

AEROCENTURY CORP
Form DEF 14A
March 23, 2017

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
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
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AeroCentury Corp.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(3) Filing Party:

(4) Date Filed:

AEROCENTURY CORP.
NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 3, 2017

TO OUR STOCKHOLDERS:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of AeroCentury Corp. (the "Company"), which will be held at the Hiller Aviation Museum, 601 Skyway Road, San Carlos, California at 12:00 p.m. on May 3, 2017, for the following purposes:

1. To elect two directors to the Board of Directors;
2. To approve, in an advisory (non-binding) vote, the Company's executive compensation as disclosed in the accompanying Proxy Statement;
3. To consider and vote upon a proposal to ratify the selection of BDO USA, LLP as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2017; and
4. To act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

These matters are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on March 1, 2017, as the record date for determining those stockholders who will be entitled to vote at the 2017 Annual Meeting of Stockholders. The stock transfer books will not be closed between the record date and the date of the meeting.

A quorum comprising the holders of the majority of the issued and outstanding shares of Common Stock of the Company on the record date, excluding shares held by the Company as treasury stock, must be present or represented by proxy for the transaction of business at the Annual Meeting. Accordingly, it is important that your shares be represented at the 2017 Annual Meeting of Stockholders. **WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE.** Your proxy may be revoked at any time prior to the time it is voted.

If you plan to attend the meeting, please call the Company's Investor Relations Department at (650) 340-1888, so that your name can be placed on the guest list at the Hiller Aviation Museum entrance. Please read the proxy materials carefully. Your vote is important, and the Company appreciates your cooperation in considering and acting on the matters presented.

Sincerely yours,

/s/ Michael G. Magnusson
Michael G. Magnusson
President

March 23, 2017
Burlingame, California

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PROXY STATEMENT
FOR
2017 ANNUAL MEETING OF STOCKHOLDERS
OF
AEROCENTURY CORP.
TO BE HELD ON MAY 3, 2017

This Proxy Statement and the enclosed proxy card are furnished in connection with the solicitation by the Board of Directors (the "Board") of AEROCENTURY CORP. (the "Company") of proxies to be voted at the 2017 Annual Meeting of Stockholders (the "2017 Annual Meeting" or the "Annual Meeting"), which will be held at 12:00 p.m. on May 3, 2017, at the Hiller Aviation Museum, 601 Skyway Road, San Carlos, California, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of 2017 Annual Meeting of Stockholders. You do not need to attend the meeting to vote your shares. Instead, you may simply complete, date, sign and return the attached proxy card. This Proxy Statement and the proxy card were first mailed to stockholders on or about March 23, 2017.

The Company's 2016 Annual Report was mailed to stockholders concurrently with this Proxy Statement. The 2016 Annual Report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation of proxies is to be made.

VOTING RIGHTS AND SOLICITATION

Record Date and Required Quorum. The close of business on March 1, 2017, was the record date for stockholders entitled to notice of, and to vote at, the 2017 Annual Meeting. As of that date, the Company had 1,566,699 shares of Common Stock, \$0.001 par value (the "Common Stock") outstanding. The presence at the Annual Meeting of a majority of the issued and outstanding shares of Common Stock, or 783,350 shares, either present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. All of the shares of the Company's Common Stock outstanding on the record date are entitled to vote at the 2017 Annual Meeting, and stockholders of record entitled to vote at the Annual Meeting will have one vote for each share of Common Stock so held with regard to each matter to be voted upon. Your proxy may be revoked at any time prior to the time it is voted.

Voting if you are the Registered Holder of Shares. If your shares are registered directly in your name with the Company's transfer agent, Continental Stock Transfer & Trust Co., you are considered the "stockholder of record" with respect to these shares and the Company is sending these proxy materials directly to you. As the stockholder of record, you have the right to grant your voting proxy directly to the Company by completing the enclosed proxy card or to vote in person at the Annual Meeting. To grant your voting proxy, you should return the enclosed proxy card to the Company.

Voting if you hold shares in a Brokerage or other Nominee Account. If your shares are held by a broker or by a bank or other nominee (each, a "Record Holder") in a brokerage or other account, then you are considered the "beneficial owner" of shares held "in street name." Your Record Holder is considered the stockholder of record with respect to those shares, and has forwarded these proxy materials to you. As the beneficial owner of your shares, you have the right to direct your Record Holder on how to vote. To direct your Record Holder on how to vote your shares, you must follow the procedure explained in the accompanying materials provided by your Record Holder, which procedure generally consists of completing and returning to your Record Holder an instruction card that was sent to you by the Record Holder along with this Proxy Statement. Your Record Holder may also have provided information on how to give voting instructions to the Record Holder by telephone or online through the Internet. Notwithstanding that your Record Holder will be voting your shares on your behalf and as instructed by you, you may still attend the Annual Meeting. If you are going to attend the meeting and want to vote your shares directly there rather than have your Record Holder vote your shares, you must obtain a proxy card issued in your name from the Record Holder with respect to your shares.

