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

ACY $3.71 – (AMEX)

September 8, 2005

	FYE 12/02	FYE 12/03	FYE 12/04 *	***FYE 12/05 E***
Revenues (millions)	$8.81	$8.91	$10.90	***$10.85***
Earnings per share (diluted)	$0.65	($0.87)	$0.17	***$0.16***

52week range	$6.78 – $2.30	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$7.63
Trading float	1.07 million	Price/Sales (ttm)	0.49X
Insiders and Institutional ownership	0.54 million	Price/Sales (2005)E	0.53X
Est. Book value/share a/o 06/30/05	$11.75	Price/Earnings (ttm)	20.6X
Price/Book	0.32X	Price/Earnings (2005)E	23.2X

* 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 so that its renewal would not become an issue during the second half of 2005.

AeroCentury reported second quarter 2005 total revenues of $2.755 million versus $2.258 million in the same period last year. Net income for the quarter was $0.046 million or $0.03 per diluted share versus net income of $0.050 million or $0.03 per diluted share in the second quarter of 2004.

On July 7, 2005, the Company announced the purchase and lease of a Saab 340B aircraft to an Australian operator.

Based on the outlook provided by Management in public filings, results for the first half of 2005, and general operating trends, we are adjusting our 2005 revenue estimate to $10.850 million versus our prior estimate of $10.410 million. Our 2005 net income estimate has increased to $0.242 million or $0.16 per diluted share versus our prior estimate of $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 second quarter 2005 revenue of $2.738 million versus $2.258 million in the second quarter of 2004. The positive change in revenue versus last year was primarily due to aircraft purchased during 2004 and early 2005, as well as the re-lease of an aircraft which was off lease in 2004.

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

The Company reported that depreciation, management fees, and SG&A expenses for the quarter increased by approximately $0.161 million versus the same period last year. The increase was primarily due to the purchase of aircraft in 2004 and 2005, as well as 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 $0.244 million versus the same period last year.

Net income for quarter was $0.046 million or $0.03 per diluted share versus net income of $0.050 million or $0.03 per diluted share in the second quarter of 2004.

In comparison, Taglich Brothers' estimates called for revenue of $2.590 million and net income of $0.050 million or $0.03 per diluted share.

Balance Sheet as of June 30, 2005

The Company provided the following balance sheet data:

- Total assets increased to $84.008 million versus $83.932 million at the end of 2004;
- Total liabilities were virtually flat at $65.125 million versus $65.134 million at the end of 2004; and
- Shareholders' equity increased to $18.882 million versus $18.797 million at the end of 2004.

The Company ended the quarter with cash and cash equivalents of $2.650 million versus $2.404 million at December 31, 2004. Total outstanding indebtedness increased to $50.073 million versus $48.990 million at the end of fiscal 2004. According to the Company's second quarter 10Q filing, as of June 30, 2005, it was in compliance with all 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 July 7, 2005, the Company announced the purchase and lease of a Saab 340B aircraft to an Australian operator. The transaction allowed ACY to assume a lease on an aircraft that has a remaining term of 45 months. Macair Airlines Pty Limited, was founded in 1992, and has 13 aircraft in its fleet. Macair provides contract and charter operations and services to 32 scheduled routes under a code sharing agreement with Qantas airlines.

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 August 9, 2005, by the tenth 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 $10.850 million from our prior estimate of $10.410 million, based on reported results for the first half of 2005 that indicate a higher level of rent income, as well as the purchase of aircraft during 2004 and so far in 2005.

Based on our revenue forecast, the Company’s first half 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 $0.242 million or $0.16 per diluted share versus our prior forecast of $0.190 million or $0.12 per diluted share. Our forecast includes the following:

- Interest expense increasing to $3.225 million versus $2.42 million in 2004;
- SG&A expenses, which includes insurance, remaining relatively flat at $0.888 million versus $0.887 million in 2004;
- Management fees and depreciation increasing to $6.146 million versus $5.54 million in 2004;
- Maintenance, impairment, and bad debt expenses of $0.240 million versus $1.65 million in 2004; and
- A tax rate of 32.50%.

Investors should be aware that the Company's banks have not yet approved the July and December 2004 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 third 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.

