management;
3.
Reviewed the historical trading price and trading volume of AeroCentury's common stock, and the publicly traded securities of certain other companies that Duff & Phelps deemed relevant;

4.

Performed certain valuation and comparative analyses using generally accepted valuation and analytical techniques including a discounted cash flow analysis, an analysis of selected public companies that Duff & Phelps deemed relevant, and an analysis of selected transactions that Duff & Phelps deemed relevant; and

5.

Conducted such other analyses and considered such other factors as Duff & Phelps deemed appropriate.

No limits were placed on Duff & Phelps by AeroCentury or JetFleet in terms of the information to which it had access or on the matters it could consider in rendering its opinion.

In performing its analyses and rendering its opinion with respect to the Merger, Duff & Phelps, with AeroCentury Independent Director's consent:

1.

Relied upon the accuracy, completeness, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources, including Company Management, and did not independently verify such information;

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2.

Relied upon the fact that the Independent Directors, the Board and the board of directors of JetFleet have been advised by counsel as to all legal matters with respect to the Merger, including whether all procedures required by law to be taken in connection with the Merger have been duly, validly and timely taken;

3.

Assumed that any estimates, evaluations, forecasts and projections furnished to Duff & Phelps were reasonably prepared and based upon the best currently available information and good faith judgment of the person furnishing the same, and Duff & Phelps expresses no opinion with respect to such projections or the underlying assumptions;

4.

Assumed that information supplied and representations made by Company Management are substantially accurate regarding AeroCentury, JetFleet and the Merger;

5.

Assumed that the representations and warranties made in the Merger Agreement are substantially accurate;

6.

Assumed that the final versions of all documents reviewed by Duff & Phelps in draft form conform in all material respects to the drafts reviewed;

7.

Assumed that there had been no material change in the assets, liabilities, financial condition, results of operations, business, or prospects of AeroCentury or JetFleet since the date of the most recent financial statements and other information made available to Duff & Phelps, and that there is no information or facts that would make the information reviewed by Duff & Phelps incomplete or misleading;

8.

Assumed that there will be no adjustments to the Merger Consideration;

9.

Assumed that all of the conditions required to implement the Merger will be satisfied and that the Merger will be completed in accordance with the Merger Agreement without any amendments thereto or any waivers of any terms or conditions thereof; and

10.

Assumed that all governmental, regulatory, third party or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on AeroCentury or JetFleet.

In Duff & Phelps' analysis and in connection with the preparation of its opinion, Duff & Phelps also made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Merger. To the extent that any of the foregoing assumptions or any of the facts on which Duff & Phelps' opinion is based prove to be untrue in any material respect, its opinion cannot and should not be relied upon.

Duff & Phelps prepared its opinion as of October 26, 2017. Duff & Phelps' opinion was necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of that date, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion which may come or be brought to the attention of Duff & Phelps after the date of its opinion.

In rendering its opinion, Duff & Phelps is not expressing any opinion with respect to the amount or nature of any compensation to any of the officers, directors, or employees of AeroCentury or JetFleet, or any class of such persons,

relative to the consideration to be received by the unaffiliated public stockholders of AeroCentury in the Merger, or with respect to the fairness of any such compensation.

Although these paragraphs include some information in tabular format, those tables are not intended to stand alone and must be read together with the full text of each summary and the limitations and qualifications in the Duff & Phelps' opinion.

Merger Consideration Analysis

The Merger Consideration is comprised of (i) 129,286 newly issued shares of AeroCentury common stock representing the Stock Consideration and (ii) \$3,500,000 in cash representing the Cash Consideration. The dollar value of the AeroCentury Stock Consideration was calculated based on the 129,286 newly issued

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shares of AeroCentury's common stock multiplied by (i) the closing 30-day average share price of AeroCentury's common stock on the NYSE Amex exchange as of October 20, 2017 (Historical Stock Trading and Premium Analysis); and (ii) the Duff & Phelps' estimate of AeroCentury's per share value (AeroCentury Valuation Analysis).
Historical Stock Trading Analysis

Because AeroCentury's common stock is publicly traded, Duff & Phelps considered the per share value ascribed to it by the public markets. Duff & Phelps analyzed AeroCentury's historical stock prices, trading volume, level of institutional ownership and historical valuation multiples. On October 20, 2017, the closing price of AeroCentury's common stock as reported on the NYSE American exchange was \$13.55 per share. Over the 30-day trading period from September 21, 2017 to October 20, 2017, AeroCentury's common stock traded in a range of \$13.55 to \$14.95 per share, with a 30-day average share price of \$14.26. In performing its valuation of the Consideration, Duff & Phelps considered the reported 30-day trading average of AeroCentury's common stock as indications of value. Duff & Phelps observed that AeroCentury's common stock has limited liquidity, with sporadic trading activity. Based on the limited liquidity in AeroCentury's common stock, the absence of analyst coverage, and the lack of institutional investor support, Duff & Phelps observed that AeroCentury's market price may not necessarily reflect the underlying intrinsic value of AeroCentury and its shares of common stock.

