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
March 27, 2006

ACY $4.07 – (AMEX)

	FY (12/03)A	FY (12/04)A*	FY (12/05)A	***FY (12/06) E***
Revenues (millions)	$8.91	$10.90	$13.50	***$13.13***
Earnings per share (diluted)	($0.87)	$0.17	$0.13	***$0.17***

52-Week range	$4.50 – $2.87	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$8.75
Trading float	1.07 million	Price/Sales (ttm)	0.47X
Insiders and Institutional ownership	0.54 million	Price/Sales (2006)E	0.48X
Book value/share a/o 12/31/05	$11.82	Price/Earnings (ttm)	31.3X
Price/Book	0.34X	Price/Earnings (2006)E	23.9X

* Includes $1.748 million gain on disposal of assets

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. Web site address is: www.aerocentury.com

Key investment considerations:

We are upgrading our rating on the shares of AeroCentury (AMEX: ACY) to Speculative Buy from a Neutral rating. The upgrade is based on the Company's ability to renew the maturity date of its credit facility to October 31, 2007, obtain additional financing through the creation of a special purpose subsidiary, and generate consistent top and bottom line results.

In conjunction with our upgrade, we are establishing a twelve-month price target of $5.35 per share based on our revenue and earnings per share estimates for 2006, as well as a price-to-book valuation metric.

AeroCentury reported full year 2005 total revenues of $13.499 million versus $10.904 million in the same period last year. Top line results were positively impacted by a $1.9 million non-refundable reversal of maintenance reserves. Net income for the year was $0.193 million or $0.13 per diluted share versus net income of $0.266 million or $0.17 per diluted share in 2004.

On December 28, 2005, the Company announced the purchase and leaseback of four Fokker 50 aircraft. Also, on January 27, 3006, the Company announced the re-lease of two of its Dash-8-300 aircraft.

Our initial forecast for 2006, which is based on the outlook provided by Management in public filings, results for 2005, and general operating trends, calls for revenue of $13.130 million and net income of $0.263 million or $0.17 per diluted share.

****Please view our disclaimer located on page 10.***

The Company

AeroCentury Corp. (AMEX: ACY), based in Burlingame, California, was formed in 1997. ACY is engaged in the business of ownership, management, leasing, and acquisition of turboprop aircraft and engines. The primary focus is on used commercial turboprop aircraft equipment for lease to foreign and domestic regional air carriers.

The Company's mission is to increase stockholder value by acquiring aircraft assets and managing those assets in order to provide a return on investment through lease revenue and the eventual sale of the asset. Management believes it can achieve the Company's mission by reinvesting cash flow, as well as successfully executing on asset selection, lessee selection, and obtaining acquisition financing.

Recent Financials

AeroCentury reported full year 2005 total revenue of $13.499 million versus $10.904 million in fiscal 2004. The positive change in total revenue versus last year was primarily due to aircraft purchased in prior periods, as well as the re-lease of aircraft. In addition, top line results were positively impacted by $1.902 million as a result of non-refundable maintenance reserves retained by the Company which were recorded at lease end.

However, it is important to note that on a year-over-year basis, revenue growth was muted due to the sale of a pool of turboprop engines at the end of 2004, lower lease rates for several aircraft in 2005, and aircraft off lease during 2005.

The Company reported that depreciation, management fees, and SG&A expenses for the year increased by approximately $0.767 million versus 2004. The increase was primarily due to the purchase of aircraft in 2004 and 2005, which was offset to some degree by lower legal fees. In addition, the Company also experienced higher interest expense (resulting from higher market interest rates and a higher average principal balance during 2005) of approximately $1.064 million versus fiscal 2004.

Net income for year was $0.193 million or $0.13 per diluted share versus a net income of $0.266 million or $0.17 per diluted share in 2004.

In comparison, Taglich Brothers' estimates called for total revenue of $11.302 million and net income of $0.194 million or $0.13 per diluted share.

Balance Sheet as of December 31, 2005
The Company provided the following balance sheet data:

- Total assets increased to $96.547 million versus $83.932 million at the end of 2004;
- Total liabilities increased to $77.557 million versus $65.134 million at the end of 2004; and
- Shareholders' equity increased to $18.990 million versus $18.797 million at the end of 2004.

The Company ended 2005 with cash and cash equivalents of $0.618 million versus $2.404 million at December 31, 2004. Total outstanding indebtedness increased to over $58.337 million versus $48.990 million at the end of fiscal 2004.

