

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

AEROCENTURY CORP

CIK: **1036848** | IRS No.: **943263974** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Date of Report (Date of earliest event reported): November 9, 2005

AEROCENTURY CORP.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

94-3263974
(I.R.S. Employer
Identification No.)

1440 Chapin Avenue, Suite 310
Burlingame, CA 94010
(Address of principal executive offices) (Zip Code)

650-340-1888
(Registrant's telephone number including area code)

Not applicable
(Former name and former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement
Item 2.03 Creation of a Direct Financial Obligation

The Company entered into an Eleventh Amendment to Credit Agreement ("Amendment"), dated effective as of November 9, 2005, with National City Bank, as agent, and National City Bank, California Bank & Trust, and First Bank dba First Bank & Trust, as lenders. The Amendment extends the expiration of the Company's \$50 million credit facility with the lenders until October 31, 2007 and amends certain pricing terms and financial covenants.

Item 9.01 Exhibit and Financial Statements

The Exhibit is being furnished with this Form 8-K

Exhibit 10.1 Form of Eleventh Amendment to Amended and Restated
Credit Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: November 9, 2005

AEROCENTURY CORP.

By: /s/ Toni M. Perazzo

Toni M. Perazzo
Sr. Vice President & Chief Financial Officer

ELEVENTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

ELEVENTH AMENDMENT, dated as of November 9, 2005 (this "Amendment"), to Credit Agreement dated June 30, 2000 (as amended, the "Agreement") by and between AeroCentury Corp., a Delaware corporation ("AeroCentury"), the banking institutions signatories hereto and such other institutions that hereafter become a "Bank" pursuant to Section 10.4 of the Agreement (collectively the "Banks" and individually a "Bank") and National City Bank, a national banking association, as Agent for the Banks under the Agreement ("National City" which shall mean in its capacity as Agent unless specifically stated otherwise). All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to them in the Agreement.

Preliminary Statement

WHEREAS, National City and AeroCentury, together with the other Banks, desire to amend the Agreement in the manner hereinafter set forth, including, among other things, extending the Maturity Date to October 31, 2007;

WHEREAS, Section 10.2 of the Credit Agreement requires that the written consent of National City and the Banks be obtained for certain amendments, modifications or waivers contemplated herein.

NOW THEREFORE, in consideration of the premises and promises hereinafter set forth and intending to be legally bound hereby, the parties hereto agree as follows:

1. Amendments to Agreement.

(a) Section 1.1. The following definitions as set forth in their respective alphabetical order in Section 1.1 of the Agreement are hereby amended and restated in their entirety:

"Net Worth" shall mean the sum of capital stock, plus paid-in-capital, plus retained earnings, plus the portion of unsecured subordinated debt which is due and payable after the Revolver Termination Date, minus the net worth of any Unrestricted Subsidiaries.

"Recourse Funded Debt" shall mean (i) all indebtedness, liabilities, and obligations, now existing or hereafter arising, for money borrowed by AeroCentury on a recourse basis whether or not evidenced by any note, indenture, or agreement (including, without limitation, the Note, any indebtedness for money borrowed from an Affiliate and all outstanding letters of credit) and (ii) all indebtedness of others for money borrowed (including indebtedness of an Affiliate) with respect to which AeroCentury has become liable on a recourse basis by way of a guarantee or indemnity. For the avoidance of doubt, Recourse Funded Debt shall not include unsecured Subordinated Debt.

(b) Section 2.1. The Revolver Termination Date of "November 9, 2005" as set forth on the fourth line of Section 2.1(a) of the Agreement shall be and hereby is amended to "October 31, 2007."

(c) Article 7 - Financial Covenants. The following sections as set forth in Article 7 of the Agreement are hereby amended and restated in their entirety as follows:

Section 7.1. Minimum Tangible Net Worth. Tangible Net Worth will not at any time be less than the sum of (i) \$16,000,000, (ii) 50% of Net Income for each Fiscal Quarter ending after September 30, 2005, without deduction for net losses, (iii) 50% of the net proceeds from any sale of equity securities after the date of this Agreement, (iv) 50% of the fair value of any equity securities issued after the date

of this Agreement in connection with any acquisition permitted hereunder or by waiver hereto and (v) 100% of any subordinated debt investment.

