Research Report – Update

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

AeroCentury Corp.

Rating: Speculative Buy

Howard Halpern

September 9, 2009

ACY $13.64 – (AMEX)

	FY (12/07) A	FY (12/08) A	*FY (12/09) E*	*FY (12/10) E*
Total revenue (millions)	$23.9	$31.8	***$32.1***	***$32.2***
Earnings per share (diluted)	$2.36	$2.08	***$3.08***	***$3.12***

52-Week range	$17.20 – $3.15	Fiscal year ends:	December
Shares outstanding a/o 08/13/09	1.54 million	Lease revenue/share (ttm)	$16.63
Approximate float	1.20 million	Price/Sales (ttm)	0.8X
Market Capitalization	$21 million	Price/Sales (2010)E	0.8X
Book value/share	$24.26	Price/Earnings (ttm)	5.3X
Price/Book	0.6X	Price/Earnings (2010)E	4.4X

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.

Key investment considerations:

We are maintaining our Speculative Buy rating on the shares of AeroCentury (AMEX: ACY) and raising our 12-month price target to $17.75 per share (prior was $11.00 per share). The price target change is primarily due to an increase in our earnings estimates over the next four quarters and an expansion of industry multiples (price to sales and price to earnings).

On August 11, 2009, ACY reported 2Q09 total revenue of $8.2 million versus $7.7 million. Net income for the quarter was approximately $1.4 million or $0.89 per share versus net income of $1.6 million or $0.99 per share.

In July 2009, the company extended the leases for two DHC-6 aircraft for five years (to July 2014). During August 2009, ACY purchased two regional jet engines, which are on lease to a U.S. regional carrier.

Based on operating lease revenue and expense trends, we are adjusting our forecast for 2009. We now forecast total revenue of $32.1 million (prior was $31.6 million) and net income of $4.7 million or $3.08 per diluted share (prior was $4.3 million or $2.75 per diluted share). The increase in our net income forecast is based on lower interest expenses (as the credit facility balance was paid down by approximately $9.0 million during 1H09) and lower SG&A expenses.

Our 2010 forecast is based on the potential for an improvement it the global economy and an improvement in operating expense margin to 94.4% from the 96.1% we forecast for 2009. For 2010, we project total revenue of $32.2 million and net income of $4.8 million or $3.12 per share. We had previously projected total revenue of $31.8 million and net income of $4.4 million or $2.84 per share.

****Please view our disclaimer located on page 11.***

Recommendation

We are maintaining our Speculative Buy rating on the shares of AeroCentury (AMEX: ACY) and raising our twelve-month price target to $17.75 per share from $11.00 per share. Our price target is based on a price to sales and price to earnings analysis relative to the rental & leasing industry. Industry multiples have expanded and we have revised our earnings estimates for the next four quarters. We are maintaining a relatively high discount factor in light of uncertainties in the economy, equities market, and aircraft leasing industry.

Our price target is derived using the following valuation model discounted by approximately 40% to account for company specific and microcap risks, as well as the potential volatility to per share earnings due to the low share count:

- A 9.8X price to earnings multiple, which is the trailing twelve month multiple for the Rental & Leasing Industry as of September 4, 2009, applied to our earnings per share estimate of $3.02 for the next four quarters.

The Company

AeroCentury Corp. (AMEX: ACY), based in Burlingame, California, was formed in 1997. ACY leases used commercial turboprop aircraft and equipment (e.g. engines) for lease to foreign and domestic regional air carriers.

The business is managed by JetFleet Management Corp., pursuant to a management agreement between ACY and JetFleet Management (an integrated aircraft management, marketing and financing business and a subsidiary of JetFleet Holding Corp.). Certain officers of ACY are also officers of JetFleet Management and JetFleet Holding and hold significant ownership positions in those entities.

Management aims to increase stockholder value by acquiring aircraft and engine assets and earning a return on those managed assets through lease revenue and their eventual sale. Management believes it can achieve its aims through the reinvestment of cash flow and correct asset and lessee selection. As of June 30, 2009, the company's aircraft portfolio (Source: 2009 Q2 10Q Filing) consisted of 43 aircraft and one turboprop engine. One turboprop engine owned by ACY was off lease. Re-lease or sale opportunities are being sought for the four aircraft that were off lease at June 30, 2009.

Aircraft Type	# owned	# On Lease
deHavilland DHC-8-300s	8	8
deHavilland DHC-8-100s	3	3
eHavilland DHC-6s	3	3
Fokker 50s	14	13
Saab 340As	2	0
Saab 340Bs	6	5
Fokker 100s	7	7

Six of ACY's leases expire during the remainder of 2009. Management believes that it will be successful in extending the leases for a majority of the aircraft.