On November 10, 2005, an agreement was reached to renew the maturity date of the Company's $50.0 million credit facility until October 31, 2007. In connection with the renewal of the facility, certain financial covenants were modified. The applicable margin will range between 275 to 325 basis points above LIBOR based on certain financial ratios. During 2005, the Company repaid a total of $13.6 million of the outstanding principal under its credit facility. As of December 31, 2005, according to the Company's 10-K filing, it was in compliance with all covenants and Management believes, at this time, based on its own current projections, that ACY will continue to be in compliance with all covenants related to the credit facility. At the end of 2005, $49.996 million was outstanding under the credit facility.

Investors should be aware that during November 2005, the Company refinanced two DHC-8 aircraft that were part of its credit facility collateral base, using bank financing separate from its credit facility. The aircraft were transferred to AeroCentury V LLC, a special purpose LLC, which borrowed $6.4 million at a fixed interest rate of 7.87% and is due November 10, 2008. The note is collateralized by the aircraft of this new non-recourse subsidiary (which means that if a default were to occur it would not impact ACY's base business). Repayments of this financing consists of monthly principal and interest payments through April 22, 2008, interest only from April 22, 2008 until the maturity date, and a balloon principal payment due at maturity. According to the 2005 10-K filing, the balance of the note payable at December 31, 2005 was $6.317 million and it was in compliance with all covenants related to this obligation.

Management believes that the Company will have adequate cash flow to meet its ongoing operational needs, including required repayments under its credit facility. Their belief is based on each advance on its credit facility being able to fund a portion of a new acquisition of an asset subject to a lease with the lease revenue expected to be greater than the incremental increase in required for interest payments arising from the advance. However, future growth is likely to depend on the availability of such additional financing for acquisitions of leased assets.

Recent Developments

On January 27, 2006, AeroCentury announced the re-lease of two of its Dash-8-300 aircraft. The aircraft were leased to LIAT a regional airline based in Antigua, each for 36 month terms. LIAT serves 20 destinations in the Eastern Caribbean.

On December 28, 2005, the Company announced the purchase and lease of four Fokker 50 aircraft. The aircraft were leased to VLM Airlines N.V., a regional business airline based in Antwerp, Belgium. According to the Company, VLM has been a valued customer since 1998.

Competitive Environment

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 International Lease Finance Corp., a subsidiary of American International Group (NYSE: AIG), the CIT Group (NYSE: CIT), GE Capital Aviation Services, a subsidiary of General Electric Commercial Finance, and Willis Lease Finance Corp. (NasdaqNM: WLFC). Also, of note was the announcement during January 2006 that Morgan Stanley was selling its aircraft leasing business to a European private equity group for $2.5 billion in cash.

Impacting the leasing of aircraft for all industry participants has been relatively low interest rates that caused lease rates to decline upon the releasing of an aircraft. However, based on the continued action in the bond market, short-term interest rates appear to be trending higher, which was confirmed by the fourteenth 25 basis points increase in interest rates so far since mid 2004, by the Federal Reserve.

According to the Travel Industry Association of America (TIA), after years of little travel volume growth combined with significantly lower travel spending, 2005 was the year of recovery the industry has been awaiting. It was the first year since 2000 that all travel industry sectors experience increased demand. The TIA is reporting that overall traveler spending by domestic and international visitors increased by approximately 7.6% to $646 billion in 2005, versus an estimated $600.1 billion in 2004. The TIA is forecasting that number to increase by approximately 5% in 2006 to $675 billion.

Projections and Outlook

Our initial 2006 revenue forecast for 2006 is $13.130 million and incorporates sequential quarterly growth in rent income throughout the upcoming year. In addition, we have taken into account the outlook provided by Management in public filings, overall results for 2005, and general operating trends.

Based on our revenue forecast and the Company's cost structure trends in 2005, we are forecasting 2006 net income of $0.263 million or $0.17 per diluted share. Our forecast for bottom line results includes the following:

- Interest expense increasing to $4.320 million versus $3.485 million in 2005;

- SG&A expenses, which includes insurance, increasing slightly to $0.855 million versus $0.826 million in 2005;

- Management fees and depreciation increasing to $7.030 million versus $6.371 million in 2005;

- Maintenance, impairment, and bad debt expenses of $0.460 million versus $2.479 million in 2005. In 2005, maintenance expense increased by approximately $1.452 million due to the condition of two aircraft that were returned to the Company and the needed preparations to re-lease them; and

- A tax rate of 43.4%.

Investors should be aware that if additional purchases are made and the Company is able to re-lease aircraft on a consistent basis, revenues could exceed our expectations for 2006. Of particular note, during November 2005, the Company created a non-recourse special purpose subsidiary that refinanced two DHC-8 aircraft, which had been part of the collateral base for its credit facility. The $6.4 million financing was provided by a separate bank at a fixed interest rate of 7.87%.

