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FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

Mentor Capital, Inc.

(Exact name of registrant as specified in its charter)

California	**77-0395098**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

511 Fourteenth Street, Suite A-2, A-4, A-6, Ramona, CA 92065
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(760) 788-4700**

Securities to be registered pursuant to Section 12(b) of the Act: **N/A**

Title of each class to be so registered	Name of each exchange on which each class is to be registered

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒

SEC 1396 (02-08)	**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**	

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Item 1. Business.

A. Description of the Registrant's Business

We were incorporated in the State of California in 1994 as Main Street Athletic Clubs, Inc. and operated a small chain of athletic clubs, a trucking company, and food companies, among other things. In 1996 our registration under Section 1-A of the securities act was declared effective and we began to trade publicly. In 1997 we merged with a group of approximately fifteen oil and gas partnerships which proved to be unsuccessful. In 1998 we entered a Chapter 11 bankruptcy reorganization in the Northern District of California, due mostly to a need to decrease oil and gas related debt in excess of asset value.

As we emerged from bankruptcy the court allowed the original issuance of approximately $145 Million in warrants to the claimants and creditors. The warrants were in (4) four classes, have been reset to lower prices, and have been principally exercised at $0.09, $0.11, $0.65, $1.00 $1.60 and $7.00 per share. At $1.60 per share, we may receive as much as $23 Million in warrant proceeds. The bankruptcy court order allows all the warrants and shares that are issued upon exercise of the warrants to trade freely under an exemption provided by Section 1145 USC. We received an SEC "No Comment" letter and our Reorganization Plan was confirmed January 11, 2000. We exited the reorganization owning a small ATM business with fifty installed ATM machines.

In 2009 we began examining cancer treatment-related companies, and created a proprietary Cancer Immunotherapy Index but worked with only one or two cancer therapy companies. In June 2013 we were approached to invest in a cancer related medical marijuana project and in August 2013 made the decision to start focusing on the medical marijuana space. The goal was to pursue an alternative approach to assisting in the fight against cancer and the effects of the disease.

We now have the following residual cancer related private holdings: $55,942 in Brighter Day Health and $8,850 in Shaw Capital (Medical Devices).

We maintain a medical bias toward the application of cannabis to cancer wasting, calming seizures, smoothing the effects of Parkinson's disease, reducing ocular pressures from glaucoma and blunting chronic pain.

Our CEO, Chester Billingsley became a founding director and officer of the board of directors of the Nevada Cannabis Industry Association in November 2013. The Company now intends to partner with, and invest solely in medical and social use cannabis companies.

Our goal is to partner with interesting or leading companies in the cannabis space. We seek to identify leaders in several vertical sectors of the marijuana market and acquire or invest in those leaders. The Company intends to use its resources to help its portfolios and operating subsidiaries and hopes that existing managers can continue to operate the partner business. We see retaining operating control and having some access to funding as two key advantages to cannabis founders working with us.

Currently the Company has the following cannabis-related investments in place: $1,500,000 receivable from Bhang Chocolate Company, Inc. [please see the section entitled "Legal Proceedings" for additional information]; $200,000 MicroCannabiz, LLC (51%) ("MCB") ($68,000 of which was funded at September 30, 2014); $100,000 into Nevada Cannabis Ventures (100%), for the formation of a yet to be named cannabis fund run by managers to be selected; a legacy investment of $242,545 in Waste Consolidators, Inc. ("WCI") (a 51% ownership which is eliminated in the consolidated financial statements for the nine months ended September 30, 2014); a $90,000 investment in a purchased receivable; and a $19,650 investment across the Cannabis Index for aggregate 2014 investments of $1,758,000.

We believe that we have an adequate acquisition and investment pipeline that arose starting in January 17, 2014 with the onset of active cannabis trading.

Currently there are 22 states and the District of Columbia that have laws and/or regulation that recognize in one form or another legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Fifteen other states are considering legislation to similar effect. In addition, as of September 30, 2014, voters in the states of Colorado and Washington have legalized cannabis for adult use. The state laws are in conflict with the federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. Under the policy and regulations of the Federal government marijuana is a Schedule I controlled substance and is illegal under federal law. Even in states where the use of marijuana has been legalized, its use remains a violation of federal law.

The Obama administration has indicated that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the administration or a subsequent administration will not change the stated policy regarding the low-priority enforcement of federal laws.

Mentor Capital has 5 full time employees and 1 part time employee in its corporate office in Ramona, California. WCI has 29 employees in Tempe, Arizona and MCB has 10 full time employees and 1 part time employee in St. Petersburg, Florida.

B. Description of the Registrant’s Facilities and Equipment.

The Company leases on a month to month basis approximately 2,000 square feet of office space for $2,050 per month in California, and approximately 3,000 square feet of office and warehouse space for $2,211 per month in Arizona. MCB is provided office space by the 49% owner in Florida with rent of only $715 being charged during the initial startup of operation.

WCI leases vehicles under an operating fleet lease with initial lease terms of 48 months. Total lease payments are $9,084 per month.

C. Additional Information About Registrant.

We are voluntarily disclosing the information required by Form 10 under the Securities Exchange Act of 1934. We have not previously filed any quarterly or annual reports with the Securities and Exchange Commission (“SEC”).

The public may read and copy any materials filed by the Registrant with the SEC at the SEC's Public Reference Room located at 100 F Street, NE., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site containing reports, proxy and information statements, and other information regarding electronic filers at *http://www.sec.gov*.

We intend to make available our periodic reports and other required disclosures at our company website located at: www.MentorCapital.com.

Item 1A. Risk Factors.

In addition to other information in this Form 10, the following risk factors should be carefully considered in evaluating our business since it operates in a highly changing and complex business environment that involves numerous risks, some of which are beyond our control. The following discussion highlights a few of these risk factors, any one of which may have a significant adverse impact on our business, operating results and financial condition. As a result of the risk factors set forth below and elsewhere in this Form 10, and the risk discussed in our Rule 15c2-11 submissions, actual results could differ materially from those projected in any forward-looking statements.

We face significant risks, and the risks described below may not be the only risks we face. Additional risks that we do not know of or that we currently consider immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be harmed and the trading price of our common stock could decline.

We operate in a turbulent market populated by businesses that are highly volatile.

The US market for cannabis products is highly volatile. While we believe that it is an exciting and growing market, many companies involved in cannabis products and services used to be involved in illegal activities, some still are, and many of them operate in unconventional ways. Some of these differences which represent challenges to us include not keeping appropriate financial records, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. Any one of these challenges, if not managed well, could materially adversely impact our business.

Many cannabis activities, products, and services still violate law.

The legal patchwork to which cannabis companies are subject is still evolving and frequently uncertain. While we believe that anti-cannabis laws are softening and that the trend is toward legalization of cannabis products, many states and the US government still view all cannabis activity as illegal. Notwithstanding this uncertainty we intend to always engage in strictly legal activities but we may not have control over those companies with whom we do business.

Our business model is to partner with or acquire other companies.

We do not manufacture or sell cannabis products or services. Rather we try to find cannabis businesses whose products, managers, technology or other factors we like and invest in or acquire those businesses. There is no certainty that we will find suitable partners or that we will be able to engage in transactions on advantageous terms with partners we identify. There is also no certainty that our partners will be able to navigate the maze of cannabis laws that may affect them. To date one of our acquisitions/investments (in Bhang Chocolate Company) has not turned out well for us, and an effort to secure a $35 million loan has resulted in a $621,250 loss.

Our actual results could differ materially from those anticipated in our forward-looking statements.

This Form 10 contains forward-looking statements within the meaning of the federal securities laws that relate to future events or future financial performance. When used in this report, you can identify forward-looking statements by terminology such as “believes,” “anticipates,” “plans,” “predicts,” “expects,” “estimates,” “intends,” “will,” “continue,” “may,” “potential,” “should” and similar expressions. These statements are only expressions of expectation. Our actual results could, and likely will, differ materially from those anticipated in such forward-looking statements as a result of many factors, including those set forth above and elsewhere in this report and including factors unanticipated by us and not included herein. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We assume no duty to update any of the forward-looking statements after the date of this filing or to conform these statements to actual results. Accordingly, we caution readers not to place undue reliance on these statements.

A failure to obtain financing could prevent us from executing our business plan or operate as a going concern.

We anticipate that current cash resources will be sufficient for us to execute our business plan for the foreseeable future. However, it is possible that if future financing is not obtained we will not be able to continue to operate as a going concern. We believe that securing additional sources of financing will be difficult and there is no assurance of our ability to secure such financing. A failure to obtain additional financing could prevent us from making necessary expenditures for advancement and growth, allow us to partner with more cannabis businesses, and allow us to hire additional personnel. If we raise additional financing by selling equity or convertible debt securities, the relative equity ownership of our existing investors could be diluted or the new investors could obtain terms more favorable than previous investors. If we raise additional funds through debt financing, we could incur significant borrowing costs and be subject to adverse consequences in the event of a default.

If we are unable to protect our intellectual property, our competitive position would be adversely affected.

We, and our partners and subsidiaries, intend to rely on patent protection, trademark and copyright law, trade secret protection and confidentiality agreements with our employees and others to protect our intellectual property. Despite our precautions, unauthorized third parties may copy our products and services or reverse engineer or obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Our means of protecting our proprietary rights may not be adequate and third parties may infringe or misappropriate our patents, copyrights, trademarks and similar proprietary rights. If we fail to protect our intellectual property and proprietary rights, our business, financial condition and results of operations would suffer. We believe that we do not infringe upon the proprietary rights of any third party, and no third party has asserted an infringement claim against us. It is possible, however, that such a claim might be asserted successfully against us in the future. We may be forced to suspend our operations to pay significant amounts to defend our rights, and a substantial amount of the attention of our management may be diverted from our ongoing business, all of which would materially adversely affect our business.

We are engaged in litigation.

In the past several months we have initiated two lawsuits; one against Bhang Chocolate Company and its affiliates to recover a $1,500,000 investment following Bhang's refusal to perform its obligations, and one against the owner of a bank account into which we wired $621,250 as part of an effort to secure a $35 million loan. There is no surety that we will prevail in either of these lawsuits.

We depend on our key personnel and may have difficulty attracting and retaining the skilled staff we need to execute our growth plans.

Our success will be dependent largely upon the personal efforts of our Chief Executive Officer, Chester Billingsley and other senior managers. The loss of key staff could have a material adverse effect on our business and prospects. To execute our plans, we will have to retain current employees. Competition for recruiting and retaining highly skilled employees with technical, management, marketing, sales, product development and other specialized training is intense. We may not be successful in retaining such qualified personnel. Specifically, we may experience increased costs in order to retain skilled employees. If we are unable to retain experienced employees as needed, we would be unable to execute our business plan.

We face rapid change.

The market for our partners' and subsidiaries' products and services is characterized by rapidly changing law and technologies, marketing efforts, and extensive research and the introduction of new products and services. We believe that our future success will depend in part upon our ability to continue to develop and enhance products and services offered in the cannabis market. As a result, we expect to continue to make investments in engineering and research and development. There can be no assurance that we will be able to develop and introduce new products and services or enhance initial products in a timely manner to satisfy customer needs, achieve market acceptance or address technological changes in our target markets. Failure to develop products and services and introduce them successfully and in a timely manner could adversely affect our competitive position, financial condition and results of operations.

If we experience rapid growth, we will need to manage such growth well.

We may experience substantial growth in the size of our staff and the scope of our operations, resulting in increased responsibilities for management. To manage this possible growth effectively, we will need to continue to improve our operational, financial and management information systems, will possibly need to create departments that do not now exist, and hire, train, motivate and manage a growing number of staff. Due to a competitive employment environment for qualified technical, marketing and sales personnel, we expect to experience difficulty in filling our needs for qualified personnel. There can be no assurance that we will be able to effectively achieve or manage any future growth, and our failure to do so could delay product development cycles and market penetration or otherwise have a material adverse effect on our financial condition and results of operations.

***We could face product liability risks and may not have adequate insurance*.**

Our partners' and affiliates' products may be used for medical purposes. We may become the subject of litigation alleging that our products were ineffective or unsafe. Thus, we may become the target of lawsuits from injured or disgruntled customers or other users. We intend to carry product and liability insurance, but in the event that we are required to defend more than a few such actions, or in the event our products are found liable in connection with such an action, our business and operations may be severely and materially adversely affected.

***There is a limited market for our common stock*.**

Our common stock is not listed on any exchange and trades on the Over The Counter Pink Sheets. As such, the market for our common stock is limited and is not regulated by the rules and regulations of any exchange. Further, the price of our common stock and its volume in the market may be subject to wide fluctuations. Our stock price could decline regardless of our actual operating performance, and stockholders could lose a substantial part of their investment as a result of industry or market-based fluctuations. Our stock trades relatively thinly. If a more active public market for our stock is not sustained, it may be difficult for stockholders to sell shares of our common stock. Because we do not anticipate paying cash dividends on our common stock for the foreseeable future, stockholders will not be able to receive a return on their shares unless they are able to sell them. The market price of our common stock will likely fluctuate in response to a number of factors, including but not limited to, the following:

- sales, sales cycle and market acceptance or rejection of our affiliates' products;
- our ability to engage with partners who are successful in selling products;
- economic conditions within the cannabis industry;
- development of law related to cannabis products and services;
- the timing of announcements by us or our competitors of significant products, contracts or acquisitions or publicity regarding actual or potential results or performance thereof; and
- domestic and international economic, business and political conditions.

We have a long corporate existence.

We were formed as the Main Street Athletic Clubs, Inc. in California in 1994. We were privately owned until September 1996, at which time our common stock began trading on the Over The Counter Pink Sheets. We have pursued many different business activities and have been through a bankruptcy reorganization.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm on these internal controls. If we fail to adequately maintain compliance with, or maintain the adequacy of, our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC. If we cannot favorably assess, or our independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of our internal controls over financial reporting, investor confidence in the reliability of our financial reports may be adversely affected, which could have a material adverse effect on our stock price.

We have indemnified our officers and directors.

We have indemnified our Officers and Directors against possible monetary liability to the maximum extent permitted under California law.

The fragile state of the worldwide economy could impact the company in numerous ways.

The effects of the worldwide economic crisis has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, has impacted levels of consumer spending, and may impact our business, operating results, or financial condition. The ongoing worldwide economic crisis, weakness in the credit markets and significant liquidity problems for the financial services industry may also impact our financial condition in a number of ways. For example, current or potential customers may delay or decrease spending with us or may not pay us or may delay paying us for previously purchased products and services. Also, we may have difficulties in securing additional financing.

Item 2. Financial Information.

Audited financial statements for years ended December 31, 2013 and 2012 - see attached financial statements.

Unaudited reviewed financial statements for three and nine months ended September 30, 2014 - see attached financial statements.

Overview

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTC Markets: MNTR.

In 2009 the Company began focusing its investing activities in leading edge cancer companies. In response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 29, 2013, the Company made a decision to begin to divest of its cancer assets and focus on becoming a pure play in the cannabis and medical marijuana sector.

Waste Consolidators, Inc. (WCI)

WCI is a legacy investment of which the Company owned 50% in 2012 and 2013 and purchased an additional 1% effective January 1, 2014 for a 51% interest. WCI is included in the consolidated financial statements for the nine months ended September 30, 2014.

MicroCannaBiz (MCB)

On February 18, 2014, the Company signed an agreement to purchase 51% of MCB, a development stage company which began operations in June 2014. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses.

Bhang Chocolate Company, Inc.

On February 28, 2014, the Company acquired a 60% ownership in Bhang Corporation, also known as Bhang Chocolate Company, Inc., ("Bhang"), see Item 9 regarding subsequent Mentor lawsuit seeking rescission of the agreement. Amounts invested in Bhang are reported as Receivable from Bhang Chocolate Company and shareholders in the consolidated balance sheet at September 30, 2014.

Results of Operations for the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013:

Total revenue for the quarter ended September 30, 2014 was $546,215 which includes service fee revenue of $544,615 from WCI compared to revenue for the quarter ended September 30, 2013 of $8,000 which did not include WCI revenue as the Company owned only 50% of WCI and accounted for its investment in WCI under the equity method. *Pro forma* revenues for the quarter ended September 30, 2013, including WCI service fees, was $433,300. The increase in service fee revenue experienced by WCI in 2014 was due to efforts to increase its customer base. Publication revenue from MCB was $1,600 for the quarter ended September 30, 2014.

At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses.

Gross profits for the quarter ended September 30, 2014 amounted to $164,439 (30% gross margin) compared to $8,000 for the quarter ended September 30, 2013. *Pro forma* gross profits for the quarter ended September 30, 2013 had WCI been consolidated for the quarter were $108,845 (25%). The increase in 2014 third quarter gross margin compared to 2013 third quarter *pro forma* gross margin was due to the fact that WCI had newer vehicles under lease in 2014 which lowered gas cost and vehicle repairs and maintenance.

Selling, general and administrative expenses for the quarter ended September 30, 2014 were $334,567 (61%) compared to $70,436 for the quarter ended September 30, 2013 and *pro forma* of $174,164 (15%) for the quarter ended September 30, 2013. The increase in selling, general and administrative expense is due to increased activity in the Company relating to its transition into the Cannabis space.

The net result attributable to controlling interest for the quarter ended September 30, 2014 was a loss of $186,066 or $0.013 per common share compared to a loss of $57,747 or $0.009 per common share for the quarter ended September 30, 2014. *Pro forma* loss for the quarter ended September 30, 2013 was $63,431 or $0.010 per common share.

Management will continue in its effort to increase revenues through acquisition, investment and organic growth. This is to be funded by raising additional capital through the sale of equity securities and debt.

Results of Operations for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013:

Total revenue for the nine months ended September 30, 2014 was $1,546,128 which includes service fee revenue of $1,543,578 from WCI compared to revenue for the nine months ended September 30, 2013 of $24,000 which did not include WCI revenue as the Company owned only 50% of WCI at that time. *Pro forma* revenues for the nine months ended September 30, 2013, including WCI service fees, was $1,258,118. The increase in service fee revenue experienced by WCI in 2014 was due to efforts to increase its customer base. Publication revenue from MCB was $2,550 for the nine months ended September 30, 2014.

Gross profits for the nine months ended September 30, 2014 amounted to $488,773 (32% gross margin) compared to $24,000 for the nine months ended September 30, 2013 (100% gross margin). *Pro forma* gross profits for the nine months ended September 30, 2013 had WCI been consolidated for the period were $325,863 (26%). The increase in 2014 nine month gross margin compared to 2013 nine month *pro forma* gross margin was due to the fact that in 2014 WCI had newer vehicles under lease which lowered gas cost and vehicle repairs and maintenance as a percent of sales.

Selling, general and administrative expenses for the nine months ended September 30, 2014 were $1,069,861 (69%) compared to $207,298 for the nine months ended September 30, 2013 and *pro forma* of $524,197 (42%) for the nine months ended September 30, 2013. The increase in selling, general and administrative is due to increased activity in the Company relating to its transition into the Cannabis space.

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. In 2013 and 2012 Mentor's investment in WCI was recorded under the equity method as it did not have significant influence over operating and financial policies at that time. In accordance with Accounting Standard Codification 810-10, Consolidation – Overall, Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain of $1,250,964 on investment in subsidiary which is included in other income and expense in the consolidated statement of operations for the nine months ended September 30, 2014.

In March 2013, the Company paid $621,250 for loan default insurance to a third party as required by the lender on an international loan facility. The lender was unable to fund the loan and a cooperative exit from the loan commitment was agreed to by the parties on June 12, 2014. The lender has released the requirement for credit default insurance and the insurance company has agreed to return the fee, however the refund has not yet been received. On September 5, 2014, the Company filed suit in San Mateo County Superior Court against Wm. E. Fielding and Associates, Inc. for conversion and fraud seeking return of the $621,250 in fees. The $621,250 in fees was expensed as loan costs in the nine months ended September 30, 2014, pending the outcome of the suit.

The net result attributable to controlling interest for the nine months ended September 30, 2014 was a loss of $11,268 or $0.001 per common share compared to a loss of $181,183 or $0.033 per common share for the nine months ended September 30, 2014. *Pro forma* loss for the quarter ended September 30, 2013 was $180,151 or $0.033 per common share.

Management will continue in its effort to increase revenues through acquisition, investment and organic growth. This is to be funded by raising additional capital through the sale of equity securities and debt.

Financial Condition at December 31, 2013 compared to December 31, 2012:

The Company's current assets at December 31, 2013 were $403,912 compared to $489,628 at December 31, 2012. The decrease of $85,716 is due to a decrease in prepaid costs of $131,963 offset by an increase in investments in securities of $21,320 and an increase in cash of $24,927.

