U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended September 30, 2005

or

|_| Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ________________

Commission File Number 0-22153

AMERITRANS CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**52-2102424**
(State of incorporation)	(I.R.S. Employer Identification No.)

747 Third Avenue, New York, New York 10017
(Address of Registrant's principal executive office) (Zip Code)

(800) 214-1047
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes |_| No |X|

The number of shares of Common Stock, par value $.0001 per share, outstanding as of November 13, 2005: 2,045,600

AMERITRANS CAPITAL CORPORATION
FORM 10-Q

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CONSOLIDATED BALANCE SHEETS

September 30, 2005 (Unaudited) and June 30, 2005

ASSETS

	September 30, 2005	June 30, 2005
Loans receivable	$ 51,503,498	$ 52,060,254
Less: unrealized depreciation on loans receivable	(150,000)	(150,000)
Loans receivable, net	51,353,498	51,910,254
Cash and cash equivalents	634,524	327,793
Accrued interest receivable, net of unrealized deprecation of $24,500 and $59,000, respectively	677,981	756,701
Assets acquired in satisfaction of loans	384,528	384,528
Receivables from debtors on sales of assets acquired in satisfaction of loans	414,475	455,184
Equity securities	857,364	908,457
Furniture, equipment and leasehold improvements, net	312,957	329,573
Medallions under lease	2,224,701	2,282,201
Prepaid expenses and other assets	543,462	531,904
TOTAL ASSETS	$ 57,403,490	$ 57,886.595

The accompanying notes are an integral part of these financial statements.

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2005 (Unaudited) and June 30, 2005

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2005	June 30, 2005
LIABILITIES		
Debentures payable to SBA	$ 12,000,000	$ 12,000,000
Notes payable, banks	29,650,652	29,770,652
Accrued expenses and other liabilities	497,786	604,942
Accrued interest payable	126,860	256,285
Dividends payable	84,375	84,375
TOTAL LIABILITIES	42,359,673	42,716,254
COMMITMENTS AND CONTINGENCIES (Notes 3,4 and 5)		
STOCKHOLDERS' EQUITY		
Preferred stock 500,000 shares authorized, non issued or outstanding		
9 3/8% cumulative participating callable preferred stock $.01 par value, $12.00 face value, 500,000 shares authorized; 300,000 shares issued and outstanding	3,600,000	3,600,000
Common stock, $.0001 par value; 5,000,000 shares authorized; 2,045,600 shares issued, 2,035,600 outstanding	205	205
Additional paid-in-capital	13,869,545	13,869,545
Accumulated deficit	(2,202,565)	(2,127,134)
Accumulated other comprehensive expenses	(153,368)	(102,275)
	15,113,817	15,240,341
Less: Treasury stock, at cost, 10,000 shares of common stock	(70,000)	(70,000)
TOTAL STOCKHOLDERS EQUITY	15,043,817	15,170,341
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 57,403,490	$ 57,886,595

The accompanying notes are an integral part of these financial statements.

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended September 30, 2005 and 2004 (Unaudited)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004
INVESTMENT INCOME		
Interest on loans receivable	$ 1,149,783	$ 1,129,057
Fees and other income	82,301	100,540
Leasing income	49,468	51,537
TOTAL INVESTMENT INCOME	1,281,552	1,281,134
OPERATING EXPENSES		
Interest	539,273	382,156
Salaries and employee benefits	276,238	262,664
Occupancy costs	54,716	49,183
Professional fees	69,812	135,564
Other administrative expenses	281,789	245,468
Loss and impairments on assets acquired in satisfaction of loans, net	3,000	10,393
Foreclosure expenses	2,208	5,000
Write off and depreciation on interest and loans receivable	35,848	101,518
TOTAL OPERATING EXPENSES	1,262,884	1,191,946
OPERATING INCOME	18,668	89,188
OTHER EXPENSE		
Equity in loss of investee	-	(2,011)
TOTAL OTHER EXPENSE	-	(2,011)
INCOME BEFORE PROVISION FOR INCOME TAXES	18,668	87,177
PROVISION FOR INCOME TAXES	9,724	2,465
NET INCOME	$ 8,944	$ 84,712
DIVIDENDS ON PREFERRED STOCK	$ (84,375)	$ (84,375)
NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ (75,431)	$ 337
WEIGHTED AVERAGE SHARES OUTSTANDING		
- Basic	$ 2,035,600	2,035,600
-Diluted	$ 2,035,600	2,035,600
NET LOSS PER COMMON SHARE		
- Basic	$ (0.03)	0.00
- Diluted	$ (0.03)	0.00

