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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

ACY $14.95 – (AMEX)

April 9, 2008

	FY (12/05)A	FY (12/06) A	FY (12/07) A	***FY (12/08) E***
Total revenue (millions)	$13.50	$18.84*	$23.85	***$25.23***
Earnings per share (diluted)	$0.13	$0.65	$2.36	***$1.22***

52-Week range	$26.67 – $10.95	Fiscal year ends:	December
Shares outstanding a/o 03/14/08	1.54 million	Lease revenue/share (ttm)	$12.15
Approximate float	1.05 million	Price/Sales (ttm)	1.2X
Market Capitalization	$23 million	Price/Sales (2008)E	1.2X
Book value/share	$20.01	Price/Earnings (ttm)	6.3X
Price/Book	0.7X	Price/Earnings (2008)E	12.3X

*** Includes $2.387 million gain from non-refundable maintenance reserves**

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); however, we are reducing our twelve-month price target to $17.85 per share from $23.45 per share. Our price target is based on our operating lease revenue and earnings per share estimates over the next four quarters and a relative analysis of price to sales and earnings for the rental and leasing industry.

On February 26, 2008, ACY reported full year 2007 total revenue of $23.850 million versus $18.843 million. Net income for the year was $3.775 million or $2.36 per diluted share versus net income of $1.009 million or $0.65 per share in the same period last year. As a reminder, at the beginning of 2007, the Company, adopted FASB Staff Position AUG AIR-1. As a result, Management believes that reported net income may be subject to greater fluctuations from quarter-to-quarter as compared to historic results.

On March 14, 2008, the Company issued its annual 10-K filing. The filing stated it is likely that the Company will incur approximately $2.3 million of maintenance expense in the first quarter of 2008. While ACY has adequate cash for this expense, the unusually large amount of that expense in the first quarter will significantly impact the Company's results.

Based on comments in the Company's 2007 10-K filing, higher first quarter expenses, the expectation of increased interest expense during the second half of 2008, we are adjusting our forecasts for 2008. We are estimating total revenue of $25.225 million and net income of $1.985 million or $1.22 per diluted share. Our prior forecast called for total revenue of $24.885 million and net income of $3.653 million or $1.25 per diluted share.

****Please view our disclaimer located on page 15.***

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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 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.). Investors should note that certain officers of ACY are also officers of JetFleet Management and JetFleet Holding and hold significant ownership positions in those entities.

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.

Assets are acquired in one of three ways:

- Purchase of an asset that is already subject to a lease; thereby assuming the rights and obligations of the seller, as lessor under the existing lease;
- Purchase of an asset from an air carrier and leaseback to that seller; and
- Purchase of an asset from a seller and then immediately enter into a new lease for the aircraft with a third party lessee. According to the Company, in this case it typically does not purchase an asset unless a potential lessee has been identified and has committed to lease the aircraft.

Investors should be aware that the Company generally targets used regional aircraft and engines with purchase prices between $1 million and $10 million, and lease terms less than five years. Also, that in order to improve the remarket-ability of an aircraft after expiration of the lease, the Company focuses on having lease provisions for its aircraft that contain maintenance payments and return conditions (such that when the lessee returns the aircraft, the Company receives the aircraft in a condition that allows for it to re-leased or sold in a timely fashion). In addition, the Company examines the creditworthiness of a potential lessee (in terms of their short- and long-term growth prospects, financial status, as well as the impact of pending regulation or de-regulation of the lessee's market).

Of note, as of December 31, 2007, all but three of the Company's 41 aircraft were on lease. Also, one turboprop engine owned by ACY was off lease. At the end of 2007, two of the three aircraft off lease were Saab 340As. These two aircraft came off lease as a result of the Company agreeing to their early return (the leases were set to expire in May and July 2008). In addition, ACY filed a complaint against the lessee to recover unpaid amounts; however, since the lessee is defunct the Company is unlikely to make any monetary recovery. Management is seeking re-lease or sale opportunities for these aircraft. Also, one deHavilland DHC-8-300 aircraft was off lease at December 31, 2007; however, during January 2008 that aircraft was re-leased to an existing customer for a 36-month term.

Developments

- At the start of 2007, the Company adopted AUG AIR-1; therefore, it discontinued the accrue-in-advance method of accounting for planned major maintenance. The adoption required the accrual of non-refundable maintenance reserves as income and performance of maintenance work as an expense. Management believes that reported net income may be subject to greater fluctuations from quarter-to-quarter as compared to historic results.

- In connection with ACY's year-end audit of 2007 consolidated financial statements, Management identified certain errors in the unaudited interim financial statements for fiscal years 2007 and 2006. The errors principally related to incorrect treatment of two $0.450 million non-contingent termination payments due

from a lessee under two leases terminating during October 2007 and February 2008, respectively. The amounts should have been recognized as operating lease revenue ratably over the three year terms of the leases. The Company evaluated the errors and determined concurrent with its Audit Committee, that the Company's previous financial statements as issued were unreliable. The restatement adjustments resulted in an increase in previously reported net income for the year ended December 31, 2006, and a cumulative net increase to stockholders' equity as of December 31, 2006 of approximately $0.412 million, of which approximately $0.213 million primarily relates to 2005 and prior and has been recorded as a cumulative effect adjustment due to correction of an error.

– During 2007, the Company purchased five Fokker 100 aircraft:

  - Two are subject to leases with a regional carrier in the Netherlands Antilles for terms expiring in January 2012; and
  - Three are subject to leases with a regional carrier in Mexico for terms expiring in June and December 2010.

– 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.

