Taglich Brothers, Inc.
The Standard of Excellence in the Microcap Market

Member: NASD, SIPC

Research Report – Update

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

AeroCentury Corp.

Rating: Neutral

Howard Halpern

August 20, 2004

ACY $2.19- (AMEX)

	FYE 12/02	FYE 12/03	**FYE 12/04 E**	**FYE 12/05 E**
Revenues (millions)	$8.81	$8.91	**$9.06**	**$9.34**
Earnings per share (diluted)	$0.65	($0.87)	**$0.11**	**$0.12**

52week range	$3.84 – $2.19	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$5.61
Trading float	1.07 million	Price/Sales (ttm)	0.39X
Insiders and Institutional ownership	0.54 million	Price/Sales (2005)E	0.36X
Book value/share a/o 06/30/04	$11.58	Price/Earnings (ttm)	NMF
Price/Book	0.19X	Price/Earnings (2005)E	18.3X

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 downgrading shares of AeroCentury Corp. (AMEX: ACY) to Neutral from our prior Speculative Buy rating, pending the long-term renewal of its credit facility.

The Company's current credit facility expires on August 31, 2004. ACY's longer term viability depends on its ability to renew the facility at expiration with the existing or replacement lenders, or to refinance the facility using equity or alternative debt financing. It is our expectation that similar to last year the Company should obtain an extension of the facility on or about the time it expires.

AeroCentury reported second quarter revenues of $2.302 million versus $2.207 million in the same period last year. Net income for the quarter was $0.050 million or $0.03 per diluted share versus pro-forma net income of $0.021 million or $0.01 per diluted share in the same period last year, exclusive of one-time items.

During July and August 2004, the Company announced the sale of one of its two deHavilland Dash-7 aircraft to a Canadian operator, as well as its purchase of a deHavilland DHC-8-300 aircraft, which is subject to a lease with Caribbean Star Airlines Limited that expires November 2007.

Based on the outlook provided by Management in its public filings, first haft results, the purchase of additional aircraft, and general operating trends, we are estimating 2004 revenue of $9.06 million versus our prior estimate of $8.58 million. Our 2004 net income estimate is $0.175 million or $0.11 per diluted share. Our prior net income estimate was $0.137 million or $0.09 per diluted share.

****Please view our disclaimer located on page 9.***

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Recent Financials

AeroCentury reported 2004 second quarter revenue of $2.302 million versus $2.207 million in the second quarter of 2003. The positive change in revenue versus last year was primarily due to the combined effect of:

- Operating lease revenue from aircraft purchased during April 2004; and
- Re-lease of several aircraft, which had been off lease in 2003.

However, it is important to note that on a year-over-year basis, the revenue increase was muted due to lower lease rates for aircraft re-leased after the second quarter of 2003 and aircraft off lease during the second quarter of 2004.

The Company reported that depreciation, management fees, and SG&A expenses in the quarter increased by approximately $76,000 versus the same period last year. In addition, the Company also experienced higher interest expense (resulting from higher average interest rates arising from the renegotiation of the Company's credit facility in the third quarter of 2003) of approximately $131,000 versus the second quarter of last year. However, the higher revenue was able to offset higher expenses, thus net income was slightly higher for the quarter versus last year's pro-forma net income.

Net income for the quarter was $0.050 million or $0.03 per diluted share versus a net loss of $1.591 million or ($1.03) per share in the year ago quarter. In the second quarter of 2003, the Company recorded one-time charges for maintenance and bad debt expenses totaling $2.443 million. Excluding the effect of the charges, the Company's pro-forma net income for the second quarter of 2003 was $21,000 or $0.01 per share.

In comparison, Taglich Brothers' 2004 estimates called for revenues of $2.075 million and net income of $30,000 or $0.02 per fully diluted share.

Balance Sheet as of June 30, 2004

The Company provided the following balance sheet data:

- Total assets of $74.639 million;
- Total liabilities of $56.028 million; and
- Shareholders' equity of $18.611 million

The Company ended the quarter with cash and cash equivalents of $5.641 million versus $9.449 million at December 31, 2003. Total outstanding indebtedness stood at $41.8 million versus $41.932 million at the end of fiscal 2003. At the end of quarter, ACY was in compliance with all loan covenants under its $50 million credit facility. 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.