Also supporting our projections for the upcoming year is ACY having a combination of thirty-four aircraft and one aircraft engines within its portfolio, as of December 31, 2005. Additionally, subsequent to the end of the year, the Company accomplished the following:

- Extended the lease for one of its Fokker 50 aircraft from 18 months;

- Signed 36-month leases with a regional carrier in the Caribbean for two of its deHavilland DHC-8 aircraft. One was returned at lease end in December 2005 and the other was expected to be returned at lease in during March 2006. One aircraft was delivered in January 2006 and the second is scheduled for delivery by the end of March 2006;

- Signed a term sheet to re-lease a deHavilland DHC-8 aircraft that was returned at the end of its lease during February 2006. The aircraft is expected to occur during March 2006 to a current customer; and

- Entered into an agreement in March 2006, to the early termination of a lease for its Shorts SD 3-60 aircraft in exchange for the receipt of all amounts due from the lessee through the termination date. An agreement to sell the aircraft was signed and the transaction is expected to be consummated by the end of March 2006 at a gain of approximately $0.350 million.

According to the Company's 10-K filing, it currently has two aircraft and one turboprop engine off lease. Management is seeking remarketing opportunities for the off-lease assets, and anticipates these aircraft going back on-lease during the second quarter of 2006. Three additional aircraft have lease terms expiring in the second quarter of 2006, all of which the Company expects will be renewed. However, if any of these leases are not renewed, the Company may be required to make principal repayments under its credit facility due to collateral base covenant restrictions.

In general the specific timing of when aircraft(s) will be returned to the Company remains unclear; however, until an aircraft is returned, rent will be paid by the lessor even if the lease term has expired. In order to obtain release agreements, Management continues to focus its efforts on marketing. In addition, the lessee for two aircraft has given the Company indications that it will return one and extend the lease for the other.

Risks

Credit Facility Renewal

In November 2004, the Company reached agreement with its lenders to renew its credit facility through October 31, 2005. The renewal agreement also revised certain pricing and covenant provisions and waived compliance with two covenants at September 30, 2004. As part of the renewal, the LIBOR margin was set at 375 basis points through March 2005, after which a margin of 275 to 375 basis points will be determined by certain financial ratios.

According to the Company's October 31, 2005, 8-K filing it obtained an extension of its credit facility until November 9, 2005. Subsequently, the Company reached an agreement with its lenders to renew the maturity date of the facility to October 31, 2007. This two year renewal should allow the Management to focus on building its aircraft portfolio over the next two years.

At the end of 2005, $49.996 million was outstanding under the Company's $50 million credit facility, which means that Management will need to either expand the facility or continue to use special purpose financing in order to increase its aircraft portfolio.

Special Purpose Financing

The Company owns one deHavilland DHC-8 aircraft that is held in a special purpose subsidiary entity and financed by a lender separate from the credit facility. A balloon principal payment is due during April 2006, but the financing provides for a six month remarketing period at the expiration or early termination of the lease. Payments due on the financing are reduced during this period and the balloon payment is deferred to the end of the six month period. Management anticipates that the aircraft lease will be renewed for an additional term, and that it will be able to find replacement financing for the aircraft by the balloon payment due date, so that the aircraft can continue to be leased and held a special purpose subsidiary. In addition, if the Company is unable to find such replacement financing, the Company anticipates that it will be able to sell the aircraft for a price in excess of the repayment amount of the financing.

During November 2005, the Company refinanced two DHC-8 aircraft using bank financing separate from its credit facility. The aircraft were transferred to AeroCentury V LLC, a special purpose LLC, which borrowed $6.4 million, due November 10, 2008. The note is collateralized by the aircraft and the Company's interest in AeroCentury V LLC. Payments consist of monthly principal and interest through April 22, 2008, and interest only from April 22, 2008 until the maturity date, when a balloon principal payment is due.

In general, the availability of special purpose financing in the future will depend on:

- The availability of funds to be used for the equity portion of the financing;
- The type of asset being financed;
- The creditworthiness of the underlying lessee; and
- Continued compliance with certain of the Company's credit facility covenants.

Debt Financing

The Company uses its revolving credit facility and special purpose financing to acquire aircraft in order to lease it to a customer. If a customer is unable to make its lease payments (for example, the repossession of aircraft from a Haitian lessee), AeroCentury may not have the ability to repay the debt secured by the aircraft acquired, which means that title to the aircraft would likely be lost in a foreclosure proceeding. It should be noted that money drawn under the credit facility is secured by the Company's existing assets, as well as the assets acquired with each financing. A reduction in the number of aircraft in AeroCentury's portfolio would negatively impact operations.