Recent Financials

On February 26, 2008, AeroCentury reported full year 2007 total revenue of $23.850 million versus $18.843 million in the same period last year. Investors should be cognizant that both periods reflect the adoption of AUG AIR-1, Accounting for Planned Major Maintenance Activities (the period last year was restated to conform to current period results). Also, it should be noted that in connection with the year-end audit, the Audit Committee and Management determined that two $0.450 million non-contingent termination payments due from a lessee at lease-end in October 2007 and February 2008, respectively, should have been recognized as operating lease revenue ratably over the three-year term of the leases. As a result, operating lease revenue had been understated by approximately $0.627 million cumulatively through December 31, 2006; and, by approximately $0.229 million for the nine months ended September 30, 2007. Results for 2006 reflect the restatement and results for the current year include the changes made to results for the first nine months of 2007.

Operating lease revenue in 2007, improved to $19.412 million versus $15.812 million in 2006. The positive change in operating lease revenue versus the same period last year was primarily due to aircraft purchased in the fourth quarter of 2006 and during 2007, as well as re-leases during 2007 at increased rental rates for several aircraft. Also positively impacting the top line was revenue from several aircraft which had been off lease during 2006 and the restatement of the two $0.450 million non-contingent termination payments (as described above). Mitigating the operating lease revenue increase was aircraft off lease for part of 2007.

Maintenance reserves income revenue (introduced as a line item during the first quarter of 2007 – with corresponding restatements for 2006) resulted from the adoption of AUG AIR-1. On a year-over-year basis, it increased to $4.310 million from $2.990 million in 2006. The increase resulted from a higher level of aircraft usage by the Company's lessees, on which the amount of reserves income was based, as well as the acquisition of aircraft in 2007. Investors need to be aware that there are the only eight data points for this line item. **To reiterate, Management believes that this revenue line item is likely to make overall results more volatile.**

ACY reported that depreciation, management fees, G&A, insurance expenses, and bad debt for 2007 increased by approximately $1.265 million versus 2006 (which was restated for the adoption of AUG AIR-1). The increase was primarily due to higher depreciation, management fees, as well as general and administrative expenses. Depreciation increased by approximately $0.922 million, primarily due to the purchase of aircraft in the fourth quarter of 2006 and during 2007, which was mitigated by the sale of aircraft in the second quarter of 2006. Management fees increased by approximately $0.275 million due to higher net book values as a result of aircraft acquisitions (of note, these fees are calculated on the net book value of the aircraft owned by the Company),

which was offset to some degree by the effect of depreciation on the net book value of the Company's aircraft. G&A expenses increased by approximately $0.092 million resulting from higher accounting and Director fees, as well as the addition of a Board member during the fourth quarter of 2007, which was mitigated by a decrease in legal fees and reduced travel expenses.

Interest expense increased by approximately $1.306 million in 2007 compared to 2006. Higher interest expense resulted from an increase in the Company's subordinated notes balance in 2007, which was used to repay a portion of the Company's senior debt (but bears interest at a higher rate than the facility). Also contributing to the higher level of interest expense was increased index rates upon which the Company's senior debt interest rates are based, increased in the fees paid by the Company on its unused senior debt (because of a higher unused balance of senior debt in 2007), and the expense attributed to interest swap entered into in December 2007. Mitigating the overall increase was lower average senior debt balance and lower margin in 2007 versus 2006.

Maintenance expenses decreased by approximately $1.584 million in 2007 compared to 2006. According to the Company's 2007 10-K filing, the decrease was due to lower expense for maintenance claims submitted by lessees and lower expenses incurred for off-lease aircraft in 2007.

Net income for 2007 was $3.775 million or $2.36 per diluted share versus a net income of $1.009 million or $0.65 per diluted share of 2006.

Investors should note that the Company's effective tax rate was 29.5% versus 38.1% in 2006. The change was primarily the result of the Company's election to amend its prior year tax returns to claim credits for foreign taxes withheld by a lessee rather than claim a deduction for the foreign taxes withheld, which had not been recognized in previous years.

In comparison, Taglich Brothers' estimates called for total revenue of $22.53 million and net income of $3.272 million or $2.05 per diluted share. Actual results differed from our estimates primarily due to the revenue line item (Maintenance reserves income).

Balance Sheet as of December 31, 2007

The Company provided the following balance sheet data:

- Total assets were $126.653 million versus $97.3665 million at December 31, 2006 (as restated for SAB 108, AUG AIR-1, and accounting adjustment previously described);
- Total liabilities were $94.513 million versus $70.558 million at December 31, 2006 (as restated for SAB 108, AUG AIR-1, and accounting adjustment previously described); and
- Shareholders' equity stood at $32.140 million versus $26.808 million at December 31, 2006 (as restated for SAB 108, AUG AIR-1, and accounting adjustment previously described).

Investors should note that the current period also reflect the adoption of SAB 108 and AUG AIR-1 and the accounting adjustment previously described.

The Company ended 2007 with cash and cash equivalents of $2.843 million versus $3.384 million at December 31, 2006. Total outstanding notes payable and accrued interest increased to $73.075 million versus $57.907 million at the end of fiscal 2006.

During April 2007, an agreement was reached to increase the Company's $55 million senior revolving credit to $80 million and the maturity date was extended to March 31, 2010. Also, the potential exists to increase the maximum amount available under the revolving credit facility to $110 million. The applicable margin will range between 275 to 325 basis points above LIBOR based on certain financial ratios. During 2007, the Company repaid $16.8 million of the outstanding principal under its credit facility. At the end of 2007, the balance of the note payable was $59.596 million and ACY was in compliance with all covenants under its credit facility.