Other assets at December 31, 2013 were $1,281,943 compared to $10,813,067 at December 31, 2012. The decrease was due to primarily to two funding agreements which were recorded at December 31, 2012 and no longer held at December 31, 2013. A funding agreement with AGI Biopharmaceutical (AGI) for $4,700,000 was terminated in 2013 and one with Brighter Day Health ("BDH") for $5,023,067 which was released in 2013. The descriptions of these transactions follow:

> The Company entered into a long-term equity funding agreement with AGI on November 25, 2011 to provide $4,700,000 in long term funding for up to 3,000,000 AGI shares of AGI common shares at $1.57 per common share, or 30% of AGI shares outstanding. The purchase price was to be paid from cash generated from the sale of Mentor warrants on a *pro rata* basis to AGI and other cancer companies where Mentor had taken an equity position under similar terms. At December 31, 2012 the long term investment in AGI was $4,700,000 and the corresponding investment payable was $4,700,000. AGI failed to provide shares for the escrow agent and on February 13, 2013, the Company gave notice to AGI that the agreement was being terminated based on non-performance.
>
> The Company entered into a long-term equity funding agreement with Brighter Day Health ("BDH") on December 31, 2011, to provide $5,000,000 in long term funding for up to 50,000 shares of BDH common stock at $100 per common share, or 50% of BDH common shares outstanding. The BDH common shares were delivered to an escrow agent. The purchase price was to be paid from cash generated from the sale of Mentor warrants on a *pro rata* basis to BDH and other cancer companies where Mentor had taken an equity position under similar terms. At December 31, 2012, the long term investment in BDH was $5,022,610, representing the long-term investment of $5,000,000 plus the increase in fair value of amounts already invested of $22,500. The investment payable at 2012 was $4,966,667. In May 2013, the Company instructed the escrow agent to process the release of BDH shares from escrow and gave notice to BDH as provided under the agreement. In accordance with the funding agreement, Mentor received 1,000 shares of BDH common stock and the remaining stock was returned to BDH.

Current liabilities at December 31, 2013 were $59,366 compared to $118,912 at December 31, 2012. The decrease in 2013 is due to a decrease in income taxes payable of $51,265 and a decrease in accrued expenses of $9,173.

Long-term liabilities at December 31, 2013 were $1,924,658 compared to $11,472,861 at December 31, 2012, a decrease of $9,548,203. Of this decrease $9,670,000 is attributable to the decrease in investments payable to AGI and BDH described under other assets above and a decrease in deferred fees of $32,000 which is offset by an increase in accrued salary and benefits to the CEO of $145,131 and an increase in accrued retirement and other benefits to the CEO of $8,666.

Results of Operations for the year ended December 31, 2013 compared to the year ended December 31, 2012:

Note that during 2013 and 2012, the Company's did not have subsidiaries subject to consolidation. The Company accounted for the investment in WCI using the equity method based on the ownership interest and the Company's inability to exercise significant influence at December 31, 2013 and 2012. Accordingly, the investment was initially recorded at cost with adjustments to the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period. Mentor ceased to recognize losses when our investment basis was zero. At December 31, 2013 and 2012, the WCI investment was $0. On January 1, 2014, the Company purchased an additional 1% interest in WCI for a 51% interest.

Total revenue for the years ended December 31, 2013 and 2012 was $32,000 and $32,000 representing administrative fees earned from WCI.

Selling, general and administrative expenses for the year ended December 31, 2013 was $292,899 compared to $294,734 for the year ended December 31, 2012.

The net result for the year ended December 31, 2013 was a loss of $258,784 or $0.045 per common share compared to a loss of $236,711 or $0.071 per common share for the year ended December 31, 2012. This increased loss in 2013 was due primarily to a decrease in other revenue of $24,608 offset by a decrease in selling, general and administrative expenses of $1,835 and a decrease in the provision for income taxes of $700.

Disclosure About Off-Balance Sheet Arrangements

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

Item 3. Properties.

We lease office facilities used in our business. Mentor corporate offices are in Ramona, California and we lease approximately 2,000 square feet of office space on a month to month basis for $2,050 per month. WCI is located in Tempe, Arizona and leases approximately 3,000 square feet of office and warehouse space for $2,211 per month under an operating lease expiring in January 2015. MCB is in St. Petersburg, Florida and has been provided office space by the 49% shareholder during the startup phase of operations for $715.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

As of September 30, 2014 shares of the Registrant's stock are owned by the following beneficial owners [persons owning more than 5% of the outstanding shares]:

Title of Security	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common Stock	Chester Billingsley	5,000,486[1]	34%
Common Stock	Robert B. Meyer	764,538	5%

(1) 5,000,485 of Mr. Billingsley's shares of Common Stock are voluntarily held by The Corporate Law Group under a safekeeping receipt pursuant to which Mr. Billingsley has represented that his intention in delivering the shares is to give assurance to Mentor Capital shareholders that he will not be selling or trading the shares as long as this Safe Keeping Receipt is effective. Under the Safekeeping Receipt Mr. Billingsley has certified to The Corporate Law Group that the shares represent over 99% of the Mentor Capital shares beneficially owned or controlled by him. Prior to the shares being returned to Mr. Billingsley, Mr. Billingsley will be required to make a public announcement through a press release and a website posting that he has requested return of the shares and so certify that he has done so.

As of September 30, 2014 shares of the Registrant's stock are owned by Registrant's management, executive officers, and directors as follows:

Title of Security	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common Stock	Chester Billingsley	5,000,486[(1)]	34.53%
Common Stock	Stan Shaul	40,043	0.28%
Common Stock	James Blazeck	47,500	0.33%
Common Stock	Robert B. Meyer	764,537	5.28%
Common Stock	Earl Kornbrekke	21,000	0.14%
	Directors and Officers as a group	5,873,567	40.55%

(1) 5,000,485 of Mr. Billingsley's shares of Common Stock are held in escrow with The Corporate Law Group under safekeeping receipts.

If an individual or entity tried to take control of the Company, Mr. Billingsley is authorized to obtain a loan from the Company to pay for the exercise of his unexercised D warrants.

Item 5. Directors and Executive Officers.

Officers:

Chet Billingsley, 61 years old, has been our Chief Executive Officer since 1994. He received his undergraduate education at West Point, and a Master's Degree in Applied Physics from Harvard, with concurrent study at Harvard Business School and at MIT. Mr. Billingsley worked at General Electric from January 1979 to June 1985.

Lori J. Stansfield, CPA, 55 years old, has been our acting Chief Financial Officer since May 27, 2014. Prior to joining Mentor, Lori was Director of Audit Services for Robert R. Redwitz & Co., in San Diego, California. She graduated Magna cum Laude in accounting from the University of Colorado in Denver and also received a Masters Degree in marketing there. She is certified as a public accountant in both Colorado and California.

Stan Shaul, 49 years old, has been our Treasurer since November 24, 1998. Stan is the president of SportsClix, Inc. that he founded and incorporated on November 15, 1999. He graduated with a Bachelor's degree in Mathematics and Computer Science from UCLA.

James Blazeck, P.E., 62 years old, is our Secretary, and has been in engineering and programs management positions in nuclear aerospace and telecommunications companies since 1998. He was the founder and president of Quest Process Management Systems, Inc. which he formed in November 1990. He received his Bachelor's Degree in electrical engineering from the University of Pittsburgh and a Masters Degree in computers and systems from Rensselaer Polytechnic Institute.

Directors:

Chet Billingsley, 61 (see bio above)

Stan Shaul, 49 (see bio above)

James Blazeck, P.E., 62 (see bio above)

Robert B. Meyer, 75 years old, has been the founder, publisher and editor of Barter News since 1979, and of the monthly newsletter, The Competitive Edge, since 2003. More recently, he authored the 532-page Barter News FastStart Barter Program. Mr. Meyer is a former professional baseball player, playing in the major leagues with New York Yankees, Kansas City Athletics, Los Angeles Angels, Seattle Pilots and Milwaukee Brewers from 1960 - 1971.

Earl Kornbrekke, 71 years old, was a computer engineer for Tandem computers, now a division of Hewlett Packard, from 1982 to 1994 in charge of international installations of systems related to ATM networks, banks, stock exchanges, and similar commercial transaction processing applications. Mr. Kornbrekke founded and operated a regional vending business, called Main Street Vending which he sold in the 1990s. He was the largest investor in the Company before its bankruptcy.

Item 6. Executive Compensation.

Executive compensation for the year ended December 31, 2013 was:

Name and Title	Base Salary	Bonus or Incentive	Stock/Options Granted	Total Compensation
Chester Billingsley, Chairman of the Board and Chief Executive Officer	$ 120,000[(1)]	$ -	$ -	$ 120,000
	$ -	$ -	$ -	$ -
Lori Stansfield, acting Chief Financial Officer	$ $120,000	$ -	$ -	$ 120,000

(1) Base annual salary for the Chairman of the Board and Chief Executive Officer of $104,000 per year plus $12,000 vacation pay and $4,000 sick pay has not changed from the amount set by the court in the 1998 Chapter 11 bankruptcy document.

The executive compensation has not changed in 14 years. At the time a change in executive pay is considered the Company plans to create an executive compensation committee.

Item 7. Certain Relationships and Related Transactions, and Director Independence.

In January, 2014 the Company agreed to loan Chester Billingsley, our CEO approximately 70.9% of amounts owed to him, or $944,000, so that he could exercise warrants to be used as collateral in order to secure a loan to the Company of $35 million. After the warrants were exercised, CEO Billingsley placed 100% of his shares, 5,000,485 shares, into an escrow which was to guarantee repayment of the loan. The loan was mutually rescinded on June 12, 2014, and the shares remain in escrow as of the filing date.

In March 2014, the Chester Billingsley, our CEO received $258,396 as partial payment of amounts due him for accrued salary and benefits.

During the nine months ended September 30, 2014, the Company accrued an incentive liability for Chester Billingsley, our CEO of $190,581. The incentive was specified in the 1998 Chapter 11 bankruptcy document which provides for an incentive for success in raising the share price, 1% rising on a sliding scale to 4% (at $8 per share) of the increase of the market capitalization of the Company beyond the book value upon confirmation of the bankruptcy plan. The Company uses the lowest stock price during the quarter for the calculation. If the stock price decreases in the subsequent quarter the accrual is not decreased. The incentive was accrued in the 2nd quarter of 2014 using the lowest stock price during the quarter of $1.33 per share and a bonus rate of 1%.

All directors are not officers except Mr. Billingsley. The directors are all shareholders of the company.

Item 8. Legal Proceedings.

On August 11, 2014, the Registrant filed a complaint in Federal District Court for the Northern District of California for rescission against Bhang Chocolate Company, Inc., Bhang Corporation, Scott Van Rixel, and William Waggoner. Registrant alleges that Defendants have failed to perform their obligations under that certain Bhang Chocolate – Mentor Capital Cannabis Brands Cooperative Funding Agreement entered into by and between Bhang Chocolate Company, Inc. ("Bhang") and Registrant (the "Bhang Agreement"), which anticipated Scott Van Rixel, William Waggoner, and other affiliates of Bhang as intended third party beneficiaries. Registrant has rescinded the Agreement and seeks return of $1,500,000 paid to Bhang as consideration under the Agreement. The Cooperative Funding Agreement is included in exhibit 11.

On September 5, 2014, Registrant filed a complaint in California Superior Court, County of San Mateo against WM. E. Fielding and Associates and several Doe defendants alleging causes of action for fraud and conversion associated with a wire transfer of $621,250 ostensibly to cover the purchase price of a refundable loan insurance premium for a loan Registrant was seeking. When the loan was not funded Registrant sought a return of the wired amounts but, as of yet, the funds have not been returned.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

Registrant's shares of common stock are traded on the Over The Counter Pink Sheets under the symbol "MNTR".

The following is the range of high and low closing bid prices of Registrant's stock, for the periods indicated below:

	High	Low
Quarter Ended September 30, 2014	$ 1.69	$ 0.78
Quarter Ended June 30, 2014	$ 3.90	$ 1.33
Quarter Ended March 31, 2014	$ 8.29	$ 0.22
Quarter Ended December 31, 2013	$ 0.36	$ 0.17
Quarter Ended September 30, 2013	$ 0.49	$ 0.17
Quarter Ended June 30, 2013	$ 0.32	$ 0.10
Quarter Ended March 31, 2013	$ 0.33	$ 0.11
Quarter Ended December 31, 2012	$ 0.29	$ 0.16

The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

As of September 30, 2014, there were 14,483,373 shares of common stock issued and outstanding. As of September 30, 2014, there were approximately 4,256 registered holders of Registrant's common stock.

No dividends were declared on the common stock in the last two years.

Equity Compensation Plan

The Registrant had the following equity compensation plans as of December 31, 2013:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	
Equity compensation plans approved by security holders	0.00	0.00	0.00
Equity compensation plans not approved by security holders	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00

Item 10. Recent Sales of Unregistered Securities.

A. Issuances of Stock

The Company has had no offering of securities in the past two fiscal years or year to date. All issuances of securities have been pursuant to the exercise of outstanding Warrants by existing securities holders.

B. Exercise of Warrants

Date	Type of Security Received	Number of Shares Exercised		Price per Share[1]		Total Dollar Amount Exercised
Quarter Ended September 30, 2014	Common	2,832	$	1.60	$	4,531
Quarter Ended June 30, 2014	Common	343,888	$	1.60	$	550,221
Quarter Ended March 31, 2014	Common	7,672,258	$	0.53[2][3]	$	4,076,499
Quarter Ended December 31, 2013	Common	80,094	$	0.11	$	8,810
Quarter Ended September 30, 2013	Common	10,464	$	0.11	$	1,151
Quarter Ended June 30, 2014	Common	2,104,970	$	0.11	$	221,649
Quarter Ended March 31, 2013	Common	423,804	$	0.11	$	46,618
Fiscal Year 2012	Common	1,651,156	$	0.17	$	275,540

(1) Average price of warrants exercised during the quarter

(2) The Series D warrants were reduced in price to $1.60 per share on June 18, 2014 to remain in compliance with the contingent payoff provision of the Bhang Corporation contract, which is triggered by the reduction of the warrant strike price. At no time after that date was the theoretical net proceeds of exercise and sale more than the standard 10 cent redemption proceeds and no warrants were exercised in the normal course by anybody. At the end of June it was calculated that approximately $36,788 more in Series B warrants were exercised by assorted shareholders than were authorized. The entirety of that $36,788 was credited against Billingsley's account and he agreed to instead pay $535,101 or $1.60 per share for the 334,438 shares he had previously purchased for $0.11 per share or $36,788. No other adjustment was asked of any other shareholder.

Registrant relies upon an exemption from registration of the sale of the above securities through 11 USC Section 1145 and the Bankruptcy Court's Plan of Reorganization and Court Order. Accordingly, the shares issued under such Plan and Order are all freely tradable, the warrants issued are all freely tradable, and the shares that spring from the warrants are all immediately freely tradable.

(3) Average price per share includes effect of cashless exercise of 565,547 consultant warrants for 354,410 shares of common stock.

Registrant relies upon an exemption from registration of the sale of the above cashless exercise securities under Section 144 for warrants issued and held since 2009.

Item 11. Description of Registrant's Securities to be Registered.

We are authorized to issue 400,000,000 shares of Common Stock, no par value. As of September 30, 2014 there were 14,483,373 shares of our Common Stock outstanding, held by 4,256 shareholders. Holders of our Common Stock are entitled to one vote each per share and may exercise cumulative voting rights under California Law. Holders of Common Stock are entitled to receive *pro rata* such dividends, if any, as may be declared by our Board of Directors, out of funds legally available therefore, subject to any preferential dividend rights of outstanding preferred stock. To date, no dividends have been paid by us nor do we anticipate declaring any dividends in the near future.

We have the following warrants outstanding: 4,500 B Warrants giving holders thereof the right to buy one share of common stock at an exercise price of $0.11 and 14,504,766 D Warrants giving holders thereof the right to buy one share of common stock at an exercise price of $1.60. The Company's Plan of Reorganization provided for the creditors and claimants to receive new warrants in settlement of their claims. The Plan provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a $0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders at their last known address 30 days after the last warrant of a class are exercised, or earlier at the discretion of the Company.

There are also 689,159 H warrants outstanding that were issued for investment banking and advisory services during 2009. The H warrants have a cashless exercise provision.

Upon liquidation, dissolution or winding up, the holders of our Common Stock are entitled to receive *pro rata* the net assets of the Company available after the payment of all creditors and liquidation preferences, if any, of any outstanding Preferred Stock. Holders of Common Stock have no preemptive subscription, conversion or redemption rights. The outstanding shares of Common Stock are fully paid and non-assessable.

Item 12. Indemnification of Directors and Officers.

Article V, Section 7, of our Amended and Restated Bylaws provides that we shall indemnify each of our agents against expenses, judgments, fines, settlements and other amounts, actually and reasonably incurred by such person by reason of such person's having been made or having threatened to be made a party to a proceeding in accordance with the provisions of the Articles of Incorporation and in excess of the provisions of Section 317 of the California Corporate Code.

Article V(A) of our Articles of Incorporation, as amended to date, provides that, "The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law."

Article V(B) of our Articles of Incorporation, as amended to date, provides that, "This corporation is authorized to indemnify agents of this corporation, including without limitation, officers and directors, whether by bylaw, agreement or otherwise, and shall indemnify such agents, to the fullest extent permissible under California law, and in excess of that expressly permitted by Section 317 of the California General Corporation Law."

We have Indemnification Agreements with some of our directors, officers, and agents including our Chief Executive Officer, Chester Billingsley.

Item 13. Financial Statements and Supplementary Data.

Audited financial statements for fiscal years ending December 31, 2012 and 2013 are attached.

Unaudited consolidated financial statements for the nine months ending September 30, 2014 are attached.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been no disagreements with accountants on accounting and financial disclosures. Until the attached 2012 and 2013 financial statement audit, the Company has not been audited since 2008.

Item 15. Financial Statements and Exhibits.

(a) Financial Statements Filed with Form 10

Audited Financial Statements for the years ended December 31, 2013 and 2012

1) Audited Balance Sheets as of December 31, 2013 and 2012
2) Audited Income Statement for the years ended December 31, 2013 and 2012
3) Audited Statement of Cash Flows for the years ended December 31, 2013 and 2012
4) Audited Statement of Changes in Shareholder Equity for the years ended December 31, 2013 and 2012

Unaudited Financial Statements for the nine months ended September 30, 2014

5) Unaudited Balance Sheet as of September 30, 2014
6) Unaudited Income Statement for the three and nine months ended September 30, 2014 and 2013
7) Unaudited Statement of Cash Flows for the nine months ended September 30, 2014 and 2013
8) Unaudited Statement of Changes in Shareholder Equity for the nine months ended September 30, 2014

(b) Exhibits

- 3(i) Articles of Incorporation
- 3(ii) Bylaws
- 4 Instrument defining the rights of security holders: Chapter 11 Plan of Reorganization, Disclosure Statement and associated SEC no comment letter
- 10 Material Agreements
  - 10(a) WCI Long-Term Liquidity & Funding Agreement (May 31, 2005)
  - 10(b) WCI Addendum October 28, 2007
  - 10(c) WCI Addendum September 13, 2011 and Promissory Note
  - 10(d) WCI Addendum May 14, 2014
  - 10(e) MicroCannaBiz – Mentor Capital Cannabis Brands Cooperative Funding Agreement (February 18, 2014)
  - 10(f) Bhang Chocolate – Mentor Capital Cannabis Brands Cooperative Funding Agreement (February 28, 2014)
  - 10(g) Indemnification Agreement (July 29, 1994)
- 11 Statement re: computation of per share earnings
- 21 Subsidiaries

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Mentor Capital, Inc.

Date: November 15, 2014

By: */s/ Chester Billingsley*
Chester Billingsley, Chairman and Chief Executive Officer

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Report of Independent Registered Public Accounting Firm

To: The Board of Directors and Shareholders of
Mentor Capital Inc.