Effect of Returning the Proxy Card to the Company. Shares of the Company's Common Stock represented by proxies in the accompanying form that are properly executed and returned to the Company will be voted at the 2017 Annual Meeting in accordance with the instructions of the stockholder of record contained therein. In the absence of contrary instructions, shares represented by such proxies will be voted FOR the election of the director candidates as described herein under "Proposal 1: Election of Directors"; FOR approval, in an advisory (non-binding) vote, of the Company's executive compensation as disclosed in this Proxy Statement as described herein under "Proposal 2: Advisory Vote on Executive Compensation"; and FOR ratification of the selection of BDO USA, LLP as independent registered public accounting firm as described herein under "Proposal 3: Ratification of Selection of Independent Registered Public Accounting Firm."

The Company does not know of any matters to be presented at the Annual Meeting other than those set forth in this Proxy Statement and in the Notice accompanying this Proxy Statement. If other matters should properly come before the Annual Meeting, the proxy holders will vote on such matters in accordance with their best judgment. Proxies will confer upon the proxy holders discretionary authority to vote upon matters that may properly be raised at the Annual Meeting, but are unknown to the Company as of the date hereof. In addition, the proxies confer upon the proxy holders the authority to adjourn or postpone the Annual Meeting in order to assure that all stockholders who wish to vote on the matters will be able to cast their votes and to act upon the matters incident to the conduct of the meeting.

Revocation of a Previously Submitted Proxy. Any stockholder of record has the right to revoke his or her proxy at any time before it is voted at the Annual Meeting by: (1) delivering to the Company (to the attention of Toni M. Perazzo, Secretary, 1440 Chapin Avenue, Suite 310, Burlingame, California 94010) a written notice of revocation; or (2) delivering a duly executed proxy or voting instructions bearing a later date than the proxy being revoked (to the attention of Toni M. Perazzo, Secretary, 1440 Chapin Avenue, Suite 310, Burlingame, California 94010) or (3) attending the Annual Meeting and voting in person.

Effect of Broker Non-Votes. A "broker non-vote" occurs when a Record Holder lacks discretionary voting power to vote on a "non-routine" proposal and the beneficial owner fails to give the Record Holder voting instructions on that matter. Broker non-votes are, in all cases, counted for purposes of determining a quorum for the Annual Meeting. Under the rules of the New York Stock Exchange, however, the effect of a broker non-vote depends upon whether the broker non-vote occurs with respect to "routine" or "non-routine" matters presented at the Annual Meeting, as discussed below.

Non-Routine Matters Presented at the 2017 Stockholders' Meeting. The election of directors (Proposal 1) and the advisory vote on executive compensation (Proposal 2) are considered "non-routine" matters. If you are a beneficial owner, failure to provide instructions to your Record Holder in the manner directed by your Record Holder will result in your shares not being voted by the Record Holder in connection with these proposals. Your Record Holder has enclosed or otherwise provided to you a voting instruction card for you to use in directing the Record Holder how to vote your shares. Your Record Holder may also have provided information regarding how to give voting instructions through the Internet or by telephone.

Routine Matters Presented at the 2017 Stockholders' Meeting. The ratification of the selection of BDO USA, LLP as the Company's independent registered public accounting firm for fiscal year 2017 is currently considered a "routine" matter, and your Record Holder has the discretionary voting power to vote your shares on this matter even if you fail to return the voting instruction card to your Record Holder.

Stockholder Vote Required to Approve Proposal 1. The election of directors by stockholders shall be determined by a plurality of the votes cast by the stockholders of record entitled to vote at the election, present in person or represented by proxy. The two candidates receiving the greatest number of affirmative votes of the shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting will be elected, provided a quorum is present. Abstentions and broker non-votes will not be counted toward a candidate's total. Because Record Holders who hold shares for a beneficial owner "in street name" do not have discretionary voting authority over such shares in an election of directors, shares held "in street name" will not be voted in this election for a director unless the beneficial owner specifically instructs the Record Holder on how to vote.