Also in April 2007, the ACY entered into a Securities Purchase Agreement (SPA), which allowed for the issuance of 16% senior unsecured subordinated notes, with an aggregate principal amount of up to $28 million. The subordinated notes will be due December 30, 2011. On April 17, 2007 (the closing date), $10 million of the notes were sold at 99% of the face amount. Any notes issued for the remaining $18 million will be sold at 99% of the face amount, at subsequent closings expected to occur on or before June 30, 2008. As of December 31, 2007, the carrying amount of the notes was approximately $7.612 million (outstanding principal amount of $10 million less unamortized debt discount of approximately $2.388 million), accrued interest payable of was zero. According to the 2007 10-K filing, the Company was in compliance with all covenants under the SPA.

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 December 31, 2007, the Company recognized a $0.150 million liability for the swap on its balance sheet (in the notes payable and accrued interest line item). The Company also recognized both a net settlement amount of zero and a loss of $0.150 million for 2007 as a component of interest expense. **If short-term interest rates continue to decline, the Company will incur additional interest expense as a result of the swap.**

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 2007 10-K filing, the balance of the note payable at December 31, 2007 was $4.455 million and ACY was in compliance with all covenants related to this obligation.

In April 2006, the Company refinanced a note obligation for an aircraft previously owned by AeroCentury II LLC, using bank financing from another lender. The aircraft was transferred to AeroCentury VI LLC, a special purpose LLC, which borrowed $1.650 million due October 15, 2009. The note bears interest at an adjustable rate of one-month LIBOR plus 3%. The note is collateralized by the aircraft and the Company's interest in AeroCentury VI LLC. Payments due under the note consist of monthly principal and interest through April 20, 2009, interest only from April 20, 2009 until the maturity date, and a balloon principal payment due on the maturity date. If the aircraft lease agreement is terminated on April 15, 2008 pursuant to a lessee early termination option, the note will be due October 15, 2008, and the interest only period will be from April 20, 2008 through October 15, 2008. According to the 2007 10-K filing, the balance of the note payable at December 31, 2007 was $1.109 million and ACY 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, obligation under its recently issued subordinated notes, and special purpose financings based upon their own estimates of future revenues and expenditures. 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 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.

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 the CIT Group (NYSE: CIT), GE Capital Aviation Services, a subsidiary of General Electric Commercial Finance, Willis Lease Finance Corp. (NasdaqGM: WLFC), AerCap Holdings N.V. (NYSE: AER), and Babcock & Brown Air Limited (NYSE: FLY).

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 7.0% to $699.8 billion in 2006, versus $653.8 billion in 2005. The TIA had estimated that number should have increased by approximately 5.7% in 2007 to $739.9 billion (actual numbers have not been released yet) and is currently estimated growth of 5.2% in 2008 to $778.2 billion.

Outlook and Projections

Given 2007 results, a review of the Company's 2007 10-K filing and comments made by Management in the filing, as well as the expectation of higher first quarter maintenance expenses (see explanation below), and increased interest expense during the second half of 2008 (due to the additional $18 million of subordinated debt due to occur on or about June 30, 2008), we are revising our forecasts for 2008.

We do believe that supporting our projections for 2008 should be a combination of approximately 41 aircraft and one aircraft engine within its portfolio (as of December 31, 2007). In the Company's 10-K filing, it stated that as of December 31, 2007, minimum future operating lease revenue payments receivable under non-cancelable leases amount to $20.812 million for 2008.

We are forecasting for 2008, total revenue of $25.525 million and net income of $1.985 million or $1.22 per diluted share. Our prior expectation was for total revenue of $24.885 million and net income of $3.653 million or $2.25 per diluted share. It is important to note that our total revenue estimate for 2008 primarily consists of operating lease revenue and maintenance reserves income, as we are not forecasting any unusual events (sale of aircraft) that might also impact total top line results. Our bottom line expectations have decreased, primarily due to higher than anticipated maintenance expense (as previously noted first quarter 2008 will most likely include approximately $2.3 million of maintenance expense) and an increase in interest expense (especially in the second half of 2008) due to the issuance of additional subordinated notes (as previously discussed, which the Company will attempt to use to purchase aircraft).

Our bottom line estimate incorporates the following assumptions:

- Interest expense of $7.985 million versus $6.260 million reported in 2007. The increase is primarily the result of the $10 million subordinated debt issued on April 17, 2007 and additional $18 million that will be issued on or about June 30, 2008;

- SG&A expenses, which includes insurance, of $0.925 million versus $0.865 million reported in 2007;

- Management fees and depreciation of $9.225 million versus $8.632 million reported in 2007. The increase is primarily due to the Company entering 2008 with a portfolio of 41 aircraft versus entering 2007 with an aircraft portfolio of 36.

- Maintenance, impairment, and bad debt expenses of $3.910 million versus $2.738 million in 2007. The increase is primarily due to expenses the Company expects to record in the **first quarter of 2008**, as a result of the maintenance on aircraft that was returned and needs to be refurbished in order to re-lease; and

- A tax rate of 37.58% versus 29.49% as reported in 2007. We anticipate a return to a more normal tax rate. In 2007, the Company had a lower tax rate due to the Company's election to amend its prior year tax returns to claim credits for foreign taxes withheld by a lessee rather than claim a deduction for the foreign taxes withheld, which had not been recognized in prior years. As a result, the Company recognized an out of period tax benefit of approximately $0.250 million in 2007.