Recent Financials

For the second quarter of 2009 (ended June 30, 2009), versus second quarter of 2008 (ended June 30, 2008):

- Operating lease revenue was $6.4 million versus $5.8 million. Our estimate was $6.3 million;
- Total revenue (including maintenance reserves and other) was $8.2 million versus $7.7 million. Our estimate was $7.8 million;
- Total operating expense was $6.2 million versus $5.3 million; and
- Net income was approximately $1.4 million or $0.89 per share versus net income of $1.6 million or $0.99 per share. Our estimate was $1.1 million or $0.69 per share.

On August 11, 2009, ACY reported 1H09 total revenue of $16.3 million versus $15.5 million in the same period last year. Total revenue included maintenance reserves (non-refundable reserves earned based on lessee aircraft usage). Maintenance reserves decreased to $3.1 million from $3.7 million, due to lower average usage of aircraft by some of the company's lessees and a higher number of off-lease aircraft (we estimate three).

1H09 operating lease revenues improved to $12.9 million versus $11.7 million in 1H08 due to a $1.3 million increase resulting from more aircraft available for lease and releases of aircraft that were off lease for part of the 1H08, and re-leases of several aircraft at increased rental rates. Mitigating the increase was aircraft off lease during all or part of the 1H09.

Other income increased by $59,200 for 1H09 mainly due to $245,400 of interest income related to a federal tax refund received by ACY in June 2009. The refund was in excess of $1.6 million.

1H09 total operating expenses decreased by approximately $0.3 million to $12.3 million. Operating expense margin decreased to 95.4% from 108.5%. The decrease in operating expenses was due mainly to the following:

- Maintenance expense decreased by approximately $0.4 million to $3.2 million due to a decrease of $1.6 million in total lessee work incurred offset by $1.2 million increase related to off-lease aircraft. Maintenance expense is funded by non-refundable maintenance reserves that are recorded as income when accrued.
- Interest expense decreased by approximately $0.4 million to $2.8 million due to lower average interest rates on the credit facility, a gain in the fair value related to the company's interest rate swap, lower commitment fees related to subordinated notes, and lower special purpose financing loan fee amortization. Mitigating the decline were increased related to the company's subordinated notes obligations, a net settlement of interest related to its swap agreement, and a fee related to its unused availability under its credit facility.

The overall decrease in operating expenses occurred despite increases in the following expenses in the 1H09:

- Depreciation increased by $0.4 million resulting from purchases of aircraft during 2008; and
- Management fess increased by $67,700 resulting from aircraft acquisitions (of note, these fees are calculated on the net book value of the aircraft owned by the company).

Finances
The company's debt to equity ratio of 1.7 versus 8.1 for the industry means the ACY is significantly less leveraged than other rental and leasing services companies.

For the 1H09, we estimate ACY's working capital needs increased by $0.282 million, due to changes in accounts receivables increasing by $0.405 million, offset by a decrease of $0.123 million in accounts payable and accrued expenses.

1H09 cash throw-off totaled approximately $6.4 million compared to $5.3 million. Cash flow was augmented by a $1.6 million tax refund. Cash from operations in the 1H09 was $10.4 million, up from $7.8 million during the 1H08, which resulted in cash increasing by $1.3 million to $3.5 million in 1H09. ACY repaid approximately $9 million on its credit facility.

We believe ACY should have adequate cash flow to meet its ongoing operational needs, including required repayments under its credit facility and subordinated notes, based upon our forecasts for revenues and expenditures through the end of 2010 (see projections section). Our belief is also predicated on a renewal of the company's credit facility on similar terms that have been in place since April 2007.

However, future growth will be dependent on the availability of such additional financing for acquisitions of leased assets. We believe based on the company's history and current financial position that it has enough resources to sustain operation for the foreseeable future.

Credit Facility
At June 30, 2009, the company had outstanding $51.0 million under its $80 million senior revolving credit facility (that matures on March 31, 2010). The weighted average interest rate on the facility at June 30, 2009 and 2008

was 3.10% and 5.25%, respectively. The company did not borrow against the facility and repaid nearly $7.1 million of the outstanding principal under the facility and was in compliance with all covenants.

The company anticipates that the credit facility will be extended. There can be no assurance the line will be fully maintained, as one or more participants may withdraw. The company will either need to pay off such participant by obtaining additional commitment amounts, finding new lenders, or selling assets, etc.

During April 2007, ACY issued 16% senior unsecured subordinated notes. At June 30, 2009, the carrying amount of the subordinated notes was approximately $11.9 million (outstanding principal is $12.7 million less unamortized debt discount of approximately $0.8 million) and accrued interest payable was zero. The company was in compliance with all covenants under the subordinated notes agreement.