Stockholder Vote Required to Approve Proposal 2. The proposal on approval of executive compensation will be approved in a non-binding advisory vote if the votes cast in favor exceed the votes cast against approval. Abstentions and broker non-votes will not be counted as either a vote "For" or "Against" Proposal 2. Because Record Holders who hold shares "in street name" do not have discretionary voting authority over such shares in such non-routine matters, shares held "in street name" will not be voted on this advisory vote on executive compensation unless the beneficial owner specifically instructs the Record Holder on how to vote.

Stockholder Vote Required to Approve Proposal 3. Ratification of the Company's selection of independent registered public accounting firm will require the affirmative vote of a majority of the shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting, provided a quorum is present. As a result, abstentions and broker non-votes will have the same effect as votes against the proposal. As stated above, a Record Holder that holds shares "in street name" has discretionary voting power to vote on this matter in the absence of instruction from the beneficial owner.

Proxy Solicitation. The entire cost of soliciting proxies will be borne by the Company. Proxies will be solicited principally through the use of the mails, but, if deemed desirable, may be solicited personally or by telephone, facsimile or special letter by officers and Company employees for no additional compensation. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to the beneficial owners of the Company's Common Stock, and such persons may be reimbursed for their expenses.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some Record Holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of the proxy statement and annual report may have been sent to multiple stockholders sharing the same household. The Company will promptly deliver a separate copy of either document to any stockholder requesting such copies who contacts the Company's Investor Relations Department at (650) 340-1888 or by mail to 1440 Chapin Avenue, Suite 310, Burlingame, California 94010. If a stockholder is receiving multiple copies of the proxy statement and annual report at the stockholder's household and would like to receive only a single copy of the proxy statement and annual report for a stockholder's household in the future, the stockholder should contact the stockholder's Record Holder, or the Company's Investor Relations Department to request mailing of a single copy of the proxy statement and annual report.

PROPOSAL 1: ELECTION OF DIRECTORS

Two of the Company's four directors will be elected at the 2017 Annual Meeting. The Board of Directors has nominated the nominees set forth below. The proxy holders intend to vote all proxies received by them in the accompanying form FOR the nominees for director listed below, unless instructions to the contrary are marked on the proxy. In the event that a nominee is unable or declines to serve as a director at the time of the 2017 Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as director, the proxy holders intend to vote all proxies received by them for the nominee listed below. As of the date of this Proxy Statement, the Board of Directors is not aware that the nominee is unable or will decline to serve as a director. The term of office of a person elected as a director at the Annual Meeting will continue until the 2020 Annual Meeting of Stockholders or until the director's resignation or removal, or a successor has been elected.

Nominees to Board of Directors

Mr. Roy E. Hahn, age 64. Mr. Hahn is Chair of the Audit Committee of the Board of Directors and has served on the Board since 2007. Mr. Hahn is currently Managing Director of Marbridge Group, LLC, an alternative investment management firm he founded in 2004. Prior to his founding of Marbridge Group, LLC, he was Managing Director of Cheney Associates, an investment management firm. Mr. Hahn was a Director at Coopers & Lybrand from 1987 to 1988, and a tax partner with that firm from 1989 to 2003. Prior to Coopers & Lybrand, he was a partner at Arthur Young & Co. His educational background includes a Bachelor's Degree in Accounting from San Francisco State University. Mr. Hahn is a certified public accountant and a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

The Board of Directors has concluded that Mr. Hahn should serve as a director of the Company because of his knowledge of the Company's business and history, his status as an "audit committee financial expert," and his overall expertise in accounting and finance principles and international finance transactions.

Ms. Toni M. Perazzo, age 70. Ms. Perazzo is a member of the Executive Committee of the Board of Directors and has served on the Board since the Company's inception in 1997. She is the Company's Chief Financial Officer, Treasurer, Senior Vice President-Finance, and Secretary of the Company. She is also President and Chief Financial Officer of JMC (the management company for the Company), where she has been an officer in various capacities since 1997. Her prior positions include Assistant Vice President for a savings and loan, controller of an oil and gas syndicator and a senior auditor with Arthur Young & Co., Certified Public Accountants. She received her Bachelor's Degree from the University of California at Berkeley, and her Master's Degree in Business Administration from the University of Southern California. Ms. Perazzo is a certified public accountant and member of the California Society of Certified

Public Accountants and the American Institute of Certified Public Accountants.