Investors should be aware that one of the Company's aircraft leases expired during the first quarter of 2008. Management is seeking re-lease opportunities for the aircraft. In addition, six of the Company's other leases expire during 2008. The Company has received notice from the lessees of three of the aircraft that they will extend the leases and that it is Management's belief that it will be successful in extending the leases for the other aircraft or be able to re-lease them within an acceptable period after their return at lease end. Also, during March 2007, the Company and the lessee of two aircraft (which had leases expiring in May and July 2008) agreed to an early return of the aircraft based on the lessee's financial difficulties. The Company is seeking re-lease or sale opportunities for these aircraft. Since the lessee of the aircraft has essentially ceased operations, the Company may incur significant unreimbursed expense in order to prepare the aircraft for re-lease or resale, which is expected to total approximately $0.600 million (based on the Company's own internal estimate).

Currently, the Company is closely monitoring the performance of four lessees with a total of six aircraft under lease. The Company continues to work closely with these lessees to ensure compliance with their current obligations. Investors should note that the Company's aircraft are subject to leases with varying expiration dates through January 2012.

As previously described, the Company is required to issue the remaining $18 million of principal amount of subordinated notes on or before June 30, 2008. The notes bear an annual fixed interest of 16%, as well as a commitment fee on the unissued balance, an important factor in the Company's near term results will be the Company's ability to expediently locate and acquire additional assets utilizing these funds. ACY stated in its 2007 10-K filling, in order to optimize its debt financing expense, it will need to acquire sufficient assets on or before June 30, 2008 to enable the utilization of the debt. It is likely that the $18 million of subordinated notes proceeds will be used for acquisition of additional aircraft assets or to repay a portion of the indebtedness outstanding under its exiting credit facility. Investors should realize that since the Company's credit facility interest rate is likely to continue to be lower than the subordinated notes fixed rate, this would likely result in a higher effective interest rate (as we have incorporated into our model), without a corresponding increase in operating revenue, if additional aircraft is not purchased and subsequently leased (we have not factor any additional aircraft purchases into our model, when the Company announces such a purchase we will revise our model).

Also, as a reminder, at the start of 2007, the Company adopted AUG AIR-1; therefore, it discontinued the accrue-in-advance method of accounting for planned major maintenance. AUG AIR-1 requires the accrual of maintenance work in connection with the release of maintenance reserves to be reflected as an expense when maintenance is actually performed. Management believes that reported net income maybe subject to greater fluctuations from quarter-to-quarter, as compared to historic results.

Investors should be aware that if additional purchases of aircraft are made (from the expanded credit facility and/or subordinated notes) and the Company is able to re-lease aircraft on a consistent basis, revenues could exceed our expectations for 2008. 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 re-lease agreements, Management continues to focus its efforts on marketing.

Of note, due to the extremely low share count (1.620 million – which includes the dilutive effect of warrants in the amount of 0.058 million) a $0.100 million change in net income equals approximately a change of $0.06 per diluted share.

Risks

Lessee Credit Risk
If a customer defaults upon its lease obligations, the Company may be limited in its ability to enforce remedies since most of its lessees are small regional passenger airlines, which may be even more sensitive to airline industry market conditions than the major airlines. As a result, the Company's inability to collect rent under a lease or to repossess equipment in the event of a default by a lessee could have an adverse impact on the Company's operating lease revenue.

FASB Staff Position AUG AIR-1
The Company discontinued the accrue-in-advance method of accounting for planned major maintenance beginning on January 1, 2007. Under the accrue-in-advance method of accounting, the collection of non-refundable maintenance reserves for planned major maintenance and disbursements from reserves to lessees to pay for maintenance performed was reflected only on the Company's balance sheet. AUG AIR-1 allows major maintenance activities to be accounted for in one of three ways: 1) the built-in overhaul method, 2) the deferral method, or 3) the direct expensing method. Management evaluated the impact of the adoption of this new staff position and determined that, going forward, it will use the direct expensing method, under which actual costs incurred are expensed directly. This requires the accrual of non-refundable maintenance reserves from the Company's lessees for planned major maintenance to be reflected as income and performance of maintenance work in connection with the re-lease of maintenance reserves to be reflected as an expense (when maintenance is actually performed). Since the total amount of maintenance reserves accrued in any given period usually exceeds the amount of maintenance expense, it is likely that the Company's net income under the new accounting method will be higher than it would have been under the previous method. **In addition, because the net effect of income from maintenance reserves and maintenance expense in any given period will vary, it is likely that this accounting method will result in uneven effects on the Company's results of operations.**

SEC Accounting Bulletin (SAB) 108
On September 13, 2006, the SEC staff issued SAB #108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB #108 is effective for fiscal years ending after November 15, 2006. In the course of evaluating balance sheet amounts, Management under SAB #108, identified the following adjustments as of January 1, 2006, as a result of:

- Non-refundable maintenance reserves received at the time four aircraft were purchased in 1999, which should have been treated as a tax basis reduction rather than a liability for maintenance reserves, a net decrease to the Company's deferred tax liability in the amount of $0.269 million;
- Funds received from the seller when the Company purchased an aircraft in 2004, which should have been treated as a reduction in the purchase price rather than as a liability for maintenance reserves and incorrect tax treatment of a portion of maintenance reserves as non-refundable instead of refundable, a decrease of $0.288 million to both the cost basis of the Company's aircraft and maintenance reserves and accrued costs, a decrease of $0.034 million in accumulated depreciation, an increase of $0.012 million in accounts receivable, and an increase of $0.015 million in deferred tax liabilities;
- Reversal of tax liabilities due to a lower anticipated state tax rate than was provided for at the time of the Company's incorporation, a decrease of $0.137 million to deferred tax liabilities; and
- Incorrect treatment of interest related to maintenance reserves for one aircraft as additional reserves rather than income, a decrease of $0.103 million to refundable maintenance reserves.