Competitive Environment

The Company competes for customers, who generally are regional commercial aircraft operators that are seeking to lease aircraft under an operating lease, with other leasing companies, banks, financial institutions, and aircraft leasing partnerships. The competitive environment may increase if competitors who have traditionally neglected the regional air carrier market begin to focus on that market. In general, competition is largely based on price and lease terms, as well as the entry of new competitors into the market. In addition, those companies with greater access to capital markets could mean fewer acquisition opportunities for ACY and/or lease terms less favorable to the Company on new acquisitions, as well as renewals of existing leases or new leases of existing aircraft.

Customer Concentration

For the year ended December 31, 2005, the Company had three significant customers, which accounted for 34%, 14%, and 12%, respectively, of lease revenue. Concentration of credit risk with respect to lease receivables will diminish in the future only if the Company is able to lease additional assets or re-lease assets currently on lease to significant customers to new customers.

Economic Factors

The Company's business is dependent on the strength of the Travel and Transportation Industries and on the general level of global economic activity. As a result of the weak economic environment experienced between the middle of 2000 to the middle of 2003, there was a reduction in the number of aircraft being used by major air carriers, particularly those serving the United States Market. AeroCentury's current leases and remarketing efforts are primarily focused outside of the U.S.; therefore, the impact was somewhat muted. A March 2006 economic forecast by the Mortgage Bankers Association calls for Gross Domestic Product to grow at an annual rate of approximately 3.56% in 2006. In addition, the Federal Reserve has raised interest rates (by 0.25 basis points) fourteen times since mid 2004, in order to moderate future economic growth. If the economic growth were to stall or slow due to unforeseen events (such as hurricanes and terror attacks) it would likely impact the Travel and Aviation Industries, which in turn could negatively impact the Company's operations.

Leasing

Crucial to the Company's ability to regain profitability and grow revenues is its ability to successfully negotiate lease extensions and re-lease/remarket aircraft. However, factors that may negatively impact the Company's leasing operations include: 1) demand for leasing aircraft and/or the sale of an aircraft; 2) acceptable rates that an aircraft can be leased for; and 3) the cyclical nature of the Air Transportation and Travel Industries.

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 seventh year of a 20-year term. Under this agreement, the Company pays an asset-based management fee to JMC.

JMC is not a fiduciary to the Company or its stockholders. The Board of Directors, however, has ultimate control and supervisory responsibility over all aspects of the Company and owes fiduciary duties to the Company and its stockholders. It is important to note that 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 interests may exist.

Insurance

The Company may be named in a suit claiming damages for injuries or damage to property caused by its assets. As a triple net lessor, the Company is generally protected against such claims. Additionally, the Company should have some protection through the United States Aviation Act with respect to its aircraft assets. The Company may carry insurance or require a lessee to insure against a risk, there may be certain cases where the loss is not entirely covered by the lessee or its insurance.

Interest Rates

If interest rates were to increase sharply, the Company's near-term operations would likely be negatively impacted in terms of the borrowing required to finance the purchase of assets (i.e. aircraft, engines, etc.). Higher lease rates would over the long-term mitigate the impact of a rapid rise in interest rates.

Valuation Adjustments

The Company continually reviews its asset valuations. It did not make any valuation adjustments during 2003 or 2005. However, in 2004 the Company incurred an impairment charge of $0.463 million related to one of its leased aircraft. It is important to be aware that any future adjustments, if necessary, would negatively impact future financial results and the collateral available for ACY's credit facility.

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, average daily-volume for 2004 decreased to 1,261 from 2,660 shares in 2003. However, average daily-volume for 2005 increased to 10,992 shares traded a day. Still, on a relative basis, volume for this equity is very small. Investors need to be aware that by nature, an equity that lacks liquidity can have significant price volatility.

Conclusion

We are upgrading our rating on the shares of AeroCentury (AMEX: ACY) to Speculative Buy from a Neutral rating. The upgrade is based on the Company's ability to renew the maturity date of its credit facility to October 31, 2007, obtain additional financing through the creation of a special purpose subsidiary, and generate fairly consistent top and bottom line results.