The Board of Directors has concluded that Ms. Perazzo should serve as a director of the Company because of her knowledge of the Company's business and history, capitalization structure and finances, and her accounting and audit experience, as well as her many years of experience with JMC.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED ABOVE.

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PROPOSAL 2:
ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Company is requesting your advisory approval of the compensation of the Company's named executive officers as disclosed in the compensation table and the narrative discussion set forth in this Proxy Statement. This non-binding advisory vote is commonly referred to as a "say on pay" vote and is required to be conducted pursuant to Section 14A of the Securities Exchange Act of 1934, as amended. Because the Company receives management services from JetFleet Management Corp. ("JMC"), the Company has no employees and does not pay any compensation to its named executive officers. Instead, the named executive officers of the Company are compensated in their capacities as employees of JMC. You are encouraged to carefully review the information concerning compensation paid by JMC to the Company's named executive officers beneath the caption "Executive Compensation" in the section of this Proxy Statement entitled "Information Regarding the Company's Directors and Officers."

The Company asks you to indicate your support for the compensation of the Company's named executive officers as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the named executive officers and the practices described in this Proxy Statement. Accordingly, the Company requests that you vote, on an advisory basis, "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, is hereby approved."

While the results of this advisory vote are not binding, the Board of Directors will consider the outcome of the vote in deciding whether to take any action as a result of the vote and when making future compensation decisions for named executive officers.

The Company currently anticipates that it will conduct a "say on pay" advisory vote every year and anticipates that the next "say on pay" vote will occur at the 2018 annual meeting. The Company also currently intends to ask stockholders every six years whether the "say on pay" vote should occur every one, two or three years. The Company currently anticipates that the next advisory vote as to frequency of "say on pay" advisory votes will occur at the 2019 annual meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

**PROPOSAL 3:
RATIFICATION OF SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of BDO USA, LLP served as independent registered public accounting firm for the Company for the fiscal year ended December 31, 2016. The Board of Directors desires that the firm continue in this capacity for the 2017 fiscal year. Accordingly, a proposal will be presented at the Annual Meeting to ratify the selection by the Board of Directors of BDO USA, LLP as the independent registered public accounting firm to audit the accounts and records of the Company for the fiscal year ending December 31, 2017, and to perform other appropriate services. In the event that stockholders fail to ratify the selection of BDO USA, LLP, the Board of Directors will reconsider such selection.

A representative of BDO USA, LLP will be present at the Annual Meeting, will have the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE SELECTION OF BDO USA, LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

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INFORMATION REGARDING AUDITORS

Audit Fees. The aggregate fees accrued by the Company as payable to BDO USA, LLP (the "Auditor") for professional services rendered for the audit of the Company's financial statements for the fiscal year ended December 31, 2016, and for the review of the financial statements included in the Company's Forms 10-Q during the 2016 fiscal year was approximately \$295,500. During the fiscal year ended December 31, 2016, the Company did not accrue any fees payable to the Auditor for audit-related services or Sarbanes-Oxley internal controls compliance review.

The aggregate fees accrued by the Company as payable to Auditor for professional services rendered for the audit of the Company's financial statements for the fiscal year ended December 31, 2015, and for the review of the financial statements included in the Company's Forms 10-Q during the 2015 fiscal year was \$298,000. During the fiscal year ended December 31, 2015, the Company did not accrue any fees payable to the Auditor for audit-related services or Sarbanes-Oxley internal controls compliance review.

Audit-Related Fees. The Company made no payments to the Auditor for audit-related services in the fiscal years ended December 31, 2015 and 2016.

Tax Fees. The Company made no payments to the Auditor for tax-related services, including tax planning and preparation of returns, in the fiscal years ended December 31, 2015 and 2016.

All Other Fees. No other fees were paid to the Auditor in the fiscal years ended December 31, 2015 and 2016.

Audit Committee Approval. The retainer agreements between the Company and the Auditor containing the terms and conditions and estimated fees to be paid to the Auditor for audit and tax return preparation services were pre-approved by the Audit Committee at the beginning of their respective engagements. The Audit Committee's policy is to pre-approve all audit and non-audit services provided by the Auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to its Chair when expedition of services is necessary. The Auditor and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the Auditor in accordance with this pre-approval, and the fees for the services performed to date. None of the services rendered by the Auditor were rendered pursuant to the de minimis exception established by the Securities and Exchange Commission.