The accompanying notes are an integral part of these financial statements

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended September 30, 2005 and 2004 (Unaudited)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,944	$ 84,712
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,735	39,888
Equity in loss of investee	-	2,011
Change in operating assets and liabilities:		
Changes in unrealized depreciation on loans receivable and accrued interest receivable	(34,500)	56,319
Accrued interest receivable	113,220	201,238
Prepaid expenses and other assets	(21,893)	(119,352)
Accrued expenses and other liabilities	(107,156)	(7,796)
Accrued interest payable	(129,425)	(99,706)
TOTAL ADJUSTMENTS	(148,019)	72.602
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(139,075)	157,314
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans receivable	556,756	1,576,888
Assets acquired in satisfaction of loans	-	377,231
Receivables from debtors on sales of assets acquired in satisfaction of loans	40,709	388,358
Proceeds from sale of Medallion	57,500	-
Purchases of equity securities	-	(54,153)
Capital expenditures	(4,784)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	650,181	2,288,324
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable, banks	500,000	6,310,000
Repayments of notes payable, banks	(620,000)	(8,360,000)
Dividends paid	(84,375)	(84,375)
NET CASH USED IN FINANCING ACTIVITIES	(204,375)	(2,134,375)
NET INCREASE IN CASH AND CASH EQUIVALENTS	306,731	311,263
CASH AND CASH EQUIVALENTS – Beginning	327,793	416,600
CASH AND CASH EQUIVALENTS – Ending	$ 634,524	727,863
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES		
Unrealized loss on equity securities arising during the period	$ (51,093)	$ (5,448)

The accompanying notes are an integral part of these financial statements.

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Financial Statements

The consolidated balance sheet of Ameritrans Capital Corporation ("Ameritrans" or the "Company") as of September 30, 2005, and the related consolidated statements of operations and cash flows for the three months ended September 30, 2005 and 2004 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of the management of the Company ("Management"), the accompanying consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the three months ended September 30, 2005 are not necessarily indicative of the results of operations for the full year or any other interim period. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, as filed with the Commission.

Organization and Principal Business Activity

Ameritrans, a Delaware corporation, is a specialty finance company that through its subsidiary, Elk Associates Funding Corp. ("Elk"), makes loans primarily to taxi owners to finance the acquisition and operation of taxi medallions and related assets, and to other small businesses in the New York City, Chicago, Miami, and Boston markets. Ameritrans is a regulated investment company as defined in the Internal Revenue Code (the "Code").

Elk, a New York corporation, is licensed by the Small Business Administration ("SBA") to operate as a Small Business Investment Company ("SBIC") under the Small Business Investment Act of 1958, as amended. Elk is also registered as an investment company under the Investment Company Act of 1940 to make business loans.

Basis of Consolidation

The consolidated financial statements include the accounts of Ameritrans, Elk, and Elk's wholly owned subsidiaries, EAF Holding Corporation, EAF Enterprises LLC, Medallion Auto Management LLC, EAF Leasing LLC, EAF Leasing II LLC and EAF Leasing III LLC, (collectively referred to as the "Company"). All significant inter-company transactions have been eliminated in consolidation.

EAF Holding Corporation, which was formed in June 1992 and began operations in December 1993, owns and operates certain real estate assets acquired in satisfaction of defaulted loans made by Elk.

EAF Enterprises LLC, which was formed in June 2003 and began operations in July 2003, owns, leases and resells medallions acquired in satisfaction of foreclosures by Elk.

Medallion Auto Management LLC, which was formed in June 2003 and began operations in July 2003, owns, leases and resells automobiles in conjunction with the medallions owned by EAF Enterprises LLC.

EAF Leasing LLC and EAF Leasing II LLC, which were formed in August 2003 and began operations in October 2003, own and lease medallions acquired in satisfaction of foreclosures by Elk.

EAF Leasing III LLC, which was formed in January 2004 and began operations in April 2004, owns and leases medallions acquired in satisfaction of foreclosures by Elk.

Ameritrans organized another subsidiary on June 8, 1998, Elk Capital Corporation ("Elk Capital"), which may engage in lending and investment activities similar to its parent. Since its inception, Elk Capital has had no operations.

Income Taxes

The Company has elected to be taxed as a Regulated Investment Company ("RIC") under the "Code". A RIC generally is not taxed at the corporate level to the extent its income is distributed to its stockholders. In order to qualify as a RIC, a Company must payout at least ninety percent (90%) of its net taxable investment income to its stockholders as well as meet other requirements under the Code. In order to preserve this election for fiscal year 2006, the Company intends to make the required distributions to its stockholders in accordance with the applicable tax code.

The Company is subject to certain state and local franchise taxes, as well as related minimum filing fees assessed by state taxing authorities. Such taxes and fees are reported as "provisions for income taxes" and reflected in each of the periods presented.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon the exercise of stock options and warrants. The difference between reported basic and diluted weighted average common shares results from the assumption that all dilutive stock options outstanding were exercised. For the periods presented, the effect of common stock equivalents has been excluded from the diluted calculation since the effect would be antidilutive.