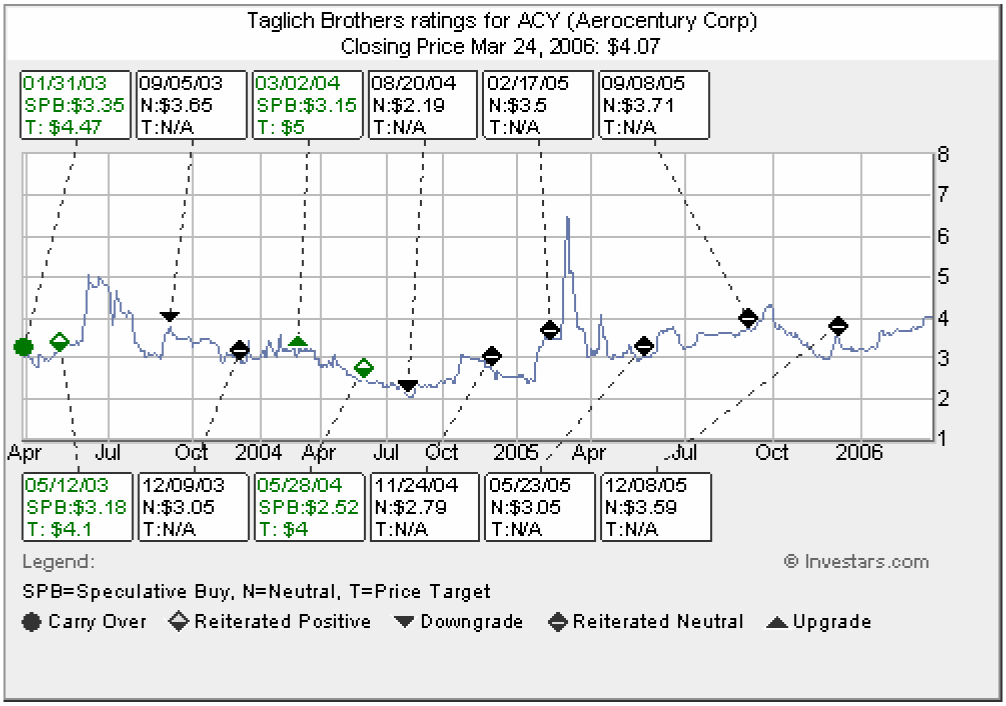
In conjunction with our upgrade, we are establishing a twelve-month price target of $5.35 per share. Our price target is derived using the following valuation models discounted by 45% to account for Company specific and microcap risks:

- A 1.42X price to revenue multiple, which is the trailing twelve month multiple (as of March 24, 2006) for a public competitor, Willis Lease Finance Corp. (NasdaqNM: WLFC), applied to our revenue per share estimate of $8.51 for 2006;

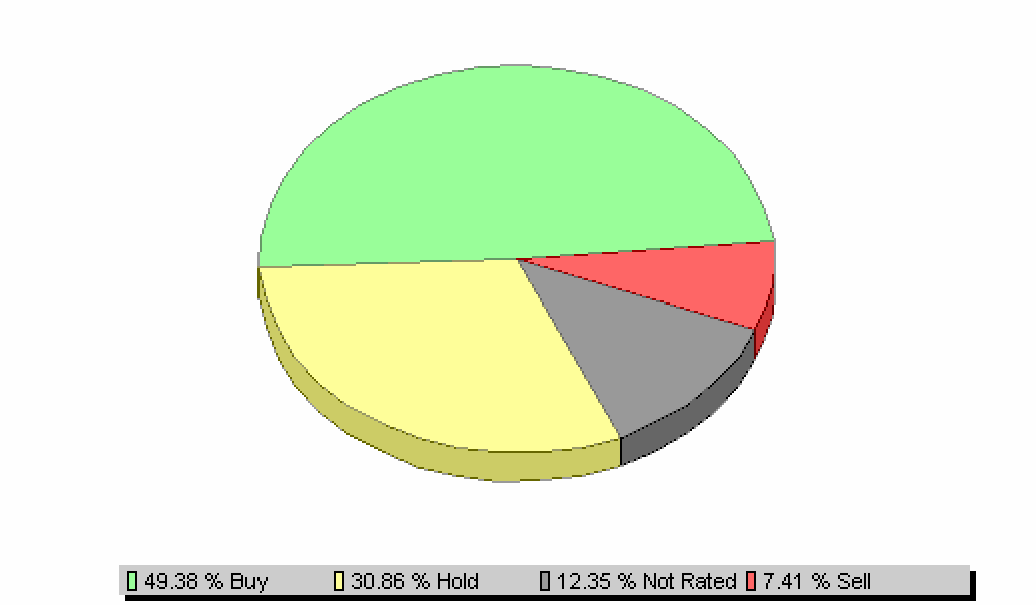
- A 44.0X price to earnings multiple, which is the trailing twelve month multiple (as of March 24, 2006) for Willis Lease Finance Corp., applied to our earnings per share estimate of $0.17 for 2006; and

- A 0.82X price to book multiple (as of March 24, 2006) for Willis Lease Finance Corp., applied to ACY current book value of $11.82.

