Taglich Brothers, Inc.

The Standard of Excellence in the Microcap Market

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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: Neutral

Howard Halpern

May 23, 2005

ACY $3.05 – (AMEX)

	FYE 12/02	FYE 12/03	FYE 12/04 *	***FYE 12/05 E***
Revenues (millions)	$8.81	$8.91	$10.90	***$10.41***
Earnings per share (diluted)	$0.65	($0.87)	$0.17	***$0.12***

52week range	$6.78 – $2.05	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$7.33
Trading float	1.07 million	Price/Sales (ttm)	0.42X
Insiders and Institutional ownership	0.54 million	Price/Sales (2005)E	0.45X
Est. Book value/share a/o 03/31/05	$11.70	Price/Earnings (ttm)	16.9X
Price/Book	0.26X	Price/Earnings (2005)E	25.4X

* 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 reiterating our Neutral rating on the shares of AeroCentury Corp. (AMEX: ACY).

In late 2004, the Company announced an agreement with its credit facility lenders to extend the maturity date of its $50 million facility to October 31, 2005. It is our belief that a longer-term credit facility is needed to provide a stable operating environment. The benefit to a long-term facility would be that its renewal would not become an issue during the second half of 2005.

AeroCentury reported first quarter 2005 total revenues of $2.540 million versus $2.130 million in the same period last year. Net income for the quarter was $0.040 million or $0.03 per diluted share versus net income of $0.030 million or $0.02 per diluted share in the first quarter of 2004.

On May 2, 2005, the Company announced the purchase and lease of two deHavilland DHC-8-300 aircraft, as well as the sale of its Fairchild Metro III aircraft.

Based on the outlook provided by Management in public filings, results for the first quarter of 2005, and general operating trends, we are adjusting our 2005 revenue estimate to $10.410 million versus our prior estimate of $9.945 million. Our 2005 net income estimate remains at $0.190 million or $0.12 per diluted share.

****Please view our disclaimer located on page 8.***

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Recent Financials

AeroCentury reported 2005 first quarter revenue of $2.540 million versus $2.130 million in the first quarter of 2004. The positive change in revenue versus last year was primarily due to aircraft purchased during 2004.

However, it is important to note that on a year-over-year basis, revenue growth was muted due to lower lease rates for several aircraft in 2005, a greater number of aircraft off lease during the first quarter of 2005 versus 2004, and the sale of a pool of turboprop engines in December 2004. Also, the first quarter of 2005 included a loss on sale of aircraft and aircraft engines of approximately $0.060 million as a result of the sale of a deHavilland DHC-7.

The Company reported that depreciation, management fees, and SG&A expenses for the quarter increased by approximately $0.177 million versus the same period last year. The increases were primarily due to the purchase of aircraft in 2004 and higher accounting fees. In addition, the Company also experienced higher interest expense (resulting from higher market interest rates and a higher average principal balance in 2005) of approximately $0.212 million versus the same period last year.

Net income for quarter was $0.040 million or $0.03 per share versus net income of $0.030 million or $0.02 per diluted share in the first quarter of 2004.

In comparison, Taglich Brothers' estimates called for revenues of $2.475 million and net income of $0.047 million or $0.03 per diluted share.

Balance Sheet as of March 31, 2005

The Company provided the following balance sheet data:

- Total assets decreased to $76.106 million versus $83.932 million at the end of 2004;
- Total liabilities decreased to $57.269 million versus $65.134 million at the end of 2004; and
- Shareholders' equity increased to $18.837 million versus $18.797 million at the end of 2004.

The Company ended the quarter with cash and cash equivalents of $3.031 million versus $2.404 million at December 31, 2004. Total outstanding indebtedness declined to $43.119 million versus $48.990 million at the end of fiscal 2004. We believe that as of the end of the first quarter, ACY was in compliance with loan covenants under its $50 million credit facility.

Late in 2004, the Company announced an agreement with its credit facility lenders to extend the maturity date of its $50 million facility to October 31, 2005. It is our belief that a longer-term credit facility would benefit the Company, so that its renewal would not become an issue during the second half of 2005. As long as Management is able to keep its assets on lease, cash flow should be sufficient to cover management fees, professional fees, and interest expense.

Investors need to be aware that the Company's longer term viability will depend upon its ability to renew the credit facility at its expiration with the existing or replacement lenders, or to refinance the credit facility using equity or alternative debt financing.