We have audited the accompanying balance sheets of Mentor Capital, Inc. (the "Company") as of December 31, 2013 and 2012, and the related statements of operations, shareholders' deficit and cash flows for each of the years ended December 31, 2013 and 2012. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations loss, shareholders' deficit, and its cash flows for each of the years ended December 31, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a significant accumulated deficit. In addition, the Company continues to experience negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Albert Wong & Co., LLP.
Albert Wong & Co., LLP.
Certified Public Accountants
New York, New York
November 17, 2014

Mentor Capital, Inc.
Balance Sheets
December 31, 2013 and 2012

	2013 (Audited)	2012 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 40,184	15,257
Prepaid expenses and other current assets	342,408	474,371
Investments in securities (at fair value)	21,320	-
Total current assets	403,912	489,628
Property and equipment		
Property and equipment	31,032	28,600
Accumulated depreciation	(26,732)	(24,501)
Property and equipment, net	4,300	4,099
Other assets		
Note receivable	1,080,000	1,080,000
Shareholder loans receivable	136,000	-
Long term investments	65,943	9,733,067
Total other assets	1,281,943	10,813,067
Total assets	$ 1,690,155	$ 11,306,794
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 20,892	$ 20,000
Accrued expenses	6,474	15,647
Deferred fees - related party, current portion	32,000	32,000
Income taxes payable	-	51,265
Total current liabilities	59,366	118,912
Long-term liabilities		
Accrued salary and benefits - related party	900,238	755,107
Deferred fees - related party, net of current portion	593,333	625,333
Investments payable	-	9,670,000
Accrued retirement and other benefits - related party	431,087	422,421
Total long-term liabilities	1,924,658	11,472,861
Shareholders' deficit		
Preferred stock, no par value, 100,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, no par value, 400,000,000 shares authorized; 6,688,503, and 4,149,021 shares issued and outstanding at December 31, 2013 and 2012	2,389,801	2,139,907
Additional paid in capital	495,509	495,509
Accumulated deficit	(3,179,179)	(2,920,395)
Total shareholders' deficit	(293,869)	(284,979)
Total liabilities and shareholders' deficit	$ 1,690,155	$ 11,306,794

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Statements of Operations
For the Years Ended December 31, 2013 and 2012

	2013 (Audited)	2012 (Audited)
Revenue		
Service fees	$ 32,000	$ 32,000
Cost of sales	-	-
Gross profit	32,000	32,000
Selling, general and administrative expenses	292,899	294,734
Operating income (loss)	(260,899)	(262,734)
Other income and (expense)		
Interest income (expense)	2,745	5,349
Gain on investments	170	20,174
Other income (expense)	-	2,000
Total other income and (expense)	2,915	27,523
Income (loss) before provision for income taxes	(257,984)	(235,211)
Provision for income taxes	800	1,500
Net income (loss)	$ (258,784)	$ (236,711)
Basic and diluted net loss per common share:		
Basic	$ (0.045)	$ (0.071)
Diluted*	$ N/A	$ N/A
Weighted average number of shares of common stock outstanding:		
Basic	5,741,161	3,326,285
Diluted*	N/A	N/A

*The company recorded operating loss and so the diluted EPS will not be calculated for the diluted EPS effect is anti-dilutive.

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Statements of Changes in Shareholders' Deficit
For the Years Ended December 31, 2013 and 2012

	Common Stock		Additional	Accumulated	
	Shares	No Par	Paid In Capital	Deficit	Totals
Balance at December 31, 2011	2,503,549	$ 1,867,754	$ 495,509	$ (2,683,684)	$ (320,421)
Conversion of warrants to common stock, net of conversion costs	1,651,156	275,540	-	-	275,540
Shares retired	(5,684)	(3,387)	-	-	(3,387)
Net income (loss)	-	-	-	(236,711)	(236,711)
Balance at December 31, 2012	4,149,021	2,139,907	495,509	(2,920,395)	(284,979)
Conversion of warrants to common stock, net of conversion costs	2,619,332	278,228	-	-	278,228
Shares retired	(79,850)	(28,334)	-	-	(28,334)
Net income (loss)	-	-	-	(258,784)	(258,784)
Balance at December 31, 2013	6,688,503	$ 2,389,801	$ 495,509	$ (3,179,179)	$ (293,869)

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013 (Audited)	2012 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (258,784)	$ (236,711)
Adjustments to reconcile net loss to net cash provided by (used by) operating activities:		
Depreciation and amortization	2,231	3,842
Investment (gain) loss	280	(5,772)
Loss on sale/disposal of furniture and equipment	-	2,495
Decrease (increase) in operating assets		
Prepaid warranty liability	131,963	(92,004)
Increase (decrease) in operating liabilities		
Accounts payable	892	15,225
Accrued expenses	(9,173)	1,881
Deferred fees	(32,000)	(32,000)
Income tax payable	(51,265)	(1,209)
Accrued salary and benefits - related party	145,131	120,477
Accrued retirement and benefits - related party	8,666	8,667
Net cash provided by (used by) operating activities	(62,059)	(215,109)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,432)	(1,977)
Investment in securities	(20,923)	-
Purchase of long term investments	(3,553)	(40,567)
Shareholder loans	(136,000)	-
Net cash provided by (used by) investing activities	(162,908)	(42,544)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shares retired	(28,334)	(3,387)
Warrants converted to common stock, net of costs	278,228	275,540
Net cash provided by (used by) financing activities	249,894	272,153
Net change in cash	24,927	14,500
Beginning cash	15,257	757
Ending cash	$ 40,184	$ 15,257
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$ 1,852	$ 4,187
Cash paid for income taxes	$ 52,065	$ 2,709
NON-CASH INVESTING AND FINANCING TRANSACTION:		
Remove 30% investment in AGI via reduction in investment payable	$ (4,700,000)	$ -
Remove 48.04% investment in BDH via reduction in investment payable	$ (4,966,667)	$ -

See accompanying Notes to Financial Statements

Note 1 – Nature of operations

History (1985 – 2008)

Mentor Capital, Inc. ("Mentor" or "the Company") was founded as an investment partnership by the current CEO in 1985 and incorporated July 29, 1994, under the laws of the State of California. On September 12, 1996, the Company's offering statement was qualified pursuant to Regulation A of the Securities Act, and the Company began to trade its shares publicly. On August 21, 1998, the Company filed voluntary reorganization with the bankruptcy court and, on January 11, 2000, the Company emerged from Chapter 11. The Company contracted to provide financial assistance and investment into small businesses following its reorganization.

Current Business (2008 - 2013)

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTC Markets: MNTR.

In 2009, the Company began focusing its investing activities in leading edge cancer companies. In 2012, in response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 29, 2013, the Company made a decision to divest of its cancer assets and focus on becoming a pure play in the cannabis and medical marijuana sector.

On January 1, 2014, Mentor purchased an additional 1% of Waste Consolidators, Inc. (WCI) for $25,000, see Note 13.

On February 28, 2014, the Company acquired a 60% ownership in Bhang Chocolate Company, Inc. ("Bhang"), see Note 13 for purchase and subsequent lawsuit.

On March 27, 2014, the Company signed an agreement to purchase up to a 51% interest in MicroCannaBiz ("MCB"), a development stage company, see Note 13.

Note 2 – Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

As shown in the accompanying financial statements, the Company has a significant accumulated deficit of $3,179,179 as of December 31, 2013. The Company also continues to experience negative cash flows from operations. The Company will be required to raise additional capital to fund its operations, and will continue to attempt to raise capital resources from both related and unrelated parties until such time as the Company is able to generate revenues sufficient to maintain itself as a viable entity. These factors have raised substantial doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to raise additional capital or achieve profitability. However, the Company has 14.5 million warrants outstanding in which the Company can reset the exercise price substantially below the current market price, see Note 9. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

From January 1, 2014 through the audit date, the Company raised approximately $3,821,000 from the exercise of warrants into common stock. The Company estimates it has adequate cash reserves to support one to three years of operation. Management's plans include increasing revenues through acquisition, investment, and organic growth. This is to be funded by raising additional capital through the sale of preferred and common equity securities and debt.

Note 2 – Summary of significant accounting policies (continued)

Concentrations of cash

The Company maintains its cash and cash equivalents in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts nor does the Company believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Company had no short-term debt securities as of December 31, 2013 and 2012.

Investment in unconsolidated entity

Mentor accounted for the investment in WCI using the equity method based on the ownership interest and the Company's limited ability to exercise significant influence at December 31, 2013 and 2012. Accordingly, the investment was initially recorded at cost with adjustments to the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period. Mentor ceased to recognize losses when our investment basis was zero. At December 31, 2013 and 2012, the WCI investment was $0. On January 1, 2014, the Company purchased an additional 1% interest in WCI for a 51% interest, see Note 13.

Long term investments

The Company's investments in entities where it is a minority owner and does not have the ability to exercise significant influence are recorded at fair value if readily determinable. If the fair market value is not readily determinable, the investment is recorded under the cost-method Under this method, the Company's share of the earnings or losses of such investee company is not included in the Company's financial statements. The Company reviews the carrying value of its long term investments for impairment each reporting period.

Property, equipment and machinery

Property, equipment and machinery are recorded at cost. Depreciation is computed on the straight-line and declining balance methods over the estimated useful lives of various classes of property ranging from 3 to 7 years.

Expenditures for renewals and betterments are capitalized and maintenance and repairs are charged to expense. Upon retirement or sale, the cost of assets disposed and the accumulated depreciation is removed from the accounts. The resulting gain or loss is credited or charged to income.

Revenue recognition

The Company recognizes revenue in accordance with ASC 605 "*Revenue Recognition*". The Company records revenue under each contract once persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectability is reasonably assured.

Note 2 – Summary of significant accounting policies (continued)

Basic and diluted income (loss) per common share

Basic net income (loss) per common share (EPS) is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS adjusts basic net income (loss) per common share, computed using the treasury stock method, for the effects of potentially dilutive common shares, if the effect is not antidilutive. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock warrants. Diluted EPS excludes all dilutive potential shares if their effect is antidilutive. Outstanding warrants that had no effect on the computation of dilutive weighted average number of shares outstanding as their effect would be antidilutive were approximately 23,220,000 and 25,839,000 as of December 31, 2013 and 2012, respectively. There were 6,650,070 and 9,141,222 potentially dilutive shares outstanding at December 31, 2013 and 2012.

Income taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. A valuation is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities.

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company’s income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

Advertising and promotion

The Company expenses advertising and promotion costs as incurred. Advertising and promotion costs were $553 and $24,070 for the years ended December 31, 2013 and 2012, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from these estimates.

Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 2 – Summary of significant accounting policies (continued)

Fair value measurements (continued)

The Fair Value Measurements and Disclosure Topic establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources. Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying amounts of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, customer deposits and other accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The fair value of the note receivable is based on the net present value of calculated interest and principle payments. The carrying value approximates fair value as interest rates charged are comparable to market rates for similar notes.

The fair value of long-term notes payable is based on the net present value of calculated interest and principle payments. The carrying value of long-term debt approximates fair value due to the fact that the interest rate on the debt is based on market rates.

Recent Accounting Standards

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 – Prepaid expenses and other assets

Prepaid expenses and other assets consist of the following:

	2013	**2012**
Prepaid advertising costs	$ 140,610	$ 72,210
Prepaid legal fees	8,387	-
Prepaid warrant liability	192,411	400,161
Investment receivable	1,000	2,000
	$ 342,408	$ 474,371

The prepaid warrant liability relates to the warrant redemption liability described in Note 10.

Note 4 – Note receivable (related party)

At December 31, 2013 and 2012, the note receivable consists of a note for $1,080,000 from WCI. The note is payable on demand and the other WCI stockholder may utilize any of his remaining Mentor warrants as currency to partially repay the loan at a rate of $0.45 per warrant. The note accrues interest at 0.42% per annum with annual interest only payments due. For the years ended December 31, 2013 and 2012, the Company recorded interest income of $4,536 from the associated company. The note originated on September 13, 2011 as payment for past amounts owed of $380,000 and for future administrative fees that will become due over time under a Liquidity Agreement between the Company and the associated company. At December 31, 2013 and 2012, deferred fees relating to the note were $625,333 and $657,333, see Note 8.

Note 5 – Shareholder loan receivable

The shareholder loan receivable of $136,000 at December 31, 2013 is receivable from the Company's Chief Executive Officer ("CEO"). The loan amount is approximately ten percent of amounts due the CEO at December 31, 2013 for accrued salary and accrued retirement, as described in Note 14, therefore, no interest is being accrued on the amounts due the CEO and no interest is charged on the loan receivable . The loan is payable on demand and may be offset against the accrued amounts due the CEO.

Note 6 – Property and equipment

Property and equipment is comprised of the following at December 31, 2013 and 2012:

	2013	2012
Computers	$ 12,120	$ 9,688
Furniture and fixtures	18,912	18,912
Machinery and vehicles	-	-
	31,032	28,600
Accumulated depreciation	(26,732)	(24,501)
Net Property and equipment	$ 4,300	$ 4,099

Depreciation expense was $2,230 and $3,842 for the years ended December 31, 2013 and 2012, respectively.

Note 7 – Long term investments and fair value

The Company's financial assets contained investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from a third party, nationally recognized pricing service ("pricing service"). When quoted market prices are unavailable, the Company utilizes a pricing service to determine a single estimate of fair value, which is mainly for its fixed maturity investments. The fair value estimates provided from this pricing service are included in the amount disclosed in Level 2 of the hierarchy. The Company bases all of its estimates of fair value for assets on the bid price as it represents what a third party market participant would be willing to pay in an arm's length transaction.

The Company entered into a long-term equity funding agreement with AGI Biopharmaceutical (AGI) on November 25, 2011 to provide $4,700,000 in long term funding for up to 3,000,000 AGI shares of AGI common shares at $1.57 per common share, or 30% of AGI shares outstanding. The purchase price was to be paid from cash generated from the sale of Mentor warrants on a *pro rata* basis to AGI and other cancer companies where Mentor had taken an equity position under similar terms. At December 31, 2012 the long term investment in AGI was $4,700,000 and the corresponding investment payable was $4,700,000. AGI failed to provide shares for the escrow agent and on February 13, 2013, the Company gave notice to AGI that the agreement was being terminated based on non-performance.

The Company entered into a long-term equity funding agreement with Brighter Day Health ("BDH") on December 31, 2011, to provide $5,000,000 in long term funding for up to 50,000 shares of BDH common stock at $100 per common share, or 50% of BDH common shares outstanding. The BDH common shares were delivered to an escrow agent. The purchase price was to be paid from cash generated from the sale of Mentor warrants on a *pro rata* basis to BDH and other cancer companies where Mentor had taken an equity position under similar terms. At December 31, 2012, the long term investment in BDH was $5,022,610, representing the long-term investment of $5,000,000 plus the increase in fair value of amounts already invested of $22,500. The investment payable at 2012 was $4,966,667. In May 2013, the Company instructed the escrow agent to process the release of BDH shares from escrow and gave notice to BDH as provided under the agreement. In accordance with the funding agreement, Mentor received 1,000 shares of BDH common stock and the remaining stock was returned to BDH.

The hierarchy of Level 1, Level 2 and Level 3 Assets are listed as following:

	Fair Value Measurements Using Unadjusted Quoted Market Prices	Fair Value Measurements Using Quoted Prices for Identical or Similar Assets in Active Markets	Fair Value Measurements Using Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
	Equity Securities		Long-Term Equity Funding Agreements
Balance at December 31, 2011	$ 16,728	$ -	$ 9,700,000
Total gains or losses			
Included in earnings (or changes in net assets)	(1)	-	22,500
Purchases, issuances, sales, and settlements			
Purchases	10,000	-	-
Issuances	-	-	-
Sales	(16,160)	-	-
Settlements	-	-	-
Balance at December 31, 2012	$ 10,567	$ -	$ 9,722,500
Transfers to investments in securities (at fair value)	(567)	-	-
Total gains or losses			
Included in earnings (or changes in net assets)	-	-	110
Purchases, issuances, sales, and settlements			
Purchases	-	-	-
Issuances	-	-	-
Sales	-	-	-
Settlements	-	-	(9,666,667)
Balance at December 31, 2013	$ 10,000	$ -	$ 55,943

Note 8 – Deferred fees (related party)

The deferred fees represent deferred administrative fees relating to the note receivable (related party) described in Note 4. The deferred balances at December 31, 2013 and 2012 were:

	2013	2012
Deferred fees	$ 625,333	$ 657,333
Less: Current portion	32,000	32,000
Non-current portion	$ 593,333	$ 625,333

Note 9 – Common stock warrants

The Company's Plan of Reorganization provided for the creditors and claimants to receive new warrants in settlement of their claims. The term of the warrants, initially sixteen months, has been extended by the Company until May 11, 2038. Management believes that identification of a specific expiration date was merely a formality and that this was not a material change from the automatic extensions which were initially provided for by vote of the board of directors and which were being performed annually since issuance, and also because the shareholders and warrant holders are primarily the same. The Company recorded no accounting impact as a result of the extension.

Each warrant is callable by the Company if the share price exceeds the exercise price by the lesser of $1 or 100%. The warrant holders have a minimum of 30 calendar days during which to exercise their warrants once they are called. The Company may lower the exercise price of the warrants at any time. Similarly, the Company could, but does not anticipate, reverse splitting the stock to raise the stock price above the warrant exercise price. The warrants are specifically not affected and do not split with the shares in the event of a reverse split. If the warrants are not exercised, the Company has the right to designate the warrants to a new holder in return for a $0.10 per share redemption fee payable to the original warrant holder as discussed further in Note 7. All such changes in the exercise price of series A, B, C and D warrants were provided for by the court in the Plan of Reorganization in order to provide a mechanism for debtors to receive value. Therefore, Management believes that the act of lowering the exercise price is not a change from the original warrant grants and the Company has not recorded an accounting impact as the result of such change in exercise prices.

Exercise prices at December 31, 2011 and subsequent lower prices for the A, B, C and D warrants are as follow:

	Series A	Series B	Series C	Series D
December 31, 2011	$ 1.00	$ 3.00	$ 0.65	$ 7.00
March 21, 2012	$ 0.09	$ 3.00	$ 0.65	$ 7.00
August 21, 2012	$ 0.09	$ 0.11	$ 0.65	$ 7.00
April 1, 2013	$ 0.01	$ 0.11	$ 0.09	$ 7.00

At November 8, 2009, the Company entered into an Investment Banking agreement with Network One Securities, LLC and a related Strategic Advisory Agreement with Lenox Hill Partners, LP with regard to a potential merger with a cancer development company. In conjunction with those related agreements, the Company issued 81,699 Series E ($1) Warrants, 369,037 Series F ($3) Warrants, 85,579 Series G ($0.65) Warrants and 689,159 Series H ($7) Warrants, all with a 30 year life. The warrants are subject to cashless exercise based upon the ten day trailing closing bid price preceding the exercise as interpreted by the Company. The fair value of the warrants issued under the agreements was estimated on the date of the issuance using the Black-Scholes option pricing model. The use of a valuation model requires the Company to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the Company’s stock price. The average expected life is based on the contractual term of the warrant and expected exercise behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant.

The following table provides the assumptions used to value the options granted and warrants issued using the Black-Scholes option pricing model:

	Series E and G	Series F and H
Stock price volatility	111.60%	111.60%
Risk-free rate of return	4.26%	4.26%
Annual dividend yield	0.00%	0.00%
Expected life (in years)	0.5	3.0

As of December 31, 2013 and 2012 the weighted average contractual life for all Mentor warrants was 24.5 years and 25.5 years, respectively, and the weighted average outstanding warrant exercise price was $4.92 and $4.43 per share, respectively.

During the years ended December 31, 2013 and 2012, a total of 2,619,332 and 1,645,472 warrants were exercised, respectively. There were no warrants issued during the years ended December 31, 2013 and 2012. The intrinsic value of outstanding warrants at December 31, 2013 and 2012 was $1,553,055 and $755,076, respectively.

The following table summarizes common stock warrants as of each period:

	Series A	Series B	Series C	Series D	A,B,C,D Total Warrants
Outstanding at December 31, 2011	2,244,916	8,199,330	470,628	15,312,627	26,227,501
Issued	-	-	-	-	-
Exercised	(1,056,007)	(247,017)	(342,448)	-	(1,645,472)
Outstanding at December 31, 2012	1,188,909	7,952,313	128,180	15,312,627	24,582,029
Issued	-	-	-	-	-
Exercised	-	(2,619,332)	-	-	(2,619,332)
Outstanding at December 31, 2013	1,188,909	5,332,981	128,180	15,312,627	21,962,697

Series E, F, G and H warrants were issued for investment banking and advisory services during 2009. The warrants, none of which have been exercised, are as follows:

	Series E 1.00 exercise price	Series F $3.00 exercise price	Series G $0.65 exercise price	Series H $7.00 exercise price	E,F,G,H Total Warrants
Outstanding at December 31, 2011, 2012 and 2013	107,931	369,037	88,579	689,159	1,254,706

Note 10 – Warrant redemption liability

The Plan of Reorganization provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a $0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders at their last known address 30 days after the last warrant of a class is exercised, or earlier at the discretion of the Company. The Company has arranged for a service to process the redemption fees in offset to an equal amount of liability. Included in prepaid expenses at December 31, 2013 and 2012 was $192,411 and $400,161 of prepaid warrant redemption fees, respectively.