As of June 30, 2005, the Company had three aircraft and one turboprop engine off lease and available for re-lease and/or sale, which is likely to require significant investments in terms of time and money. Additional aircraft (approximately seven) are likely to come off lease during the second half of 2005. The specific timing of when aircraft(s) will be returned to the Company remains unclear; however, until an aircraft is returned, rent will be paid by the lessor even if the lease term has expired. In order to obtain release agreements, Management continues to focus its efforts on marketing. In addition, the lessee for two aircraft has given the Company indications that it will return one and extend the lease for the other.

Risks

Credit Facility Renewal

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

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. An August 2005 economic forecast by the Mortgage Bankers Association calls for Gross Domestic Product to grow at an annual rate of approximately 3.9% and 3.3% in 2005 and 2006, respectively. In addition, the Federal Reserve has raised interest rates (by 0.25 basis points) ten times since mid 2004, in order to moderate future economic growth. If the economic growth were to stall or slow due to Hurricane Katrina it would likely impact the Travel and Aviation Industries, which in turn could negatively impact the Company's operations.

Leasing

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

Reliance on JetFleet Management

AeroCentury relies on JetFleet Management Corp (JMC) to perform management functions under a management agreement. Currently, the agreement is in its seventh year of a 20-year term. Under this agreement, the Company pays an asset-based management fee to JMC.

JMC is not a fiduciary to the Company or its stockholders. The Board of Directors, however, has ultimate control and supervisory responsibility over all aspects of the Company and owes fiduciary duties to the Company and its stockholders. It is important to note that the officers of JMC are also officers of the Company; therefore, if a dispute over obligations between the Company and JMC occurs, a conflict of interests may exist.

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

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

Valuation Adjustments
The Company continually reviews its asset valuations. It did not make any valuation adjustments during 2003. 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.

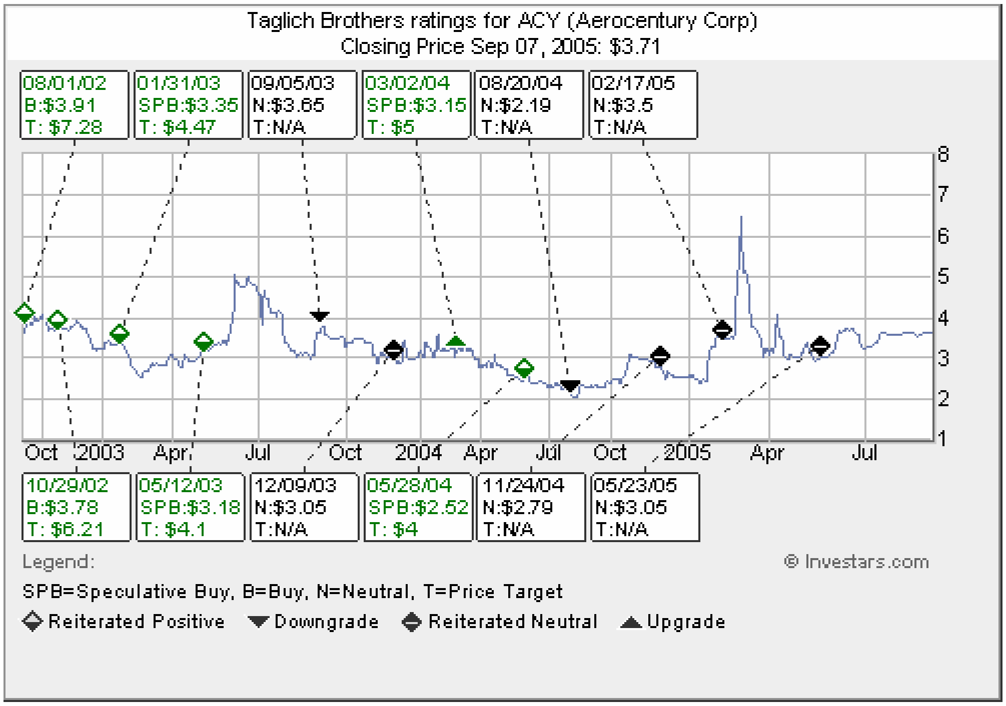
Miscellaneous
The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

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 seven months of 2005 increased to 9,930 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.