During December 2007, the company entered into a $20 million interest rate swap, under which ACY committed to make or receive a net settlement for the difference in interest receivable computed monthly on the basis of 30-day LIBOR and interest payable monthly on the basis of a fixed rate of 4.04% per annum. The swap is designed to economically hedge $20 million of the company's interest rate exposure over its term (two years) by fixing the net interest payable over the period. At June 30, 2009, the company recognized a $0.4 million liability for the swap on its balance sheet (in the notes payable and accrued interest line item). The company also recognized a gain of $0.3 million as a component of interest expense for the change in fair value of the swap contract. **Market expectation of increasing interest rates will tend to decrease the fair value of the swap, and expectation of decreasing interest rates will tend to increase the fair value of the swap.**

Recent Developments

May 2009

The lessee of one of the company's Fokker 50 aircraft with a lease expiring in mid May agreed in principle to a two-year re-lease at the same rent, with an option for a one-year extension. The company and lessee have since continued discussions regarding the lease extension while the lease has continued on a month-to-month basis.

June 2009

Extension of a lease for one of the company's Fokker 50 aircraft for two month to mid-August, while a long-term extension is being negotiated.

July to Mid-August 2009

- Extension of leases for two DHC-6 aircraft for five years through July 31, 2014;
- Extension of a lease for a Fokker 50 aircraft for two months to mid-October while the parties negotiate on a long-term lease extension;
- Purchase of two regional jet engines, which are on lease to a U.S. regional carrier.

Competitive and Economic Landscape

The company targets regional commercial aircraft operators that are seeking to lease aircraft under an operating lease. The competition in this market, which is primarily based on price and lease terms, comes from companies that offer financing, including leasing companies, banks and other financial institutions, and aircraft leasing partnerships. The large participants in the aircraft leasing industry include, GE Capital Aviation Services, a subsidiary of General Electric Commercial Finance, Willis Lease Finance Corp. (NasdaqGM: WLFC), AerCap Holdings N.V. (NYSE: AER), Babcock & Brown Air Limited (NYSE: FLY), as well as AIRFUND Corporation (a private company that is a U.S. based commercial aircraft asset manager founded in 1984). All three of the publicly traded companies were profitable during the 1H09 (generating net income of approximately $12 million, $97 million, and $60 million, respectively).

According to the Travel Industry Association of America (TIA), after years of little travel volume growth combined with significantly lower travel spending, 2006 – 2008 experienced growth of 6.4%, 6.0%, and estimated growth of 4.8%, respectively.

The International Air Transport Association (IATA, which represents some 230 airlines comprising 93% of scheduled international air traffic) issued the following revised 2009 forecast in June 2009:

- Worldwide passenger traffic is expected to decline by 8% (prior forecast called for a decline of 5.7%) following growth of 2% during 2008. It is important to note that this will be the first decline since the 2.7% drop experienced during 2001;
- This still could be the worst revenue environment in 50 years; and
- North America could potentially lose $1.0 billion, which is an improvement versus the 2008 loss of $5.1 billion. The improvement is due mostly to this region being able to shrink capacity.

The company's business is dependent upon general economic conditions and the strength of the travel and transportation industry. The industry is in a period of financial difficulty and contraction due to the global recession. Also, financing restrictions caused by the credit crisis and a protracted economic downturn hurt the industry. During periods of economic contraction, carriers generally reduce capacity in response to lower passenger loads, and as a result, there is a reduced demand for aircraft and a potential for a corresponding decrease in market lease rental rates and aircraft values.

In July 2009, the National Association for Business Economics (NABE) survey forecasted a GDP decline of approximately 2% in 2009, based on an economic recovery in the second half of 2009 of 1.2%. The NABE had forecasted a decline in economic activity through the second quarter of 2009 (confirmed by a 1% decline in second quarter GDP as reported by the U.S. Department of Commerce), making the current recession the most severe economic contraction in over fifty years. The economic weakness was largely due to a sharp retrenchment in business investment. NABE believes growth in 2010 could return to near its historical trend, with real GDP rising 2.7%.

On August 10, 2009, Reuters reported that the consensus forecast of panelists surveyed in the Blue Chip Economic Indicators newsletter predicted real GDP growth will pop higher for a quarter or two only to falter again before a lasting recovery takes hold.

On August 25, 2009, The Conference Board announced that U.S. consumer confidence improved considerably in August to 54.1, which is up from 47.4 in July. The all time low for consumer confidence was 25.0 in February 2009. The rise in consumer confidence resulted from significant improvement in the short-term outlook and a more upbeat labor market outlook.

Projections

Operations
The combination of approximately 43 aircraft and one aircraft engine within its portfolio (see table on page two) and the purchase of 2 jet engines should support our forecasts. Except for a lease termination and payment deferrals, ACY has not experienced significant changes in any of its customers' payment timeliness, but has seen some indications of a weakening in the financial condition and operating results of some customers.

For 2009, we forecast total revenue of $32.1 million and net income of $4.7 million or $3.08 per share. We previously estimated total revenue of $31.5 million and net income of $4.3 million or $2.75 per diluted share. Total revenue primarily consists of operating revenue at least 39 aircraft on lease for a major portion of 2009 and maintenance reserves income. We are not forecasting any unusual events (sale/purchase of aircraft) that might also impact total top line results.

As we expect operating expense trends for 1H09 to continue, our bottom line expectations have increased. We have reduced interest and SG&A expense projections by $0.3 million and $0.2 million, respectively.