It is important for investors to be aware that the Company's credit facility is set to expire on August 31, 2004. It is our expectation that similar to last year the Company will likely obtain an extension of the facility on or about the time it expires. However, it is our belief that the Company needs to obtain an agreement for a long-term renewal of its credit facility. As stated in the Company's 2nd quarter 10Q, its longer term viability depends on its ability to renew the facility at its expiration with the existing or replacement lenders, or to refinance the facility using equity or alternative debt financing.

Recent Developments

The following occurred during the second quarter of 2004:

- The Company purchased four Fokker 50s and leased them to a regional carrier for terms varying from 18 to 30 months;
- A lease for one deHavilland DHC-6 aircraft was extended for two years, through April 2006;

- Leases for two additional deHavilland DHC-6 aircraft were extended through July 2009;
- One of the Company's Shorts SD 3-60 aircraft was returned by the lessee, after expiration of the lease. Management is seeking re-lease opportunities for this aircraft;
- Extension of leases through December 2004 for 24 of the Company's turboprop engines; and
- Notification from the lessee of its Fairchild Metro III aircraft that the lessee had filed for bankruptcy protection in Canada. The lessee has informed ACY that it intends to pay all amounts due after the filing date.

The following occurred subsequent to the end of the second quarter:

- On August 9, 2004, the Company announced it purchased a deHavilland DHC-8-300 aircraft. The aircraft is subject to a lease with Caribbean Star Airlines Limited through November 2007. Caribbean Star Airlines, based in Antigua, is a privately held four-year old company with approximately 100 daily flights serving 13 Caribbean destinations;
- On July 9, 2004, the Company announced the sale of one of its two deHavilland Dash-7 aircraft to a Canadian operator. Terms of the sale were not disclosed. Management stated that this aircraft served as one of the anchor assets since 1991; and
- On July 2, 2004, ACY announced the appointment of Thomas Hiniker to its Board of Directors. Mr. Hiniker is President and Chairman of AIRFUND Corporation, an international aircraft lessor and marketing agent he founded in 1984. He is also a member of the Board of Directors of the International Society of Transport Aircraft Traders and is Chairman of the Board of Truestees of ISTAT foundation.

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 over the past three years has been difficult. The Aviation Industry has experienced a number of bankruptcies since 2002, which in turn 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, interest rates appear to be moving up and this trend is being confirmed on Tuesday August 10, 2004 by the second increase in interest rates in two months, by the Federal Reserve Board.

According to the Travel Industry Association of America (TIA), travel volume has declined for three straight years since it peaked in 2000. However, looking at the upcoming year, the TIA is optimistic for 2004. The TIA is forecasting that overall traveler spending by domestic and international visitors could increase by 5.9% to $587.7 billion. That is still below the record set in 2000.

Outlook and Projections

For 2004, we are adjusting our revenue forecast to $9.06 million from our prior estimate of $8.58 million, based on the Company's outlook as described in its second quarter 10Q filing, trends established during the first half of 2004, and the purchase of additional aircraft.

Based on our revenue forecast and the Company's first half cost structure, we are adjusting our net income forecast for 2004 to $0.175 million or $0.11 per diluted share. Our prior net income forecast was $0.137 million or $0.09 per diluted share. Our forecast assumes the following:

- Interest expense increasing to $2.29 million versus $1.94 million in 2003;
- SG&A expenses remaining at 2003 levels of $0.84 million;
- Management fees and depreciation increasing to $5.48 million versus $5.27 million in 2003; and
- A tax rate of 23.4%.

Investors should be aware that the Company may not be in a position to purchase additional aircraft to lease until a renewal of its credit facility. In addition, the Company's banks are in the process of reviewing the recent acquisition announced in early August for inclusion in the credit facility collateral base. Until the banks approve the acquired aircraft for inclusion in the collateral base, ACY's ability to borrow could be affected. However, if additional purchases are made before the beginning of the fourth quarter and the Company is able to re-lease aircraft on a consistent basis, revenues could exceed our expectations during the final six months of 2004.

We estimate that the Company has at least two aircraft available for re-lease and/or sale, which will 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.

Our revenue forecast for 2005 is $9.34 million versus our prior estimate of $8.89 million. Our revised forecast is based on our assumption that the operating environment within the Aviation and Travel Industries should continue to stabilize and interest rates should continue to trend modestly higher during the second half of 2004 and early 2005, which should translate into slightly higher re-leasing rates over time. Based on a consistent cost structure and likely extension of its existing credit facility, we estimate net income of $0.178 million or $0.12 per diluted share in 2005 versus our prior estimate of $0.150 million or $0.10 per diluted share.