Investors should be aware that it is still likely that additional financing will be sought to continue building the aircraft portfolio, which has the potential to negatively impact future operations depending on the overall interest rate environment.



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	1	9.09%

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.

Public Companies mentioned in this report:

American International Group	(NYSE: AIG)
CIT Group	(NYSE: CIT)
Tyco Inc.	(NYSE: TYC)

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 Sheets
(in thousands)

	Dec. '02 Year End	Dec. '03 Year End	Dec. '04 Year End	Dec. '05 Year End
ASSETS				
Current assets:				
Cash & Equivalents	$ 8,796	$ 9,449	$ 2,404	$ 619
Accounts Receivable	1,801	1,360	6,455	1,128
Note receivable	18	-	295	-
Prepaid Expense & Other	483	699	410	1,036
Total current assets	**11,097**	**11,508**	**9,563**	**2,783**
Aircraft & engines, net of depreciation	65,502	62,151	72,621	93,763
Total assets	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 96,547**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts Payable and accrued expenses	$ 530	$ 484	$ 868	$ 1,175
Notes Payable and accrued interest	44,223	41,493	48,990	58,337
Maintenance deposits and accrued costs	5,771	8,736	10,293	13,368
Security deposits	2,254	1,432	1,775	3,125
Prepaid rent	186	199	405	447
Unearned income			3	-
Income Taxes Payable	-	-	1,704	48
Total current liabilities	**52,965**	**52,344**	**64,037**	**76,499**
Long-Term debt-net of current	-	-	-	-
Deferred Income Taxes	3,763	2,784	1,098	1,057
Total Liabilities	**56,728**	**55,128**	**65,134**	**77,557**
Stockholders' equity:				
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821
Retained earnings	6,552	5,212	5,478	5,671
Accumulated deficit	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)
Total stockholders' equity	**19,871**	**18,531**	**18,797**	**18,990**
Total liabilities and stockholders' equity	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 96,547**
SHARES OUT	1,607	1,607	1,607	1,607

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

	FY2003A	FY2004A *	FY2005A	**FY2006E**
Revenues:				
Rent Income	$ 8,767	$ 8,996	$ 11,387	**$ 13,130**
Gain(loss) on disposal of assets	-	1,748	(48)	**-**
Other Income	143	160	2,161	**-**
Total Revenues	8,910	10,904	13,499	**13,130**
Expenses:				
Management Fees	1,910	1,988	2,340	**2,630**
Depreciation	3,361	3,555	4,031	**4,400**
Interest	1,941	2,421	3,485	**4,320**
SG&A	843	887	826	**855**
Maintenance	2,091	847	2,299	**460**
Provision for impairment in value of aircraft and Bad Debt Expense	900	803	180	**-**
Total Expenses	11,045	10,501	13,160	**12,665**
Operating Income	(2,136)	403	339	**465**
Operating Margin	-23.97%	3.70%	2.51%	3.54%
Taxes(Benefit)	(795)	137	146	**202**
Tax Rate	*37.24%*	*33.90%*	*43.10%*	*43.44%*
Net Income	$ (1,340)	$ 266	$ 193	**$ 263**
EPS-fully diluted includes insurance settlement	$ (0.87)	$ 0.17	$ 0.13	**$ 0.17**
Avg Shares Out-fully diluted	1,543	1,543	1,543	**1,543**
Margin Analysis				
Gross Profit	7,000	8,916	11,160	**10,500**
GPM	78.6%	81.8%	82.7%	**80.0%**
NI/Rev	-15.0%	2.4%	1.4%	**2.0%**
NI/Rent Income	-15.3%	3.0%	1.7%	**2.0%**
Total Exp/Rev	124.0%	96.3%	97.5%	**96.5%**
As Per Cent of Rent Income				
Expenses:				
Management Fees	21.79%	22.10%	20.55%	**20.03%**
Depreciation	38.33%	39.51%	35.40%	**33.51%**
Interest	22.14%	26.91%	30.60%	**32.90%**
SG&A	9.61%	9.86%	7.26%	**6.51%**
Total Expenses	125.99%	116.73%	115.57%	**96.46%**
Percent Change Year/Year				
Rent Income	0.86%	2.61%	26.58%	**15.31%**
Operating Income	NMF	NMF	NMF	**NMF**
Net Income	NMF	NMF	NMF	**NMF**

*Excluding unusual charges for maintenance, bad debt, legal fees, and impairment of leased aircraft, as well as a gain from the disposal of assets, we estimate a net loss of approximately $0.077 million or ($0.05) per share.