For 2010, we project total revenue of $32.2 million (prior was $31.8 million) and net income of $4.8 million or $3.12 per diluted share (prior was $4.4 million or $2.84 per diluted share). Our forecast is based on a slight improvement in the global economy and an improved operating expense margin (to 94.4% from our 2009 forecast of 96.2%.

If the company purchases additional aircraft, our forecasts (for 2009 and 2010) would need to be adjusted. The timing of aircraft returns remains unclear. Until an aircraft is returned, rent is paid by the lessor even if the lease term has expired.

Our bottom line estimates for 2009 and 2010 are based in part on:

- Interest expense of $5.6 million versus $7.2 million reported in 2008. For 2010, interest expense should approximate $5.8 million. The year-over-year increase ('09 vs. '10) is based on a rise in the weighted average interest rate that could result from positive economic activity and the payment of principal on its subordinated notes;
- SG&A expenses (including insurance), of $1.2 million and $1.3 million, respectively, for 2009 and 2010. If the company purchases additional aircraft, forecasts could be low;
- Management fees and depreciation of $11.3 million and $11.6 million, respectively, for 2009 and 2010;
- Maintenance, impairment, and bad debt expenses of $6.5 million and $6.0 million, respectively, for 2009 and 2010. Our 2009 forecast incorporates approximately $2.3 million of maintenance expense for aircraft that are currently off lease that will need to occur in order to get them ready to be re-leased. Our 2010 estimate is just an approximation that a more normalized maintenance level will occur; however, as events warrant necessary changes to the forecast will occur; and
- A tax rate of 35.5% for both periods.

Our forecasts are also based on the following:

- Rent payment deferrals for three of its lessees, in order to assist their difficult financial situations;
- Signing of a term sheet and receipt of a deposit for the re-lease of its two off-lease Saab 340A aircraft and one spare engine. Delivery of both aircraft to the lessee should occur during the 2H09.
- Re-lease a Fokker 50 aircraft and a Saab 340B aircraft that were returned during August 2008 and February 2009, respectively.
- Maintenance expense incurred to prepare four off lease aircraft and one off-lease engine for re-lease is estimated to total approximately $1.7 million; and
- So far in 2009, ACY has extended the leases for five of its aircraft. Currently, it is negotiating the extension of four of the six other aircraft leases that expire during the balance of 2009.

Finances

For 2009, we project cash throw-off of $13.4 million (versus $14.0 million in 2008) which should allow the company to continue paying down the debt on its credit facility and subordinated notes. During the 1H09, ACY has paid down approximately $9.1 million of debt. We project an increase in 2009 working capital of $0.4 million. Cash at the end of 2009 should increase by $0.8 million to approximately $3.0 million. Cash was $2.2 million at December 31, 2008.

For 2010, we project cash throw-off growing to $13.6 million. We expect virtually no change in working capital. Our projection also reflects repayment of approximately $13 million of debt. Our cash forecast for 2010 is for an increase of $0.6 million to approximately $3.6 million.

Our forecasts for 2009 and 2010 do not include the acquisition or sale of aircraft.

Risks

In our view, these are the principal risks underlying the stock:

Lessee Credit Risk
If a customer defaults upon its lease obligations, the company may be limited in its ability to enforce remedies. Most of its lessees are small regional passenger airlines, which are more vulnerable than the major airlines.

Interest Rates
The company's credit facility carries a floating interest rate based upon short-term interest rate indices. Also, lease rates typically, but not always, move with interest rates, but market demand for the asset also affects lease rates. Because lease rates are fixed at the origination of leases, interest rate changes during the term of a lease have no effect on existing lease payments.

The company has hedged some of its variable interest rate exposure. If the one-month LIBOR rate drops below the fixed swap rate, the company will be obligated to pay the swap counterparty the difference between the fixed swap rate of 4.04% and the one-month LIBOR rate that is payable under the company's hedged credit facility obligations. As of August 12, 2009, the one-month LIBOR rate was 0.31%.

Financing
The company anticipates that before the facility is set to expire (March 2010) that the current lenders participating in the facility will remain as participants in the amount for which they are currently committed. However, there can be no assurance that such will actually occur. Therefore, if one or more participants in the facility decides not to continue then the company will either need to pay off such participant by obtaining additional commitment amounts from the remaining lenders, finding new replacement lenders, or selling assets, or doing some combination there of.

Shares Outstanding
ACY has a limited number of shares outstanding; therefore, any change in the top-line could dramatically impact bottom-line results. Based on the current fully diluted shares outstanding, a $0.1 million change in net income would result in an approximate $0.06 per share change in earnings.

Customer Concentration
At June 30, 2009, ACY's five largest customers located in Mexico, Antigua, Norway, Netherlands Antilles, and Germany, account for approximately 16%, 14%, 10%, 10%, and 10%, respectively, of monthly lease revenue. If any of these customers were to run into financial difficulties, it would negatively impact operating results. Concentration of credit risk with respect to lease receivables will diminish only if the company is able to lease additional assets or re-lease assets currently on lease.