Risks

Credit Facility Renewal

The Company's credit facility expires on August 31, 2004. 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, we believe it is likely that the Company would at the very least obtain an extension 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 stability beyond the next twelve months.

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 should be somewhat muted. A consensus economic forecast (Blue Chip Economic Indicators) calls for Gross Domestic Product to grow by approximately 4.1% in 2004. In addition, those economists surveyed believe this type of growth will likely lead to 50 basis points in Federal Reserve rate hikes by the end of the year (which as of August 10th 2004, has been verified since the Federal Reserve increased rates by 25 basis points for the second consecutive month). However, if the economic recovery 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 has not made any valuation adjustments during 2003, 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.

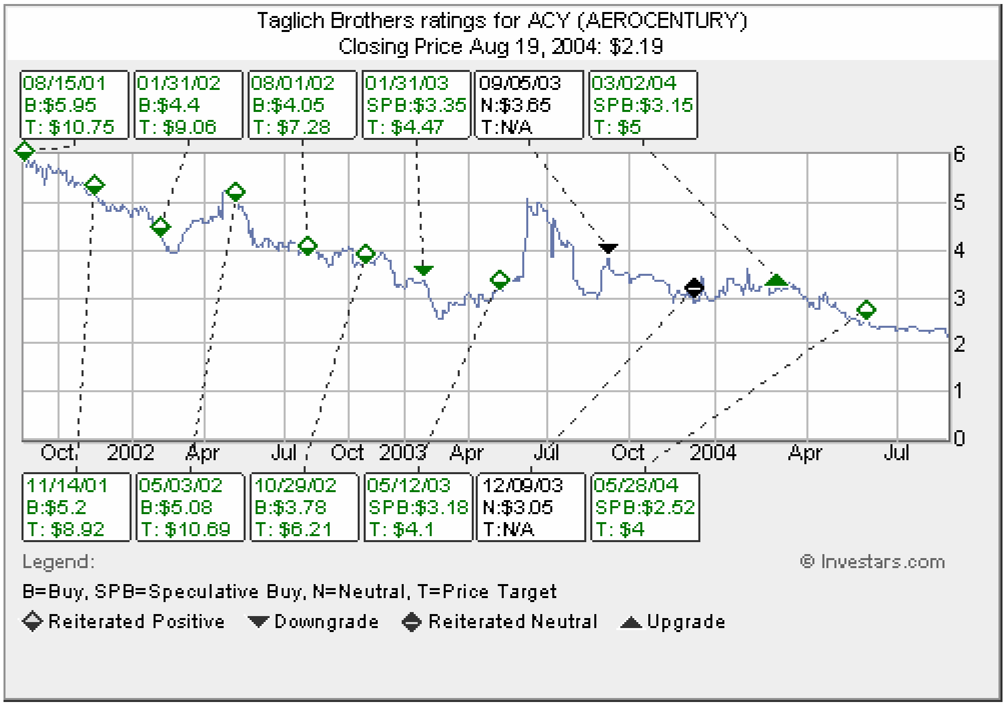
Trading Volume
An equity specific concern relates to liquidity. Based on our calculations, average daily-volume for the first seven months of 2004 decreased to 994 from 2,660 shares in 2003. On a relative basis, volume for this equity is very small. Investors need to be aware that by nature, an equity that lacks liquidity can have significant price volatility.