Recent Developments

On February 23, 2005, the Company announced the sale of its one remaining deHavilland Dash-7 aircraft to an Indonesian operator. This sale continues ACY's efforts to refresh its portfolio of aircraft. According to the press release, Management is intent on seeking additional opportunities to add net assets, particularly in the 50-seat category.

On May 2, 2005, the Company announced the purchase and lease of two deHavilland DHC-8-300 aircraft, as well as the sale of its Fairchild Metro III aircraft. The two aircraft, which were purchased from Wideroe's Flyveselskap ASA (Wideroe), were leased back to them for 37-month terms. Wideroe, serving 35 destinations within Norway, as well as select destinations in Denmark, Sweden, and the U.K., is Norway's largest regional airline. In a separate transaction, the Company also sold the Fairchild Metro III aircart to a Canadian operator.

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), and GE Capital Aviation Services, a subsidiary of General Electric Commercial Finance.

The operating environment in the Aviation and Travel Industries since 2001 has been difficult. The Aviation Industry has experienced a number of bankruptcies since 2002, which in turn has increased the supply of aircraft on the market, lessening overall demand for leasing opportunities.

Also, 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 recent action in the bond market, short-term interest rates appear to be trending higher, which was confirmed on Tuesday May 3, 2005, by the eight 25 basis points increase in interest rates so far since mid 2004, by the Federal Reserve Board.

According to the Travel Industry Association of America (TIA), after years of little travel volume growth combined with significantly lower travel spending, 2005 is the year of recovery the industry has been awaiting. It is likely to be the first year since 2000 that all travel industry sectors experience increases in demand. The TIA is forecasting that overall traveler spending by domestic and international visitors could increase by 5.1% to $630.7 billion in 2005, versus an estimated $600.1 billion in 2004.

Projections

For 2005, we are adjusting our revenue forecast to $10.4105 million from our prior estimate of $9.955 million, based on reported results for the first quarter of 2005 that indicate a higher level of rent income, as well as the purchase of aircraft during 2004 and early 2005.

Based on our revenue forecast, the Company's first quarter cost structure, and our belief that unusual items are less likely to occur in the upcoming year, we are adjusting slightly our net income forecast to $0.190 million or $0.12 per diluted share versus our prior forecast of $0.188 million or $0.12 per diluted share. Our forecast includes the following:

- Interest expense increasing to $3.088 million versus $2.42 million in 2004;
- SG&A expenses, which includes insurance, increasing to $0.956 million versus $0.887 million in 2004;
- Management fees and depreciation increasing to $5.984 million versus $5.54 million in 2004;
- Maintenance, impairment, and bad debt expenses of $0.74 million versus $1.65 million in 2004; and
- A tax rate of 38.38%.

Investors should know that we are not aware if the Company's banks have approved the July and December transactions for inclusion of the purchased aircraft in the credit-facility borrowing base; therefore, until approval by the lenders is granted (for which a decision is expected during the second quarter of 2005), the Company's ability to borrow is somewhat limited. However, if additional purchases are made and the Company is able to re-lease aircraft on a consistent basis, revenues could exceed our expectations for 2005.

We believe that as of March 31, 2005, the Company had at least three aircraft available for re-lease and/or sale, which is likely to require significant investments in terms of time and money. Additional aircraft are likely to come off lease over the next twelve months. The 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.

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.

During October 2005, if the facility is not renewed or substitute financing is not found the long-term viability of ACY could be compromised. The Company does not have enough cash reserved to fulfill its obligations if the facility or alternative financing is not obtained; therefore, it is likely assets would have to be sold. However, like in prior years, we believe that the Company would at the very least obtain extensions of its exiting facility until a more permanent facility is put in place. It is our belief that a long-term credit facility is needed to provide a stable operating environment for the Company.

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.

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 consensus economic forecast (Blue Chip Economic Indicators) calls for Gross Domestic Product to grow at an annual rate of approximately 3.7% in 2005. In addition, the Federal Reserve has raised interest rates (by 0.25 basis points) eight times since mid 2004, in order to moderate future economic growth. However, if the economic growth were to stall or is slow to impact the Travel and Aviation Industries, the Company's operations could be negatively impacted.

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. 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.