AUDIT COMMITTEE REPORT

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any such filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Audit Committee of the Board of Directors of the Company serves as the representative of the Board of Directors for general oversight of the Company's financial accounting and reporting process, internal controls, audit process and process for monitoring compliance with laws and regulations. The Audit Committee is responsible for the appointment, compensation and oversight of the work of the Auditor. The members of the Audit Committee are independent (as defined in Section 803A of the NYSE MKT Company Guide). The Company's management has primary responsibility for preparing the Company's financial statements and the Company's financial reporting process. The Company's Auditor, BDO USA, LLP, is responsible for expressing an opinion on the fairness and conformity of the Company's audited financial statements to accounting principles generally accepted in the United States of America. In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee reviewed and discussed the audited financial statements with the Company's management.
2. The Audit Committee discussed with the Auditor the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") auditing standards 1301 - Communications with Audit Committees ("AS 1301").
3. The Audit Committee reviewed and discussed with BDO USA, LLP its judgments as to the quality and acceptability of the Company's accounting principles and such other matters as are required to be discussed pursuant to AS 1301.
4. The Audit Committee reviewed and discussed with the Auditor its independence from the Company and its management. As part of that review, the Auditor provided the Audit Committee the written disclosures and letter required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence.
5. Based on the review and discussion referred to in paragraphs (1) through (4) above, the Audit Committee recommended to the Board of Directors of the Company, and the Board of Directors has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, for filing with the Securities and Exchange Commission.

The Audit Committee held seven meetings during the fiscal year ended December 31, 2016.

Submitted by the Audit Committee of the Board of Directors:

Roy E. Hahn, Chair

Evan M. Wallach

David P. Wilson

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INFORMATION REGARDING THE COMPANY'S
DIRECTORS AND OFFICERS

Current Board of Directors

When considering whether directors and nominees have the experience, qualifications, attributes, skills, diversity of experience and background, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Board of Directors focused primarily on the information discussed in each of the directors' individual biographies set forth below.

Mr. Hahn and Ms. Perazzo each have a term expiring at the Company's 2017 Annual Meeting. Each has been nominated for re-election to the Board of Directors. For biographical information on Mr. Hahn and Ms. Perazzo, see "PROPOSAL 1: ELECTION OF DIRECTORS - Nominees to Board of Directors," above.

The following director has a term expiring at the Company's 2018 Annual Meeting of Stockholders.

Mr. David P. Wilson, age 62. Mr. Wilson has been a member of the Company's Board of Directors and the Audit Committee since February 2015. Mr. Wilson retired in 2014 from General Electric Capital Aviation Services ("GECAS"), where he was most recently a Senior Vice President, concentrating on asset sales and aircraft securitizations to a worldwide investor base. Prior to his 21-year tenure at GECAS, Mr. Wilson held positions as a product specialist and in aircraft finance marketing at Citicorp's Equipment Finance and Leasing Division. Prior to joining Citicorp in 1985, Mr. Wilson held various financial positions at De Lange Landen (formerly Master Lease Corp.) and Air Products. Mr. Wilson started his career with Ernst & Ernst in 1977. Mr. Wilson received a Bachelor's Degree in Accounting and Finance from Boston College in 1977 and a MS/MBA in Finance from Drexel University in Philadelphia in 1983.

The Board of Directors has concluded that Mr. Wilson should serve as a director of the Company because of his knowledge of the aircraft leasing and finance industry.

The following director has a term expiring at the Company's 2019 Annual Meeting of Stockholders:

Mr. Evan M. Wallach, age 62. Mr. Wallach is President and Chief Executive Officer of Global Airfinance Services, Inc., an aviation consulting business he founded in 1998 and returned to in June 2012. Mr. Wallach is the Chair of the Board of Directors of the Company, and a member of the Audit Committee and Executive Committee. He has served on the Board since 1997 and was appointed Chair in 2016. From December 2009 until June 2012, Mr. Wallach was Managing Director, Aviation/Transportation Markets at Jefferies & Company, Inc. From 2005 to 2009, Mr. Wallach was a Managing Director, Airline/Aircraft Securities Sales at Guggenheim Capital Markets, LLC, a securities broker/dealer. From 2001 to 2005, he served as Managing Director, Fixed Income Institutional Sales, at Piper Jaffray LLC, and from 1998 to 2001 he served as Vice President, Finance of C-S Aviation Inc., an aviation consulting firm. Mr. Wallach has specialized in aircraft and airline financing for over thirty years, having held senior level positions with The CIT Group, Bankers Trust Company, Kendall Capital Partners, Drexel Burnham Lambert, and American Express Aircraft Leasing. Mr. Wallach received a Bachelor's Degree in Political Science from State University of New York at Stony Brook and a Master's Degree in Business Administration from the University of Michigan.