Loan Valuations

The Company's loan portfolio is carried at fair value. Since no ready market exists for these loans, the fair value is determined in good faith by the board of directors of the Company (the "Board of Directors"). In determining the fair value, the Board of Directors considers factors such as the financial condition of the borrower, the adequacy of the collateral to support the loans, individual credit risks, historical loss experience and the relationships between current and projected market rates and portfolio rates of interest and maturities. The Board of Directors has determined that the fair value of the loans approximates cost less unrealized depreciation.

Unrealized depreciation in loan values has generally been caused by specific events related to credit risk. Loans are considered "non-performing" once they become 90 days past due as to principal or interest. These past due loans are periodically evaluated by Management and if, in the judgment of management, the amount is not collectible and the fair value of the collateral exceeds the loan balance at the date of valuation, the Company makes no write-down of the loan amount.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the fair value of loans receivable and other financial instruments.

2. Medallions

During the year ended June 30, 2004, Elk transferred Chicago taxicab medallions obtained from defaulted and foreclosed loans to certain newly formed wholly-owned subsidiaries. The subsidiaries borrowed funds in the amount of $2,382,201 from Elk to complete the purchases of the medallions and gained title by paying related transfer fees and satisfying outstanding liens with Elk and Chicago.

The subsidiaries in turn, lease these medallions to taxicab operators or companies in the Chicago market under weekly and long-term operating lease terms. The weekly leases, which include both medallions and automobiles, are with individuals and automatically renew each week, up to a maximum period of 157 weeks, but may be terminated by the lessee at the conclusion of any weekly period. These weekly leases also include an option for the lessee to purchase either the medallion or automobile, at an amount defined in the agreement, at any time throughout the term of the lease, with credit given for a portion of the lease payments towards the purchase price. As of September 30, 2005, no purchase options had been exercised. The long-term medallion leases have been made with taxicab companies, expire from December 31, 2005 through February 28, 2006, and may be canceled by either party upon forty-five (45) days advance written notice.

Leasing income under all medallion and taxi cab leases for the three (3) months ended September 30, 2005 was $49,468.

During the year ended June 30, 2005, the medallions were written down by $100,000 to their estimated fair value, based on current market conditions. During the quarter ended September 30, 2005, one medallion with a carrying value of $57,500 was sold.

3. Debentures Payable to SBA

At September 30, 2005 and June 30, 2005, debentures payable to the SBA consisted of subordinated debentures with interest payable semiannually, as follows:

Issue Date	Due Date	Effective Interest Rate	9/30/05 and 6/30/05 Principal Amount
July 2002	September 2012	4.67%[1]	$ 2,050,000
December 2002	March 2013	4.63%[1]	3,000,000
September 2003	March 2014	4.12%[1]	5,000,000
February 2004	March 2014	4.12%[1]	1,950,000
			$ 12,000,000

[1] Elk is required to pay an additional annual user fee of 0.866% on these debentures.

Under the terms of the subordinated debentures, Elk may not repurchase or retire any of its capital stock or make any distributions to its stockholders other than dividends out of retained earnings (as computed in accordance with SBA regulations) without the prior written approval of the SBA.

SBA Commitment

In January 2002, the Company and the SBA entered into an agreement whereby the SBA committed to reserve debentures in the amount of $12,000,000 to be issued by the Company on or prior to September 30, 2006. A 2% leverage fee will be deducted pro rata as the commitment proceeds are drawn down. A 1% non-refundable commitment fee of $120,000 was paid by Elk in 2002 at the time the $12,000,000 commitment was obtained. In February 2004, Elk made the final draw down under this commitment.

4. Notes Payable to Banks

At September 30, 2005 and June 30, 2005, Elk had loan agreements with three banks for lines of credit aggregating $40,000,000. At September 30, 2005 and June 30, 2005, $29,650,652 and $29,770,652 respectively, were outstanding under these lines. The loans, which mature at various dates between December 31, 2005 and January 31, 2006, bear interest at the lower of either the reserve adjusted LIBOR rate plus 1.5% or the banks' prime rates minus 0.5%.

Upon maturity, Elk anticipates that the banks will extend these lines of credit for another year, as has been their practice in previous years. Pursuant to the terms of the agreements the Company is required to comply with certain covenants and conditions, as defined in the agreements. The Company has pledged its loans receivable and all other assets as collateral for the above lines of credit. Pursuant to the SBA agreement and an "intercreditor agreement" among the lending banks, the SBA agreed to subordination in favor of the banks, provided that the Company maintains certain debt levels based on performance of its portfolio.

