



TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

Earnings Note

Investors should consider this report as only a single factor in making their investment decision.

AeroCentury Corp.

Rating: Speculative Buy

Howard Halpern

August 13, 2008

ACY \$11.53 – (AMEX)

AeroCentury Corp., is engaged in the business of ownership, management, leasing and acquisition of aircraft. The primary focus is on used commercial turboprop aircraft equipment for lease to foreign and domestic regional air carriers.

On August 12, 2008, AeroCentury announced results for the second quarter of 2008 (ended June 30, 2008). Below are the Company's second quarter 2008 results versus Taglich Brothers' estimates (\$ thousands):

	<u>Q2(06/08)A</u>	<u>Q2(06/08)E</u>
Revenues:		
Operating lease revenue	\$ 5,759	\$ 5,925
Maintenance reserves income	1,901	1,215
Other Income	<u>25</u>	<u>-</u>
Total Revenues	7,685	7,140
Total Expenses	5,271	5,630
Operating Income	<u>2,414</u>	<u>1,510</u>
<i>Operating Margin</i>	31.41%	21.15%
Taxes(Benefit)	<u>829</u>	<u>510</u>
<i>Tax Rate</i>	34.34%	33.77%
Net Income	<u>\$ 1,585</u>	<u>\$ 1,000</u>
EPS-fully diluted	<u>\$ 0.99</u>	<u>\$ 0.61</u>
Avg Shares Out-fully diluted	<u>1,594</u>	<u>1,630</u>
As Percent of total revenues		
Total Expenses	91.53%	95.02%
<u>Percent Change Year/Year</u>		
Operating lease revenue	36.21%	40.14%

** Please view our disclaimer located on page 5.*

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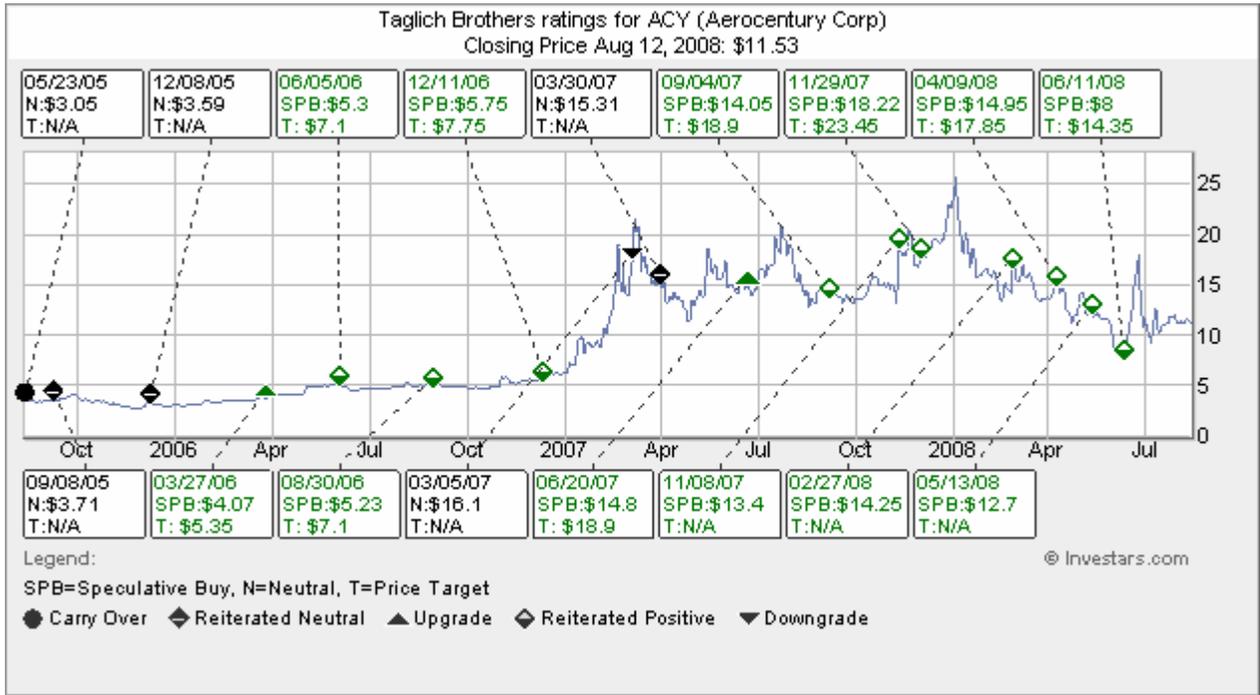
www.taglichbrothers.com

Estimate Analysis: Top and bottom line results surpassed our expectations. While operating lease revenue was approximately \$0.166 million shy of our expectations, maintenance reserves exceeded expectation by approximately \$0.686 million. Total expenses, as a percentage of total operating lease revenue, amounted to 91.53% compared to our expectation of 95.02%, which was due primarily to higher overall top line results, as well as lower than anticipated interest expense. Bottom line results exceeded our expectations on an aggregate basis by \$0.585 million and \$0.38 per share, due to higher top line results and better than anticipated operating margin.

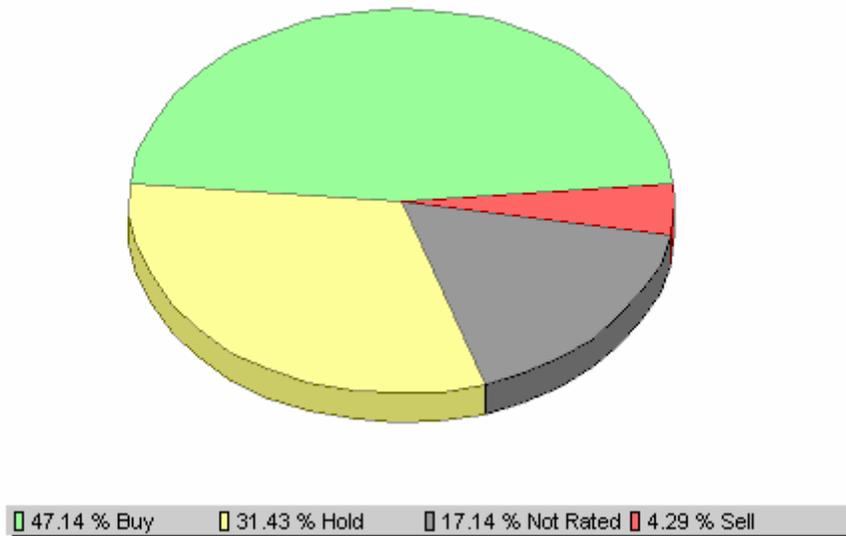
Rating: We are maintaining our Speculative Buy rating on shares of AeroCentury.

Risks: Please review our latest research report (June 11, 2008) for a summary of the principal risks underlying the stock.

AeroCentury Corp.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	0	0
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

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I, Howard Halpern, the research analyst of this earnings note, hereby certify that the views expressed in this note accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.