These amounts were recorded in immaterial amounts prior to 2006; however, using the dual evaluation approach prescribed by SAB 108, correction of the above amounts would be material to current year earnings. These adjustments resulted in a net addition to retained earnings in the amount of $0.541 million.

Interest Rates
The Company's current credit facility and the indebtedness of one of its special purpose subsidiaries carry 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. Therefore, if interest rates rise significantly, and there is relatively little lease origination by the Company following such rate increases, the Company could experience lower net income. Further, even if significant lease origination occurs following such rate increases, if the contemporaneous aircraft market forces result in lower or flat rental rates, the Company could experience lower net income.

The Company has chosen to hedge some, but not all, of its variable interest rate exposure. Consequently, if an interest rate increase were great enough, the Company might not be able to generate sufficient lease revenue to meet its unhedged interest payment and other obligations and comply with the other covenants of its facility or indebtedness of one of its special purpose subsidiaries. Additionally, 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 March 19, 2008, the one-month LIBOR rate was 2.54%.

Credit Facility

At December 31, 2007, $59.596 million was outstanding under the Company's $80 million credit facility, which expires on March 31, 2010. This means that Management has the ability to increase its aircraft portfolio. As of December 31, 2007, according to the Company's 10-K, it was in compliance with all covenants related to this obligation.

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 was due during April 2006. The obligation was refinanced and the $1.650 million is now due October 15, 2009. The note bears interest at an adjustable rate of one-month LIBOR plus 3%.

During November 2005, the Company refinanced two DHC-8 aircraft using bank financing separate from its credit facility. The aircraft were transferred to a special purpose LLC, which borrowed $6.4 million, due November 10, 2008. The note is collateralized by the aircraft. 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. According to the 2007 10-K filing, the balance of the note payable at December 31, 2007 was $4.455 million and ACY was in compliance with all covenants related to this obligation.

In general, the availability of special purpose financing in the future will depend on: 1) the availability of funds to be used for the equity portion of the financing; 2) the type of asset being financed; 3) the creditworthiness of the underlying lessee; and 4) continued compliance with certain of the Company's credit facility covenants.

Debt Financing

During April 2007, the Company entered into a Securities Purchase Agreement (SPA), which allows for the issuance of 16% senior unsecured subordinated notes, with an aggregate principal amount of up to $28 million. The subordinated notes will be due December 30, 2011. Under the SPA, the note purchasers will also be issued warrants to purchase up to 171,473 shares of the common stock at an exercise price of $8.75 (subject to registration rights pursuant to an Investor's Registration Rights Agreement).

The Company uses its revolving credit facility, subordinated debt, 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, 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.

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 per share.

Customer Concentration
The Company's 2007 10-K filing, stated that its five largest customers located in Mexico, Antigua, Netherlands Antilles, Sweden and Belgium, account for approximately 18%, 16%, 11%, 11%, and 10%, respectively, of the Company's monthly 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.

To gain some perspective as to where the aircraft are leased, investors should note the following table:

Net Book Value of Aircraft and Aircraft Engines Held for Lease	**As of December 31, 2007 ($ millions)**
Europe and United Kingdom	30.982
Caribbean	28.487
Central America	18.170
Asia	15.692
Off lease	9.294
United States	7.735
Africa	4.913
South America	3.651
Total	118.924

Source: 2007 10-K filing

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. In a March 2008 economic forecast by the Mortgage Bankers Association (a national association representing the real estate finance industry) calls for Gross Domestic Product (GDP) to grow at an annual rate of approximately 0.9% in 2008 and 2.4% in 2009, compared to GDP of 2.9% in 2007. The Federal Reserve recently (March 18, 2008) lowered the Federal Funds rate by 75 basis points to 2.25%. If the economic growth were to stall or go negative and energy prices were to continue to trend higher, 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 eleventh 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.

International Risks
The Company has focused on leases in overseas markets, which may present somewhat different risks than those with domestic lessees. Foreign laws, regulations and judicial procedures may be more or less protective of lessor rights than those which apply in the United States. Also, the Company could experience collection or repossession problems related to the enforcement of its lease agreements under foreign local laws and the remedies in foreign jurisdictions.

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.

Internal Controls
During the course of the Company's 2007 audit, its independent auditors identified and reported a material weakness in internal control over financial reporting at December 31, 2007 as it relates to ACY's incorrect accounting for end of lease lump-sum payments for two leases (originally entered into during December 2004). Management was aware of the lump-sum payment; however, upon further investigation found that their understanding of the nature of the payment was different than that of the lease provisions. The Company evaluated the errors in accordance with the quantitative and qualitative guidance set forth in SEC Staff Accounting Bulletin No. 99, "Materiality," and determined with the concurrence of its Audit Committee, that the Company's previous financial statements as issued were unreliable and, as a result, the 2006 annual and 2007 and 2006 interim financial statements were restated.

Management determined that this deficiency constituted a material weakness as of December 31, 2007. Also, it determined that the error was inadvertent and unintentional. Upon becoming aware of this issue, the Company initiated a review of its internal controls and processes with respect to lease revenue recognition. As a result, the Company concluded that its multi-level lease review process which focuses on and summarizes tax and GAAP issues for new and amended leases and which it instituted during the fourth quarter of 2007, prior to the discovery of the error, was satisfactory to prevent recurrence of this type of error. Upon identification of the error, Management analyzed all leases that existed at December 31, 2007 and determined that lease revenue was being properly recognized.