Note 11 – Stockholders' equity

Common Stock

The Company has a total of 400,000,000 shares of Common Stock, no par value authorized at December 31, 2013 and 2012. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders and may accumulate their votes for the election of directors. During 2007, the Company effected a 1,000 to 1 reverse stock split on its outstanding common stock, under the authority of the Plan, and subsequent to receiving 84% shareholder approval and Board of Directors approval. During September 2008, the Company announced a stock repurchase plan which allowed for a total of 12.5% of the Company's shares outstanding at that time to be repurchased during future periods. All shares under the 2008 repurchase plan were repurchased prior to December 31, 2013.

Note 12 – Income tax

The Company is taxed as a C-Corporation for federal income tax purposes.

The provision (benefit) for income taxes for the years ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Current:		
Federal	$ -	$ -
State	800	1,500
	800	1,500
Deferred:		
Federal	68,700	67,300
State	17,800	17,300
Change in valuation	(86,500)	(84,600)
	-	-
Total provision (benefit)	$ 800	$ 1,500

The Company has net deferred tax assets resulting from a timing difference in recognition of deferred revenue and from net operating loss carryforwards.

At December 31, 2013, the Company had approximately $488,800 of federal net operating loss carryforwards that begin expiring in 2030 and $854,000 of California net operating loss carryforwards that begin expiring in 2022.

Note 12 – Income tax (continued)

The income tax provision (benefit) differs from the amount computed by applying the US federal income tax rate of 34% to net income (loss) before income taxes for the years ended December 31, 2013 and 2012 as a result of the following:

	2013	2012
Net income (loss) before taxes	$ (258,784)	$ (236,711)
US federal income tax rate	34%	34%
Computed expected tax provision (benefit)	(87,987)	(80,482)
Permanent differences and other	1,487	(4,118)
Change in valuation	86,500	84,600
Federal income tax provision	$ -	$ -

The significant components of deferred income tax assets as of December 31, 2013 and 2012 after applying enacted corporate income tax rates are as follows:

	2013	2012
Net Operating Losses carried forward	$ 241,300	$ 130,600
Deferred revenue and other	267,600	281,600
Valuation allowance	(508,900)	(412,200)
	$ -	$ -

Note 13 – Lease commitments

Operating Leases

Mentor currently rents approximately 2,000 square feet of office space on a month-to-month basis in Ramona, California in San Diego County. Rent expense for the years ended December 31, 2013 and 2012 were $22,435 and $26,628, respectively.

Note 14 – Accrued salary, accrued retirement and related party transactions

As of December 31, 2013 and 2012, the Company had an outstanding liability to its Chief Executive Officer ("CEO") for accrued salaries and benefits in the amount of $900,238 and $755,107, respectively, and accrued retirement and other benefits of $431,087, $422,421, respectively, that have accrued variably over the preceding 28 years.

Note 15 – Commitments and contingencies

During the normal course of business, the Company may be exposed to litigation. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with FASB ASC 450-20-50, Contingencies. The Company evaluates its exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If the Company determines than an unfavorable outcome is probable and can be reasonably estimated, it establishes the necessary accruals. As of December 31, 2013 and 2012, the Company is not aware of any contingent liabilities that should be reflected in the accompanying financial statements.

Note 16 – Segment Information

Currently, the Company is operating an acquisition and investment business and has only one location. Therefore, no operating units or geographic segment information will be provided.

Note 17 – Subsequent events

Purchase of majority interest in WCI

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI.

In 2013 and 2012 Mentor's investment in WCI was recorded as an associated company under the equity method. The Company did not have any control in the Board of Directors of WCI and did not have any obligation to provide financing or absorb any residual gain of WCI,

In accordance with Accounting Standard Codification 810-10, *Consolidation – Overall*, on January 1, 2014 Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain on investment in subsidiary. From then on, the Company will consolidate WCI as a subsidiary and calculate the 49% non-controlled interest equity as required by ASC 810.

Loan to CEO for exercise of warrants required for loan escrow

The Company agreed to loan the CEO approximately 70.9% of amounts owed to him, or $944,000, in January 2014, to exercise additional warrants into shares to be used as collateral for a potential loan to the Company. After the warrants were exercised, CEO Billingsley has 100% of his shares owned, 5 million shares, in an escrow which was to guarantee the potential loan. The loan was mutually rescinded on June 12, 2014, and the shares remain in escrow as of the audit date.

Acquisition of interest in Bhang Chocolate Company, Inc. and suit seeking rescission

On January 17, 2014, the Company transitioned out of its cancer related trading dormancy by announcing its first cannabis sector letter of intent amidst significantly increased share volume and price. The Company entered into a co-operative funding agreement with Bhang Chocolate Company, Inc. on February 28, 2014, that provided for the purchase from original owners of a 60% ownership in Bhang. Unrelated debt funding for Mentor Capital had been announced by a private equity group. Bhang original owners were to receive $9,000,000 in consideration in the first 90 days. During the first 90 days, $1,500,000 was provided to Bhang original owners from proceeds of warrant exercise. The lending equity group was unable to fund the loan they announced.

As provided in the funding agreement, in the event of any shortfall in cash payment, the Bhang owners may elect to immediately receive free trading Mentor shares to the extent not otherwise covered by cash available for payment, or alternatively, they may elect to receive cash from ongoing warrant exercise plus a 10% late payment penalty. The owners asked for immediate payment and $7,500,000 in freely trading shares were delivered to them.

An additional $30,000,000 million in expansion funding was to be gradually invested into the Bhang Chocolate Company as it was received from warrant exercise over approximately the next 36 months. In response to the unexpected inability of the private equity group to fund the loan, Mentor triggered the "contingent payoff" provision in the contract by decreasing the strike price on its already called outstanding D warrants to $1.60 per share. In connection with the contingent payoff, if there is a future shortfall in delivering the $39,000,000 total after all MNTR warrants were exercised, the Company can fully satisfy its obligation by issuing 200% of the shortfall in common stock to Bhang owners. The Company has complied with the contract obligations to date. The Company paid Bhang owners $1,500,000 within the first 90 days and the shortfall was paid by assigning Mentor shares to Bhang minority owners or in the alternative could have been satisfied from ongoing warrant exercise.

Note 17 – Subsequent events (continued)

On June 24, 2014, Bhang owners unilaterally announced that Bhang was no longer doing any business with Mentor and Bhang was terminating all remaining details of its relationship with Mentor. Bhang failed to provide share certificates as evidence of ownership or provide other promised consideration to Mentor, effectively rescinding the contract by their actions. In addition, Bhang owners have declined to return any of the $1,500,000 they were paid from Mentor. On August 11, 2014, Mentor filed suit against Bhang and its owners, in the United States District Court for the Northern District of California for rescission seeking return of the $1,500,000 investment the Company made to Bhang.

Acquisition in MicroCannaBiz and related funding agreement

The Company entered into a co-operative funding agreement with MicroCannaBiz (“MCB”), that closed on February 18, 2014, to purchase up to a 51% interest in MCB, a development stage company. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. MCB is to receive up to $200,000 in funding as Mentor receives proceeds from warrant exercise. Allocation of funding to MCB is discretionary and may be reduced to $100,000 with no change in Mentor’s ownership if Mentor is dissatisfied with MCB performance. The Company has the right, in its sole discretion, to convert the paid portion of the $200,000 equity investment in MCB to a six percent (6%) ten-year note payable to Mentor by the majority owner of MCB in 120 equal payments of principal and interest at any time. If triggered, this provision would truncate further funding. Alternatively, if Mentor’s allocation of funds to MCB is less than the *pro rata* share MCB would normally receive from warrant exercise under the agreement, then MCB may elect to convert the equity investment to a loan.

Loan commitment fee receivable

In March 2013, the Company paid $621,200, which represented 1.75% of the potential loan amount, in refundable fees paid for credit default insurance to a third party as required by the lender on an international loan facility. The lender was unable to fund the loan and a cooperative exit from the loan commitment was agreed to by the parties on June 12, 2014. The lender has released the requirement for credit default insurance and the insurance company has agreed to return the fee, however the refund has not yet been received. On September 5, 2014, the Company filed suit in San Mateo County Superior Court against Wm. E. Fielding and Associates, Inc. for conversion and fraud seeking return of the $621,200 in fees.

MENTOR CAPITAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

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	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 553,467	40,184
Accounts receivable - trade	295,822	-
Receivable - Bhang Corporation and shareholders	1,500,000	-
Prepaid expenses	183,632	342,408
Investment in account receivable, net of discount	101,250	-
Investments in securities, at fair value	8,248	21,320
Employee advances	16,997	-
Other assets	4,725	-
Total current assets	2,664,141	403,912
Property and equipment		
Property and equipment	236,523	31,032
Accumulated depreciation	(175,857)	(26,732)
Property and equipment, net	60,666	4,300
Other assets		
Subsidiary note receivable	-	1,080,000
Shareholder loans receivable	1,213,410	136,000
Deposits	9,575	-
Convertible note receivable	100,000	-
Long term investments	64,793	65,943
Goodwill	1,426,183	-
Total other assets	2,813,961	1,281,943
Total assets	$ 5,538,768	$ 1,690,155
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 21,239	$ 20,892
Accrued expenses	119,076	6,474
Deferred fees - related party, current portion	-	32,000
Line of credit	60,000	-
Current portion of long term debt	11,665	-
Total current liabilities	211,980	59,366
Long-term liabilities		
Accrued salary and benefits - related party	888,665	900,238
Long term debt, net of current portion	2,993	-
Deferred fees - related party, net of current portion	-	593,333
Accrued retirement and other benefits - related party	437,587	431,087
Total long-term liabilities	1,329,245	1,924,658

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Shareholders' deficit		
Preferred stock, no par value, 100,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, no par value, 400,000,000 shares authorized; 14,483,373 and 6,688,503 shares issued and outstanding at September 30, 2014 and December 31, 2013	7,002,016	2,389,801
Additional paid in capital	234,731	495,509
Accumulated deficit	(3,190,447)	(3,179,179)
Non-controlling interest	(48,757)	-
Total shareholders' deficit	3,997,543	(293,869)
Total liabilities and shareholders' deficit	$ 5,538,768	$ 1,690,155

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Revenue				
Service fees	$ 544,615	$ -	$ 1,543,578	$ -
Publication revenue	1,600	-	2,550	-
Other revenue	-	8,000	-	24,000
Total revenue	546,215	8,000	1,546,128	24,000
Cost of sales	381,776	-	1,057,355	-
Gross profit	164,439	8,000	488,773	24,000
Selling, general and administrative expenses	334,567	70,436	1,069,861	207,298
Operating income (loss)	(170,128)	(62,436)	(581,088)	(183,298)
Other income and (expense)				
Gain recognized on purchase of majority Interest in WCI	-	-	1,250,964	-
Interest income	12,453	4,473	15,982	2,699
Interest expense	(7,043)	-	(13,550)	-
Loan costs	-	-	(635,851)	-
Gain (loss) on investments	(7,782)	170	(5,590)	170
Gain (loss) on equipment disposals	(4,925)	-	(1,886)	-
Other income (expense)	-	46	167	46
Total other income and (expense)	(7,297)	4,689	610,236	2,915
Income (loss) before provision for income taxes	(177,425)	(57,747)	29,148	(180,383)
Provision for income taxes		-	2,525	800
Net income (loss)	(177,425)	(57,747)	26,623	(181,183)
Gain attributable to non-controlling interest	8,641	-	37,891	-
Net income (loss) attributable to controlling interest	$ (186,066)	$ (57,757)	$ (11,268)	$ (181,183)
Basic and diluted net loss per common share:				
Basic	$ (0.013)	$ (0.009)	$ (0.001)	$ (0.024)
Diluted*	$ N/A	$ N/A	$ N/A	$ N/A
Weighted average number of shares of common stock outstanding:				
Basic	14,492,602	6,650,277	12,539,342	6,650,277
Diluted*	N/A	N/A	N/A	N/A

*The company recorded operating loss and so the diluted EPS will not be calculated for the diluted EPS effect is anti-dilutive

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Nine Months ended September 30, 2014 (Unaudited)

	Common stock		Additional paid in capital	Accumulated deficit	Non-controlling deficit	Totals
	Shares	no par				
Balance at December 31, 2013	6,688,503	$ 2,389,801	$ 495,509	$ (3,179,179)	$ -	$ (293,869)
Effect of consolidating interest in WCI previously accounted for at cost, effective January 1, 2014	-	-	-	-	(48,179)	(48,179)
Conversion of warrants to common stock, net of conversion costs	7,462,150	4,370,474	-	-	-	4,370,474
Cashless exercise of advisor warrants	354,410	260,778	(260,778)	-	-	-
Shares retired	(21,690)	(19,037)	-	-	-	(19,037)
Minority contributed capital	-	-	-	-	10,300	10,300
Minority shareholder distribution	-	-	-	-	(48,769)	(48,769)
Net income (loss)	-	-	-	(11,268)	37,891	26,623
Balance at September 30, 2014	14,483,373	$ 7,002,016	$ 234,731	$ (3,190,447)	$ (48,757)	$ 3,997,543

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (11,268)	$ (181,183)
Adjustments to reconcile net loss to net cash provided by (used by) operating activities:		
Depreciation and amortization	19,314	615
Investment (gain) loss	5,590	-
Loss on sale/disposal of furniture and equipment	1,886	-
Gain recognized on purchase of majority interest in WCI	(1,250,964)	-
Receivable discount amortization	(11,250)	-
Decrease (increase) in operating assets		
Accounts receivable - trade	(35,637)	-
Receivable - Bhang Chocolate Company shareholders	(1,500,000)	-
Prepaid expenses	(31,976)	1,240
Other assets	(3,725)	(5,581)
Increase (decrease) in operating liabilities		
Accounts payable	(12,274)	(3,892)
Accrued expenses	(25,386)	(2,045)
Deferred fees	-	8,000
Accrued salary and benefits - related party	(11,573)	(36,283)
Accrued retirement and benefits - related party	6,500	(2,166)
Net cash provided by (used by) operating activities	(2,860,763)	(221,295)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(33,826)	-
Sale of property and equipment	7,499	1,432
Sale of investment in securities	7,482	20,753
Investment in receivable	(90,000)	-
Purchase of convertible note receivable	(100,000)	-
Proceeds from long term investment	1,150	-
Purchase of additional interest in WCI	(25,000)	-
Employee advances	254	-
Shareholder loans	(72,875)	33,000
Net cash provided by (used by) investing activities	(305,316)	55,185
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	$ (46,479)	$ -
Borrowing on line of credit	60,000	-
Shares retired	(19,037)	(10,464)
Warrants converted to common stock, net of costs	3,637,505	275,209
Net cash provided by (used by) financing activities	3,631,989	264,745
Net change in cash	465,910	98,635
Beginning cash	87,557	40,184
Ending cash	$ 553,467	$ 138,819

	Nine Months Ended	
	September 30, 2014	September 30, 2013
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$ 13,550	$ 70
Cash paid for income taxes	$ 2,525	$ 800
NON-CASH INVESTING AND FINANCING TRANSACTION:		
CEO exercise of warrants via increase in shareholder loans receivable	$ 944,231	$ -
CEO assumption of warrant liability via decrease in shareholder loans receivable	$ (19,700)	$ -

Note 1 – Nature of operations

History (1985 – 2008)

Mentor Capital, Inc. ("Mentor" or "the Company") was founded as an investment partnership by the current CEO in 1985 and incorporated July 29, 1994, under the laws of the State of California. On September 12, 1996, the Company's offering statement was qualified pursuant to Regulation A of the Securities Act, and the Company began to trade its shares publicly. On August 21, 1998, the Company filed voluntary reorganization with the bankruptcy court and, on January 11, 2000, the Company emerged from Chapter 11. The Company contracted to provide financial assistance and investment into small businesses following its reorganization.

Current Business (2008 - 2014)

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTC Markets: MNTR.

In 2009 the Company began focusing its investing activities in leading edge cancer companies. In response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 29, 2013, the Company made a decision to divest of its cancer assets and focus on becoming a pure play in the cannabis and medical marijuana sector.

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. At December 31, 2013, Mentor's investment in WCI was recorded under the equity method. In accordance with Accounting Standard Codification 810-10, *Consolidation – Overall*, on January 1, 2014 Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain on investment in subsidiary, see Note 14. WCI is a legacy investment that is included in the consolidated financial statements for the three and nine months ended September 30, 2014 and is reported as an investment under the equity method at December 31, 2013 and the three and nine months ended September 30, 2013.

On February 18, 2014, the Company signed an agreement to purchase a 51% interest in MicroCannaBiz ("MCB"), a development stage company, for $200,000. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. See Note 8. MCB operations are included in the consolidated financial statements for the three and nine months ended September 30, 2014.

On February 28, 2014, the Company acquired a 60% ownership in Bhang Chocolate Company, Inc. ("Bhang"), see Note 5 regarding the purchase and subsequent Mentor lawsuit seeking rescission of the agreement. Amounts invested in Bhang are reported as Receivable from Bhang Chocolate Company shareholders in the consolidated balance sheet at September 30, 2014.

Note 2 – Summary of significant accounting policies

Condensed consolidated financial statements

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The results of operations for the periods ended September 30, 2014 are not necessarily indicative of the operating results for the full years.

Basis of presentation

The Company's condensed consolidated financial statements include majority owned subsidiaries of 51% or more. The condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All material intercompany balances and transactions have been eliminated in consolidation.

Note 2 – Summary of significant accounting policies (continued)

Basis of presentation (continued)

As shown in the accompanying consolidated financial statements, the Company has a significant accumulated deficit of $3,190,447 as of September 30, 2014. The Company also continues to experience negative cash flows from operations. The Company will be required to raise additional capital to fund its operations, and will continue to attempt to raise capital resources from both related and unrelated parties until such time as the Company is able to generate revenues sufficient to maintain itself as a viable entity. These factors have raised substantial doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to raise additional capital or achieve profitability. However, the Company has 14.5 million warrants outstanding in which the Company can reset the exercise price substantially below the current market price, see Note 6. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

From January 1, 2014 through the date of this report, the Company raised approximately $3,637,500 from the exercise of warrants into common stock. The Company estimates it has adequate cash reserves to support one to three years of operation. Management's plans include increasing revenues through acquisition, investment, and organic growth. This is to be funded by raising additional capital through the sale of equity securities and debt.

Concentrations of cash

The Company maintains its cash and cash equivalents in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts nor does the Company believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Company had no short-term debt securities as of September 30, 2014.

Accounts receivable

Customer accounts receivable are classified as current assets and are carried at original invoice amounts less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. The estimate of allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, collateral available, and aging of accounts receivable, among other factors. If the financial condition of the Company's customers deteriorates resulting in the customer's inability to pay the Company's receivables as they come due, additional allowances for doubtful accounts will be required. At September 30, 2014, the Company considers its accounts receivable to be fully collectible and no allowance has been included in the accompanying financial statements.

Investment in unconsolidated entities

Prior to acquiring a controlling interest in WCI on January 1, 2014, Mentor accounted for the investment in WCI using the equity method based on the ownership interest and the Company’s limited ability to exercise significant influence at December 31, 2013. Accordingly, the investment was initially recorded at cost with adjustments to the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period. Mentor ceased to recognize losses when our investment basis was zero. At December 31, 2013, the WCI investment was $0. On January 1, 2014, the Company purchased an additional 1% interest in WCI for a 51% interest, see Note 14.

Note 2 – Summary of significant accounting policies (continued)

Long term investments

The Company's investments in entities where it is a minority owner and does not have the ability to exercise significant influence are recorded at fair value if readily determinable. If the fair market value is not readily determinable, the investment is recorded under the cost-method. Under this method, the Company's share of the earnings or losses of such investee company is not included in the Company's financial statements. The Company reviews the carrying value of its long term investments for impairment each reporting period.

Investment in account receivable, net of discount

The Company invested in an account receivable and promissory note on July 8, 2014 which is due on or before January 15, 2014. The investment was recorded at face value with an offsetting discount at the time purchased. The discount is being amortized to interest over the term of the note.

Property and equipment

Property, equipment and vehicles are recorded at cost. Depreciation is computed on the straight-line and declining balance methods over the estimated useful lives of various classes of property ranging from 3 to 7 years.