The Board of Directors has concluded that Mr. Wallach should serve as a director of the Company because of his knowledge of the Company's business and history and his expertise in aircraft finance.

Board Meetings and Committees

The Board of Directors of the Company held seven full board meetings during the fiscal year ended December 31, 2016. During the last year, no incumbent director attended fewer than 75% of the meetings of the Board of Directors and its committees on which he or she served that were held during the period in which he or she was a director.

The Company has an Audit Committee and an Executive Committee of the Board of Directors. The Audit Committee operates under a charter approved by the Board of Directors, which is filed as an exhibit to this Proxy Statement and is also available on the Company's website at <http://www.aerocentury.com/audit.php>. The Audit Committee meets with the Company's financial management and its independent registered public accounting firm to review internal financial information, audit plans and results, and financial reporting procedures. This committee currently consists of Roy E. Hahn, Chair, Evan M. Wallach and David P. Wilson. The Board has determined that Messrs. Hahn, Wallach and Wilson are independent within the meaning of "independence" as set forth in the NYSE MKT Company Guide.

The Board of Directors has determined that at least one members of the Audit Committee, Mr. Hahn, is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K of the Securities Exchange Act of 1934, as amended. Mr. Hahn is also an "independent director" within the meaning of Section 803A of the NYSE MKT Company Guide. Mr. Hahn is a founder of Marbridge Group, LLC, an alternative investment management firm, and prior to that was a tax partner in the accounting firms of Coopers & Lybrand and Arthur Young & Co. In the course of his career, Mr. Hahn acquired (i) an understanding of generally accepted accounting principles and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, (iv) an understanding of internal control over financial reporting, and (v) an understanding of audit committee functions.

The Audit Committee held seven meetings during the fiscal year ended December 31, 2016.

The Executive Committee has the authority to acquire, dispose of and finance investments for the Company and execute contracts and agreements, including those related to the borrowing of money by the Company, and generally exercises all other powers of the Board of Directors except for those which require action by all of the directors or the independent directors under the Certificate of Incorporation or the Bylaws of the Company, or under applicable law. The Executive Committee currently consists of only two directors, Toni M. Perazzo and Evan M. Wallach.

The Company does not have a formal Nominating Committee. The independent directors separately consider and make recommendations to the full Board of Directors regarding any candidate being considered to serve on the Board of Directors. The full Board of Directors reviews potential candidates for the Board of Directors. While the Board of Directors does not have a specific policy for considering nominees recommended by stockholders, this does not mean that a recommendation would not be considered if received from a stockholder. The Board has not yet considered a procedure for considering nominees recommended by stockholders in addition to the procedures already set forth in the Bylaws of the Company. It believes that the current informal consideration process has been adequate in light of the historical absence of stockholder proposals. In any event, there would be no difference between the manner in which the Board of Directors would evaluate a nominee for director whether recommended by a stockholder or recommended by a member of the Board of Directors or one of the Company's executive officers. In 2017, the Company engaged a professional search firm to identify and evaluate potential nominees to the Board of Directors. Additionally, other than attempting to constitute the Board of Directors with directors who have skills and experience that are relevant and helpful to the Company's industry and operations and who have the desire and capacity to actively serve, the Board of Directors does not have a policy of considering diversity in identifying director nominees. In reviewing a potential candidate for the Board, the Board of Directors considers the individual's experience in the Company's industry, the general business or other experience of the candidate, the needs of the Company for an additional or replacement director, the personality of the candidate, and the candidate's interest in the business of the

Company, as well as numerous other subjective criteria. Of greatest importance is the individual's integrity, willingness to actively participate and ability to bring to the Company his or her experience and knowledge in areas that are most beneficial to the Company. The Board intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria.

Since the Company receives management services from JMC, the Company has no employees and does not pay any compensation to its officers. As a result, the Company has no compensation committee.

Board Leadership Structure

The Board believes its current leadership structure best serves the objectives of the Board's oversight of management, the Board's ability to carry out its roles and responsibilities on behalf of the stockholders, and the Company's overall governance. The Board believes that Evan M. Wallach is best situated to serve as Chair of the Board because he is familiar with the Company's business and industry, and most capable of effectively identifying strategic priorities for the Company, leading the Board in discussions regarding the Company's business and industry, and focusing the Board on execution of strategy. As an independent director, Mr. Wallach brings a different perspective on the strategy development for the Company from the Company's management, and can draw upon not only his deep knowledge of the Company but also experience, oversight and expertise from outside the Company and its industry. The Board believes that appointing a non-executive Chair provides a check and balance on the power of management and therefore enhances the Board's oversight of Company strategy and policy making.