AeroCentury Valuation Analysis

As part of its analysis, Duff & Phelps' performed a valuation analysis of AeroCentury using generally accepted valuation methodologies.

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Discounted Cash Flow Analysis

Duff & Phelps performed a discounted cash flow (“DCF”) analysis using the projections prepared by Company Management for fiscal years 2018 through 2022 to derive indications of total equity value. A DCF analysis is designed to provide insight into the intrinsic value of a business based on its projected earnings and capital requirements, as well as the net present value of projected free cash flows. The table below summarizes JetFleet’s historical financial performance as well as financial projections used in the DCF:

ACY Historical & Projected Financial Performance

(\$ in thousands)

For the Years Ended December 31

	Actual 2013	2014	2015	2016	LTM	Estimate 2017	ACY Projections 2018	2019
Operating Leases	\$ 18,794	\$ 21,913	\$ 25,467	\$ 24,464	\$ 29,551	\$ 29,081	\$ 30,267	\$ 30,267
Op. Leases as a % of Average NBV	12.7%	12.9%	14.9%	14.1%	15.2%	15.2%	15.2%	15.2%
Maintenance Reserves(1)	\$ 14,910	\$ 3,394	\$ 589	\$ 0	\$ 1,014	\$ 3,366	\$ 0	\$ 0
Net Gain in Disposal of Assets	3,808	3,147	6,791	2,195	167	0	0	0
Net Gain on Sale-Type Finance Leases	0	0	5,179	1,187	1,725	167	1,287	1,287
Finance Leases	719	252	508	870	870	1,597	1,884	1,884
Total Revenue	\$ 38,232	\$ 28,707	\$ 38,534	\$ 28,716	\$ 33,328	\$ 34,211	\$ 33,438	\$ 33,438
Growth		(24.9)%	34.2%	(25.5)%	NA	19.1%	(2.3)%	(2.3)%
Total Fees to JHC(2)	\$ (5,746)	\$ (6,063)	\$ (6,466)	\$ (6,888)	\$ (8,225)	\$ (6,953)	\$ (7,288)	\$ (7,288)
Growth	NA	5.5%	6.6%	6.5%	NA	1.0%	4.8%	4.8%
Total Operating Expenses	\$ (25,559)	\$ (45,952)	\$ (28,512)	\$ (26,744)	\$ (30,595)	\$ (30,119)	\$ (31,921)	\$ (31,921)
Growth	NA	79.8%	(38.0)%	(6.2)%	NA	12.6%	6.0%	6.0%
Adjusted EBITDA	\$ 24,469	\$ 13,924	\$ 26,507	\$ 18,514	\$ 23,582	\$ 24,653	\$ 24,837	\$ 24,837
Margin	64.0%	48.5%	68.8%	64.5%	70.8%	72.1%	74.3%	74.3%
Growth	NA	NM	NM	(30.2)%	NA	33.2%	0.7%	0.7%
Adjusted Net Income	\$ 8,702	\$ 7,443	\$ 7,720	\$ 3,284	\$ 3,629	\$ 4,803	\$ 1,516	\$ 1,516
Margin	22.8%	25.9%	20.0%	11.4%	10.9%	14.0%	4.5%	4.5%

Growth	NA	(14.5)%	3.7%	(57.5)%	NA	46.2%	(68.4)%
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(1)

Assumes increase in maintenance reserves is offset by maintenance claims submitted in projection period. AeroCentury changed its method of accounting for non-refundable maintenance reserves and lessor maintenance obligations during the year ended December 31, 2014. These changes were applied retrospectively to all periods presented.

(2)

Includes management fees, acquisition fees and other fees paid to JetFleet per the Management Agreement.

LTM – Latest Twelve Months ended August 31, 2017.

Adjusted EBITDA and Adjusted Net Income figures are adjusted to exclude provision for impairment and bad debt expense.