Leasing
Management believes it will be able to meet its operational needs and remain in compliance with the terms of its credit facility and subordinated notes obligations. This is based on management's estimates related to rents on assets to be re-leased, the timely use of proceeds of unused debt capacity toward additional acquisitions of income producing assets, and the cost and anticipated timing of maintenance to be performed.

However, if aircraft currently off lease remain off lease for an extended period of time and the company is not successful in extending the leases for a majority of the eight aircraft with leases expiring in 2009, ACY may not be able to meet its operational needs or remain in compliance with the terms of its credit facility and subordinated notes.

Reliance on JetFleet Management
AeroCentury relies on JetFleet Management Corp (JMC) to perform management functions under a management agreement. Currently, the agreement is in its twelfth year of a 20-year term. Under this agreement, ACY pays an

asset-based management fee to JMC. The officers of JMC are also officers of the company; therefore, if a dispute over obligations between the company and JMC occurs, a conflict of interest may exist.

The company recorded management fees of $1.8 million and $1.8 million for 1H09 and 2008, respectively. No remarketing or acquisition fees were paid to JMC during those periods.

Stockholder Rights Plan

In April 1998, in connection with the adoption of a stockholder rights plan, the company filed a Certificate of Designation detailing the rights, preferences and privileges of a new Series A Preferred Stock. Pursuant to the plan, the company issued rights to its stockholders of record as of April 23, 1998, giving each stockholder the right to purchase one one-hundredth of a share of Series A Preferred Stock for each share of Common Stock held by the stockholder. Such rights are exercisable only under certain circumstances in connection with a proposed acquisition or merger of the company.

Shareholder Control

According to the company's Form DEF 14A filing (on March 24, 2009), Neal Crispin, its Chairman, President, and Principal Stockholder and Toni Perazzo, its CFO and Senior Vice President of Finance (and wife of the company's Chairman) combined control approximately 22% of AeroCentury Inc. common stock. Therefore, they are potentially able to significantly influence all matters requiring approval by stockholders, including the election of directors and significant corporate transactions.