Board of Directors' Role in Risk Oversight

The Company is exposed to a number of operational and financial risks. The Board plays an active role in overseeing management of such risks. The Company's President (who is not a member of the Board) is directly responsible for a number of operational risks, such as the risks inherent in acquiring and owning used aircraft or engines, the risks associated with leasing such aircraft or engines to air carriers, and the risks inherent in disposing of such aircraft or engines. The Board regularly receives reports from the President on these risks and works closely with the Company's management on strategies to manage these risks and to develop contingency plans. The Company's Chief Financial Officer (who is a member of the Board of Directors) is directly responsible for a number of financial risks, such as the risks associated with the Company's credit and liquidity. The Board regularly receives reports from the Chief Financial Officer on these risks and works closely with the Company's management on strategies to manage these risks and to develop contingency plans. The Board also meets and confers regularly with the Company's management to identify other risks faced by the Company, and the President, Senior Vice President – Finance and General Counsel of the Company attend all board meetings as non-voting guests of the Board. The Company believes that this and other interaction with senior management of the Company provides the Board with visibility into and access to the details underlying the risks the Company faces, and thereby enhances the quality of the Board's risk oversight. Also, the Audit Committee oversees management of certain specific financial risks, such as variable interest rate risk.

Communication between Stockholders and Directors

The Company's Board of Directors currently does not have a formal process for stockholders to send communications to the Board of Directors and does not believe such procedures are necessary at this time because it believes that informal communications are sufficient to communicate questions, comments and observations that could be useful to the Board.

Director Attendance at Annual Meeting

It is the policy of the Company and Board of Directors that directors attend the Annual Meeting and be available for questions from the stockholders. All directors, including the director nominated for election, attended the 2016 Annual Meeting. It is anticipated that the directors nominated for election at the 2017 Annual Meeting will also attend that meeting.

Board Independence

If the nominees to the Board of Directors are elected, a majority of the Board of Directors of the Company, consisting of Messrs. Hahn, Wallach and Wilson, will be "independent directors," as defined in accordance with Section 803A of the NYSE MKT Company Guide.

Involvement in Legal Proceedings

No director or associate of a director is involved in a material proceeding as a party adverse to the Company or with a material interest adverse to the Company.

Family Relationships

There are no family relationships among the Company's directors or executive officers.

Director Compensation

Non-employee board members receive an annual fee of \$25,000, paid in quarterly installments and are also reimbursed for all reasonable out-of-pocket costs incurred in connection with their attendance at such meetings of the Board of Directors. Non-employee members also receive \$1,000 annually for each committee membership, the audit committee Chair receives an additional \$3,000, and the Chair of the Board receives an additional \$14,000. An officer of the Company who serves as a Board member does not receive any compensation for Board or committee membership. No member of the Company's Board of Directors receives equity compensation in relation to his/her service as a member of the Company's Board of Directors.

The table below provides the compensation of the Company's current directors for the fiscal year ended December 31, 2016:

FISCAL YEAR 2016 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in	
	Cash (\$) ⁽¹⁾	Total (\$)
Roy E. Hahn	26,750	26,750
David P. Wilson	26,000	26,000
Evan M. Wallach	36,500	36,500

Toni M. Perazzo was an officer of the Company and JMC during 2016 and therefore did not receive compensation for her service as a member of the Company's Board of Directors or committee thereof, in accordance with the Company's director compensation policy. Each of Messrs. Hahn, Wallach and Wilson earned \$25,000 as a (1) non-employee member of the Board Messrs. Hahn, Wallach and Wilson each earned an additional \$1,000 for their respective memberships on the Audit Committee during the year, and Mr. Hahn earned an additional \$750 for a partial year of chairmanship of the Audit Committee. Mr. Wallach earned an additional \$10,500 for a partial year as Chair of the Board.

Officers and Key Employees

For the biography of Toni M. Perazzo, Chief Financial Officer, Treasurer, Secretary and Senior Vice President - Finance, see "Proposal 1 -- Directors." Listed below are the other officers of the Company who are also key officers and employees of JMC, and are responsible for the management of various aspects of the Company's business:

Mr. Michael G. Magnusson, President, age 59. Mr. Magnusson is the Company's President, and is Managing Director of JMC, the management company for AeroCentury Corp., since September of 2016. Prior to joining the Company and JMC in 2016, he was with Saab Aircraft, which he joined in 1982 and where he held positions of increasing responsibility culminating in his appointment as Chief Executive Officer of the Saab Aircraft Leasing in 2001. Mr. Magnusson received a Master's Degree in Aeronautical Engineering in 1982 from KTH Royal Institute of Technology in Stockholm, Sweden.