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In its analysis shown in the table below, Duff & Phelps calculated the projected levered free cash flows of AeroCentury to its equity holders for the fiscal years 2018 through 2022. Due to the fact that taxable income in the projection period would be offset by net operating loss carryforwards (NOLs), no taxes were deducted. All of the assumptions and estimates used to calculate AeroCentury's levered free cash flows were provided by Company Management.

Duff & Phelps performed a DCF analysis using levered free cash flows, which were discounted back to present using AeroCentury's estimated cost of equity. Company Management indicated that AeroCentury does not intend to pay any dividends its shareholders in the foreseeable future, but instead intends to reinvest its free cash flows back into AeroCentury, purchasing new aircraft or paying down its line of credit. Duff & Phelps noted that AeroCentury's growth is constrained by its existing line of credit of \$170 million, which expires in May 2019. Duff & Phelps assumed that the line of credit will be renewed with the same terms throughout the projection period.

ACY Discounted Cash Flow Analysis

(\$ in thousands)

For the Years Ended December 31

Estimate	ACY Projections						5-YR CAGR	5-YR Average
	2017E	2018P	2019P	2020P	2021P	2022P		
Revenue	\$ 34,211	\$ 33,438	\$ 36,115	\$ 37,860	\$ 37,106	\$ 38,691	3.7%	
Growth	19.1%	(2.3)%	8.0%	4.8%	(2.0)%	4.3%		2.6%
EBITDA	\$ 23,943	\$ 24,837	\$ 27,368	\$ 28,805	\$ 27,829	\$ 29,143	4.1%	
EBITDA Margin	70.0%	74.3%	75.8%	76.1%	75.0%	75.3%		75.3%
			2018P	2019P	2020P	2021P	2022P	
Net Income			\$ 1,516	\$ 2,941	\$ 3,542	\$ 3,727	\$ 4,438	
Plus: Depreciation			13,907	15,176	15,905	14,889	15,722	
Plus: Cash Sales Proceeds			5,702	6,955	22,111	21,284	7,578	
Less: Debt Repayments			(12,801)	(24,498)	(38,713)	(35,500)	(25,000)	
Plus: Debt Borrowings			23,150	34,050	34,770	35,350	25,160	
Less: Capital Expenditures			(38,000)	(39,000)	(42,000)	(45,000)	(34,000)	
Plus: Finance Lease Principal Payments			5,278	7,102	5,465	6,214	6,664	
Plus: Other Cash Flow Adjustments			495	(2,254)	(645)	(661)	(505)	
Levered Free Cash Flow			\$ (752)	\$ 472	\$ 435	\$ 303	\$ 57	
Equity Value			Low	Mid	High			
Price to Book Value ("P/BV") Multiple(1)			0.95x	1.00x	1.05x			
Cost of Equity			15.50%	15.00%	14.50%			
Present Value of Terminal Value			\$ 24,543	\$ 26,401	\$ 28,332			
PV of Discrete Cash Flow – Annual			198	205	213			
Indicated Equity Value Range			\$ 24,700	\$ 26,600	\$ 28,500			

Implied Multiples

Book Value of Equity	\$ 41,461	0.60x	0.64x	0.69x
LTM Net Income	3,629	6.8x	7.3x	7.9x
2017 Net Income	4,803	5.1x	5.5x	5.9x

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2018 Net Income	1,516	16.3x	17.5x	18.8x
LTM Revenue(2)	33,328	5.24x	5.29x	5.35x
2017 Revenue(2)	34,211	5.10x	5.16x	5.21x
LTM Adj. EBITDA(2)	23,582	7.4x	7.5x	7.6x
2017 Adj. EBITDA(2)	24,653	7.1x	7.2x	7.2x

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(1)

Selected P/BV multiple of 1.00x was based on an analysis of selected public companies.

(2)

Implied multiples are based on total enterprise value, which includes the equity values, plus approximately \$149.9 million.

Note: the valuation date was based on the estimated closing date for the Merger of December 31, 2017.

Duff & Phelps calculated a terminal value for AeroCentury by capitalizing the projected tangible book value of equity in fiscal 2022 by multiples ranging from 0.95x book value to equity to 1.05x book value to equity based on an analysis of selected public companies and selected merger and acquisition (“M&A”) transactions, as described below.

Duff & Phelps then discounted the sum of the projected levered free cash flows for fiscal year 2018 through 2022 and the terminal value for AeroCentury by AeroCentury’s estimated cost of equity ranging from 14.5% to 15.5%.