5. Commitments and Contingencies

Interest Rate Swaps

On October 14, 2005, Elk entered into two interest rate swap transactions both for $5,000,000 with a bank, which expire October 15, 2007 and October 14, 2008, respectively. Elk entered into these swap transactions to hedge against an upward movement in interest rates relating to outstanding bank debt. The swap transaction expiring October 15, 2007 provided for a fixed rate of 6.20% for Elk, and the swap transaction expiring October 14, 2008 provided for a fixed rate of 6.23% for Elk. If the Company's floating borrowing rate (the one-month LIBOR rate plus 1.5%) falls below the fixed rate, Elk is obligated to pay the bank the difference in rates. If the Company’s floating borrowing rate rises above the fixed rate, the bank is obligated to pay Elk the differences in rates.

6. Comprehensive Income (Loss)

Total comprehensive income (loss) for the three-month periods ended September 30, 2005 and 2004, after considering other comprehensive income (loss) including unrealized losses on marketable securities of ($51,093) and ($5,448) was ($42,149) and $79,264, respectively.

7. Other Matters

Quarterly Dividend

The Company has declared and paid the quarterly dividend on the Company's 9 3/8 Cumulative Participating Preferred Stock (the "Participating Preferred Stock") since the Participating Preferred Stock was issued. Most recently, the Company's Board of Directors declared a dividend of $0.28125 per share on September 20, 2005 on the Participating Preferred Stock for the period July 1, 2005 through September 30, 2005, payable on October 17, 2005 to all holders of the Participating Preferred Stock of record as of September 30, 2005.

Stock Offering

On July 29, 2005, Ameritrans commenced a private offering of Common Stock with warrants to "accredited investors," as that term is defined in Rule 501 of Regulation D promulgated under the 1933 Act (the "Offering"). The shares of Common Stock are offered at a price no less than book value as of the date of the Offering. For every four (4) shares of Common Stock purchased, the Company will issue to the investor one (1) warrant, exercisable for five (5) years from the date of issuance, to purchase one (1) share of Common Stock of the Company at an exercise price equal to 110% of the purchase price of the Shares. On October 26, 2005, the Company extended the Offering until January 25, 2006. The Board of Directors and Management believe that raising additional capital pursuant to a private offering will allow the Company to expand its investment portfolio and diversify the Company’s investments beyond the SBA-regulated loans and investments of Elk. This diversification will provide the Company with the flexibility to participate in a wide range of investment opportunities. This private offering was approved by the requisite vote of shareholders on July 21, 2005.

SBA Matter

On August 29, 2005, the Company received a letter from the US Small Business Administration together with a copy of the Examination Report for the period ended March 31, 2004. The letter and Examination Report contained findings that Elk had potentially violated certain provisions of the SBA regulations, relating to (1) the sale of certain foreclosed Chicago medallions to an associate of Elk without obtaining the SBA’s final written approval, and (2) the creation of subsidiary companies and completion of certain related financings to those subsidiary companies without obtaining the SBA’s prior written approval. The letter contained certain other comments with respect to partial use of proceeds concerning one loan that the Company made to a third party borrower, and the prepayment provision contained in loan documents to a different borrower. Management has already responded to the SBA in writing concerning the findings, and management recently met with the SBA in an effort to resolve these findings in a timely manner.

The Company believes that it was acting in good faith when it effectuated the transactions with respect to the sale of the foreclosed Chicago medallions to an associate, as it had applied for permission from SBA prior to completion of the loan in question, had obtained an indication of approval and SBA was in the process of taking the steps to obtain formal written approval for the transaction. The Company believes that it was also acting in good faith when it created the subsidiary companies (deemed "associates" under SBA regulations) to purchase the foreclosed medallions, as it was having ongoing discussions with SBA at the time to obtain SBA's approval of the transaction and had received verbal indications that it felt it had or would, in due course, subsequently obtain SBA's written approval to the transactions. The Company believes that it has adequate explanations for the use of proceeds issue on the third party loan and the prepayment issue.

The Company believes that the tone of the meeting with SBA to reach resolution of the issues on these matters was positive and the Company anticipates a speedy resolution by the SBA. Neither the Company nor its counsel, however, can predict when these matters will be resolved, or the manner in which they will be resolved. The Company believes that the resolution of these matters with SBA will not have any material adverse financial or regulatory consequences to the Company.