Section 7.2. EBITDA to Interest Ratio. The ratio of EBITDA to Interest as at the end of any Fiscal Quarter and for the period of such Fiscal Quarter will not be less than 2.25:1.0; provided, however, that if AeroCentury raises unsecured Subordinated Debt of at least \$10,000,000 during any Fiscal Quarter, the ratio of EBITDA to Interest as at the end of such Fiscal Quarter and as at the end of any Fiscal Quarter thereafter, and for the period of such Fiscal Quarters so long as unsecured Subordinated Debt in the principal amount of at least \$10,000,000 remains outstanding, will not be less than 1.80:1.0.

Section 7.3. Recourse Funded Debt to Tangible Net Worth. The ratio of Recourse Funded Debt to Tangible Net Worth will not at each Fiscal Quarter end exceed 3.25:1.0.

Section 7.4. Absence of Net Loss. AeroCentury will not suffer a consolidated net loss at the end of any Fiscal Quarter, beginning with the Fiscal Quarter ended December 31, 2005, as measured on a consecutive, four-quarter basis.

(d) Amended and Restated Schedule 2 to the Agreement. Effective as of the date hereof, Schedule 2 to the Agreement shall be and is hereby amended and restated in its entirety as attached hereto as Attachment A.

(e) Amended and Restated Covenant Compliance Certificate. Effective as of the date hereof, the Covenant Compliance Certificate attached as Exhibit D to the Agreement shall be and is hereby amended and restated in its entirety as attached hereto as Attachment B.

2. Representations and Warranties. Except as otherwise disclosed herein, AeroCentury hereby restates the representations and warranties made in the Agreement, including, but not limited to, Article 3 thereof, on and as of the date hereof as if originally given on this date.
3. Covenants. AeroCentury hereby represents and warrants that it is in compliance and has complied with each and every covenant set forth in the Agreement, as amended by this Amendment, including, but not limited to, Articles 5 and 6 thereof, on and as of the date hereof.
4. No Default or Event of Default. No Potential Default or Event of Default under the Agreement has occurred and is continuing.
5. Effectiveness Conditions. This Amendment shall be effective upon completion of the following conditions precedent (all documents to be in form and substance satisfactory to National City and the Banks, and dated the date hereof):
 - a. execution and delivery of this Amendment; and
 - b. delivery of an Officer's Certificate;
 - c. execution and delivery of such other documents, instruments and agreements as National City and the Banks shall reasonably request in connection with the foregoing matters.
6. Affirmation. AeroCentury hereby affirms its absolute and unconditional promise to pay to the Banks the Loans and all other amounts due under the Agreement and any other Loan Document on the maturity dates(s) provided in the Agreement or any other Loan Document, as such documents may be amended hereby.
7. Effect of Amendment. This Amendment amends the Agreement only to the extent and in the manner herein set forth, and in all other respects the Agreement is ratified and confirmed.
8. Counterparts. This Amendment may be signed in any number of counterparts,

each of which shall be an original, with the same effect as if the signatures hereto were upon the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have each caused this Amendment to be duly executed by their duly authorized representatives as of the date first above written.

AEROCENTURY CORP.

By _____
Name:
Title:

NATIONAL CITY BANK

By _____
Name: Michael J. Labrum
Title: Senior Vice President

CALIFORNIA BANK & TRUST

By _____
Name:
Title:

FIRST BANK DBA
FIRST BANK & TRUST

By _____
Name:
Title:

ATTACHMENT A

SCHEDULE 2

APPLICABLE MARGINS, COMMITMENT FEE

Advances under the Revolving Credit shall carry an interest rate based on the Borrower's ratio of Total Funded Recourse Indebtedness to Tangible Net Worth ("Total Funded Recourse Debt to TNW"), as outlined below:

<s> Ratio of Funded Debt to Tangible Net Worth	<c> Alternate Base Rate Margin	<c> LIBO Rate Margin	<c> Commitment Fee
> 3.00	150 bp	325 bp	50 bp
>= 2.00 but <= 3.00	100 bp	300 bp	50 bp
< 2.00	50 bp	275 bp	40 bp

The Commitment Fee is computed based upon the applicable Commitment Fee rate on the average daily unused portion of the Revolving Credit Loan that is due and payable quarterly in arrears.

ATTACHMENT B

EXHIBIT D

COVENANT COMPLIANCE CERTIFICATE

The undersigned, the [chief executive or chief financial] Officer of AeroCentury Corp. ("AeroCentury"), does hereby certify to National City Bank, Agent (the "Bank"), as required by that certain Credit Agreement, dated June 28, 2000, by and between AeroCentury and the Bank, as amended (the "Agreement") (terms not otherwise defined herein shall have the meanings given to such terms in the Agreement), that as such officer he is authorized to execute this Compliance Certificate (this "Certificate") on behalf of AeroCentury and does further certify that:

AeroCentury has complied and is in compliance with all covenants, agreements and conditions in the Agreement and each of the other Loan Documents on the date hereof.