Conclusion

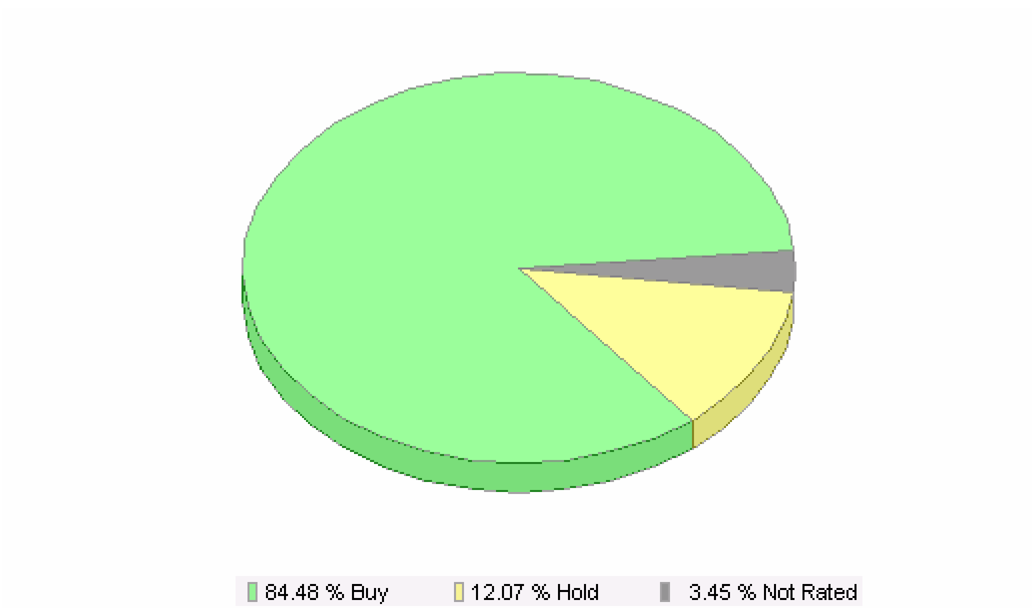
We are downgrading shares of AeroCentury Corp. to Neutral from our prior Speculative Buy rating, pending the long-term renewal of its credit facility.

The Company's current credit facility expires on August 31, 2004. ACY's long-term viability depends on its ability to renew the facility at its expiration with the existing or replacement lenders, or to refinance the facility using equity or alternative debt financing.

It is our expectation that similar to last year, the Company should obtain an extension of the facility on or about the time it expires. However, a long-term renewal of the credit facility is necessary to provide the Company with stability.



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. '01 Year End	Dec. '02 Year End	Dec. '03 Year End	March '04 1st Qtr End	June '04 2nd Qtr End
ASSETS					
Current assets:					
Cash & Equivalents	$ 9,667	$ 8,796	$ 9,449	$ 8,898	$ 5,641
Accounts Receivable	596	1,801	1,360	1,687	1,978
Note receivable	69	18	-	22	22
Prepaid Expense & Other	651	483	699	539	605
Total current assets	**10,983**	**11,097**	**11,508**	**11,146**	**8,246**
Aircraft & engines, net of depreciation	56,527	65,502	62,151	61,615	66,393
Total assets	**$ 67,510**	**$ 76,599**	**$ 73,659**	**$ 72,761**	**$ 74,639**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts Payable and accrued expenses	$ 1,642	$ 530	$ 484	$ 426	$ 429
Notes Payable and accrued interest	36,510	44,223	41,932	40,673	41,804
Maintenance deposits and accrued costs	5,209	5,771	8,736	8,650	9,054
Security deposits	1,718	2,254	1,432	1,475	1,743
Prepaid rent	213	186	199	192	202
Total current liabilities	**45,292**	**52,965**	**52,783**	**51,416**	**53,232**
Long-Term debt-net of current	-	-	-	-	-
Deferred Income Taxes	3,356	3,763	2,784	2,784	2,796
Total Liabilities	**48,648**	**56,728**	**55,567**	**54,200**	**56,028**
Stockholders' equity:					
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821	13,821
Retained earnings	5,543	6,552	5,212	5,242	5,292
Accumulated deficit	-	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)	(504)
Total stockholders' equity	**18,862**	**19,871**	**18,531**	**18,561**	**18,611**
Total liabilities and stockholders' equity	**$ 67,510**	**$ 76,599**	**$ 74,098**	**$ 72,761**	**$ 74,639**
SHARES OUT	1,607	1,607	1,607	1,607	1,607