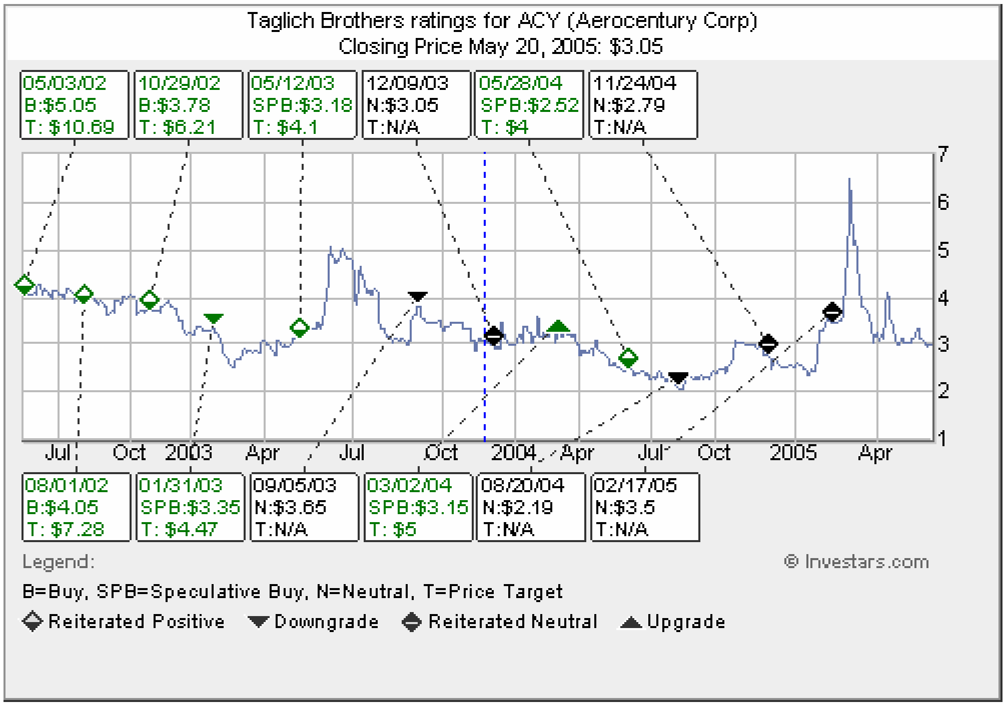
Trading Volume

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 the first three months of 2005 increased to 24,651 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.

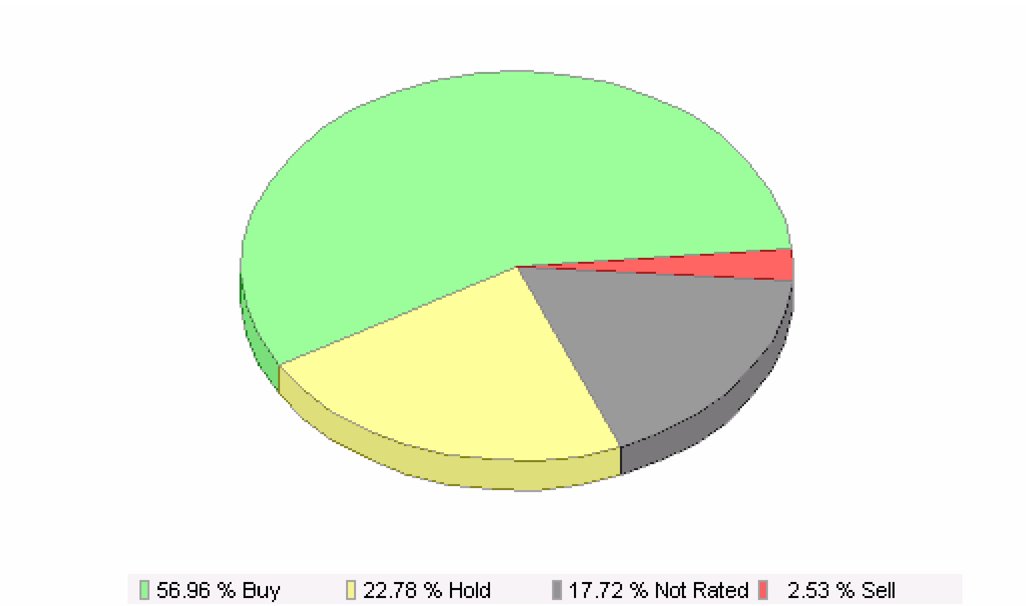
Conclusion

We are maintaining our Neutral rating on the shares of AeroCentury Corp. (AMEX: ACY).