Each representation and warranty contained in the Agreement and each of the other Loan Documents is true and correct on the date hereof.

No Potential Default or Event of Default has occurred and is continuing as of the date of this Compliance Certificate.

There has been no Material Adverse Change since [insert the date of the most recent financial statements delivered to the Bank pursuant to the terms of section 5.1 of the Credit Agreement], except as disclosed on the attached schedules.

The covenant compliance calculations set forth in Attachment 1 hereto are true and correct on the dates specified.

IN WITNESS WHEREOF, the undersigned has executed this Certificate in his capacity as an officer of AeroCentury on this ____ day of _____, _____.

AEROCENTURY CORP.

By:
Name:
Title:

Attachment 1 to the
Covenant Compliance Certificate
AEROCENTURY CORP.
COVENANT COMPLIANCE CALCULATIONS

For the period ending _____

Section 7.1 MINIMUM TANGIBLE NET WORTH

REQUIREMENT: - Minimum Tangible Net Worth will not at any time be less than the sum of (i) \$16,000,000, (ii) 50% of Net Income for each Fiscal Quarter ending after September 30, 2005, without deduction for net losses, (iii) 50% of the net proceeds from any sale of equity securities after the date of this Agreement, (iv) 50% of the fair value of any equity securities issued after the date of this Agreement in connection with any acquisition permitted hereunder or by waiver hereto and (v) 100% of any subordinated debt investment.

<table>	<s>	<c>
	Tangible Net Worth on [date]	
	Capital Stock	\$
	Paid-In Capital	+
	Retained Earnings	+
	Unsecured Subordinated Debt due after the Revolver Termination Date	+
	Subtotal	
	less: Net Worth of Unrestricted Subsidiaries	\$
	Tangible Net Worth	\$
	Required Tangible Net Worth	
	(i) \$16,000,000	\$16,000,000
	(ii) 50% of Net Income	+
	(iii) 50% of net proceeds from any sale of equity securities	+
	(iv) 50% of the fair value of any equity securities issued after the date of this Agreement in connection with any permitted acquisition.	+
	(v) 100% of any subordinated debt	
	Required Tangible Net Worth	\$
	Excess (deficiency) of Actual Tangible Net Worth compared with Required Tangible Net Worth	\$
</table>		

Section 7.2 EBITDA TO INTEREST RATIO

REQUIREMENT: - The ratio of EBITDA to Interest as at the end of any Fiscal Quarter and for the period of such Fiscal Quarter will not be less than 2.25:1.0; provided, however, that if AeroCentury raises unsecured Subordinated Debt of at least \$10,000,000 during any Fiscal Quarter, the ratio of EBITDA to Interest as at the end of such Fiscal Quarter and as at the end of any Fiscal Quarter thereafter, and for the period of such Fiscal Quarters so long as unsecured Subordinated

Debt in the principal amount of at least \$10,000,000 remains outstanding, will not be less than 1.80:1.0.

EBITDA

Net Income for the Fiscal Quarter ended _____	\$
Interest deducted with respect to the Fiscal Quarter ended _____	+ \$
Taxes deducted with respect to the Fiscal Quarter ended _____	+ \$
Depreciation deducted with respect to the Fiscal Quarter ended _____	+ \$
Amortization deducted with respect to Fiscal Quarter ended _____	+ \$
EBITDA for the Fiscal Quarter ended _____	\$
Interest	
Interest for the Fiscal Quarter ended _____	\$
Interest	\$
RATIO OF EBITDA TO INTEREST _____	

Section 7.3 RECURSE FUNDED DEBT TO TANGIBLE NET WORTH

REQUIREMENT: - The ratio of Recourse Funded Debt (including Recourse Funded Debt represented by the Notes) to Tangible Net Worth will not at any time exceed 3.25:1.

Recourse Funded Debt on [date]: \$

Tangible Net Worth on [date] \$

RATIO OF RECURSE FUNDED DEBT
TO TANGIBLE NET WORTH

Section 7.4 ABSENCE OF NET LOSS

REQUIREMENT: - AeroCentury will not suffer a consolidated net loss at the end of any Fiscal Quarter, beginning with the Fiscal Quarter ended December 31, 2005, as measured on a consecutive, four-quarter basis.

Net Income for the Fiscal
Quarter ended _____, as
measured on a consecutive four-quarter basis

\$