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

	FY2001**	FY2002	FY2003	**FY2004E**	**FY2005E**
Revenues:					
Rent Income	$ 10,238	$ 8,691	$ 8,767	**$ 8,858**	**$ 9,180**
Gain(loss) on disposal of assets	327	-	-	**-**	**-**
Other Income	667	123	143	**204**	**160**
Total Revenues	11,232	8,814	8,910	**9,062**	**9,340**
Expenses:					
Management Fees	1,750	1,725	1,910	**1,964**	**2,070**
Depreciation	2,776	2,852	3,361	**3,514**	**3,520**
Interest	2,866	1,969	1,941	**2,289**	**2,410**
SG&A	434	543	843	**842**	**910**
Maintenance	859	242	2,091	**223**	**170**
Provision for impairment in value of aircraft in '00 and Bad Debt Expense in '03	-	-	900	**-**	**-**
Total Expenses	8,684	7,331	11,045	**8,833**	**9,080**
Operating Income	2,548	1,483	(2,136)	**229**	**260**
Operating Margin	22.68%	16.82%	-23.97%	2.52%	2.78%
Taxes(Benefit)	849	473	(795)	**53**	**83**
Tax Rate	33.32%	*31.93%*	*37.24%*	*23.36%*	*31.73%*
Net Income	$ 1,699	$ 1,009	$ (1,340)	**$ 175**	**$ 178**
EPS-fully diluted includes insurance settlement	$ 1.10	$ 0.65	$ (0.87)	**$ 0.11**	**$ 0.12**
Avg Shares Out-fully diluted	1,543	1,543	1,543	**1,543**	**1,543**
Margin Analysis					
Gross Profit	9,482	7,089	7,000	**7,097**	**7,270**
GPM	84.4%	80.4%	78.6%	**78.3%**	**77.8%**
NI/Rev	15.1%	11.5%	-15.0%	**1.9%**	**1.9%**
NI/Rent Income	16.6%	11.6%	-15.3%	**2.0%**	**1.9%**
Total Exp/Rev	77.3%	83.2%	124.0%	**97.5%**	**97.2%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	17.09%	19.85%	21.79%	**22.18%**	**22.55%**
Depreciation	27.12%	32.82%	38.33%	**39.68%**	**38.34%**
Interest	27.99%	22.65%	22.14%	**25.84%**	**26.25%**
SG&A	4.24%	6.25%	9.61%	**9.51%**	**9.91%**
Total Expenses	84.83%	84.35%	125.99%	**99.73%**	**98.91%**
Percent Change Year/Year					
Rent Income	-5.91%	-14.38%	0.86%	**1.04%**	**3.64%**
Operating Income	1.21%	-41.27%	NMF	**NMF**	**NMF**
Net Income	1.64%	-40.59%	NMF	**NMF**	**NMF**

** Included in other income is an insurance settlement gain of $0.35 million or $0.15 per share. Excluding the gain full year 2001 EPS was 0.95.

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%**
Operating Income	-51.22%	-701.78%	-84.39%	-88.72%	**-244.04%**
Net Income	-41.57%	-700.50%	-82.49%	-83.79%	**-232.79%**

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

	(3/04)Q1A	(6/04)Q2A	(9/04)Q3E	(12/04)Q4E	**FY2004E**
Revenues:					
Rent Income	$ 2,060	$ 2,252	$ 2,265	$ 2,275	**$ 8,858**
Other Income	70	50	45	45	**204**
Total Revenues	2,130	2,302	2,310	2,320	**9,062**
Expenses:					
Management Fees	463	497	500	505	**1,964**
Depreciation	845	899	885	885	**3,514**
Interest	551	573	580	585	**2,289**
SG&A	215	202	210	215	**842**
Total Expenses	2,099	2,239	2,240	2,255	**8,833**
Operating Income	31	63	70	65	**229**
Operating Margin	1.46%	2.73%	3.03%	2.80%	2.52%
Taxes(Benefit)	1	12	20	20	**53**
Tax Rate	*3.00%*	*19.88%*	*28.57%*	*30.77%*	*23.36%*
Net Income	$ 30	$ 50	$ 50	$ 45	**$ 175**
EPS-fully diluted	$ 0.02	$ 0.03	$ 0.03	$ 0.03	**$ 0.11**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,667	1,805	1,810	1,815	**7,097**
GPM	78.3%	78.4%	78.4%	78.2%	**78.3%**
NI/Rev	1.4%	2.2%	2.2%	1.9%	**1.9%**
NI/Rent Income	1.5%	2.2%	2.2%	2.0%	**2.0%**
Total Exp/Rev	98.5%	97.3%	97.0%	97.2%	**97.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	22.47%	22.05%	22.08%	22.20%	**22.18%**
Depreciation	41.03%	39.93%	39.07%	38.90%	**39.68%**
Interest	26.76%	25.44%	25.61%	25.71%	**25.84%**
SG&A	10.45%	8.98%	9.27%	9.45%	**9.51%**
Total Expenses	101.90%	99.43%	98.90%	99.12%	**99.73%**
Percent Change Year/Year					
Rent Income	-15.99%	3.04%	11.55%	8.41%	**1.04%**