Late in 2004, the Company announced an agreement with its credit facility lenders to renew the maturity date of its $50 million facility to October 31, 2005. It is our belief that a longer-term credit facility is needed to provide a stable operating environment. The benefit to a long-term facility would be that its renewal would not become an issue during the second half of 2005.



Taglich Brothers Current Ratings Distribution



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)

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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	March '05 1st Qtr End
ASSETS				
Current assets:				
Cash & Equivalents	$ 8,796	$ 9,449	$ 2,404	$ 3,031
Accounts Receivable	1,801	1,360	6,455	827
Note receivable	18	-	295	190
Prepaid Expense & Other	483	699	410	385
Total current assets	**11,097**	**11,508**	**9,563**	**4,432**
Aircraft & engines, net of depreciation	65,502	62,151	72,621	70,961
Total assets	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 76,106**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts Payable and accrued expenses	$ 530	$ 484	$ 868	$ 470
Notes Payable and accrued interest	44,223	41,493	48,990	43,120
Maintenance deposits and accrued costs	5,771	8,736	10,293	10,527
Security deposits	2,254	1,432	1,775	1,780
Prepaid rent	186	199	405	266
Unearned income			3	-
Income Taxes Payable	-	-	1,704	259
Total current liabilities	**52,965**	**52,344**	**64,037**	**56,422**
Long-Term debt-net of current	-	-	-	-
Deferred Income Taxes	3,763	2,784	1,098	847
Total Liabilities	**56,728**	**55,128**	**65,134**	**57,269**
Stockholders' equity:				
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821
Retained earnings	6,552	5,212	5,478	5,518
Accumulated deficit	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)
Total stockholders' equity	**19,871**	**18,531**	**18,797**	**18,837**
Total liabilities and stockholders' equity	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 76,106**
SHARES OUT	1,607	1,607	1,607	1,607

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

	FY2002	FY2003	FY2004 *	**FY2005E**
Revenues:				
Rent Income	$ 8,691	$ 8,767	$ 8,996	**$ 10,272**
Gain(loss) on disposal of assets	-	-	1,748	**(60)**
Other Income	123	143	160	**198**
Total Revenues	8,814	8,910	10,904	**10,410**
Expenses:				
Management Fees	1,725	1,910	1,988	**2,234**
Depreciation	2,852	3,361	3,555	**3,750**
Interest	1,969	1,941	2,421	**3,088**
SG&A	543	843	887	**956**
Maintenance	242	2,091	847	**62**
Provision for impairment in value of aircraft and Bad Debt Expense	-	900	803	**12**
Total Expenses	7,331	11,045	10,501	**10,102**
Operating Income	1,483	(2,136)	403	**308**
Operating Margin	16.82%	-23.97%	3.70%	2.96%
Taxes(Benefit)	473	(795)	137	**118**
Tax Rate	*31.93%*	*37.24%*	*33.90%*	*38.38%*
Net Income	$ 1,009	$ (1,340)	$ 266	**$ 190**
EPS-fully diluted includes insurance settlement	$ 0.65	$ (0.87)	$ 0.17	**$ 0.12**
Avg Shares Out-fully diluted	1,543	1,543	1,543	**1,543**
Margin Analysis				
Gross Profit	7,089	7,000	8,916	**8,176**
GPM	80.4%	78.6%	81.8%	**78.5%**
NI/Rev	11.5%	-15.0%	2.4%	**1.8%**
NI/Rent Income	11.6%	-15.3%	3.0%	**1.8%**
Total Exp/Rev	83.2%	124.0%	96.3%	**97.0%**
As Per Cent of Rent Income				
Expenses:				
Management Fees	19.85%	21.79%	22.10%	**21.75%**
Depreciation	32.82%	38.33%	39.51%	**36.51%**
Interest	22.65%	22.14%	26.91%	**30.06%**
SG&A	6.25%	9.61%	9.86%	**9.31%**
Total Expenses	84.35%	125.99%	116.73%	**98.35%**
Percent Change Year/Year				
Rent Income	-14.38%	0.86%	2.61%	**14.18%**
Operating Income	-41.27%	NMF	NMF	**NMF**
Net Income	-40.59%	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, 2003
(in thousands)