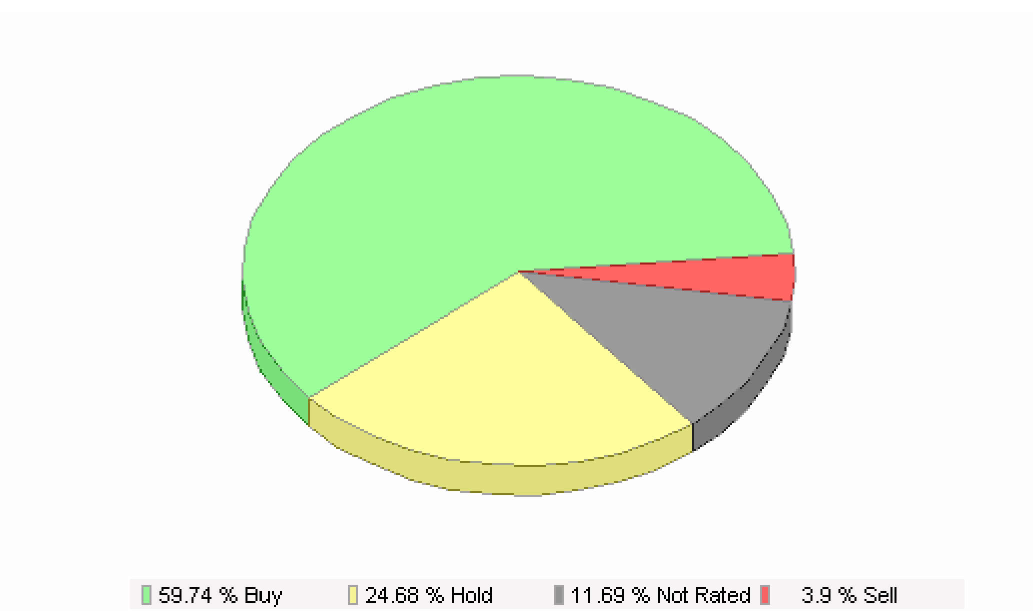
Conclusion

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 so 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	June '05 2nd Qtr End
ASSETS					
Current assets:					
Cash & Equivalents	$ 8,796	$ 9,449	$ 2,404	$ 3,031	$ 2,650
Accounts Receivable	1,801	1,360	6,455	827	974
Note receivable	18	-	295	190	-
Prepaid Expense & Other	483	699	410	385	433
Total current assets	**11,097**	**11,508**	**9,563**	**4,432**	**4,058**
Aircraft & engines, net of depreciation	65,502	62,151	72,621	70,961	79,950
Total assets	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 76,106**	**$ 84,008**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts Payable and accrued expenses	$ 530	$ 484	$ 868	$ 470	$ 542
Notes Payable and accrued interest	44,223	41,493	48,990	43,120	50,073
Maintenance deposits and accrued costs	5,771	8,736	10,293	10,527	11,228
Security deposits	2,254	1,432	1,775	1,780	1,895
Prepaid rent	186	199	405	266	272
Unearned income			3	-	-
Income Taxes Payable	-	-	1,704	259	180
Total current liabilities	**52,965**	**52,344**	**64,037**	**56,422**	**64,189**
Long-Term debt-net of current	-	-	-	-	-
Deferred Income Taxes	3,763	2,784	1,098	847	935
Total Liabilities	**56,728**	**55,128**	**65,134**	**57,269**	**65,125**
Stockholders' equity:					
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821	13,821
Retained earnings	6,552	5,212	5,478	5,518	5,564
Accumulated deficit	-	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)	(504)
Total stockholders' equity	**19,871**	**18,531**	**18,797**	**18,837**	**18,883**
Total liabilities and stockholders' equity	**$ 76,599**	**$ 73,659**	**$ 83,932**	**$ 76,106**	**$ 84,008**
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)