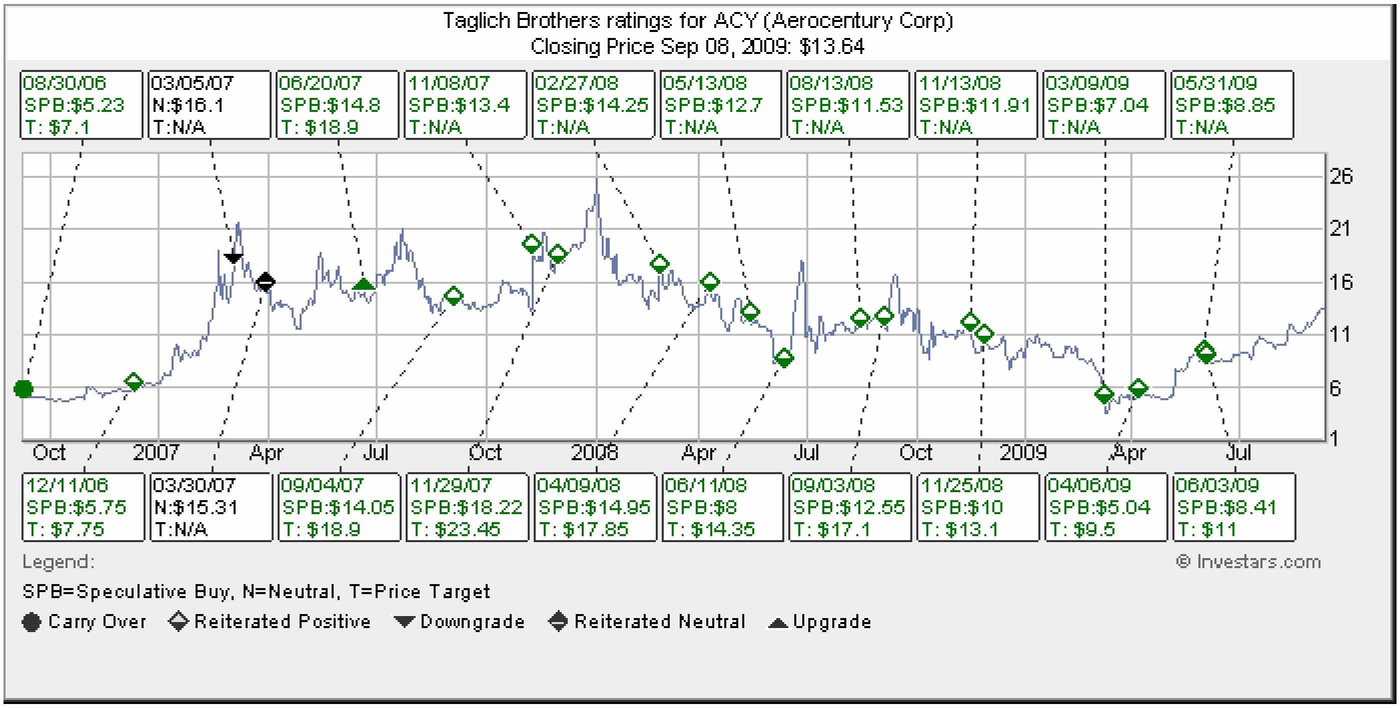
Miscellaneous

The company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

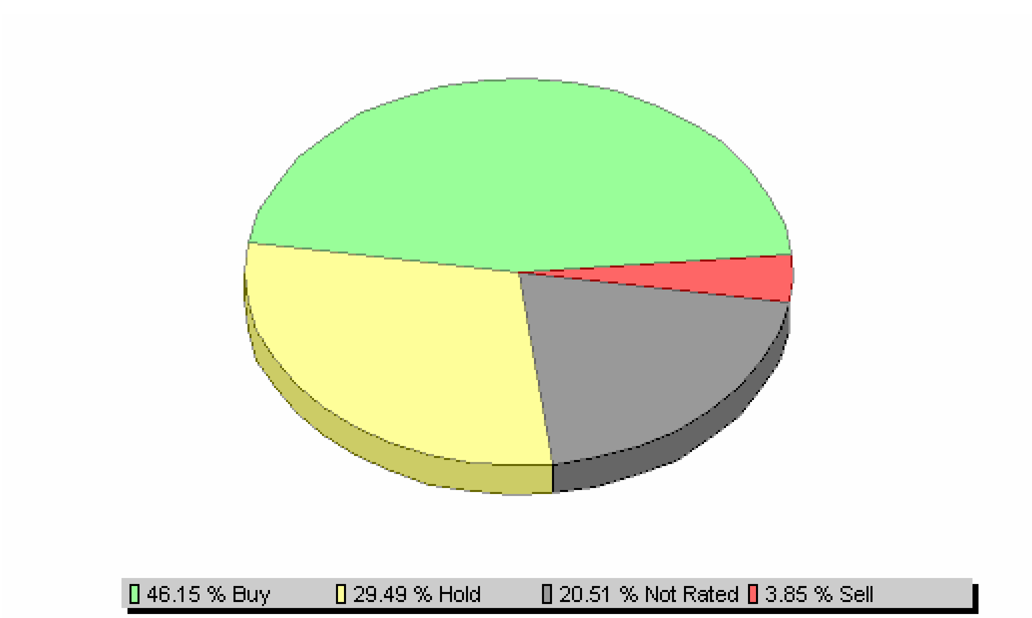
Trading Volume

An equity specific concern relates to liquidity. Based on our calculations, during 2007, average daily volume was 33,831 shares traded per day. During 2008, average daily volume decreased to 10,862 shares a day and during the first seven months of 2009 average daily volume decreased to 4,569 shares a day. On a relative basis, volume for this equity is very small. An equity that lacks liquidity can have significant price volatility.

Taglich Brothers Current Ratings Distribution



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	3.70%
Hold	1	16.67%
Sell	0	0
Not Rated	0	0

<u>Meaning of Ratings</u>

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.

Public Companies mentioned in this report:

AerCap Holdings N.V.	(NYSE: AER)
American International Group	(NYSE: AIG)
Babcock & Brown Air Limited	(NYSE: FLY)
CIT Group	(NYSE: CIT)
Tyco Inc.	(NYSE: TYC)
Willis Lease Finance Corp.	(NasdaqGM: WLFC)

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As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. Since February 2000, the company pays a monthly monetary fee of $1,250 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report 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.

AeroCentury Inc.
Consolidated Balance Sheet
(in thousands)

	Dec. '07 Year End	Dec. '08 Year End	Mar .'09 1st Qtr End	Jun. '09 2nd Qtr End
ASSETS				
Current assets:				
Cash & Equivalents	$ 2,843	$ 2,170	$ 1,967	$ 3,511
Accounts Receivable	1,648	2,023	2,209	2,428
Tax receivable	1,836	1,627	1,627	2
Prepaid Expense & Other	1,402	1,001	979	836
Total current assets	**7,729**	**6,820**	**6,781**	**6,776**
Aircraft & engines, net of depreciation	118,924	124,914	123,006	121,098
Total assets	**$ 126,653**	**$ 131,734**	**$ 129,787**	**$ 127,874**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts Payable and accrued expenses	$ 811	$ 599	$ 600	$ 380
Notes Payable and accrued interest	73,075	72,411	68,133	63,407
Maintenance deposits and accrued costs	6,025	8,095	8,812	9,896
Security deposits	5,697	5,499	5,389	5,325
Prepaid rent	1,028	1,073	969	965
Income taxes payable	229	52	7	0
Total current liabilities	**86,864**	**87,729**	**83,910**	**79,973**
Deferred Income Taxes	7,649	9,169	9,804	10,459
Total Liabilities	**94,513**	**96,898**	**93,714**	**90,433**
Stockholders' equity:				
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2
Paid-in capital	15,378	14,780	14,780	14,780
Retained earnings	17,265	20,558	21,796	23,163
Treasury Stock, at cost	(504)	(504)	(504)	(504)
Total stockholders' equity	**32,140**	**34,835**	**36,073**	**37,441**
Total liabilities and stockholders' equity	**$ 126,653**	**$ 131,734**	**$ 129,787**	**$ 127,874**
SHARES OUT	1,543	1,543	1,543	1,543