Mr. Brian J. Ginna, Vice President, Corporate Development, age 48. Mr. Ginna is responsible for all corporate communications, investor relations and public relations of the Company and JMC. Since 1991, Mr. Ginna has been employed with JMC and JMC-affiliated companies in positions of increasing responsibility. Mr. Ginna received a Bachelor's Degree in Finance from Babson College.

Mr. Harold M. Lyons, Vice President, Finance, age 58. Mr. Lyons has been responsible for overseeing tax accounting and tax analysis as well as Sarbanes-Oxley internal controls compliance review for the Company since 2003. Mr. Lyons has been employed by JMC and JMC affiliated companies since 1992. Mr. Lyons was previously a Manager in the Tax Department of Coopers & Lybrand, Certified Public Accountants and, before that, Mr. Lyons was a Manager in the Tax Department of Arthur Young & Co., Certified Public Accountants. He received a Bachelor's Degree in Business Administration (specializing in Accounting and Applied Economics) and a Master's Degree in Business Administration (specializing in finance and management science) from the University of California, Berkeley. Mr. Lyons is a certified public accountant, and is a member of the American Institute of Certified Public Accountants (and a member of the Tax Section) and of the California Society of Public Accountants.

Mr. Frank Pegueros, Senior Vice President, Operations, age 57. Mr. Pegueros is responsible for negotiation of aircraft acquisitions and aircraft remarketing and sales, as well as drafting of contractual documents. Mr. Pegueros joined JMC and the Company in 2007 and was previously in a variety of positions with United Airlines over a twenty year period. Initially as power plant engineer and finally as a senior aircraft sales executive, he was a member of the United's aircraft team responsible for aircraft acquisitions and sales as well as lender negotiations. He is a graduate of Cal Poly State University with BS in Aeronautical Engineering.

Mr. Glenn Roberts, Vice President, Controller, age 52. Mr. Roberts is responsible for financial accounting and analysis as its controller since 1997. He has been employed by the Company and JMC and related companies since 1989 in various capacities of increasing responsibility.

Mr. Christopher B. Tigno, General Counsel, age 55. Mr. Tigno is responsible for all legal matters of the Company and JMC and all of its related companies, including supervision of outside counsel, documentation of aircraft asset acquisition transactions and corporate and securities matters. Prior to joining the Company, he was Senior Counsel with the law firm of Wilson, Ryan & Campilongo from 1992 to 1996, and before that was associated with the law firm of Fenwick & West from 1988 to 1992 and the law firm of Morrison & Foerster from 1986 to 1988. Mr. Tigno received his Juris Doctor Degree from the University of California at Berkeley, Boalt Hall School of Law, and was admitted to the California Bar in 1986. He also holds a Bachelor's Degree in Chemical Engineering from Stanford University.

Executive Compensation

Because the Company receives management services from JMC, the Company has no employees and does not pay any compensation to its executive officers. Instead, the executive officers of the Company are compensated in their capacities as employees of JMC. JMC is an at-will employer, and none of its employees, other than Managing Director, Michael G. Magnusson, has an employment agreement with JMC. The compensation paid by JMC to the Company's executive officers consists solely of base salary plus bonus payments. Ms. Toni M. Perazzo, in her capacity as President of JMC, has sole discretion in determining annual salary and bonus payments for the JMC officers (other than Mr. Magnusson) and employees, including Ms. Perazzo's own salary and bonus.

The following table sets forth certain information for the fiscal years ending December 31, 2015 and December 31, 2016, concerning compensation paid by JMC to the Company's executive officers who were serving as such at December 31, 2016:

SUMMARY COMPENSATION TABLE

Name and Position	Year	Salary (\$)	Bonus (\$)	All Other Compensation (\$)	Total (\$)
Michael G. Magnusson, President of the Company; Managing Director of JMC (1)	2015	N/A	N/A	N/A	N/A
	2016	116,666	-	-	116,666
Toni M. Perazzo, CFO, Treasurer, Senior VP - Finance & Secretary of the Company; President & CFO of JMC; (2)	2015	310,000	130,000	0	
	2016	300,000	140,000	0	