	FY2002	FY2003	FY2004 *	**FY2005E**
Revenues:				
Rent Income	$ 8,691	$ 8,767	$ 8,996	**$ 10,775**
Gain(loss) on disposal of assets	-	-	1,748	**(60)**
Other Income	123	143	160	**134**
Total Revenues	8,814	8,910	10,904	**10,850**
Expenses:				
Management Fees	1,725	1,910	1,988	**2,266**
Depreciation	2,852	3,361	3,555	**3,880**
Interest	1,969	1,941	2,421	**3,225**
SG&A	543	843	887	**888**
Maintenance	242	2,091	847	**110**
Provision for impairment in value of aircraft and Bad Debt Expense	-	900	803	**130**
Total Expenses	7,331	11,045	10,501	**10,500**
Operating Income	1,483	(2,136)	403	**350**
Operating Margin	16.82%	-23.97%	3.70%	3.22%
Taxes(Benefit)	473	(795)	137	**107**
Tax Rate	*31.93%*	*37.24%*	*33.90%*	*30.67%*
Net Income	$ 1,009	$ (1,340)	$ 266	**$ 242**
EPS-fully diluted includes insurance settlement	$ 0.65	$ (0.87)	$ 0.17	**$ 0.16**
Avg Shares Out-fully diluted	1,543	1,543	1,543	**1,543**
Margin Analysis				
Gross Profit	7,089	7,000	8,916	**8,584**
GPM	80.4%	78.6%	81.8%	**79.1%**
NI/Rev	11.5%	-15.0%	2.4%	**2.2%**
NI/Rent Income	11.6%	-15.3%	3.0%	**2.2%**
Total Exp/Rev	83.2%	124.0%	96.3%	**96.8%**
As Per Cent of Rent Income				
Expenses:				
Management Fees	19.85%	21.79%	22.10%	**21.03%**
Depreciation	32.82%	38.33%	39.51%	**36.01%**
Interest	22.65%	22.14%	26.91%	**29.93%**
SG&A	6.25%	9.61%	9.86%	**8.24%**
Total Expenses	84.35%	125.99%	116.73%	**97.45%**
Percent Change Year/Year				
Rent Income	-14.38%	0.86%	2.61%	**19.78%**
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)Q2A	(9/05)Q3E	(12/05)Q4E	FY2005E
Revenues:					
Rent Income	$ 2,522	$ 2,738	$ 2,750	$ 2,765	$ 10,775
Gain(loss) on disposal of assets	(60)	-		-	(60)
Other Income	78	16	20	20	134
Total Revenues	2,540	2,755	2,770	2,785	10,850
Expenses:					
Management Fees	544	567	575	580	2,266
Depreciation	925	980	985	990	3,880
Interest	763	817	820	825	3,225
SG&A	231	212	220	225	888
Maintenance	17	34	30	30	110
Provision for impairment in value of aircraft and bad debt expense	12	88	15	15	130
Total Expenses	2,492	2,698	2,645	2,665	10,500
Operating Income	48	57	125	120	350
Operating Margin	1.89%	2.05%	4.51%	4.31%	3.22%
Taxes(Benefit)	8	10	45	44	107
Tax Rate	*17.16%*	*17.68%*	*36.00%*	*36.67%*	*30.67%*
Net Income	$ 40	$ 47	$ 80	$ 76	$ 242
EPS-fully diluted	$ 0.03	$ 0.03	$ 0.05	$ 0.05	$ 0.16
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	1,543
Margin Analysis					
Gross Profit	1,996	2,188	2,195	2,205	8,584
GPM	78.6%	79.4%	79.2%	79.2%	79.1%
NI/Rev	1.6%	1.7%	2.9%	2.7%	2.2%
NI/Rent Income	1.6%	1.7%	2.9%	2.7%	2.2%
Total Exp/Rev	98.1%	97.9%	95.5%	95.7%	96.8%
As Per Cent of Rent Income					
Expenses:					
Management Fees	21.59%	20.71%	20.91%	20.98%	21.03%
Depreciation	36.69%	35.80%	35.82%	35.80%	36.01%
Interest	30.25%	29.84%	29.82%	29.84%	29.93%
SG&A	9.16%	7.74%	8.00%	8.14%	8.24%
Total Expenses	98.83%	98.53%	96.18%	96.38%	97.45%
Percent Change Year/Year					
Rent Income	22.42%	21.29%	22.43%	13.70%	19.78%