AeroCentury Inc.
Annual Income Statement
For the Years Ended December 31,
(in thousands)

	FY2007A	FY2008A	**FY2009E**	**FY2010E**
Revenues:				
Operating lease revenue	$ 19,412	$ 24,407	**$ 25,680**	**$ 26,200**
Maintenance reserves income	4,310	7,170	**6,110**	**6,000**
Gain(loss) on disposal of assets	98	15	**-**	**-**
Other Income	31	203	**264**	**-**
Total Revenues	23,850	31,795	**32,054**	**32,200**
Expenses:				
Management Fees	3,017	3,676	**3,675**	**3,775**
Depreciation	5,615	7,223	**7,641**	**7,800**
Interest	6,260	7,154	**5,576**	**5,825**
SG&A	865	1,128	**1,227**	**1,320**
Maintenance	2,396	6,771	**6,515**	**6,000**
Provision for value of aircraft -- impairment, bad debt expense, other taxes	342	714	**57**	**-**
Total Expenses	18,495	26,665	**24,691**	**24,720**
Operating Income	5,354	5,130	**7,363**	**7,480**
Taxes(Benefit)	1,579	1,837	**2,617**	**2,660**
Tax Rate	*29.49%*	*35.82%*	*35.54%*	*35.56%*
Net Income	$ 3,775	$ 3,292	**$ 4,746**	**$ 4,820**
EPS-fully diluted includes insurance settlement	$ 2.36	$ 2.08	**$ 3.08**	**$ 3.12**
Avg Shares Out-fully diluted	1,598	1,585	**1,543**	**1,543**
Margin Analysis				
Gross margin	87.3%	88.4%	**88.5%**	**88.3%**
Operating margin	22.5%	16.1%	**23.0%**	**23.2%**
NI/Rev	15.8%	10.4%	**14.8%**	**15.0%**
NI/Rent Income	19.4%	13.5%	**18.5%**	**18.4%**
Total Exp/Rev	77.5%	83.9%	**77.0%**	**76.8%**
As Percent of operating lease revenue				
Expenses:				
Management Fees	15.54%	15.06%	**14.31%**	**14.41%**
Depreciation	28.92%	29.59%	**29.75%**	**29.77%**
Interest	32.25%	29.31%	**21.71%**	**22.23%**
SG&A	4.46%	4.62%	**4.78%**	**5.04%**
Total Expenses	95.28%	109.25%	**96.15%**	**94.35%**
Percent Change Year/Year				
Operating lease revenue	22.78%	25.73%	**5.21%**	**2.02%**

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2008
(in thousands)

	(3/08)Q1A	(6/08)Q2A	(9/08)Q3A	(12/08)Q4A	**FY2008A**
Revenues:					
Operating lease revenue	$ 5,894	$ 5,759	$ 6,342	$ 6,412	**$ 24,407**
Maintenance reserves income	1,750	1,901	1,884	1,635	**7,170**
Gain(loss) on disposal of assets	15	-	-	-	**15**
Other Income	164	25	10	4	**203**
Total Revenues	7,823	7,685	8,236	8,051	**31,795**
Expenses:					
Management Fees	883	889	957	947	**3,676**
Depreciation	1,707	1,743	1,877	1,896	**7,223**
Interest	2,129	1,101	1,750	2,174	**7,154**
SG&A	277	285	266	300	**1,128**
Maintenance	2,381	1,253	921	2,216	**6,771**
Provision for value of aircraft -- impairment, bad debt expense, other taxes	-	-	(46)	760	**714**
Total Expenses	7,377	5,271	5,724	8,293	**26,665**
Operating Income	446	2,414	2,512	(242)	**5,130**
Taxes(Benefit)	150	829	940	(82)	**1,837**
Tax Rate	*33.63%*	*34.34%*	*37.44%*	*33.88%*	***35.82%***
Net Income	$ 296	$ 1,585	$ 1,571	$ (160)	**$ 3,292**
EPS-fully diluted includes insurance settlement	$ 0.18	$ 0.99	$ 1.00	$ (0.10)	**$ 2.08**
Avg Shares Out-fully diluted	1,624	1,594	1,572	1,556	**1,585**
Margin Analysis					
Gross margin	88.7%	88.4%	88.4%	88.2%	**88.4%**
Operating margin	5.7%	31.4%	30.5%	-3.0%	**16.1%**
NI/Rev	3.8%	20.6%	19.1%	-2.0%	**10.4%**
NI/Rent Income	5.0%	27.5%	24.8%	-2.5%	**13.5%**
Total Exp/Rev	94.3%	68.6%	69.5%	103.0%	**83.9%**
As Percent of operating lease revenue					
Expenses:					
Management Fees	14.98%	15.44%	15.09%	14.77%	**15.06%**
Depreciation	28.96%	30.27%	29.59%	29.57%	**29.59%**
Interest	36.12%	19.12%	27.59%	33.91%	**29.31%**
SG&A	4.70%	4.95%	4.19%	4.68%	**4.62%**
Total Expenses	125.16%	91.53%	90.26%	129.34%	**109.25%**
Percent Change Year/Year					
Operating lease revenue	37.58%	36.21%	19.66%	14.50%	**25.73%**