Shareholder Control
According to the Company's Form DEF 14A filing (on March 24, 2008), 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 21.8% 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, average daily-volume for 2004 decreased to 1,261 from 2,660 shares in 2003. Average daily-volume for 2005 increased to 10,992 shares traded a day. During 2006, average daily-volume decreased to 3,494 shares traded a day. However, during the 2007, average daily volume surged to 33,831 shares traded per day. During the first two months of 2008, average daily volume decreased to 14,795 shares a day. 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

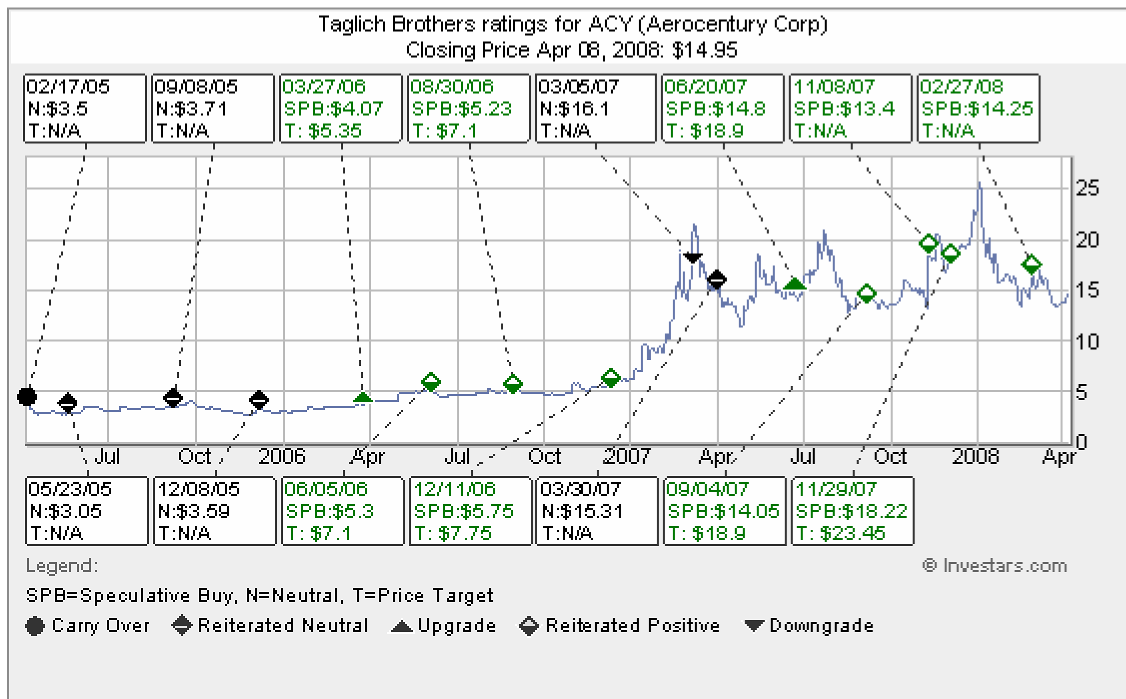
We are maintaining our Speculative Buy rating on the shares of AeroCentury (AMEX: ACY) and reducing our twelve-month price target to $17.85 per share from our prior twelve-month price target of $23.45 per share. Our price target is based on a relative price to sales and price to earnings analysis relative to the Rental & Leading Industry. The decrease in our price target is a result of lowering of our top and bottom line expectations over the next four quarters, as well as a slight decrease in industry multiples.

Management believes that reported net income may be subject to greater fluctuations from quarter-to-quarter as compared to historic results, based on the Company adopted AUG AIR-1 at the start of 2007 (maintenance reserves income revenue).

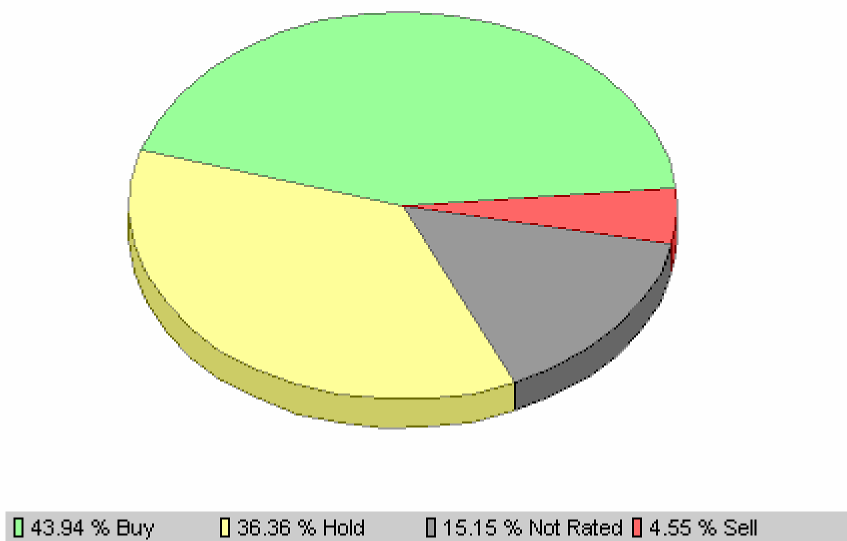
Our price target is derived using the following valuation models discounted by approximately 30% to account for Company specific and microcap risks:

- A 2.11X price to revenue multiple, which is the trailing twelve month multiple (as of April 7, 2008) for the Rental & Leading Industry according to reuters.com, applied to our operating lease revenue (rent income) per share estimate of $12.78 for 2008; and

- A 19.71X price to earnings multiple, which is the trailing twelve month multiple (as of April 7, 2008) for the Rental & Leading Industry according to reuters.com, applied to our earnings per share estimate of $1.22 for 2008.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0
Hold	2	9.52%
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:

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

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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 Sheets
(in thousands)

	Dec. '06 Year End*	Dec. '07 Year End
ASSETS		
Current assets:		
Cash & Equivalents	$ 3,384	$ 2,843
Accounts Receivable	1,498	1,648
Tax receivable	-	1,836
Prepaid Expense & Other	582	1,402
Total current assets	**5,464**	**7,729**
Aircraft & engines, net of depreciation	91,902	118,924
Total assets	**$ 97,366**	**$ 126,653**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts Payable and accrued expenses	$ 351	$ 811
Notes Payable and accrued interest	57,907	73,075
Maintenance deposits and accrued costs	3,168	6,025
Security deposits	4,187	5,697
Prepaid rent	474	1,028
Income Taxes Payable	-	229
Total current liabilities	**66,087**	**86,864**
Deferred Income Taxes	4,471	7,649
Total Liabilities	**70,558**	**94,513**
Stockholders' equity:		
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2
Paid-in capital	13,821	15,378
Retained earnings	13,489	17,265
Treasury Stock, at cost	(504)	(504)
Total stockholders' equity	**26,808**	**32,140**
Total liabilities and stockholders' equity	**$ 97,366**	**$ 126,653**
SHARES OUT	1,607	1,607

*Restated for SAB 108 and AUG AIR-1

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

	FY2006A	FY2007A	**FY2008E**
Revenues:			
Operating lease revenue	$ 15,810	$ 19,412	**$ 20,825**
Maintenance reserves income	2,990	4,310	**4,400**
Gain(loss) on disposal of assets	34	98	**-**
Other Income	8	31	**-**
Total Revenues	18,842	23,850	**25,225**
Expenses:			
Management Fees	2,742	3,017	**3,160**
Depreciation	4,692	5,615	**6,065**
Interest	4,954	6,260	**7,985**
SG&A	838	865	**925**
Maintenance	3,978	2,396	**3,910**
Provision for value of aircraft or bad debt expense or other taxes	8	342	**-**
Total Expenses	17,212	18,495	**22,045**
Operating Income	1,630	5,354	**3,180**
Operating Margin	8.65%	22.45%	12.61%
Taxes(Benefit)	621	1,579	**1,195**
Tax Rate	*38.10%*	*29.49%*	*37.58%*
Net Income	$ 1,009	$ 3,775	**$ 1,985**
EPS-fully diluted includes insurance settlement	$ 0.65	$ 2.36	**$ 1.22**
Avg Shares Out-fully diluted	1,543	1,598	**1,630**
Margin Analysis			
GPM	85.4%	87.3%	**87.5%**
NI/Rev	5.4%	15.8%	**7.9%**
NI/Rent Income	6.4%	19.4%	**9.5%**
Total Exp/Rev	91.3%	77.5%	**87.4%**
As Percent of operating lease revenue			
Expenses:			
Management Fees	17.34%	15.54%	**15.17%**
Depreciation	29.68%	28.92%	**29.12%**
Interest	31.33%	32.25%	**38.34%**
SG&A	5.30%	4.46%	**4.44%**
Total Expenses	108.87%	95.28%	**105.86%**
Percent Change Year/Year			
Operating lease revenue	38.84%	22.78%	**7.28%**

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

	(3/06)Q1A	(6/06)Q2A	(9/06)Q3A	(12/06)Q4A	FY2006A
Revenues:					
Operating lease revenue	$ 3,776	$ 3,908	$ 3,996	$ 4,130	$ 15,810
Maintenance reserves income	792	$ 756	$ 710	$ 732	$ 2,990
Gain(loss) on disposal of assets	-	34	-	-	34
Other Income	(9)	4	10	4	8
Total Revenues	4,559	4,702	4,716	4,866	18,842
Expenses:					
Management Fees	696	683	677	686	2,742
Depreciation	1,155	1,160	1,173	1,204	4,692
Interest	1,164	1,251	1,272	1,267	4,954
SG&A	294	174	178	192	838
Maintenance	1,092	1,644	869	373	3,978
Provision for value of aircraft or bad debt expense or other taxes	-	-	-	8	8
Total Expenses	4,401	4,912	4,169	3,730	17,212
Operating Income	158	(210)	547	1,136	1,630
Operating Margin	3.46%	-4.48%	11.60%	23.34%	8.65%
Taxes(Benefit)	57	(52)	189	427	621
Tax Rate	*36.17%*	*24.71%*	*34.55%*	*37.60%*	*38.10%*
Net Income	$ 101	$ (158)	$ 358	$ 709	$ 1,009
EPS-fully diluted includes insurance settlement	$ 0.07	$ (0.10)	$ 0.23	$ 0.46	$ 0.65
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
GPM	84.7%	85.5%	85.7%	85.9%	85.4%
NI/Rev	2.2%	-3.4%	7.6%	14.6%	5.4%
NI/Rent Income	2.7%	-4.1%	9.0%	17.2%	6.4%
Total Exp/Rev	96.5%	104.5%	88.4%	76.7%	91.3%
As Percent of operating lease revenue					
Expenses:					
Management Fees	18.43%	17.48%	16.93%	16.61%	17.34%
Depreciation	30.59%	29.69%	29.35%	29.15%	29.68%
Interest	30.83%	32.02%	31.83%	30.68%	31.33%
SG&A	7.79%	4.45%	4.47%	4.65%	5.30%
Total Expenses	116.55%	125.70%	104.33%	90.31%	108.87%
Percent Change Year/Year					
Operating lease revenue	49.75%	42.71%	35.16%	30.27%	38.84%