Software development costs relate to development of MCB's website and cannabis directory. Software research and development costs are expensed as incurred. Software development costs are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release. The Company capitalized website software costs incurred during the three and nine months ended September 30, 2014, however, the website and directory launch was subsequent to September 30, 2014. Therefore, the Company has not recorded amortization for the three and nine months ended September 30, 2014. Software development costs will be amortized over 3 years.

Expenditures for renewals and betterments are capitalized and maintenance and repairs are charged to expense. Upon retirement or sale, the cost of assets disposed and the accumulated depreciation is removed from the accounts. The resulting gain or loss is credited or charged to income.

Goodwill

Goodwill of $1,324,143 was derived from consolidating WCI effective January 1, 2014, see Note 14. The remaining $102,040 of goodwill relates to the 1999 acquisition of a 50% interest in WCI. The Company accounts for its goodwill in accordance with FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, rather than amortize. Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. Impairment exists when the carrying amount of goodwill exceeds the implied fair value for each reporting unit. To estimate the fair value, management used valuation techniques which included the discounted value of estimated future cash flows. The evaluation of impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and are subject to change as future events and circumstances change. Actual results may differ from assumed and estimated amounts. Management determined that no impairment write-downs were required as of September 30, 2014 and December 31, 2013.

Note 2 – Summary of significant accounting policies (continued)

Revenue recognition

The Company recognizes revenue in accordance with ASC 605 , "*Revenue Recognition*". The Company records revenue under each contract once persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectability is reasonably assured.

Cost of services

Cost of services consists of direct costs to service customers under the service contracts.

Basic and diluted income (loss) per common share

Basic net income (loss) per common share (EPS) is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS adjusts basic net income (loss) per common share, computed using the treasury stock method, for the effects of potentially dilutive common shares, if the effect is not antidilutive. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock warrants. Diluted EPS excludes all dilutive potential shares if their effect is antidilutive. Outstanding warrants that had no effect on the computation of dilutive weighted average number of shares outstanding as their effect would be antidilutive were approximately 15,198,000 and 23,220,000 as of September 30, 2014 and December 31, 2013, respectively. The Company had 4,500 and 6,650,070 potentially dilutive shares outstanding at September 30, 2014 and December 31, 2013.

Income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities.

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. No interest expense or penalties were recognized during the nine months ended September 30, 2014.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from these estimates.

Note 2 – Summary of significant accounting policies (continued)

Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Fair Value Measurements and Disclosure Topic establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources. Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying amounts of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, customer deposits and other accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The fair value of the note receivable is based on the net present value of calculated interest and principle payments. The carrying value approximates fair value as interest rates charged are comparable to market rates for similar notes.

The fair value of long-term notes payable is based on the net present value of calculated interest and principle payments. The carrying value of long-term debt approximates fair value due to the fact that the interest rate on the debt is based on market rates.

Recent Accounting Standards

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 – Investments

The investment in account receivable is supported by a promissory note which matures January 15, 2015 and consists of the following at September 30, 2014:

Face value	$	117,000
Unamortized discount		(15,750)
Net balance	$	101,250

During the three and nine months ended September 30, 2014, $11,250 of discount amortization is included in interest income.

Note 4 – Property and equipment

Property and equipment is comprised of the following:

	September 30, 2014	December 31, 2013
Computers	$ 18,644	$ 12,120
Furniture and fixtures	19,491	18,912
Machinery and vehicles	174,308	-
Capitalized software	24,080	-
	236,523	31,032
Accumulated depreciation	(175,857)	(26,732)
Net Property and equipment	$ 60,666	$ 4,300

Depreciation expense for the three and nine months ended September 30, 2014 and 2013 were:

Three Months Ended		Nine Months Ended	
September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
5,864	615	19,314	1,846

Note 5 – Acquisition of interest in Bhang Chocolate Company, Inc. and suit seeking rescission

On January 17, 2014, the Company transitioned out of its cancer related trading dormancy by announcing its first cannabis sector letter of intent amidst significantly increased share volume and price. The Company entered into a co-operative funding agreement with Bhang Chocolate Company, Inc. on February 28, 2014, that provided for the purchase from owners of a 60% ownership in Bhang. Unrelated debt funding for Mentor Capital had been announced by a private equity group. Bhang owners were to receive $9,000,000 in consideration in the first 90 days. During the first 90 days, $1,500,000 was provided to Bhang owners from proceeds of warrant exercise. The lending equity group was unable to fund the loan they announced.

As provided in the funding agreement, in the event of any shortfall in cash payment, the Bhang owners may elect to immediately receive free trading Mentor shares to the extent not otherwise covered by cash available for payment, or alternatively, they may elect to receive cash from ongoing warrant exercise plus a 10% late payment penalty. The owners asked for immediate payment and $7,500,000 in freely trading shares were delivered to them.

An additional $30,000,000 million in expansion funding was to be gradually invested into the Bhang Chocolate Company as it was received from warrant exercise over approximately the next 36 months. In response to the unexpected inability of the private equity group to fund the loan, Mentor triggered the “contingent payoff” provision in the contract by decreasing the strike price on its already called outstanding D warrants to $1.60 per share. In connection with the contingent payoff, if there is a future shortfall in delivering the $39,000,000 total after all MNTR warrants were exercised, the Company can fully satisfy its obligation by issuing 200% of the shortfall in common stock to Bhang owners. The Company has complied with the contract obligations to date. The Company paid Bhang owners $1,500,000 within the first 90 days and the shortfall was paid by assigning Mentor shares to Bhang minority owners or in the alternative could have been satisfied from ongoing warrant exercise.

Note 5 – Acquisition of interest in Bhang Chocolate Company, Inc. and suit seeking rescission (continued)

On June 24, 2014, Bhang owners unilaterally announced that Bhang was no longer doing any business with Mentor and Bhang was terminating all remaining details of its relationship with Mentor. Bhang failed to provide share certificates as evidence of ownership or provide other promised consideration to Mentor, effectively rescinding the contract by their actions. In addition, Bhang owners have declined to return any of the $1,500,000 they were paid from Mentor. On August 11, 2014, Mentor filed suit against Bhang and its owners, in the United States District Court for the Northern District of California for rescission seeking return of the $1,500,000 investment the Company made in Bhang.

Note 6 – Common stock warrants

The Company's Plan of Reorganization provided for the creditors and claimants to receive new warrants in settlement of their claims. The term of the warrants, initially sixteen months, has been extended by the Company until May 11, 2038.

Each warrant is callable by the Company if the share price exceeds the exercise price by the lesser of $1 or 100%. The warrant holders have a minimum of 30 calendar days during which to exercise their warrants once they are called. The Company may lower the exercise price of the warrants at any time. Similarly, the Company could, but does not anticipate, reverse splitting the stock to raise the stock price above the warrant exercise price. The warrants are specifically not affected and do not split with the shares in the event of a reverse split. If the warrants are not exercised, the Company has the right to designate the warrants to a new holder in return for a $0.10 per share redemption fee payable to the original warrant holder as discussed further in Note 7. Exercise prices at December 31, 2011 and subsequent lower prices for the A, B, C and D warrants are as follow:

	Series A	Series B	Series C	Series D
April 1, 2013	$ 0.01	$ 0.11	$ 0.09	$ 7.00
June 18, 2014	$ -	$ 0.11	$ -	$ 1.60

At November 8, 2009, the Company entered into an Investment Banking agreement with Network One Securities, LLC and a related Strategic Advisory Agreement with Lenox Hill Partners, LP with regard to a potential merger with a cancer development company. In conjunction with those related agreements, the Company issued 81,699 Series E ($1) Warrants, 369,037 Series F ($3) Warrants, 85,579 Series G ($0.65) Warrants and 689,159 Series H ($7) Warrants, all with a 30 year life. The warrants are subject to cashless exercise based upon the ten day trailing closing bid price preceding the exercise as interpreted by the Company. The fair value of the warrants issued under the agreements was estimated on the date of the issuance using the Black-Scholes option pricing model. The use of a valuation model requires the Company to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the Company's stock price. The average expected life is based on the contractual term of the warrant and expected exercise behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant.

The following table provides the assumptions used to value the options granted and warrants issued using the Black-Scholes option pricing model:

	Series E and G	Series F and H
Stock price volatility	111.60%	111.60%
Risk-free rate of return	4.26%	4.26%
Annual dividend yield	0.00%	0.00%
Expected life (in years)	0.5	3.0

Note 6 – Common stock warrants (continued)

As of September 30, 2014 and December 31, 2013 the weighted average contractual life for all Mentor warrants was 23.7 years and 24.5 years, respectively, and the weighted average outstanding warrant exercise price was $1.84 and $4.91 per share, respectively.

During the nine month period ended September 30, 2014 and the year ended December 31, 2013, a total of 8,018,978 and 2,619,332 warrants were exercised, respectively. There were no warrants issued during the nine month period ended September 30, 2014 and the year ended December 31, 2013. At September 30, 2014 and December 31, 2013, the total intrinsic value of outstanding warrants was $3,263 and $1,583,805, respectively.

The following table summarizes common stock warrants as of each period:

	Series A $0.09 exercise price	**Series B $0.11 exercise price**	**Series C $0.09 exercise price**	**Series D $1.60 * exercise price**	**A,B,C,D Total Warrants**
Outstanding at December 31, 2012	1,188,909	7,952,313	128,180	15,312,627	24,582,029
Issued	-	-	-	-	-
Exercised	-	(2,619,332)	-	-	(2,619,332)
Outstanding at December 31, 2013	1,188,909	5,332,981	128,180	15,312,627	21,962,697
Issued in 2014	-	-	-	-	-
Exercised in 2014	(1,188,909)	(5,328,481)	(128,180)	(807,861)	(7,453,431)
Outstanding at September 30, 2014	-	4,500	-	14,504,766	14,509,266

* Exercise price at September 30, 2014. Until June 18, 2014, the exercise price was $7.00.

Note 6 – Common stock warrants (continued)

Series E, F, G and H warrants were issued for investment banking and advisory services during 2009. Warrants were exercised under the cashless provision allowed for these warrants as follows:

	Series E $1.00 exercise price	Series F $3.00 exercise price	Series G $0.65 exercise price	Series H $7.00 exercise price	E,F,G,H Total Warrants
Outstanding at December 31, 2013	107,931	369,037	88,579	689,159	1,254,706
Issued in 2014	-	-	-	-	-
Exercised in 2014	(107,931)	(369,037)	(88,579)	-	(565,547)
Outstanding at September 30, 2014	-	-	-	689,159	689,159
Shares issued as a result of cashless exercise	73,388	210,870	70,152	-	354,410

Note 7 – Warrant redemption liability

The Plan of Reorganization provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a $0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders at their last known address 30 days after the last warrant of a class is exercised, or earlier at the discretion of the Company. The Company has arranged for a service to process the redemption fees in offset to an equal amount of liability. Included in prepaid expenses at September 30, 2014 and December 31, 2013 was $0 and $192,411 of prepaid warrant redemption fees, respectively.

Note 8 – Funding agreement

The Company entered into a co-operative funding agreement with MCB that closed on February 18, 2014, to purchase up to a 51% interest in MCB, a development stage company. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. MCB is to receive up to $200,000 in funding as Mentor receives proceeds from warrant exercise. Allocation of funding to MCB is discretionary and may be reduced to $100,000 with no change in Mentor's ownership if Mentor is dissatisfied with MCB performance. The Company has the right, in its sole discretion, to convert the paid portion of the $200,000 equity investment in MCB to a six percent (6%) ten-year note payable to Mentor by the majority owner of MCB in 120 equal payments of principal and interest at any time. If triggered, this provision would truncate further funding. Alternatively, if Mentor's allocation of funds to MCB is less than the *pro rata* share MCB would normally receive from warrant exercise under the agreement, then MCB may elect to convert the equity investment to a loan, under the same terms.

Note 9 – Stockholders' equity

Common Stock

The Company has a total of 400,000,000 shares of Common Stock, no par value authorized at September 30, 2014 and December 31, 2013. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders and may accumulate their votes for the election of directors. During 2007, the Company effected a 1,000 to 1 reverse stock split on its outstanding common stock, under the authority of the Plan, and subsequent to receiving 84% shareholder approval and Board of Directors approval. During September 2008, the Company announced a stock repurchase plan which allowed for a total of 12.5% of the Company's shares outstanding at that time to be repurchased during future periods. All shares under the 2008 repurchase plan were repurchased prior to December 31, 2013.

On August 8, 2014, the Company announced that it was initiating the repurchase of approximately 2% of the Company's shares outstanding at that time.

Note 10 – Income tax

The Company and its subsidiaries are taxed as C-Corporations for federal income tax purposes. The Company does not file consolidated income tax returns for federal or state purposes.

The provision (benefit) for income taxes for the three and nine months ended September 30, 2014 and 2013 consist of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Current:				
Federal	$ -	$ -	$ 1,725	$ -
State	-	-	800	800
	-	-	2,525	800
Deferred:				
Federal	40,500	16,900	601,000	53,500
State	7,500	4,400	123,900	13,900
Change in valuation	(48,000)	(21,300)	(724,900)	(67,400)
	-	-	-	-
Total expense	$ -	$ -	$ 2,525	$ 800

The Company has net deferred tax assets resulting from a timing difference in recognition of deferred revenue and from net operating loss carryforwards.

At September 30, 2014, the Company had approximately $2,256,000 of federal net operating loss carryforwards that begins expiring in 2030, $888,000 of California net operating loss carryforwards that begin expiring in 2022, $1,695,000 of Arizona net operating loss carryforwards that begin expiring in 2027, and $37,000 of Florida net operating loss carryforwards that begin expiring in 2034.

Note 10 – Income tax (continued)

The income tax provision (benefit) differs from the amount computed by applying the US federal income tax rate of 34% to net income (loss) before income taxes for the three and nine months ended September 30, 2014 and 2013 as a result of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income (loss) before taxes	$ (177,425)	$ (57,747)	$ 26,623	$ (181,183)
US federal income tax rate	34%	34%	34%	34%
Computed expected tax provision (benefit)	(60,320)	(19,630)	9,050	(61,600)
Deferred from WCI	-	-	(743,478)	-
Permanent differences and other	12,320	(1,670)	9,528	(5,800)
Change in valuation	48,000	21,300	724,900	67,400
Federal income tax provision	$ -	$ -	$ -	$ -

The significant components of deferred income tax assets as of September 30, 2014 and December 31, 2013 after applying enacted corporate income tax rates are as follows:

	September 30, 2014	December 31, 2013
Net Operating Losses carried forward	$ 996,500	$ 231,300
Deferred revenue and other	227,300	267,600
Valuation allowance	(1,223,800)	(498,900)
	$ -	$ -

Note 11 – Lease commitments

Operating Leases

Mentor currently rents approximately 2,000 square feet of office space on a month-to-month basis in Ramona, California in San Diego County. Rent expense for the nine months ended September 31, 2014 and 2013 were $17,370 and $14,625, respectively.

WCI rents approximately 3,000 of office and warehouse space in Tempte, Arizona under an operating lease expiring in January 2015. Rent expense for the nine months ended September 31, 2014 was $6,633.

WCI leases vehicles under a master fleet management agreement with initial terms of 4 years expiring through April 2018. Vehicle lease expense of $27,098 and $81,234 for the three and nine months ended September 30, 2014 is included in cost of sales in the consolidated income statements.

The approximate remaining annual minimum lease payments under the non-cancelable operating leases existing as of with original or remaining terms over one year were as follows:

Years ending December 31,	Rental expense
2014	$ 99,282
2015	74,961
2016	53,091
2017	14,680
	$ 242,014

Note 12 – Long term debt and revolving line of credit

Long term debt

WCI has four vehicle notes payable with a total balance due of $14,658 at September 30, 2014 of which $11,665 is due in the twelve months ended September 30, 2015 and the remainder is due in the twelve months ended September 30, 2016. Interest rates range from 6.64% to 7.99%. The notes are secured by the respective vehicles.

Revolving line of credit

On September 4, 2014, WCI obtained an unsecured revolving line of credit with Bank of America, with interest at the bank’s prime rate plus 3% due monthly. The line of credit matures on September 4, 2015. At September 30, 2014, WCI had $60,000 outstanding on the line of credit.

Note 13 – Related party transactions

As of September 30, 2014 and December 31, 2013, the Company had an outstanding liability to its Chief Executive Officer ("CEO") for accrued salaries and benefits in the amount of $888,665 and $900,238, respectively, and accrued retirement and other benefits of $437,587 and $431,087, respectively that have accrued variably over the preceding 28 years.

Note 13 – Related party transactions (continued)

The Company agreed to loan the CEO $944,000, in January 2014, to exercise additional warrants into shares to be used as collateral for a potential loan to the Company. The amount loaned equals approximately 70.9% of amounts owed to the CEO by Mentor (provides 141% coverage). After the warrants were exercised, CEO Billingsley has 100% of his shares owned, 5 million shares, in an escrow which was to guarantee the potential loan. The loan was mutually rescinded on June 12, 2014, and the shares remain in escrow as of the audit date. The CEO must make a public press release and post a notice on the Mentor website before he removes the shares from escrow.

Included in the consolidated balance sheet at September 30, 2014 is an advance to an officer of WCI in the amount of $140,004.

Note 14 – Purchase of additional equity in WCI

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. In 2013 and 2012 Mentor's investment in WCI was recorded under the equity method. In accordance with Accounting Standard Codification 810-10, *Consolidation – Overall*, Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain of $1,250,964 on investment in subsidiary which is included in other income and expense in the consolidated statement of operations.

Cash to acquire additional 1% equity interest in WCI	$	25,000
Fair value of 50% interest (Note1)		1,250,000
Investment under equity method		-
Total purchase price to be allocated	$	1,275,000

(Note 1) Estimated fair value of Mentor's previously-held equity interest in WCI is valued at 1.25 times WCI's projected 2014 revenue.

Purchase price allocation at 51% of WCI assets and liabilities:

WCI assets and liabilities:		
Current assets	$	327,238
Property and equipment		51,239
Other assets		816,952
Current liabilities		(112,810)
Long-term debt		(1,178,977)
Net deficit		(96,358)
Mentor equity rate		51%
Mentor portion of liabilities in excess of assets		(49,143)
Goodwill		1,324,143
Net assets acquired	$	1,275,000

Note 15 – *Pro forma* financial information

The following unaudited *pro forma* consolidated results of operations assume that the WCI majority interest was acquired as of January 1, 2013 for the three and nine months ended September 30, 2013:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net operating revenues	$ 433,300	$ 1,258,118
Net loss attributable to controlling interest	$ (63,431)	$ (180,151)
Basic loss per common share	$ (0.001)	$ (0.024)

Note 16 – Commitments and contingencies

During the normal course of business, the Company may be exposed to litigation. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with FASB ASC 450-20-50, Contingencies. The Company evaluates its exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If the Company determines than an unfavorable outcome is probable and can be reasonably estimated, it establishes the necessary accruals. As of September 30, 2014, the Company is not aware of any contingent liabilities that should be reflected in the accompanying financial statements.

Mentor lawsuit seeking rescission of co-operative funding agreement with Bhang

On August 11, 2014, Mentor filed suit against Bhang and its owners, in the United States District Court for the Northern District of California for rescission of the February 28, 2014 co-operative funding agreement with Bhang, seeking return of the $1,500,000 investment the Company made in Bhang. See Note 5.

Loans commitment fee receivable

In March 2013, the Company paid $621,200, which represented 1.75% of the loans' amount, in refundable fees paid for credit default insurance to a third party as required by the lender on an international loan facility. The lender was unable to fund the loan and a cooperative exit from the loan commitment was agreed to by the parties on June 12, 2014. The lender has released the requirement for credit default insurance and the insurance company has agreed to return the fee, however the refund has not yet been received. On September 5, 2014, the Company filed suit in San Mateo County Superior Court against Wm. E. Fielding and Associates, Inc. for conversion and fraud seeking return of the $621,200 in fees. The $621,200 in fees was expensed as loan costs in the consolidated statement of operations, pending the outcome of the suit.

A0675521

CERTIFICATE OF AMENDMENT
OF ARTICLES OF INCORPORATION
OF
Mentor Capital, Inc.
(fka Main Street AC, Inc.)