AeroCentury Inc.
Quarterly Income Statement
For the Years Ending December 31,
(in thousands)

	Q1 (3/09)A	Q2 (6/09)A	Q3 (9/09) E	Q4 (12/09)E	**FY2009E**	Q1 (3/10)E	Q2 (6/10)E	Q3 (9/10) E	Q4 (12/10)E	**FY2010E**
Revenues:										
Operating lease revenue	$ 6,469	$ 6,441	$ 6,400	$ 6,370	**$ 25,680**	$ 6,500	$ 6,525	$ 6,575	$ 6,600	**$ 26,200**
Maintenance reserves	1,568	1,542	1,500	1,500	**6,110**	1,500	1,500	1,500	1,500	**6,000**
Total Revenues	8,043	8,241	7,900	7,870	**32,054**	8,000	8,025	8,075	8,100	**32,200**
Expenses:										
Management Fees	927	913	915	920	**3,675**	925	935	950	965	**3,775**
Depreciation	1,908	1,908	1,910	1,915	**7,641**	1,950	1,950	1,950	1,950	**7,800**
Interest	1,410	1,381	1,390	1,395	**5,576**	1,400	1,425	1,450	1,550	**5,825**
SG&A	350	252	275	350	**1,227**	285	300	310	425	**1,320**
Maintenance	1,505	1,710	1,650	1,650	**6,515**	1,500	1,500	1,500	1,500	**6,000**
Total Expenses	6,157	6,164	6,140	6,230	**24,691**	6,060	6,110	6,160	6,390	**24,720**
Operating Income	1,886	2,077	1,760	1,640	**7,363**	1,940	1,915	1,915	1,710	**7,480**
Taxes(Benefit)	648	709	650	610	**2,617**	675	665	690	630	**2,660**
Tax Rate	*34.36%*	*34.14%*	*36.93%*	*37.20%*	***35.54%***	*34.79%*	*34.73%*	*36.03%*	*36.84%*	***35.56%***
Net Income	$ 1,238	$ 1,368	$ 1,110	$ 1,030	**$ 4,746**	$ 1,265	$ 1,250	$ 1,225	$ 1,080	**$ 4,820**
EPS-fully diluted	$ 0.80	$ 0.89	$ 0.72	$ 0.67	**$ 3.08**	$ 0.82	$ 0.81	$ 0.79	$ 0.70	**$ 3.12**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis										
Gross margin	88.5%	88.9%	88.4%	88.3%	**88.5%**	88.4%	88.3%	88.2%	88.1%	**88.3%**
Operating margin	23.4%	25.2%	22.3%	20.8%	**23.0%**	24.3%	23.9%	23.7%	21.1%	**23.2%**
NI/Rev	15.4%	16.6%	14.1%	13.1%	**14.8%**	15.8%	15.6%	15.2%	13.3%	**15.0%**
NI/Rent Income	19.1%	21.2%	17.3%	16.2%	**18.5%**	19.5%	19.2%	18.6%	16.4%	**18.4%**
Total Exp/Rev	76.6%	74.8%	77.7%	79.2%	**77.0%**	75.8%	76.1%	76.3%	78.9%	**76.8%**
% operating lease revenue										
Expenses:										
Management Fees	14.3%	14.2%	14.3%	14.4%	**14.3%**	14.2%	14.3%	14.4%	14.6%	**14.4%**
Depreciation	29.5%	29.6%	29.8%	30.1%	**29.8%**	30.0%	29.9%	29.7%	29.5%	**29.8%**
Interest	21.8%	21.4%	21.7%	21.9%	**21.7%**	21.5%	21.8%	22.1%	23.5%	**22.2%**
SG&A	5.4%	3.9%	4.3%	5.5%	**4.8%**	4.4%	4.6%	4.7%	6.4%	**5.0%**
Total Expenses	95.2%	95.7%	95.9%	97.8%	**96.1%**	93.2%	93.6%	93.7%	96.8%	**94.4%**
% Change Year/Year										
Operating lease revenue	9.8%	11.8%	0.9%	(0.7%)	**5.2%**	0.5%	1.3%	2.7%	3.6%	**2.0%**