Chicago Medallion Sales

At September 30, 2005 Elk had one executed contract with one (1) purchaser to purchase a total of five (5) Chicago medallions: one (1) being foreclosed and four (4) being sold by one of Elk's subsidiaries, EAF Enterprises LLC. As part of the purchase contract, Elk agreed to finance the entire purchase price plus applicable transfer taxes for a period of 8 years with a balloon principal payment at the maturity date. As of October 1, 2005, Elk executed an additional contract with the same principal purchaser to sell an additional five (5) Chicago medallions being foreclosed on essentially the same terms and conditions as previously described. On October 24, 2005, Elk signed an additional contract with a different purchaser to purchase six (6) Chicago medallions being foreclosed. In connection with this sale, Elk agreed to finance the entire purchase price, but the purchaser is paying the applicable transfer tax from its own funds. The purchaser is also supplying its own taxi vehicles as part of this transaction. The financing term of the loan is a sixty (60) month period based upon a 120 month amortization schedule with a balloon principal payment due at the end of the sixty (60) month period. This purchaser is also interested in purchasing an additional six (6) Chicago medallions being foreclosed on the same terms and conditions. The parties are presently working on obtaining an additional executed contract of sale.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued the SFAS No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and superseded APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123(R) requires that all share-based payments to employees be recognized in the financial statements based on their fair values on the date of grant. The Company currently uses the intrinsic value method to measure compensation expense for stock-based awards. On April 14, 2005, the SEC amended the compliance dates for SFAS 123(R), which extended the Company's required adoption date of SFAS 123R to its fiscal third quarter in its fiscal year ended June 30, 2006. The Company is evaluating the requirements of SFAS 123(R) and expects that its adoption will not have a material impact on its financial position on results of operations and earnings per share.

Also in December 2004, the FASB issued Statement No. 153, "Exchanges of Nonmonetary Assets," SFAS No. 153 which addresses the measurement of exchanges of non-monetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. The adoption of SFAS No. 153 will have no impact on the Company's results of operations or its financial position.

In June 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections," ("SFAS No. 154") which changes the requirements for accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS No. 154 also requires that a change in method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made for fiscal years beginning after December 15, 2005, but does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of the Statement. The adoption of SFAS No. 154 will not have a material effect on results of operations or the Company's financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with the consolidated Financial Statements and Notes therewith appearing in this quarterly report on Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended June 30, 2005, filed by the Company on September 28, 2005 which is available on the Company's web site at www.ameritranscapital.com.

Critical Accounting Policies

In the preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States, management uses judgment in selecting policies and procedures and making estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Significant estimates that the Company makes include valuation of loans and equity investments, evaluation of the recoverability of various receivables and the assessment of litigation and other contingencies. The Company's ability to collect receivables and recover the value of its loans depends on a number of factors, including the financial condition of the debtors and its ability to enforce provisions of its contracts in the event of disputes, through litigation if necessary. Although the Company believes that estimates and assumptions used in determining the recorded amounts of net assets and liabilities at September 30, 2005 are reasonable, actual results could differ materially from the estimated amounts recorded in the Company's financial statements. Our key critical accounting policies are those applicable to the valuation of loans receivable and other investments including medallions, and contingencies from daily operations, as discussed below:

Valuation of Loans Receivable. For loans receivable, fair value generally approximates cost less unrealized depreciation. Overall financial condition of the borrower, the adequacy of the collateral supporting the loans, individual credit risks, historical loss experience and other factors are criteria considered in quantifying the unrealized depreciation, if any, that might exist at the valuation date.

Equity Securities. The fair value of publicly traded corporate equity securities is based on quoted market prices. Privately held corporate equity securities are recorded at the lower of cost or estimated fair value. For these non-quoted investments, the Company reviews the financial performance of the privately held companies in which the investments are maintained. If and when a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value.

Assets Acquired in Satisfaction of Loans. Assets acquired in satisfaction of loans are carried at the lower of the net value of the related foreclosed loan or the estimated fair value less cost of disposal. Losses incurred at the time of foreclosure are charged to the unrealized depreciation on loans receivable. Subsequent reductions in estimated net realizable value are charged to operations as losses on assets acquired in satisfaction of loans.

Medallions. The Company obtained medallions through foreclosure of loans and the value of such medallions are carried at the lower of the net value of the related foreclosed loans or the fair market value of the medallions. The medallions are being treated as having indefinite lives, therefore, the assets are not being amortized. However, the Company periodically tests their carrying value for impairment.

Contingencies. The Company is subject to legal proceedings in the course of its daily operations from enforcement of its rights in disputes pursuant to the terms of various contractual arrangements. In this connection, the Company assesses the likelihood of any adverse judgment or outcome to these matters as well as a potential range of probable losses. A determination of the amount of reserve required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

General

Ameritrans acquired Elk on December 16, 1999 in a share for share exchange. Elk is licensed by the Small Business Administration (SBA) to operate as a Small Business Investment Company (SBIC) under the Small Business Investment Act of 1958, as amended (the "1958 Act"). Both Ameritrans and Elk are registered as investment companies under the Investment Company Act of 1940.

Elk makes loans to and investments in businesses that qualify under SBA regulations for funding under the Small Business Investment Act of 1958, as amended. Elk's primary lending activity is to originate and service loans collateralized by the cities of New York, Boston, Chicago and Miami taxicab medallions. Elk also makes loans and investments in other diversified businesses. At September 30, 2005, 74% of Elk's loan portfolio consisted of loans secured by taxi medallions and 26% consisted of loans to other diversified businesses.