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

MAR 2 1 2008

The undersigned certify that:

1. They are the president and the secretary, respectively, of Mentor Capital, Inc. a California corporation.

2. A new section A(1) is hereby added to Article Fourth of the Articles of Incorporation of this corporation, as follows:

A(1) The outstanding common shares of the company (CUSIP # 559903 10 9) bearing the old legend "Main Street AC, Inc." will be consolidated into new shares (CUSIP # 587183 10 4) bearing the new company name "Mentor Capital, Inc." The ratio for this reverse stock split is set at 1,000 to 1. Fractional shares will be rounded up to the next full share. The consolidation effects all 14,323,227 outstanding and issued common shares. After the reverse split and adjusting for the affect of rounding, the outstanding shares will be 15,033. The total number of authorized common shares is unchanged at 400,000,000. As provided for in the reorganization court order, the warrants are unaffected by the reverse split, so that one pre-split warrant will entitle the holder to purchase one post-split share.

3. The foregoing amendment of Articles of Incorporation has been duly approved by the board of directors.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902, California Corporations Code. The total number of outstanding shares of the corporation is 14,323,227. The number of shares voting in favor of the amendment was 87.14% and equaled or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Chet Billingsley, President Date:

James Blazeck, Secretary Date:

A0670258

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

DEC 10 2007

CERTIFICATE OF AMENDMENT
OF ARTICLES OF INCORPORATION
OF
Main Street AC, Inc

The undersigned certify that:

1. They are the president and the secretary, respectively, of Main Street AC, Inc, a California corporation.

2. Article First of the Articles of Incorporation of this corporation is amended to read as follows:

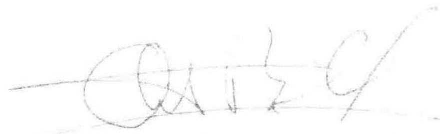
First. The name of the corporation is Mentor Capital, Inc.

3. The foregoing amendment of Articles of Incorporation has been duly approved by the board of directors.

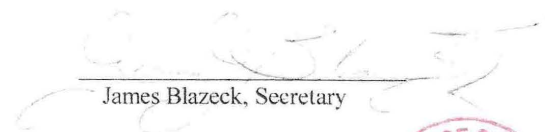
4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902, California Corporations Code. The total number of outstanding shares of the corporation is 14,323,227. The number of shares voting in favor of the amendment was 87.14% and equaled or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: November 26, 2007



Chet Billingsley, President



James Blazeck, Secretary

A499342
OCT 2 4 1997

October 11, 1997

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION

THE UNDERSIGNED CERTIFY THAT:

1) THEY ARE THE PRESIDENT AND SECRETARY, RESPECTIVELY, OF MAIN STREET ATHLETIC CLUBS, INC., A CALIFORNIA CORPORATION.

2) ARTICLE I OF THE ARTICLES OF INCORPORATION IS AMENDED TO READ AS FOLLOWS:

"THE NAME OF THE CORPORATION IS MAIN STREET AC, INC."

3) THE FOREGOING AMENDMENT OF THE ARTICLES OF INCORPORATION HAS BEEN DULY APPROVED BY THE BOARD OF DIRECTORS.

4) THE FOREGOING AMENDMENT HAS BEEN DULY APPROVED BY THE REQUIRED VOTE OF SHAREHOLDERS IN ACCORDANCE WITH SECTION 902, CALIFORNIA CORPORATIONS CODE. THE TOTAL NUMBER OF OUTSTANDING SHARES OF THE CORPORATION IS 965,084. THE NUMBER OF SHARES VOTING IN FAVOR OF THE AMENDMENT EQUALED OR EXCEEDED THE VOTE REQUIRED. THE VOTE REQUIRED WAS MORE THAN 50%.

WE FURTHER DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE MATTERS SET FORTH IN THIS CERTIFICATE ARE TRUE AND CORRECT OF OUR OWN KNOWLEDGE.

CHESTER BILLINGSLEY, PRESIDENT

JENNIFER BOALS, SECRETARY

A482183

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

SEP 2 6 1996

Bill Jones
BILL JONES, Secretary of State

CERTIFICATE OF DETERMINATION OF RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS OF SERIES A PREFERRED STOCK OF MAIN STREET ATHLETIC CLUBS, INC.

The undersigned, **Chester Billingsley** and **Jennifer Boals** hereby certify that:

ONE: They are the duly elected and acting President and Secretary, respectively, of **MAIN STREET ATHLETIC CLUBS, INC.** (the "corporation").

TWO: Pursuant to the authority given by Article IV of the Corporation's Amended and Restated Articles of Incorporation and Section 401 of the California General Corporation Law, the Board of Directors of the Corporation has duly adopted the following recitals and resolutions:

WHEREAS, the Amended and Restated Articles of Incorporation of this Corporation provide for a class of authorized but unissued shares of stock known as Preferred Stock and compromising 10,000,000 shares; and

WHEREAS, the Board of directors is authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, and

WHEREAS, the Board of directors desires, pursuant to its authority as aforesaid, to determine the rights, preferences, privileges and restrictions granted to or imposed upon series of wholly unissued Preferred Stock, the number of shares constituting such series and the designation of such series of Preferred Stock;

NOW, THEREFORE, BE IT RESOLVED, that the Board of directors hereby designates a series of Preferred Stock as "Series A Preferred Stock" and fixes and determines the number of shares of such Series A Preferred Stock at Five Hundred Thousand (500,000) shares.

FURTHER RESOLVED, that the Board of directors hereby determines the rights, preferences, privileges and restrictions of the Series A Preferred Stock as follows:

1. **Designation, Par Value and Number.** Five Hundred Thousand (500,000) shares of the Ten Million (10,000,000) authorized shares of Preferred Stock of the Corporation are hereby designated as a series of Preferred Stock to be called "Series A Preferred Stock," such series having no par value.

2. **Dividend Provisions.** Subject to the rights of series of Preferred Stock which may from time to time come into existence, the holders of shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in preference

to any declaration or payment of any dividend (payable other than in Common Stock or other securities or rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on each share of Series A Preferred Stock at the rate of $0.60 per share per annum payable quarterly at a rate of $0.15 per calendar quarter when, as and if declared by the Board or Directors. Such dividends shall be cumulative.

3. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of this corporation, either voluntary or involuntary, subject to the rights of series of Preferred Stock which may from time to time come into existence, the holders of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) $6.00 for each outstanding share of Series A Preferred Stock (the "Original Series A Issue Price") and (ii) an amount equal to accumulated but unpaid dividends on such share (such amount of accumulated but unpaid dividends being referred to herein as the "Premium"). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of Preferred Stock which may from time to time come into existence, the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the product of the liquidation preference of each such share and the number of shares owned by each such holder.

(b) After the distribution described in subsection (a) above has been paid, subject to the rights of series of Preferred Stock which may from time to time come into existence, the remaining assets of the corporation available for distribution to shareholders shall be distributed among the holders of Common Stock pro rata based on the number of shares of Common Stock held by each.

(c) A consolidation or merger of this corporation with or into any other corporation or corporations, or a sale, conveyance or disposition of all or substantially all of the assets of this corporation or the effectuation by the corporation of a transaction or series of related transactions in which more than 50% of the voting power of the corporation is disposed of, shall be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 3.

4. Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert.

(i) Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original

Series A Issue Price by the Conversion Price at the time in effect for such share. The initial Conversion Price per share for shares of Series A Preferred Stock shall be the Original Series A Issue Price.

(ii) Each share of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Price at the time in effect immediately upon the earlier of (i) October 1, 2001, and (ii) in the event that (a) shares of the Corporation's Common Stock are traded on a securities exchange and have closed at a per share price not less than $20.00 for three consecutive trading days, adjusted for stock splits, reverse splits, combinations and other recapitalizations, or (b) shares of the Corporation's Common Stock are traded over-the-counter and the closing bid or sale prices (whichever are applicable) have been not less than $20.00 for three consecutive trading days, adjusted for stock splits, reverse splits, combinations and other recapitalizations.

(b) Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, he or she shall surrender the certificate or certificates thereof, duly endorsed, at the office of this corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice by mail, postage prepaid, to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as set forth above. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(c) Other Distribution. In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights to receive securities, then, in each such case for the purpose of this subsection 4(c), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the corporation entitled to receive such distribution.

(d) Recapitalization. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4) provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property of the Company or

otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(e) No Impairment. This corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment.

(f) No Fractional Shares and Certificate as to Adjustments.

(i) No fractional shares shall be issued upon conversion of the Series A Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Series A Preferred Stock pursuant to this Section 4, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A Preferred Stock.

(g) Notices of Record Date. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, this corporation shall mail to each holder of Series A Preferred Stock, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the

amount and character of such dividend, distribution or right.

(h) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(i) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his or her address appearing on the books of this corporation.

5. **Voting Rights.** The holder of shares of Series A Preferred Stock shall not have any voting rights, except as provided under California law.

6. **Status of Converted Stock.** In the event any shares of Series A Preferred Stock shall be converted pursuant to Section 4, the shares so converted shall be canceled and shall not be issuable by the Corporation. The Articles of Incorporation of this corporation shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

THREE: The number of shares of Series A Preferred Stock is 500,000. No shares of Series A Preferred Stock have been issued.

IN WITNESS WHEREOF, the undersigned have executed this certificate on

September 25, 1996.

Chester Billingsley, President
and Chief Executive Officer

Jennifer Boals
Secretary

The undersigned certify under penalty of perjury that they have read the foregoing Certificate of Determination of Rights, Preferences, Privileges and Restrictions of Series A Preferred Stock and know the contents thereof, and that the statements therein are true.

Executed at San Jose, California, on September 25, 1996

Chester Billingsley, President
and Chief Executive Officer

Jennifer Boals
Secretary

C:\WP/Main Street\CertDet

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ENDORSED
FILED
In the office of the Secretary of State
of the State of California

JUL 2 9 1994

TONY MILLER, Acting Secretary of State

ARTICLES OF INCORPORATION

OF

MAIN STREET ATHLETIC CLUBS, INC.

The undersigned incorporator, for the purpose of forming a corporation under the General Corporation Law of the State of California, hereby certifies:

ARTICLE I

The name of the corporation is Main Street Athletic Clubs, Inc.

ARTICLE II

The name and complete business address in this state of the Corporation's initial agent for service of process is:

Mr. Paul David Marotta
c/o The Corporate Law Group
1065 East Hillsdale Boulevard
Suite 108
Foster City, California 94404

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE IV

(A) Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is Fifty Million (50,000, 000). Forty Million (40,000,000) shares shall be Common Stock and Ten Million (10,000,000) shares shall be Preferred Stock.

(B) Rights, Preferences, Privileges and Restrictions of Preferred Stock. The Preferred Stock authorized by these Articles of Incorporation may be issued from time to time in series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon such series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them. Subject to compliance with applicable protective voting rights which may be granted to the Preferred Stock or series thereof in Certificates of Determination or in the Corporation's

Articles of Incorporation ("Protective Provisions"), but notwithstanding any other rights of the Preferred Stock or any series thereof, the rights, preferences, privileges, and restrictions of any such series may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any other class of series of Preferred or Common Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase or decrease the number of shares of any series, prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

(C) Common Stock. The holder of each share of Common Stock shall have the right to one vote for each such share of Common Stock. This corporation reserves to the Common Stock all of the powers, rights and privileges provided under the laws of the State of California not otherwise granted hereunder to the Preferred Stock.

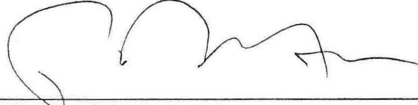
ARTICLE V

(A) Director Liability. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(B) Indemnification. This corporation is authorized to indemnify agents of this corporation, including without limitation, officers and directors, whether by bylaw, agreement or otherwise, and shall indemnify such agents, to the fullest extent

permissible under California law, and in excess of that expressly permitted by Section 317 of the California General Corporation Law.

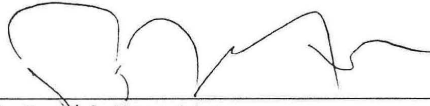
IN WITNESS WHEREOF, the undersigned has executed these Articles of Incorporation.



Paul David Marotta
Incorporator

I declare that I am the person who executed the foregoing Articles of Incorporation and that this instrument is my act and deed.

Executed this 6th day of June, 1994 in Foster City, California.



Paul David Marotta

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AMENDED AND RESTATED BYLAWS

OF

MAIN STREET ATHLETIC CLUBS, INC.

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AMENDED AND RESTATED BYLAWS
OF
MAIN STREET ATHLETIC CLUBS, INC.

ARTICLE I - OFFICES

Section 1. The principal executive offices of **MAIN STREET ATHLETIC CLUBS, INC.** (the "Corporation") shall be at such place inside or outside the State of California as the Board of Directors may determine from time to time.

Section 2. The Corporation may also have offices at such other places as the Board of Directors may from time to time designate, or as the business of the Corporation may require.

ARTICLE II - SHAREHOLDERS' MEETINGS

Section 1. Annual Meetings. The annual meeting of the shareholders of the Corporation for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting shall be held each year on the third Tuesday in February at the principal office of the Corporation, or at such other time and place as may be determined by the Board of Directors, if not a legal holiday, and if a legal holiday, then on the next succeeding business day at the same hour and place. If the annual meeting of the shareholders be not held as herein prescribed, the election of directors may be held at any meeting thereafter called pursuant to these Bylaws.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose whatsoever, unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President, or by the Board of Directors, or by one or more shareholders holding not less than ten percent (10%) of the voting power of

the Corporation.

Section 3. Place. All meetings of the shareholders shall be at any place within or without the State of California designated either by the Board of Directors or by written consent of the holders of a majority of the shares entitled to vote thereat, given either before or after the meeting. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the Corporation.

Section 4. Notice. Notice of meetings of the shareholders of the Corporation shall be given in writing to each shareholder entitled to vote, either personally or by first-class mail (unless the Corporation has 500 or more shareholders determined as provided by the California Corporations Code on the record date for the meeting, in which case notice may be sent by third-class mail) or other means of written communication, charges prepaid, addressed to the shareholder at his address appearing on the books of the Corporation or given by the shareholder to the Corporation for the purpose of notice. Notice of any such meeting of shareholders shall be sent to each shareholder entitled thereto not less than ten (10) (or, if sent by third-class mail, 30) nor more than 60 days before the meeting. Said notice shall state the place, date and hour of the meeting and, (1) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of annual meetings, those matters which the Board of Directors, at the time of the mailing of the notice, intends to present for action by the shareholders, but subject to Section 601(f) of the California Corporations Code any proper matter may be presented at the meeting for shareholder action, and (3) in the case of any meeting at which directors are to be elected, the names of the nominees intended at the time of the mailing of the notice to be presented by management for

election.

Section 5. Adjourned Meetings. Any shareholders' meeting may be adjourned from time to time by the vote of the holders of a majority of the voting shares present at the meeting either in person or by proxy. Notice of any adjourned meeting need not be given unless a meeting is adjourned for forty-five (45) days or more from the date set for the original meeting.

Section 6. Quorum. The presence in person or by proxy of the persons entitled to vote a majority of the shares entitled to vote at any meeting constitutes a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy thereat, but no other business may be transacted, except as provided above.

Section 7. Consent to Shareholder Action. Any action which may be taken at any meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that (1) unless the consents of all shareholders entitled to vote have

been solicited in writing, notice of any shareholder approval without a meeting by less than unanimous written consent shall be given as required by the California Corporations Code, and (2) directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors.

Any written consent may be revoked by a writing received by the Secretary of the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary.

Section 8. Waiver of Notice. The transactions of any meeting of shareholders, however called and noticed, and whenever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9. Voting. The voting at all meetings of shareholders need not be by ballot, but any qualified shareholder before the voting begins may demand a stock vote whereupon such stock vote shall be taken by ballot, each of which shall state the name of the shareholder voting and the number of shares voted by such shareholder, and if such ballot be cast by a proxy, it shall also state the name of such proxy.

At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy appointed in a writing subscribed by such shareholder and bearing a date not more than eleven (11) months prior to said meeting, unless

the writing states that it is irrevocable and satisfies Section 705(e) of the California Corporations Code, in which event it is irrevocable for the period specified in said writing and said Section 705(e).

Section 10. Record Dates. In the event the Board of Directors fixes a day for the determination of shareholders of record entitled to vote as provided in Section 1 of Article V of these Bylaws, then, subject to the provisions of the General Corporation Law of the State of California, only persons in whose name shares entitled to vote stand on the stock records of the Corporation at the close of business on such day shall be entitled to vote.

If no record date is fixed:

The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is given; and

The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall

fix a new record date if the meeting is adjourned for more than forty-five (45) days.

Section 11. Cumulative Voting for Election of Directors. Provided the candidate's name has been placed in nomination prior to the voting and one or more shareholders has given notice at the meeting prior to the voting of the shareholder's intent to cumulate the shareholder's votes, every shareholder entitled to vote at any election for directors shall have the right to cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder shall think fit. The candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Powers. Subject to any limitations in the Articles of Incorporation or these Bylaws and to any provision of the California Corporations Code requiring shareholder authorization or approval for a particular action, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by, or under the direction of, the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person provided that the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised, under the ultimate direction of the Board of Directors.

Section 2. Number, Tenure and Qualifications. The authorized number of directors of this corporation shall be a variable number within the range of not less than three

and not more than five. The initial number of directors of this Corporation following adoption of these Amended and Restated Bylaws shall be fixed at three. The variable number of directors may be changed by a duly adopted amendment to the Articles of Incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of the holders of a majority of the shares issued and outstanding and entitled to vote.

Directors shall hold office until the next annual meeting of shareholders and until their respective successors are elected. If any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. Directors need not be shareholders.

Section 3. Regular Meetings. A regular annual meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide for other regular meetings from time to time by resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, or the Chief Executive Officer or the President or any Vice President, or the Secretary or any director. Written notice of the time and place of all special meetings of the Board of Directors shall be delivered personally or by telephone or telegraph to each director at least forty-eight (48) hours before the meeting, or sent to each director by first-class mail, postage prepaid, at least four (4) days before the meeting. Such notice need not specify the purpose of the meeting. Notice of any meeting of the Board of Directors need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its

commencement, the lack of notice to such director.

Section 5. Place of Meetings. Meetings of the Board of Directors may be held at any place within or without the State of California, which has been designated in the notice, or if not stated in the notice or there is no notice, the principal executive office of the Corporation or as designated by the resolution duly adopted by the Board of Directors.

Section 6. Participation by Telephone. Members of the Board of Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another.

Section 7. Quorum. A quorum at all meetings of the Board of Directors shall be a majority of the directors on the board at the time of notice for such meeting, or if the meeting is held without notice, at the time of such meeting. In the absence of a quorum a majority of the directors present may adjourn any meeting to another time and place. If a meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the reconvened meeting to the directors who were not present at the time of adjournment.

Section 8. Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 9. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, are as valid as though had at a meeting

duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 10. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 11. Removal. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by an order of court or who has been convicted of a felony.

The entire Board of Directors or any individual director may be removed from office without cause by a vote of a shareholder holding a majority of the outstanding shares entitled to vote at an election of directors; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes cast were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

In the event an office of a director is so declared vacant or in case the Board or any one or more directors be so removed, new directors may be elected at the same meeting.

Section 12. Resignations. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Vacancies. Except for a vacancy created by the removal of a director, all vacancies in the Board of Directors, whether caused by resignation, death or otherwise, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual, regular or special meeting of the shareholders. Vacancies created by the removal of a director may be filled only by approval of the shareholders. The shareholders may elect a director at any time to fill any vacancy not filled by the directors. Any such election by written consent requires the consent of a majority of the outstanding shares entitled to vote.

Section 14. Compensation. No stated salary shall be paid directors, as such, for their services, but, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of such Board; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 15. Committees. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each

consisting of two (2) or more directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have all the authority of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to (a) the approval of any action requiring shareholders' approval or approval of the outstanding shares, (b) the filling of vacancies on the Board or any committee, (c) the fixing of compensation of directors for serving on the Board or a committee, (d) the adoption, amendment or repeal of Bylaws, (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable, (f) a distribution to shareholders, except at a rate or in a periodic amount or within a price range determined by the Board, and (g) the appointment of other committees of the Board or the members thereof.

ARTICLE IV - OFFICERS

Section 1. Number and Term. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, a Chief Financial Officer, and such Assistant Secretaries and Financial Officers as the Board shall deem reasonable, all of which shall be chosen by the Board of Directors. In addition, the Board of Directors may appoint such other officers as may be deemed expedient for the proper conduct of the business of the Corporation, each of whom shall have such authority and perform such duties as the Board of Directors may from time to time determine.

The officers to be appointed by the Board of Directors shall be chosen annually at the regular meeting of the Board of Directors held after the annual meeting of shareholders and shall serve at the pleasure of the Board of Directors. If officers are not chosen at such meeting of the Board of Directors, they shall be chosen as soon thereafter as shall be convenient. Each officer shall hold office until his successor shall have been duly chosen or until his removal or resignation.