** As restated for adoption of SAB 108 and AUG AIR-1 and accounting for end of lease lump-sum payments for two leases.

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2007
(in thousands)

	(3/07)Q1A	(6/07)Q2A	(9/07)Q3A	(12/07)Q4A	**FY2007A**
Revenues:					
Operating lease revenue	$ 4,284	$ 4,228	$ 5,300	$ 5,600	**$ 19,412**
Maintenance reserves income	827	847	1,152	1,483	**4,310**
Gain(loss) on disposal of assets	-	-	-	98	**98**
Other Income	7	1	12	11	**31**
Total Revenues	5,118	5,076	6,464	7,191	**23,850**
Expenses:					
Management Fees	683	684	794	856	**3,017**
Depreciation	1,235	1,258	1,493	1,628	**5,615**
Interest	1,222	1,424	1,724	1,890	**6,260**
SG&A	199	219	218	230	**865**
Maintenance	225	701	375	1,094	**2,396**
Total Expenses	3,576	4,300	4,896	5,723	**18,495**
Operating Income	1,542	776	1,568	1,468	**5,354**
Operating Margin	30.13%	15.30%	24.26%	20.41%	**22.45%**
Taxes(Benefit)	518	263	454	344	**1,579**
Tax Rate	*33.59%*	*33.87%*	*28.96%*	*23.44%*	***29.49%***
Net Income	$ 1,024	$ 513	$ 1,114	$ 1,124	**$ 3,775**
EPS-fully diluted includes insurance settlement	$ 0.66	$ 0.32	$ 0.69	$ 0.69	**$ 2.36**
Avg Shares Out-fully diluted	1,543	1,601	1,619	1,629	**1,598**
Margin Analysis					
GPM	86.6%	86.5%	87.7%	88.1%	**87.3%**
NI/Rev	20.0%	10.1%	17.2%	15.6%	**15.8%**
NI/Rent Income	23.9%	12.1%	21.0%	20.1%	**19.4%**
Total Exp/Rev	69.9%	84.7%	75.7%	79.6%	**77.5%**
As Percent of operating lease revenue					
Expenses:					
Management Fees	15.95%	16.17%	14.99%	15.28%	**15.54%**
Depreciation	28.82%	29.76%	28.17%	29.08%	**28.92%**
Interest	28.52%	33.68%	32.53%	33.76%	**32.25%**
SG&A	4.65%	5.18%	4.10%	4.10%	**4.46%**
Total Expenses	83.48%	101.69%	92.38%	102.20%	**95.28%**
Percent Change Year/Year					
Operating lease revenue	13.45%	8.19%	32.63%	35.59%	**22.78%**

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

	(3/08)Q1E	(6/08)Q2E	(9/08)Q3E	(12/08)Q4E	**FY2008E**
Revenues:					
Operating lease revenue	$ 5,150	$ 5,200	$ 5,225	$ 5,250	**$ 20,825**
Maintenance reserves income	1,100	1,100	1,100	1,100	**4,400**
Gain(loss) on disposal of assets	-	-		-	**-**
Other Income	-	-	-	-	**-**
Total Revenues	6,250	6,300	6,325	6,350	**25,225**
Expenses:					
Management Fees	780	785	790	805	**3,160**
Depreciation	1,500	1,510	1,520	1,535	**6,065**
Interest	1,850	1,875	2,130	2,130	**7,985**
SG&A	220	225	230	250	**925**
Maintenance	2,300	550	400	660	**3,910**
Total Expenses	6,650	4,945	5,070	5,380	**22,045**
Operating Income	(400)	1,355	1,255	970	**3,180**
Operating Margin	-6.40%	21.51%	19.84%	15.28%	**12.61%**
Taxes(Benefit)	(125)	510	475	335	**1,195**
Tax Rate	*31.25%*	*37.64%*	*37.85%*	*34.54%*	***37.58%***
Net Income	$ (275)	$ 845	$ 780	$ 635	**$ 1,985**
EPS-fully diluted includes insurance settlement	$ (0.17)	$ 0.52	$ 0.48	$ 0.39	**$ 1.22**
Avg Shares Out-fully diluted	1,630	1,630	1,630	1,630	**1,630**
Margin Analysis					
GPM	87.5%	87.5%	87.5%	87.3%	**87.5%**
NI/Rev	-4.4%	13.4%	12.3%	10.0%	**7.9%**
NI/Rent Income	-5.3%	16.3%	14.9%	12.1%	**9.5%**
Total Exp/Rev	106.4%	78.5%	80.2%	84.7%	**87.4%**
As Percent of operating lease revenue					
Expenses:					
Management Fees	15.15%	15.10%	15.12%	15.33%	**15.17%**
Depreciation	29.13%	29.04%	29.09%	29.24%	**29.12%**
Interest	35.92%	36.06%	40.77%	40.57%	**38.34%**
SG&A	4.27%	4.33%	4.40%	4.76%	**4.44%**
Total Expenses	129.13%	95.10%	97.03%	102.48%	**105.86%**
Percent Change Year/Year					
Operating lease revenue	20.21%	22.99%	-1.42%	-6.25%	**7.28%**