From inception through April 2002, Ameritrans' only activity had been the operations of Elk. In May 2002, Ameritrans began making loans to businesses using the proceeds raised from a public offering, which was completed in April 2002. Since July 2002 Ameritrans has been making equity investments.

Elk has six (6) wholly-owned subsidiaries: EAF Holding Corporation, EAF Enterprises LLC, Medallion Auto Management LLC, EAF Leasing LLC, EAF Leasing II LLC and EAF Leasing III LLC.

EAF Holding Corporation was formed in 1992, and its sole activity is owning and operating certain real estate assets acquired in satisfaction of loans. EAF Enterprises LLC was formed in June 2003 to take title to some of the Company's remaining Chicago foreclosure medallions, and to thereafter lease them to taxi drivers on a 36-month lease. Medallion Auto Management LLC was formed in June 2003 to own taxi vehicles used primary in conjunction with EAF Enterprises LLC's taxi medallion leasing operation. In order to lease the medallions, Medallion Auto Management LLC was formed to purchase taxi vehicles and lease the vehicles to the operators whereby each operator will own the vehicle for a nominal payment at the end of the term of the lease, or have an option to purchase the vehicle for its then unamortized cost. EAF Leasing LLC, EAF Leasing II LLC and EAF Leasing III LLC were formed to take title to approximately 35 foreclosed medallions and lease them to large medallion operators.

Results of Operations for the Three Months Ended September 30, 2005 and 2004

Total Investment Income

The Company's interest income for the three months ended September 30, 2005 increased $20,726 or 2% to $1,149,783 as compared to the three months ended September 30, 2004, as a result of an increase in the loan portfolio which was partially offset by a decrease in average interest rates charged on new and modified loans.

Operating Expenses

Interest expense for the three months ended September 30, 2005 increased $157,117, or 41%, to $539,273 as compared to the three months ended September 30, 2004, due to higher interest rates charged on outstanding bank borrowing as well as higher outstanding banks notes payable. Salaries and employee benefits increased $13,574, or 5%, as compared to the similar period in the prior year. These increases resulted primarily from increases specified in certain officers' employment agreements as well as commissions paid to an employee. Professional fees decreased $65,752, or 48%, as compared to the comparable period in the prior year, due primarily to a reduction in Chicago legal fees. Foreclosure expenses decreased $2,792 or 56% and write off and depreciation of interest and loans receivable decreased $65,670, or 65%, as compared to the similar quarter in the prior year. Both of these decreases reflect the reduction of foreclosures of Chicago medallion loans. Other administrative expenses increased $36,321 or

15% as compared to the similar period in the prior year, due primarily to an increase in Chicago service fees and computer expense.

Net Income (Loss)

Net income decreased from $84,712 for the three months ended September 30, 2004 to $8,944 for the three months ended September 30, 2005. The decrease in net income between the periods was attributable primarily to an increase in interest expense only partially offset by an increase in interest income. Dividends for Participating Preferred Stock were unchanged at $84,375 for the three months ended September 30, 2005 and 2004.

Financial Condition at September 30, 2005 and 2004

Balance Sheet and Reserves

Total assets decreased by $483,105 as of September 30, 2005 from $57,886,595 as of June 30, 2005. This decrease was primarily due to lower outstanding loans receivable. In addition, Elk’s proceeds from notes payable from banks for the quarter were $500,000 versus $620,000 in repayments made on notes payable from banks. This resulted in a $120,000 decrease in its short-term bank borrowings.

Liquidity and Capital Resources

The Company has funded its operations through private and public placements of its securities, bank financing, the issuance to the SBA of its subordinated debentures and internally generated funds.

On July 29, 2005, Ameritrans commenced a private offering of Common Stock with warrants to "accredited investors," as that term is defined in Rule 501 of Regulation D promulgated under the 1933 Act (the "Offering"). The shares of Common Stock are offered at a price no less than book value as of the date of the offering. For every four (4) shares of Common Stock purchased, the Company will issue to the investor one (1) warrant, exercisable for five (5) years from the date of issuance, to purchase one (1) share of Common Stock of the Company at an exercise price equal to 110% of the purchase price of the Shares. On October 26, 2005, the Company extended the Offering until January 25, 2006. The Offering was approved by the requisite vote of shareholders on July 21, 2005.

On April 24, 2002, Ameritrans completed a public offering of 300,000 units, consisting of one share of Common Stock, one share of 9 3/8% cumulative participating redeemable Preferred Stock, face value $12.00, and one redeemable Warrant exercisable into one share of Common Stock. The gross proceeds from the sale were $5,700,000 less offering expenses of approximately $1,704,399. A portion of the proceeds was used temporarily to reduce bank and SBA indebtedness. Ameritrans also used part of the proceeds to start its own loan portfolio.