Section 2. Inability to Act. In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer, or any director or other person whom it may select.

Section 3. Removal and Resignation. Any officer chosen by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of all the members of the Board of Directors.

Any officer chosen by the Board of Directors may resign at any time by giving written notice of said resignation to the Corporation. Unless a different time is specified therein, such resignation shall be effective upon its receipt by the Chairman of the Board, the President, the Secretary or the Board of Directors.

Section 4. Vacancies. A vacancy in any office because of any cause may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board.

Section 6. Chief Executive Officer. Subject to the supervisory powers of the

Board of Directors, the Chief Executive Officer of the Corporation shall have general supervision, direction, and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the shareholders and, in the absence or nonexistence of a Chairman of the Board, at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. President. The President shall be the general manager of the Corporation, subject to the control of the Chief Executive Officer or the Board of Directors, and as such shall preside at all meetings of shareholders at which the Chief Executive Officer or Chairman of the Board are not presiding, shall have general supervision of the affairs of the Corporation, shall sign or countersign or authorize another officer to sign all certificates, contracts, and other instruments of the Corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and shareholders, and shall perform all such other duties as are incident to such office or are properly required by the Board of Directors.

Section 8. Vice President. In the absence of the President, or in the event of such officer's death, disability or refusal to act, the Vice President, or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their selection, or in the absence of any such designation, then the order of their selection, shall perform the duties of President, and when so acting, shall have all the powers and be subject to all restrictions upon the President. Each Vice President shall have such powers and discharge such duties as may be assigned from time to time by the President or by the Board of Directors.

Section 9. Secretary. The Secretary shall see that notices for all meetings are given in accordance with the provisions of these Bylaws and as required by law, shall keep minutes of all meetings, shall have charge of the seal and the corporate books, and shall make such reports and perform such other duties as are incident to such office, or as are properly required by the President or by the Board of Directors.

The Assistant Secretary or the Assistant Secretaries, in the order of their seniority, shall, in the absence or disability of the Secretary, or in the event of such officer's refusal to act, perform the duties and exercise the powers and discharge such duties as may be assigned from time to time by the President or by the Board of Directors.

Section 10. Chief Financial Officer. The Chief Financial Officer may also be designated by the alternate title of "Treasurer." The Chief Financial Officer shall have custody of all moneys and securities of the Corporation and shall keep regular books of account. Such officer shall disburse the funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time as may be required of such officer, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation. Such officer shall perform all duties incident to such office or which are properly required by the President or by the Board of Directors.

The Assistant Financial Officer or the Assistant Financial Officers, in the order of their seniority, shall, in the absence or disability of the Chief Financial Officer, or in the event of such officer's refusal to act, perform the duties and exercise the powers of the Chief Financial Officer, and shall have such powers and discharge such duties as may be assigned

from time to time by the President or by the Board of Directors.

Section 11. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the Corporation.

Section 12. Officers Holding More than One Office. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, unless at the time of such execution, acknowledgement or verification there is only one person holding such offices.

ARTICLE V - MISCELLANEOUS

Section 1. Record Date and Closing of Stock Books. The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders or entitled to receive payment of any dividend or distribution, or any allotment of rights, or to exercise rights in respect to any other lawful action. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days prior to the date of the meeting or event for the purposes of which it is fixed. When a record date is so fixed, only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date.

The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of a period of not more than sixty (60) days prior to the date of a shareholders' meeting, the date when the right to any dividend, distribution, or

allotment of rights vests, or the effective date of any change, conversion or exchange of shares.

Section 2. Certificates. Certificates of stock shall be issued in alphabetical or numerical order and each shareholder shall be entitled to a certificate signed in the name of the Corporation by the Chairman of the Board or the President or a Vice President, and the Chief Financial Officer, the Secretary or an Assistant Secretary, certifying to the number of shares owned by such shareholder. Any or all of the signatures on the certificate may be facsimile. Prior to the due presentment for registration of transfer in the stock transfer book of the Corporation, the registered owner shall be treated as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner, except as expressly provided otherwise by the laws of the State of California.

Section 3. Representation of Shares in Other Corporations. Shares of other corporations standing in the name of this Corporation may be voted or represented and all incidents thereto may be exercised on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President and the Chief Financial Officer or the Secretary or an Assistant Secretary.

Section 4. Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December.

Section 5. Annual Reports. The Annual Report to shareholders, described in the California Corporations Code, is expressly waived and dispensed with.

Section 6. Amendments. Bylaws may be adopted, amended, or repealed by the vote or the written consent of shareholders entitled to exercise a majority of the voting power of the Corporation. Subject to the right of shareholders to adopt, amend, or repeal Bylaws,

Bylaws may be adopted, amended, or repealed by the Board of Directors, except that a Bylaw amendment changing the authorized number of directors may be adopted by the Board of Directors only if these Bylaws permit a variable number of directors and the Bylaw or amendment thereof adopted by the Board of Directors changes the authorized number of directors within the limits specified in these Bylaws.

Section 7. Indemnification of Corporate Agents. The Corporation shall indemnify each of its agents against expenses, judgments, fines, settlements and other amounts, actually and reasonably incurred by such person by reason of such person's having been made or having threatened to be made a party to a proceeding in accordance with the provisions of the Articles of Incorporation and in excess of the provisions of Section 317 of the California Corporations Code and the Corporation shall advance the expenses reasonably expected to be incurred by such agent in defending any such proceeding upon receipt of the undertaking required by subdivision (f) of such Section. The terms "agent", "proceeding" and "expenses" made in this Section 7 shall have the same meaning as such terms in the California Corporations Code.

I, **Chester Billingsley**, Secretary of **MAIN STREET ATHLETIC CLUBS, INC.**, a California corporation, do hereby certify that the foregoing Amended and Restated Bylaws of **MAIN STREET ATHLETIC CLUBS, INC.** are the duly adopted Bylaws of the Corporation as they are in effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name this **6th** day of **January, 1995.**

Chester Billingsley
Secretary

c:\wp51\main\bylaws.amd

EXHIBIT 4

A MENTOR CAPITAL

P. O. Box 1709 ▵ Ramona, CA 92065
(760) 788 – 4700 ▵ (760) 788 - 2525 Fax

Chet Billingsley
President & CEO

Chet@MentorCapital.com
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Monday, May 7, 2007

Subject: **Summary of Key Points in Reorganization Plan & General Information**

Attached please find some general corporate information,

There are two basic reorganization documents: first, the 20 page Plan of Reorganization, and, second, the 99 page Disclosure Statement. (I see the copy service rearranged some pages out of order, sorry). These two documents together serve as the registration document and prospectus that were reviewed by the SEC until they had "No Comment". In the 120 pages there is much general reorganization information so I will try to point you toward the securities related information here.

Section	Description	Page
Footnote 6	Each and every issued security is exempt	Disclosure pg5
New Equity Securities	Warrants at $1, $3, $5 & $7	Disclosure pg49
Footnote 48	Warrants can be adjusted down in price	Disclosure pg50
Footnote 49	Reverse split on shares does not affect the warrants	Disclosure pg50
6.5(a) Term	Warrants may be extended (and have been)	Plan pg13
New Equity Securities	Designee may redeem unexercised warrants	Disclosure pg50
6.5(c) Redemption	The warrants may be redeemed for $0.10 when they are $1.00 per share in-the-money on thirty day written notice.	Plan pgs 13 - 14
6.5(c) Redemption	Unredeemed warrants roll-up to the next higher strike price if not exercised.	Plan pg14
8.3 Stale Check	No $0.10 is paid after 90 days if no contact	Plan pg17 Disclosure pg55

A MENTOR CAPITAL

Market	Transfer Agent is MC Transfer Five historic market makers	Disclosure pg63
Compensation	Billingsley salary $104,000	Disclosure pg71

I hope the above information makes it easier to navigate the reorganization documents. If I can answer any particular questions, please feel free to call me at (760) 788 - 4700.

Sincerely,

A MENTOR CAPITAL

Chet Billingsley

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5 DEBTOR-IN-POSSESSION
6
7
8 **UNITED STATES BANKRUPTCY COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**
10

In re Main Street AC, Inc., dba Mentor Capital, fdba Main Street Athletic Clubs, Inc., Foxworthy Athletic Club, Meridian Athletic Club, Fremont Athletic Club, Second Street Athletic Club, and San Thomas Athletic Club, successor to: Tech Start, and Mentor Investors-I, L.P., Debtor. Employer Identification Number 77-0395098	Chapter 11 Case No. 98-56803-MM-11 **DEBTOR'S SIXTH AMENDED DISCLOSURE STATEMENT**

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18 **ISSUANCE AND TRANSFER OF NEW EQUITY SECURITIES**

19 Pursuant to the exemption contained in §1145 of the Bankruptcy Code, the New Equity
20 Securities being issued to the holders of claims and interests under this Plan will not have to be
21 registered with the Securities & Exchange Commission or registered or qualified with any state or
22 local securities regulator, nor will any securities issued on exercise of the Warrants issued to such

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INTRODUCTION

Main Street AC, Inc. ("Debtor"), a California corporation, has formulated a Plan of Reorganization (the "Plan") to implement a restructuring of its business affairs. The Debtor requests your acceptance of the Plan. The Debtor has prepared this Disclosure Statement to assist you in making your decision whether or not to accept the Plan.[1]

A copy of the Plan accompanies this Disclosure Statement.[2] This Disclosure Statement contains only a summary of the Plan. If confirmed, the Plan will be legally binding upon you. An understanding of its provisions is, therefore, important. You are urged to read the Plan in full and to discuss any questions you may have with your legal, tax, and accounting advisors.

Financial restrictions have required a reduction in the number of personnel available for accounting functions. Also, much of the information regarding the history of the Debtor's current business was received from sources outside the Debtor's control.

THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ERROR, ALTHOUGH THE DEBTOR HAS MADE ALL REASONABLE EFFORTS UNDER THE CIRCUMSTANCES TO BE ACCURATE.

VOTING ON THE PLAN

The Debtor intends to seek Confirmation of the Plan at a hearing before the Bankruptcy Court at a time and date to be provided to parties entitled to notice.

Parties Entitled to Vote

Holders of Allowed Claims and Allowed Interests in the following classes are entitled to vote on the Plan[3]. [See "Description of Claims and Description of Equity Security Interests."]

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[1] This Disclosure Statement is intended to provide you with adequate information, in compliance with §1125(a)(1) of the U.S. Bankruptcy Code ("Code"). In this instance, adequate information means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of its books and records, that would enable a hypothetical reasonable investor typical of the holders of claims or interests eligible to vote to make an informed judgment about the Plan.

[2] The terms defined in the "Definitions" section of the Plan have the same meanings in this Disclosure Statement.

[3] The Court has approved settlement agreements with Mr. Blake Wilson and Mr. David Morris [See Debtor's Dispute with Wilson and Morris]. The affect of one common provision of those settlement agreements is that Sierra West, Pac West, Golden West, Sun West, and ATM Nevada agree to vote in accordance with an

Secured claims	
Heller First Capital	Class A-1
ATM Nevada[4]	Class A-2
Oil Well Interests	Class A-3
Unsecured claims	Class C
Equity Security Interests	
Preferred Stock	Class D-1
Common Stock	Class D-2
Formerly Issued and Trading	D-2(a)
Stock Motion (Restricted)	D-2(b)
$1.00 Options	Class D-3
$4.00 Options	Class D-4
$6.00 Options	Class D-5
$10.00 Options	Class D-6

How to Vote

Creditors and shareholders entitled to vote on the Plan may vote by completing the enclosed Ballot and mailing or faxing it to Campeau & Thomas, 55 South Market Street, Suite 1660, San Jose, California 95113, telecopier: (408)255-6606.

IN ORDER TO BE COUNTED, A BALLOT MUST BE RECEIVED BY CAMPEAU & THOMAS NOT LATER THAN THE DATE ESTABLISHED BY THE COURT AND SET OUT IN THE BALLOT.

Determination of Record Date for Voting of Common Stock

THE RECORD DATE FOR VOTING ON THE PLAN BY HOLDERS OF THE DEBTOR'S COMMON STOCK IS DECEMBER 2, 1999, THE DATE OF THE ORDER BY THE BANKRUPTCY COURT APPROVING THIS DISCLOSURE STATEMENT AND WHICH IS SET OUT ON THE NOTICE OF HEARING FOR CONFIRMATION OF THE PLAN. THEREFORE, ONLY PERSONS HOLDING SHARES OF THE

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unofficial committee of creditors that has been formed by the investors (this committee has not been appointed by the Office of the U.S. Trustees). The committee is currently chaired by Mr. Ernest Williams who will not vote on bankruptcy matters. Voting members are Ed Gurnack (ATM), Dallas Anderson (ATM), Maurice Morierty (ATM), Anthony La Rossa (CA Wells), Vipin Bhavsar (Oklahoma Wells), Fred Work (CA Wells) and Louis Hugar (CA Wells). Sierra West, Pac West, Golden West, Sun West, and ATM Nevada, by virtue of provisions in their respective Purchase Agreements, have each authorized Reliance Corporation to act as their respective agent to vote on the acceptance or rejection of the Plan. That agency relationship notwithstanding, the Debtor has obtained acceptance of the approach that the general partner, president or other specified controlling principal of each claimant will vote on the Plan directly rather than through an agent.

[4] It is the entities that hold the security interests that comprise Class A-2 and A-3 (the oil and gas partnerships and joint ventures, and the ATM LLCs) and who will vote on the Plan. Nonetheless, the Debtor will conduct an advisory vote on the Plan by the investors of the entities to establish that the Plan is in concert with the desires of these interest holders also.

1 **DEBTOR'S COMMON STOCK AS OF THAT DATE ARE ENTITLED TO VOTE ON THE PLAN.**

2 **Standard for Acceptance of Plan**

3 In order for the Plan to be accepted by a class of claims, the holders of two-thirds in
4 amount and more than one-half in number of Allowed Claims in that class who vote on the Plan
5 must vote for acceptance. For the Plan to be accepted by a class of interests, the Plan must be
6 accepted by the holders of at least two-thirds in amount of Allowed Interests whose holders vote
7 on the Plan.

8 **Cramdown Alternative**

9 Further, if sufficient acceptances are not received, the Debtor may elect to request
10 Confirmation of the Plan under §1129(b) of the Code. Such a request could result in
11 Confirmation notwithstanding rejection by many creditors and/or interest holders.

12 **Binding Effect of Plan**

13 Even though a creditor or interest holder may choose not to vote or may vote against the
14 Plan, the creditor or interest holder will be bound by the terms and treatment set forth in the Plan
15 if it is confirmed by the Court. Parties who fail to vote will not be counted in determining
16 acceptance or rejection of the Plan. Allowance of a claim or interest for voting purposes does not
17 necessarily mean that it will be allowed for purposes of distribution under the Plan.

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19 **SUMMARY OF THE PLAN AND ITS CIRCUMSTANCES**

20 Since its formation, the Debtor had operated several athletic clubs serving the general
21 public. As a result of an offering of its common stock, the stock became tradable in the public
22 market, and the Debtor currently has approximately 400 shareholders. [See Description of Equity
23 Security Interests.]

24 The Debtor's operations were re-financed, in part, by a debt consolidation loan from
25 Heller First Capital Corporation ("Heller") that paid off equipment leases and other debts at a
26 discount. As a result, Heller held a security interest in substantially all of the Debtor's assets. The

1 Debtor began experiencing financial difficulties in late spring of 1997, due to the loss of funds
2 expended in connection with a failed attempt to merge with another athletic club chain. This
3 resulted in the need for the Debtor to either obtain new financing, sell its athletic club assets, or
4 reorganize its affairs. The Debtor made several efforts to obtain financing, renegotiate its credit
5 arrangements with Heller, and sell its athletic clubs. In mid-1997, the Debtor had almost entered
6 into a binding agreement to sell the clubs to a major chain when Heller caused a receiver to be
7 appointed, who took control of the clubs and sold all of their assets, with the proceeds being
8 applied to Heller's claim. As a result, the Debtor became, essentially, an empty shell. [See History of the Debtor's Prior Business.] The Debtor was left with no material assets and
10 unsecured liabilities now totaling approximately $2.6 million. [See Description of Claims.]
11 However, the Debtor's common stock remained eligible for trading in the public market.

12 After a period of dormancy, shortly prior to commencement of this case, the Debtor
13 acquired interests in several oil and gas projects and several companies which own automated
14 teller machines("ATMs"). [See "Properties Acquired" under Debtor's Current Business.] In
15 return, the Debtor issued promissory notes secured by purchase money security interests in the
16 assets acquired and their products and proceeds.

17 At the time of the merger, in August 1998, the Debtor was led to believe the debts owed
18 to the selling entities approximately equal the funds originally invested into those entities but the
19 Debtor has since determined that the Debts far exceed the value of the assets acquired. Until
20 recently, the financials associated with these assets were not adequate to allow a hypothetical
21 reasonable investor to make an investment decision upon[5].

22 The Debtor sought Court authorization to issue freely tradable shares that would be

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24 [5] The Debtor will pay directly or through commissions approximately $10,000 to have an engineering audit performed on the California wells. Additionally, the settlement process and perhaps threat of investor lawsuit
25 has caused Mr. Morris to be more cooperative in directing information to be readily supplied to the Debtor on the ATM properties. For the first time, on August 31, 1999, the Debtor was supplied with a detailed list of the ATM locations to support a contemplated sale of these assets. Although a CPA firm will still require
26 additional information, the $10,000 engineering audit and newly supplied detailed ATM information make it possible for the Debtor to now construct valuations on the exit from its reorganization that will pass SEC financial audit criteria.

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exempt from normal registration requirements, as provided in the Bankruptcy Code, to satisfy secured claims associated with the purchased assets. As a result of the opposition of the UST and SEC the Court denied this approach.

In its Plan, the Debtor is seeking Court permission to return the secured properties or their proceeds from the oil well interests and to Heller Capital in satisfaction of their secured claims, and to issue restricted shares, with the standard one year holding period, to the ATM entities it purchased the ATM assets from in satisfaction of the secured portion of their claim.

These and substantially all the Debtor's assets are subject to a purchase money security interest, therefore, if the Debtor were liquidated at this time, all creditors and shareholders, other than the selling entities who previously held claims secured by the acquired assets, would receive nothing. [See Liquidation Analysis.]

Under the Plan, [See Means for Implementation of the Plan.] the Debtor will issue common stock and warrants to its creditors and warrants to its current shareholders. [See Treatment of Claims and Interests under the Plan.]

Most (54%) of the Debtor's securities are restricted[6] or have already met securities registration requirements. The New Equity Securities issued under the Plan will be publicly tradable. On an equivalent share basis these represent 46% of the total equity value issued by the

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[6] Each and every security issued under the Debtor's Plan is exempt from registration under the Securities Acts on account of the exemption provided under Section 1145 of the Bankruptcy Code. The Debtor has submitted a lengthy memorandum prepared by Debtor's Council (See "Supplemental Memorandum in Support of Disclosure Statement" attached to "Debtor's Memorandum in Support of Approval of Its Proposed Fifth Amended Disclosure Statement" November 18, 1999) that is available through the Clerk's office that details extensive legal support of the Disclosure Statement in general and the exemptions from registration in particular. Although the securities issued are exempt from registration under Section 1145, the Debtor is contractually limiting their resale as if they were issued under non-bankruptcy securities regulations. The principal exemptions that would apply in that case are 4(2), 504D and 144 and the import here is that these securities generally need to be held for one year prior to resale. Throughout this disclosure document the Debtor emphasizes and presents the issuance of shares under the normal securities regulations to highlight that the principal purpose of the Plan is not the avoidance of the securities laws and holding periods. However, although the Debtor will act and herein presents the issuance of restricted shares as if only 4(2), 144 and the securities regulations apply, in fact, the overriding exemption is under 1145 and the technical limitations of 4(2) and 144 and related regulations are only contractual obligations that the Debtor has indicated to the Court that it will impose upon itself to act as if these securities regulations were fully applied. As is more fully detailed in the Supplemental memorandum, in the case of technical violations of the securities laws, in this regard, it is under Section 1145 that the Debtor is issuing securities under this Plan.

Debtor with the majority (41%) going to unsecured creditors. The Debtor expects that the ATM assets will continue as a profitable business. [See Future Business Operations.] The Debtor also believes that the business and future small acquisitions (coupled with the issuance of the additional shares and warrants) will result in an active trading market, especially after the trading restrictions on most shares are lifted after one year, that will create value and liquidity for all constituencies and generate a recovery for creditors. [See Market for New Equity Securities.]

