



# 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

November 13 2008

**ACY \$11.91 – (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 November 11, 2008, AeroCentury announced third quarter results for the three month period ended September 30, 2008. Below are the Company's third quarter results along with Taglich Brothers' estimates:

	<u>Q3 (9/08)A</u>	<u>Q3 (9/08)E</u>
Revenues:		
Operating lease revenue	\$ 6,342	\$ 5,785
Maintenance reserves income	1,884	1,415
Other Income	<u>10</u>	<u>-</u>
<b>Total Revenues</b>	8,236	7,200
<b>Total Expenses</b>	5,724	5,880
<b>Operating Income</b>	<u>2,512</u>	<u>1,320</u>
<i>Operating Margin</i>	30.50%	18.33%
Taxes(Benefit)	<u>941</u>	<u>450</u>
<i>Tax Rate</i>	37.46%	34.09%
<b>Net Income</b>	<u>\$ 1,571</u>	<u>\$ 870</u>
<b>EPS-fully diluted</b>	<u>\$ 1.00</u>	<u>\$ 0.55</u>
Avg Shares Out-fully diluted	<u>1,572</u>	<u>1,594</u>
As Percent of operating lease revenue		
<b>Total Expenses</b>	90.26%	101.64%
<u>Percent Change Year/Year</u>		
Rent Income	19.66%	9.15%
Operating Income	60.21%	-15.81%
Net Income	41.03%	-21.90%

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

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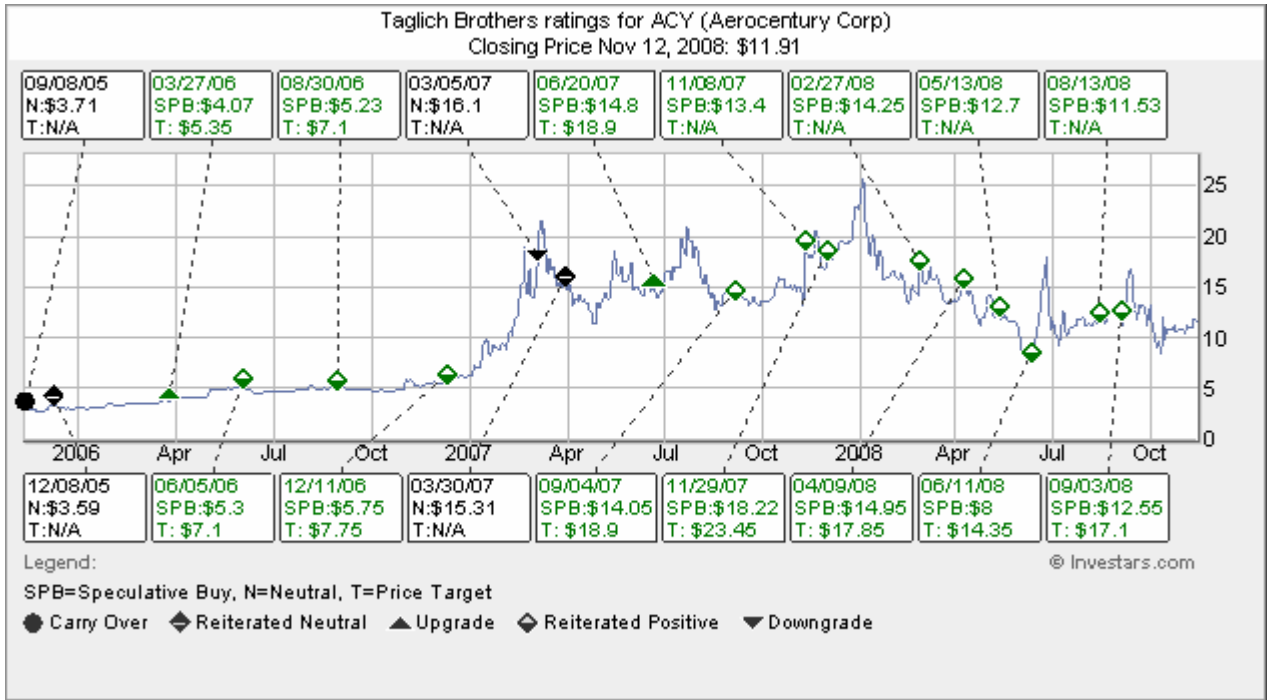
[www.taglichbrothers.com](http://www.taglichbrothers.com)

**Estimate Analysis:** Top and bottom line results surpassed our expectations. Operating lease revenue beat our expectations by over \$1 million, due to lease modifications which involved rent increases for several aircraft. Total expenses, as a percentage of operating lease revenue, amounted to 90.26% compared to our expectation of 101.64%, which was due in part to higher top line results and lower maintenance expenses for the quarter. The better than anticipated top line results and level of expenses were the primary reason why bottom line results beat out expectation by \$0.701 million or \$0.45 per share.

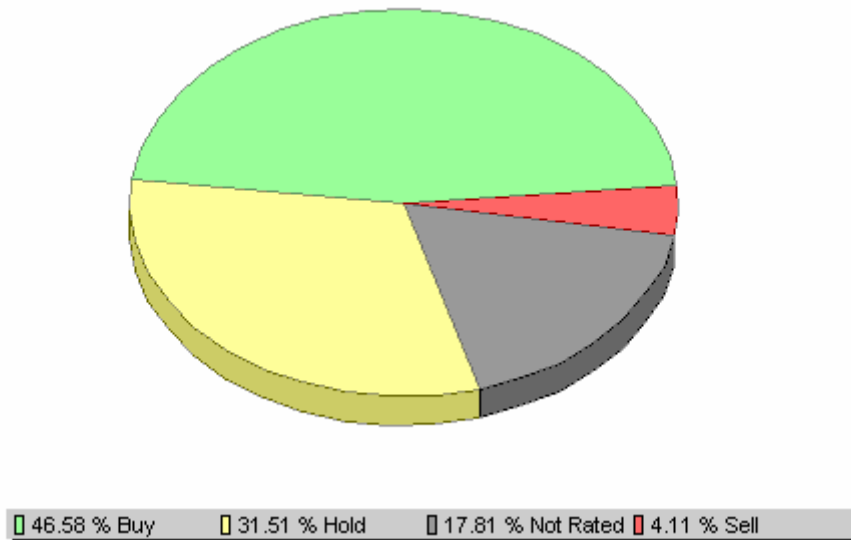
**Rating:** We are maintaining our Speculative Buy rating on shares of AeroCentury.

**Risks:** Please review our latest research report (September 3, 2008) for a summary of the principal risks underlying the stock.

## AeroCentury Corp.



### Taglich Brothers Current Ratings Distribution



<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>			
Rating	#	%	
Buy	0	0	
Hold	1	7.14%	
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.**

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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.**