At September 30, 2005, 71% of Elk's indebtedness was represented by indebtedness to its banks and 29% by debentures issued to the SBA with fixed rates of interest plus user fees resulting in rates ranging from 5.17% to 5.3125%. Elk currently may borrow up to $40,000,000, $10,349,348 of which was available for draw down as of September 30, 2005 under its existing lines of credit, subject to limitations imposed by its borrowing base agreement with its banks and the SBA, the statutory and regulatory limitations imposed by the SBA and the availability of funds. In addition, during January 2002, the Company and the SBA entered into an agreement whereby the SBA committed to reserve debentures in the amount of $12,000,000 to be issued to the Company on or prior to September 30, 2006. In July and December 2002, new debentures payable to the SBA were drawn from the reserved pool of $12,000,000 in the amount of $2,050,000 and $3,000,000, respectively. The interim interest rates assigned were 2.351% and 1.927%, respectively, subsequently adjusted to long term fixed rates of 4.67% and 4.628% determined on the pooling dates of September 25, 2002 and March 26, 2003, respectively. On September 15, 2003 and February 17, 2004, two new debentures payable to the SBA were drawn in the amount of $5,000,000 and $1,950,000, respectively. Interim interest rates assigned were 1.682% and 1.595%, respectively, subsequently adjusted to the long term fixed rate of 4.12% on the pooling date of March 24, 2004. In addition to the fixed rates, there is an additional annual SBA user fee on each debenture of 0.87% per annum making the rates 5.54%, 5.498% and 4.99% before applicable amortization of points and fees. The draw down in February 2004 was the final draw from the $12,000,000 commitment.

Loan amortization and prepayments also provide a source of funding for Elk. Prepayments on loans are influenced significantly by general interest rates, economic conditions and competition.

Like Elk, Ameritrans will distribute at least 90% of its investment company taxable income and, accordingly, will continue to rely upon external sources of funds to finance growth. In order to provide the funds necessary for expansion, management expects to raise additional capital and to incur, from time to time, additional bank indebtedness and (if deemed necessary) to obtain SBA loans. There can be no assurances that such additional financing will be available on acceptable terms.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued the SFAS No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and superseded APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123(R) requires that all share-based payments to employees be recognized in the financial statements based on their fair values on the date of grant. The Company currently uses the intrinsic value method to measure compensation expense for stock-based awards. On April 14, 2005, the SEC amended the compliance dates for SFAS 123(R), which extended the Company's required adoption date of SFAS 123R to its fiscal third quarter in its fiscal year ended June 30, 2006. The Company is evaluating the requirements of SFAS 123(R) and expects that its adoption will not have a material impact on its financial position on results of operations and earnings per share.

Also in December 2004, the FASB issued Statement No. 153, "Exchanges of Nonmonetary Assets," SFAS No. 153 which addresses the measurement of exchanges of non-monetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. The adoption of SFAS No. 153 will have no impact on the Company's results of operations or its financial position.

In June 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections," ("SFAS No. 154") which changes the requirements for accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS No. 154 also requires that a change in method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made a fiscal years beginning after December 15, 2005, but does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of the Statement. The adoption of SFAS No. 154 will not have a material effect on results of operations or the Company's financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's business activities contain elements of risk. The Company considers the principal types of risk to be fluctuations in interest rates and portfolio valuations. The Company considers the management of risk essential to conducting its businesses. Accordingly, the Company's risk management systems and procedures are designed to identify and analyze the Company's risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

The Company values its portfolio of loans and investments at fair value as determined in good faith by the Company's Board of Directors in accordance with the Company's valuation policy. Unlike certain lending institutions, the Company is not permitted to establish reserves for loan losses. Instead, the Company must value each individual investment and portfolio loan on a quarterly basis. The Company records unrealized depreciation on investments and loans when it believes that an asset has been impaired and full collection is unlikely. Without a readily ascertainable market value, the estimated value of the Company's portfolio of investments and loans may differ significantly from the values that would be placed on the portfolio if there existed a ready market for the investments and loans. The Company adjusts the valuation of the portfolio of loans and investments quarterly to reflect the Board of Directors' estimate of the current fair value of each investment and loan in the portfolio. Any changes in estimated fair value of loans are recorded in the Company's balance sheet as unrealized depreciation on loans receivable and also in the Company's statement of operations as write off and depreciation on interest and loans receivable. Any changes in estimated fair value of investments are recorded in the Company's balance sheet as accumulated other comprehensive loss.