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2004
(in thousands)

	(3/04)Q1A	(6/04)Q2A	(9/04)Q3A	(12/04)Q4A	FY2004A
Revenues:					
Rent Income	$ 2,060	$ 2,252	$ 2,246	$ 2,432	$ 8,996
Gain(loss) on disposal of assets	-	-	21	1,727	1,748
Other Income	70	50	206	(160)	160
Total Revenues	2,130	2,302	2,473	3,999	10,904
Expenses:					
Management Fees	463	497	500	529	1,988
Depreciation	845	899	894	917	3,555
Interest	551	573	607	690	2,421
SG&A	215	202	336	134	887
Maintenance	25	68	398	356	847
Provision for impairment in value of aircraft and bad debt expense	-	-	610	193	803
Total Expenses	2,099	2,239	3,344	2,819	10,501
Operating Income	31	63	(870)	1,180	403
Operating Margin	1.46%	2.73%	-35.20%	29.50%	3.70%
Taxes(Benefit)	1	12	(313)	436	137
Tax Rate	*3.00%*	*19.88%*	*35.98%*	*36.99%*	*33.90%*
Net Income	$ 30	$ 50	$ (557)	$ 743	$ 266
EPS-fully diluted	$ 0.02	$ 0.03	$ (0.36)	$ 0.48	$ 0.17
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
Gross Profit	1,667	1,805	1,974	3,470	8,916
GPM	78.3%	78.4%	79.8%	86.8%	81.8%
NI/Rev	1.4%	2.2%	-22.5%	18.6%	2.4%
NI/Rent Income	1.5%	2.2%	-24.8%	30.6%	3.0%
Total Exp/Rev	98.5%	97.3%	135.2%	70.5%	96.3%
As Per Cent of Rent Income					
Expenses:					
Management Fees	22.47%	22.05%	22.25%	21.76%	22.10%
Depreciation	41.03%	39.93%	39.79%	37.69%	39.51%
Interest	26.76%	25.44%	27.00%	28.37%	26.91%
SG&A	10.45%	8.98%	14.95%	5.51%	9.86%
Total Expenses	101.90%	99.43%	148.86%	115.91%	116.73%
Percent Change Year/Year					
Rent Income	-15.99%	3.04%	10.63%	15.88%	2.61%

Excluding unusual charges for maintenance, bad debt, legal fees, and impairment of leased aircraft, as well as a gain from the disposal of assets, we estimate a net loss of approximately $0.077 million or ($0.05) per share.

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2005
(in thousands)

	(3/05)Q1A	(6/05)Q2A	(9/05)Q3A	(12/05)Q4A	FY2005A
Revenues:					
Rent Income	$ 2,522	$ 2,738	$ 2,956	$ 3,170	$ 11,387
Gain(loss) on disposal of assets	(60)	-	-	11	(48)
Other Income	78	16	0	2,066	2,161
Total Revenues	2,540	2,755	2,957	5,248	13,499
Expenses:					
Management Fees	544	567	594	634	2,340
Depreciation	925	980	1,030	1,096	4,031
Interest	763	817	877	1,028	3,485
SG&A	231	212	205	179	826
Maintenance	17	34	169	2,079	2,299
Provision for impairment in value of aircraft and bad debt expense	12	88	-	79	180
Total Expenses	2,492	2,698	2,876	5,094	13,160
Operating Income	48	57	81	153	339
Operating Margin	1.89%	2.05%	2.74%	2.92%	2.51%
Taxes(Benefit)	8	10	29	98	146
Tax Rate	*17.16%*	*17.68%*	*35.63%*	*64.10%*	*43.10%*
Net Income	$ 40	$ 47	$ 52	$ 55	$ 193
EPS-fully diluted	$ 0.03	$ 0.03	$ 0.03	$ 0.04	$ 0.13
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
Gross Profit	1,996	2,188	2,362	4,614	11,160
GPM	78.6%	79.4%	79.9%	87.9%	82.7%
NI/Rev	1.6%	1.7%	1.8%	1.0%	1.4%
NI/Rent Income	1.6%	1.7%	1.8%	1.7%	1.7%
Total Exp/Rev	98.1%	97.9%	97.3%	97.1%	97.5%
As Per Cent of Rent Income					
Expenses:					
Management Fees	21.59%	20.71%	20.11%	19.99%	20.55%
Depreciation	36.69%	35.80%	34.84%	34.55%	35.40%
Interest	30.25%	29.84%	29.66%	32.43%	30.60%
SG&A	9.16%	7.74%	6.92%	5.63%	7.26%
Total Expenses	98.83%	98.53%	97.27%	160.68%	115.57%
Percent Change Year/Year					
Rent Income	22.42%	21.29%	31.61%	30.37%	26.58%