	(3/03)Q1A	(6/03)Q2A	(9/03)Q3A	(12/03)Q4A	**FY2003A**
Revenues:					
Rent Income	$ 2,452	$ 2,186	$ 2,030	$ 2,099	**$ 8,767**
Other Income	24	21	48	50	**143**
Total Revenues	2,476	2,207	2,078	2,149	**8,910**
Expenses:					
Management Fees	487	481	474	468	**1,910**
Depreciation	841	839	840	840	**3,361**
Interest	511	442	443	545	**1,941**
SG&A	216	202	173	251	**843**
Maintenance	101	1,737	85	168	**2,091**
Bad debt expense	100	950	-	(150)	**900**
Total Expenses	2,256	4,651	2,015	2,123	**11,045**
Operating Income	220	(2,444)	63	25	**(2,136)**
Operating Margin	8.90%	-110.73%	3.02%	1.17%	-23.97%
Taxes(Benefit)	45	(853)	13	(0)	**(795)**
Tax Rate	*20.49%*	*34.89%*	*20.05%*	*-1.83%*	*37.24%*
Net Income	$ 175	$ (1,591)	$ 50	$ 26	**$ (1,340)**
EPS-fully diluted	$ 0.11	$ (1.03)	$ 0.03	$ 0.02	**$ (0.87)**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,989	1,727	1,604	1,681	**7,000**
GPM	80.3%	78.2%	77.2%	78.2%	**78.6%**
NI/Rev	7.1%	-72.1%	2.4%	1.2%	**-15.0%**
NI/Rent Income	7.1%	-72.8%	2.5%	1.2%	**-15.3%**
Total Exp/Rev	91.1%	210.7%	97.0%	98.8%	**124.0%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.86%	21.99%	23.36%	22.30%	**21.79%**
Depreciation	34.29%	38.40%	41.38%	40.04%	**38.33%**
Interest	20.84%	20.21%	21.81%	25.99%	**22.14%**
SG&A	8.80%	9.26%	8.52%	11.98%	**9.61%**
Total Expenses	91.99%	212.79%	99.25%	101.18%	**125.99%**
Percent Change Year/Year					
Rent Income	11.78%	-1.98%	4.79%	-9.94%	**0.86%**

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)Q2E	(9/05)Q3E	(12/05)Q4E	FY2005E
Revenues:					
Rent Income	$ 2,522	$ 2,550	$ 2,575	$ 2,625	$ 10,272
Gain(loss) on disposal of assets	(60)	-		-	(60)
Other Income	78	40	40	40	198
Total Revenues	2,540	2,590	2,615	2,665	10,410
Expenses:					
Management Fees	544	555	560	575	2,234
Depreciation	925	935	940	950	3,750
Interest	763	765	775	785	3,088
SG&A	231	235	240	250	956
Maintenance	17	15	15	15	62
Provision for impairment in value of aircraft and bad debt expense	12	-	-	-	12
Total Expenses	2,492	2,505	2,530	2,575	10,102
Operating Income	48	85	85	90	308
Operating Margin	1.89%	3.28%	3.25%	3.38%	2.96%
Taxes(Benefit)	8	35	35	40	118
Tax Rate	*17.16%*	*41.18%*	*41.18%*	*44.44%*	*38.38%*
Net Income	$ 40	$ 50	$ 50	$ 50	$ 190
EPS-fully diluted	$ 0.03	$ 0.03	$ 0.03	$ 0.03	$ 0.12
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
Gross Profit	1,996	2,035	2,055	2,090	8,176
GPM	78.6%	78.6%	78.6%	78.4%	78.5%
NI/Rev	1.6%	1.9%	1.9%	1.9%	1.8%
NI/Rent Income	1.6%	2.0%	1.9%	1.9%	1.8%
Total Exp/Rev	98.1%	96.7%	96.7%	96.6%	97.0%
As Per Cent of Rent Income					
Expenses:					
Management Fees	21.59%	21.76%	21.75%	21.90%	21.75%
Depreciation	36.69%	36.67%	36.50%	36.19%	36.51%
Interest	30.25%	30.00%	30.10%	29.90%	30.06%
SG&A	9.16%	9.22%	9.32%	9.52%	9.31%
Total Expenses	98.83%	98.24%	98.25%	98.10%	98.35%
Percent Change Year/Year					
Rent Income	22.42%	12.95%	14.63%	7.94%	14.18%