AeroCentury’s estimated cost of equity was based on the Capital Asset Pricing Model using information derived from the companies in the selected public company analysis. The cost of equity reflected the relative risk associated with AeroCentury’s projected levered free cash flows as well as the rates of return that security holders could expect to realize on alternative investment opportunities.

The discounted cash flow analysis resulted in an estimated total equity value ranging from \$24.7 million to \$28.5 million.

Market Approach

Duff & Phelps analyzed valuation multiples of selected public companies and selected M&A transactions to apply to AeroCentury’s projected 2022 tangible book value of equity as part of the DCF analysis.

The companies utilized for comparative purposes in the following analysis were not identical to AeroCentury, and the transactions utilized for comparative purposes in the following analysis were not identical to the Merger. Duff & Phelps does not have access to nonpublic information of any of the companies or transactions used for comparative purposes. Accordingly, a complete valuation analysis of AeroCentury and the Merger cannot rely solely upon a quantitative review of the selected public companies and selected transactions, but involves complex considerations and judgments concerning differences in financial and operating characteristics of such companies and targets and other factors that could affect their value relative to that of AeroCentury and the Merger. Therefore, the selected public companies and selected M&A transactions analysis is subject to these limitations.

Selected Public Companies Analysis

A selected public companies analysis compares a subject company to a group of public companies that investors may consider similar to AeroCentury, and applies valuation multiples to AeroCentury’s financial performance metrics based on the qualitative and quantitative comparison. Comparative factors include, but are not limited to, size, historical and projected growth, profitability margins and volatility in earnings and factors that affect the riskiness of future cash flows.

Duff & Phelps compared certain financial information of AeroCentury to corresponding data and ratios from publicly traded companies that Duff & Phelps deemed relevant to its analysis. For purposes of its analysis, Duff & Phelps used certain publicly available historical financial data and consensus equity analyst estimates for the selected publicly traded companies. Duff & Phelps included the following eight companies in the selected public companies analysis based on their relative similarity, primarily in terms of industry and operations to those of AeroCentury:

- ALAFCO Aviation Lease and Finance
- Air Lease Corporation
- Avation PLC
- FLY Leasing Limited
-
-

DP Aircraft I Limited

Willis Lease Finance Corporation

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AerCap Holdings N.V.

•

Aircastle Limited

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In selecting multiples, Duff & Phelps reviewed the selected public companies, taken as a group. Duff & Phelps noted that AeroCentury is significantly smaller in size relative to the selected public companies, generally weaker profitability and weaker returns on equity and assets, as illustrated in the table below. Duff & Phelps selected equity value-to-tangible book value of equity multiples to apply to AeroCentury's projected tangible book value of equity in 2022. By 2022, AeroCentury is projected to achieve profitability margins and returns that are more in line with those projected by the selected public companies partially as a result of larger and newer aircraft in its fleet.

Selected Public Companies Analysis

COMPANY INFORMATION	REVENUE GROWTH				LTM RETURNS			EBITDA MARGIN	
	3-YR CAGR	LTM	2017	2018	ROA	ROE	EBT to Equity	3-YR AVG	LTM
ALAFCO									
Aviation Lease and Finance	6.0%	22.7%	NA	NA	4.3%	9.0%	9.0%	90.7%	92.8%
Avation PLC	24.7	32.7	15.1	10.7	7.3	14.2	14.2	93.0	103.1
DP Aircraft I Limited	NM	0.1	NA	NA	6.0	9.0	9.0	92.8	96.5
AerCap Holdings N.V.	67.5	-3.8	-2.1	2.9	4.4	11.5	13.7	60.9	81.3
Air Lease Corporation	16.9	7.2	9.5	15.8	3.8	9.7	15.9	70.4	92.3
FLY Leasing Limited	-1.4	-12.9	0.2	13.9	4.3	6.8	5.5	69.1	86.8
Willis Lease Finance Corporation	8.7	16.4	NA	NA	4.8	10.3	17.6	65.7	70.8
Aircastle Limited	4.7	9.2	0.2	4.7	6.5	12.5	13.0	67.9	93.1
Mean	18.1%	9.0%	4.6%	9.6%	5.2%	10.4%	12.2%	76.3%	89.6%
Median	8.7%	8.2%	0.2%	10.7%	4.6%	10.0%	13.3%	69.7%	92.5%
High	67.5%	32.7%	15.1%	15.8%	7.3%	14.2%	17.6%	93.0%	103.1%
Low	-1.4%	-12.9%							