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2006
(in thousands)

	(3/06)Q1E	(6/06)Q2E	(9/06)Q3E	(12/06)Q4E	FY2006E
Revenues:					
Rent Income	$ 3,215	$ 3,265	$ 3,300	$ 3,350	$ 13,130
Gain(loss) on disposal of assets	-	-		-	-
Other Income	-	-	-	-	-
Total Revenues	3,215	3,265	3,300	3,350	13,130
Expenses:					
Management Fees	640	650	665	675	2,630
Depreciation	1,100	1,100	1,100	1,100	4,400
Interest	1,060	1,075	1,085	1,100	4,320
SG&A	200	210	220	225	855
Maintenance	115	115	115	115	460
Provision for impairment in value of aircraft and bad debt expense	-	-	-	-	-
Total Expenses	3,115	3,150	3,185	3,215	12,665
Operating Income	100	115	115	135	465
Operating Margin	3.11%	3.52%	3.48%	4.03%	3.54%
Taxes(Benefit)	40	47	50	65	202
Tax Rate	*40.00%*	*40.87%*	*43.48%*	*48.15%*	*43.44%*
Net Income	$ 60	$ 68	$ 65	$ 70	$ 263
EPS-fully diluted	$ 0.04	$ 0.04	$ 0.04	$ 0.05	$ 0.17
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
Gross Profit	2,575	2,615	2,635	2,675	10,500
GPM	80.1%	80.1%	79.8%	79.9%	80.0%
NI/Rev	1.9%	2.1%	2.0%	2.1%	2.0%
NI/Rent Income	1.9%	2.1%	2.0%	2.1%	2.0%
Total Exp/Rev	96.9%	96.5%	96.5%	96.0%	96.5%
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.91%	19.91%	20.15%	20.15%	20.03%
Depreciation	34.21%	33.69%	33.33%	32.84%	33.51%
Interest	32.97%	32.92%	32.88%	32.84%	32.90%
SG&A	6.22%	6.43%	6.67%	6.72%	6.51%
Total Expenses	96.89%	96.48%	96.52%	95.97%	96.46%
Percent Change Year/Year					
Rent Income	27.50%	19.23%	11.62%	5.66%	15.31%

AeroCentury Inc.
Cash Flow Statement
(in thousands)

	FY2003A	FY2004A	FY2005A
Cash Flows from Operating Activities			
Net Income	$ (1,340)	$ 266	$ 193
Loss (gain) on sale of aircraft and aircraft engines	-	(1,748)	48
Depreciation	3,361	3,555	4,031
Provision for impairment in value of aircraft	-	657	12
Deferred Taxes	(978)	(1,687)	(40)
	1,042	1,043	4,244
Changes In:			
Accounts receivable	441	(5,096)	(85)
Reversal of allowance on note receivable	-	(11)	(4)
Prepaid expenses and other	(217)	290	(626)
Accounts payable and accrued expenses	(45)	384	512
Accrued interest on notes payable	(75)	131	104
Maintenance reserves and accrued costs	2,965	1,556	3,075
Security Deposits	(823)	344	1,350
Prepaid rent	13	206	42
Unearned income	-	3	(3)
Taxes payable	-	1,704	(1,656)
Net Changes in Working Capital	2,258	(489)	2,710
Net cash Provided by Operations	3,300	554	6,954
Cash Flows from Investing Activities			
Payments received on note receivable	18	91	210
Issuance of note receivable	-	(375)	-
Proceeds from disposal of assets	-	7,321	9,035
Purchase of aircraft and aircraft engines	(10)	(22,001)	(27,226)
Net cash used in Investing	8	(14,964)	(17,982)
Cash Flows from Financing Activities			
Issuance of notes payable	-	14,700	23,191
Repayment of note payable	(2,655)	(7,335)	(13,948)
Net cash provided by Financing	(2,655)	7,365	9,243
Net change in Cash	653	(7,045)	(1,785)
Cash Beginning of Period	8,796	9,449	2,404
Cash End of Period	$ 9,449	$ 2,404	$ 619