In addition, the illiquidity of our investments and loan portfolio may adversely affect our ability to dispose of investments or loans at times when it may be advantageous for us to liquidate such investments or loans. Also, if we were required to liquidate some or all of these items in the portfolio, the proceeds of such liquidation might be significantly less than the current value of such investments or loans. Because we borrow money to make loans and investments, our net operating income is dependent upon the difference between the rate at which we borrow funds and the rate at which we loan and invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our interest income. As interest rates rise, our interest costs increase, decreasing the net interest rate spread we receive and thereby adversely affect our profitability. Although we intend to continue to manage our interest rate risk through asset and liability management, including the use of interest rate swaps, general rises in interest rates will tend to reduce our interest rate spread in the short term.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures as defined under the Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our periodic reports filed pursuant to the rules promulgated under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management including our Chief Executive Officer (also acting as Chief Financial Officer), to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (also acting as Chief Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Company concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in timely communicating the material information required to be included in our periodic SEC filings.

There were no changes to the Company's internal controls over financial reporting as defined in Rule 13a-15(f) of the Exchange Act that occurred during our most recently completed fiscal quarter that materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

IMPORTANT FACTORS RELATING TO FORWARD-LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

This report, including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations," may contain certain forward-looking statements within the meaning of the federal securities laws. Some of the forward-looking statements can be identified by the use of forward-looking words. When used in this report, statements which are not historical in nature, including the words "anticipate," "may," "estimate," "should," "seek," "expect," "plan," "believe," "intend," and similar words, or the negatives of those words, are intended to identify forward-looking statements. Statements which also contain a projection of revenues, earnings (loss), capital expenditures, dividends, capital structure or other financial terms are intended to be forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in such statements. In connection with certain forward-looking statements contained in this Form 10-Q and those that may be made in the future by or on behalf of Ameritrans, Ameritrans notes that there are various factors that could cause actual results to differ materially from those set forth in any such forward-looking statements. The forward looking statements contained in this Form 10-Q were prepared by management and are qualified by, and subject to, significant business, economic, competitive, regulatory and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of Ameritrans. Accordingly, there can be no assurance that the forward-looking statements contained in this Form 10-Q will be realized or that actual results will not be significantly higher or lower. Readers of this Form 10-Q should consider these facts in evaluating the information contained herein. In addition, the business and operations of Ameritrans are subject to substantial risks which increase the uncertainty inherent in the forward-looking statements contained in this Form 10-Q. The inclusion of the forward-looking statements contained in this Form 10-Q should not be regarded as a representation by Ameritrans or any other person that the forward-looking statements contained in this Form 10-Q, will be achieved. In light of the foregoing, readers of this Form 10-Q are cautioned not to place undue reliance on the forward-looking statements contained herein. These risks and others that are detailed in this Form 10-Q and other documents that Ameritrans files from time to time with the Commission, including quarterly reports on Form 10-Q and any current reports on Form 8-K must be considered by any investor or potential investor in Ameritrans.

PART II. OTHER INFORMATION

INFORMATION INCORPORATED BY REFERENCE. Certain information previously disclosed in Part I of this quarterly report on Form 10-Q are incorporated by reference into Part II of this quarterly report on Form 10-Q.

Item 1. Legal Proceedings

The Company is not currently a party to any material legal proceeding. From time to time, the Company is engaged in various legal proceedings incident to the ordinary course of its business. In the opinion of the Company's management and based upon the advice of legal counsel, there is no proceeding pending, or to the knowledge of management threatened, which in the event of an adverse decision would result in a material adverse effect on the Company's results of operations or financial condition.

Item 2 Changes in Securities and Use of Proceeds

None

Item 3 Default upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

As previously disclosed in Part I of this quarterly report on Form 10-Q are incorporated by reference into Part II of this quarterly report on Form 10-Q.

ITEM 6-- Exhibits and Reports on Form 8-K

The Exhibits filed as part of this report on Form 10-Q are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit index is incorporated by reference.

Exhibit Index

(a) Exhibits

10.1 Letter Agreement between Israel Discount Bank of New York and Elk dated November 1, 2005 extending the line of credit.

10.2 Promissory Note dated November 1, 2005 between Ameritrans and Bank Leumi USA and Letter Agreement dated November 1, 2005 between aforementioned parties.

31.1 Certification of the Chief Executive and Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive and Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On October 18, 2005, the Company filed a current report on Form 8-K reporting under Item 8.01 that the Company issued a press release announcing the Company's completion of interest rate swaps.

On September 29, 2005 the Company filed a current report on Form 8-K, reporting under items 2.02 and 9.01 that the Company issued a press release announcing the Company's results for the fourth quarter and fiscal year ending June 30, 2005.

(All other items of Part II are inapplicable)

AMERITRANS CAPITAL CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERITRANS CAPITAL CORPORATION

Dated: November 14, 2005

By: /s/ Gary C. Granoff
Gary C. Granoff
President, Chief Executive Officer and
Chief Financial Officer