THE DEBTOR CANNOT, OF COURSE, ASSURE THAT A VIABLE TRADING MARKET WILL CONTINUE FOR THE SECURITIES TO BE ISSUED TO CREDITORS AND SHAREHOLDERS UNDER THE PLAN OR THAT THE ASSETS BEING ACQUIRED WILL GENERATE SIGNIFICANT VALUE FOR THE REORGANIZED DEBTOR'S[7] SHAREHOLDERS.

However, in light of the complete loss that unsecured creditors would experience if the Debtor were to be liquidated, the Debtor believes that the Plan is in creditors' best interests regardless of the level of success of the future business. This is because the Plan offers a viable possibility for payment to creditors, while liquidation assuredly precludes payment.

HISTORY OF THE DEBTOR'S PRIOR BUSINESS

The Debtor was incorporated in California in July of 1994. In December, 1994, certain assets of two predecessor general partnerships and an investment limited partnership were contributed to the Debtor in exchange for stock.

Athletic Club Operations

From its formation until mid-1997, the Debtor's primary business was the operation of athletic clubs: Meridian Athletic Club, Second Street Athletic Club, and Foxworthy Athletic Club in San Jose, and Fremont Athletic Club in Fremont.

The Debtor generated revenues from sale of club memberships. Its operations were also re-financed through a consolidation loan from Heller. Heller's claim was secured by substantially all of the Debtor's assets, including the assets of the athletic clubs. Heller loaned $1,200,000 to

[7] The "Reorganized Debtor" is the Debtor after Confirmation of the Plan of Reorganization. The timing of the Confirmation is uncertain and not completely within the Debtor's control. Some actions now expected to be completed after Confirmation by the Reorganized Debtor may be completed before Confirmation by the Debtor, or the reverse may be true.

the Debtor in September, 1996, although the Debtor had been seeking $1,500,000. While the amount was sufficient to meet the current financing needs, it left the Debtor vulnerable due to the lack of the extra $300,000 working capital cushion.

In an effort to strengthen its financial position, the Debtor signed a letter of intent and entered into negotiations to purchase certain additional athletic clubs in December, 1996. In anticipation of an impending closing on the purchase, the Debtor incurred substantial expenses which remain unpaid. When the proposed seller refused to complete the transaction, the Debtor was left without the means to recover these expenses and, in light of its barely adequate working capital structure, the failure of the transaction resulted in the Debtor's losing its ability to continue operating on an independent basis. Accordingly, the Debtor began a search for a merger or a purchaser for the Debtor's business.

Several offers were received and, in July, 1997, the Debtor received an offer to purchase the business which appeared acceptable. The Debtor entered into serious negotiations with the potential purchaser. The original offer for the business was based on projected revenues, with a maximum price of $1.5 million.

Concurrently, the Debtor had been considering the acquisition of several hundred parcels of land and their related sub-surface rights in exchange solely for shares of the Debtor's common stock. The Debtor believed that acquisition of these unencumbered parcels would significantly strengthen its financial position.

Very shortly thereafter, Heller declared the Debtor in default under its loan agreement, commenced a suit in California state court against the Debtor to collect its note, and obtained authority from that court for appointment of a receiver to take possession of the Debtor's assets. The receiver, among other actions, immediately chose the proposed purchaser to operate the Debtor's athletic clubs pending their sale and granted the proposed purchaser first right of refusal on any final purchase. The proposed purchaser purchased many of the Debtor's assets from the receiver, including the largest of the Debtor's clubs and approximately 80% of the Debtor's regularly paying membership accounts.

At the point when the receiver took control of the athletic clubs, the Debtor owed Heller approximately $1,165,000 plus further legal and other expenses alleged to add $35,000. The Debtor believes that the recanting purchaser paid Heller approximately $335,000, from which the receiver claimed approximately $195,000 in expenses, netting $140,000 for Heller. The Debtor further believes that Heller sold the rest of the Debtor's equipment for approximately $260,000. If these figures are correct, then, after the application of the $635,000 in notes or their proceeds already received by Heller, the Debtor's outstanding obligation to Heller would be reduced by $1,035,000 to approximately $165,000. [See "Class A-7 (Heller)" under Description of Claims.] In late January 1999, Heller provided the Debtor with records that indicate that the unsecured balance could range up to $120,000 more than estimated and an amicable settlement has been reached between Heller and the Debtor resulting in an agreed upon unsecured claim of approximately $250,000.

After Heller's foreclosure, the Debtor had no material assets until its acquisition of the current businesses. [See Debtor's Current Business.]

Mentor Capital

Shortly after the Debtor was formed, a small acquisition and development firm, Mentor Capital, was merged with the Debtor, and the firm's skills were applied to the Debtor's activities from time to time. The Debtor continues to use the Mentor Capital name in connection with its investment and acquisition activities.

1996 Stock Offering

The Debtor's common stock was originally issued to the former partners of the athletic clubs (Joe Gigantino and Tech Start) and also to the Mentor Investors-I Limited Partnership, who acquired such shares in connection with the Debtor's acquisition of their interests or assets. In late 1995, the Debtor conducted a private placement of shares of its common stock at a price of $6.00 per share. In late 1995, the Debtor sold approximately 148,560 shares to approximately 40 sophisticated and accredited investors [as defined in Regulation D promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act of 1933].

In early 1996, the Debtor filed a Qualification Statement on Form 1-A with the SEC to sell 500,000 shares of common stock at $10.00 per share. This offering became effective in September, 1996. With this offering, the Debtor did not become subject to the reporting requirements under the Securities Exchange Act of 1934 ("Act"). In early 1997, the Debtor complied with a provision of SEC Rule 15c2-11 under the Act and lodged public information about itself with broker-dealers, thus satisfying the public information requirements of SEC Rule 144 and permitting secondary trading to occur. The Debtor and selling shareholders collected approximately $178,000 from their stock sales.

Since March 10, 1997, the Debtor's common stock has been quoted and trading on the National Association of Securities Dealers' Over-the-Counter Bulletin Board System, under the symbol MFIT (MFITQ during the pendency of the reorganization). The Debtor believes that there are currently five brokers who act as market makers for the common stock. Currently, the Debtor's common stock is held of record by approximately 320 persons, and the Debtor believes there may be approximately 400 beneficial holders.

The stock was originally quoted on March 21, 1997, at $10.00 per share. In early July, 1997, it was traded at $4.00 per share. After the Heller receiver was appointed, the stock price declined to $0.07 per share in August 1997. Since such time, the price has fluctuated between $0.07 and $2.25 per share. In January 1999, the Debtor received Court permission and subsequently did sell 800,000 shares to a significant investor at a discount to $0.10 per share on account of their restricted status. Since January 1999, the share price has been relatively flat at approximately $0.18 per share bid and $0.32 asked.

Since the appointment of the receiver, public trading volume has been erratic. Approximately 2,500,000 shares have changed hands during such time, corresponding to an average of 4,000 shares per day.

Debtor's Pre-acquisition Condition

As a result of the Heller foreclosure, the Debtor existed as a company with no material assets or business, The Debtor's current business arose from its negotiations with representatives

1 of several companies which desired to combine their divergent interests under a single umbrella.

2 **DEBTOR'S CURRENT BUSINESS**

3 Shortly prior to commencement of this case, the Debtor acquired the assets of several
4 entities[8] in exchange for promissory notes secured by the assets acquired. Shortly after the
5 commencement of the case, the two main principals of the selling groups, Mr. Blake Wilson for
6 the California wells and Mr. David Morris for the ATMs, declined to turn over cash and records
7 of the Debtor. The Debtor filed a complaint ("Adversary Proceeding") in the Bankruptcy Court
8 to compel them to turn over the cash and records. The Adversary Proceeding has been settled by
9 all parties and dismissal of the proceeding is expected shortly. The acquisition of the entities has
10 been processed. Most of the entities operated oil and/or gas well properties in California and
11 Oklahoma. Other entities owned and operated automated teller machines in Nevada. The entities'
12 interests in these properties were transferred to the Debtor, and the Debtor will continue to
13 operate the ATM assets during this case and the well assets until sold. The major portion of the
14 well sale proceeds will be turned over to an investor trust and a minority retained in settlement
15 and used to finance the Plan.

16 **Proposed Sale of Oil Well Assets and Return of Proceeds to Investors**

17 The Court has indicated that the sale of assets and issuance of stock will not result in a
18 confirmable plan and suggested that the foreclosure on some of the assets perhaps should be
19 considered. In its Plan, the Debtor proposes to operate the ATM business and divest itself of the
20 oil and gas businesses that are tainted by pre-Debtor investment problems and difficult to obtain a
21 financial audit on. To accomplish this divestiture, the Debtor has concluded that it is in the best
22 business interests of the Debtor to complete the already initiated asset sale program and return the
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[8] As the buyer in these multiple transactions, the Debtor is not privy to the communication between the principals and investors in each of the entities it purchased. However, as part of each of the acquisition agreements, the Debtor requested and received certification from the respective principals of each selling group that the transactions were validly authorized, submitted to shareholders, a quorum and affirmative vote was achieved, the sellers are in compliance with securities laws with regard to the presentation of sale and full disclosure of all material facts necessary to permit such shareholders to make informed decisions whether to vote in favor of such transactions has been supplied to them.

1 net proceeds to the investors. The Debtor feels this approach should be followed for three
2 reasons:
3 1) 22% of the net sales proceeds of the California wells ($42,000) would redound to
4 Wilson or Morris. These proceeds will be retained by the Debtor in partial satisfaction of the
5 Court approved settlement with these parties. In no other fashion does it seem reasonably
6 possible for the Debtor to divest itself of the wells and still recover the settlement amounts
7 without resorting to lengthy and expensive litigation.
8 2) By contributing the net sales proceeds to an investor trust the Debtor can fulfill a
9 secondary fiduciary responsibility to take reasonable care to protect the economic interests of the
10 California well investors. If instead, the assets were surrendered back directly to the entities
11 under the control of Wilson, then their interests would be unprotected and perhaps the economic
12 harm already done to the investors would be increased.
13 3) The Oklahoma wells need to be sold immediately or they will soon revert to the land
14 owner for non-production. Also, one California well is a under a "Held By Production" lease
15 which is now in jeopardy. If not sold by the Debtor, then it is unlikely that another sale can be
16 coordinated by any other entity in a timely fashion. In that case, the economic interests of the
17 Oklahoma investors would be completely lost and the California well investor interest deminished.
18 As of the submittal of this Disclosure Statement all of the sales of the various assets are
19 finalized. In summary, the well assets have been sold for the following amounts:

20 California Wells	$205,000
21 Oklahoma Wells	$ 18,000
22 Total	$223,000

23
24 The Debtor believes the bids leading to the California wells sales price were increased
25 because of the recent increase in oil prices but reduced because of well capping costs. The Debtor
26 received Court authorization to employ American Energy Advisors, Inc. an oil and gas broker to
help market these properties for maximum value. American Energy Advisors contacted 4,000

1 potential buyers and mailed seventy-two complete bid packages to potential bidders who
2 expressed an interest in submitting a competitive bid.
3 The Debtor received two bids on the Oklahoma wells from the operator and a related
4 vendor and has received an overbid. These three bids are in the $6,000 to $18,000 range. An ad
5 has been run in the *Tulsa World* which generated eight other potential buyers. It was not
6 expected that any bid would be much more than $20,000 because of the risk of trying to place the
7 wells back into production after a lengthy shut in period, coupled with the marginal economics of
8 today's spot price for oil.
9 The investors in each of the three major investment groups were noticed of the impending
10 sale of their respective assets prior to such sale so that their concerns, if any, could be heard
11 before the Court. All sales were approved by the Court.
12 The net proceeds from the sale of the Oklahoma Wells (estimated at $16,000) will be
13 turned over to the Petro Assignee Trust, for the benefit of the investors *pro rata* to their interests.
14 Mr. Jerry Fey, who has appeared before this Court on behalf of the Oklahoma investors, is and
15 will continue to act as trustee for these funds. In a similar fashion, and for ease of administration,
16 the net proceeds of the California wells will be segregated but also be remitted to the Petro
17 Assignee Trust for the economic benefit of those California well investors *pro rata* to their share
18 interests as detailed in the Debtor's Fourth Amended Disclosure Statement. From the overall net
19 proceeds of the California wells, 78% will go to the investor trust (estimated $150,000)[9]; and
20 22% (estimated $42,000) would go to Wilson, but will be instead retained by the Debtor in partial
21 satisfaction of the settlement claim the Debtor holds against Mr. Wilson.
22 The Petro Assignee Trust, renamed the MFIT Trust, will receive and hold funds in the
23 trustor's name until 30 days after an order confirming the Plan will be final. At that time, the
24 trustee will distribute the proceeds of the trust *pro rata* to the investors' holdings in the trust.

25 [9] Of the 78% (estimated $150,000) going to investors, 12% (estimated $23,000) is being voluntarily contributed by Wilson. Wilson would have received this from the land owner, geologist, and engineer on
26 account of his side agreement to fulfill the obligations of the land owner, geologist, engineer and other non-investors who had agreed to assign to the Debtor and were to sell all or a portion of their interest. On account of this voluntary action no cash will go to Wilson.

The investor holdings in the trust are determined according to the terms of the original sales document and individually determined according to an equivalent share calculation agreed upon by the principals of the selling entities and representatives of the informal investor committee. Based on this formula the selling members of the Oklahoma wells will receive approximately 2/3 cent per dollar of their original investment. For the California wells, the Sierra West, Pac West and Golden West investors will receive approximately 2 cents per dollar of their investment. Sun West investors will receive approximately 1/3 cent per dollar for their more limited claim regarding a declined purchase option on their wells.

Description of Oil and Gas Business [Sold]

General Description

The Debtor has purchased certain oil and natural gas wells. The oil and gas well interests were acquired by the Debtor from certain unit investment trusts and holders of joint participation interests in the various sites. In total, the oil and gas sites consist of four natural gas wells and nine oil wells which the Debtor intends to sell prior to the effectiveness of this Plan.

Three oil wells are located in California and six additional oil wells are located in Oklahoma. Only one Oklahoma well is currently producing. Under the terms of the initial arrangement between the Oklahoma oil well developer and the Debtor, the Debtor agreed to acquire the interests in all six wells and investigate the rework and production economics or the salvage sale potential of the five nonproducing wells.

One oil well located in California is a producing well; a second could be in production, however, the lifting or production costs currently exceed the low price being paid for oil in the market so it is being held dormant; the third is being developed within a producing field, but given the low spot price of oil, the Debtor declined its option to acquire this location.

Two of the four gas wells located in California are producing, another is under pressure but inaccessible to the Debtor due to problems involved in obtaining a right of way from the production site to the natural gas pipeline, and the fourth is packaged with the larger oil well

1 whose purchase option was declined. Since the Debtor declines to purchase the oil well, as
2 expected, then the purchase of the smaller gas well is simultaneously declined.

3 **Properties Acquired**

4 The Debtor acquired its interests in the California oil and gas wells from several unit
5 investment trusts. The Debtor acquired the interests from the trusts pursuant to Purchase
6 Agreements executed by Reliance Corporation, the coordinating developer of the California wells,
7 who is identified in the Purchase Agreements as the "Serving Agent."[10,11] The organizational
8 documents for the trusts refer to the manager of the trusts as the "trustee" and the unit holders as
9 "trustors," but the organizational documents appear to, in fact, treat the parties as general and
10 limited partners, respectively. This Disclosure Statement will refer to the parties to the trusts as
11 "partners."

12 The Debtor acquired its interests in the Oklahoma wells from a business trust which, in
13 turn, acquired them from individual holders of joint participation interests in the wells.[12] Each

14 [10] . All descriptions herein of the California oil and gas properties and the rights and interests acquired were derived principally from information provided by Reliance Corporation. In light of the Debtor's limited
15 resources, the Debtor has not engaged independent experts to evaluate the information and has not performed complete documentary due diligence. However, the Debtor has inspected the properties and reviewed some of
16 the sellers' organizational documents and other agreements defining their rights in the assets transferred. The documents reviewed appear to authorize the sale to the Debtor and the stock distributions contemplated by the
17 Plan. Nevertheless, the Serving Agent has assured the Debtor of the nature and transferability of the assets acquired, including the underlying leases by which the sellers held the right to exploit the wells. The Debtor
18 also relied on information from the Serving Agent regarding the performance of the properties which information the Debtor has recently supplemented with the last six months of actual production experience
19 provided by R&R Resources. It has not engaged independent geological experts, but has reviewed geological reports on the wells and discussed their condition and capacity with the oil field operator or geologist and with
20 many of the trust participants. Thus, the Debtor has relied principally upon the representations of the sellers' representatives in entering into the Purchase Agreements and preparing this Disclosure Statement.

21 [11] In many cases, the selling entities relied upon "ballots" from their partners as the consent required under their organizational documents for the authority to transfer most of the assets The ballots, on their face, grant the
22 Serving Agent certain custodial powers, including the power to authorize exchange of the partners' interests for shares of the Debtor's stock and purport to be irrevocable. However, the Debtor is not aware of what
23 information the sellers have provided to the partners or whether the partners could withdraw their consents prior to consummation of the Plan. Nevertheless, the Serving Agent has assured the Debtor of the entities'
24 authority to effectuate the transfers and the Plan.

[12] All descriptions herein of the Oklahoma oil and gas properties were derived from information provided by
25 Sam McClintock, the original developer of the Petro field. In light of the Debtor's limited resources, it has not engaged independent experts to evaluate the information or performed complete documentary due diligence.
26 In acquiring the properties and preparing this Disclosure Statement, the Debtor has relied principally on representations by the sellers' representatives as to the transferability of the assets acquired, including the underlying leases by which the sellers hold the right to exploit the wells, as well as the performance of the

1 such interest represents an undivided tenancy in common ownership in the Oklahoma wells.

2 **Sierra West [Sold 11-4-99]**

3 The Debtor acquired a 66.14% net revenue interest[13] in one producing oil well and a 60%
4 interest in another well from two unit investment trusts which co-owned the wells, known as
5 Sierra West '97 Unit Investment Trust and Sierra West-A Unit Investment Trust (collectively,
6 "Sierra West"). Sierra West drilled and completed its oil well in 1997. The Debtor believes that
7 the oil well has proven reserves of 180,000 barrels of recoverable oil and that the well has been
8 producing at rates varying between approximately $200 and $300 per day during August through
9 October 1998 and intermittently between $500 and $700 per day from November 1998 through
10 June 1999.

11 The Debtor also acquired one shut-in natural gas well from Sierra West. The well has
12 proven reserves of 650,000,000 cubic feet of natural gas.[14] It is located near Sacramento,
13 California and has been shut-in because the prior owner was unable to gain rights of way to
14 deliver the gas to the main pipeline[15].

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16 wells. Information on the performance of these wells has been supplemented by the last six months of actual production supplied by Moore Investments, the Oklahoma field operator. The Debtor has not inspected the
17 properties and has reviewed only some of the sellers' organizational documents and other agreements defining their rights in the assets transferred. Most of such documents are unsigned, but the Debtor has been assured
18 that such documents are correct and in full force and effect. The Debtor has, however, consulted an independent title expert in Oklahoma and discussed the property with the local County Recorder's office. The
19 Debtor has also reviewed a geological report on the wells and discussed their condition and capacity with the oil field operator and with many of the Petro Participants.

20 [13] A "net revenue interest" is the percentage interest a person holds in the gross revenues received from a transporter/purchaser of a well's production, less only governmental excise taxes. A "working interest," by
21 contrast, is the percentage of the costs of operating the well that the person has assumed. For example, it is common that two co-operators would each hold a 50% working interest (i.e. sharing all of the costs of the
22 well's operation) and, collectively, have only a 70% net revenue interest. In such circumstances, others (such as the owner of the land) would have a 30% net revenue interest, i.e. a right to receive 30% of the gross
23 revenues and no obligation to bear any operating costs. The Debtor is obligated for 100% of the working interests (operating costs) of the California wells, regardless of its percentage of the net revenue interests.

24 [14] The term "proven reserves" is a term of art in the oil and gas industry. It means the volume of gas or oil estimated by a registered geologist after performance of a volumetric analysis according to standard criteria
25 established for such estimates. It does not mean that any guarantee has been made that the well will actually produce the amount of oil or gas indicated by the geologist.

26 [15] The lease on the shut in well is a Held By Production lease. Because the Debtor has not put the well into production, the landowner, who was apprised of the Chapter 11 status, has notified the operator that it is considering terminating the lease.

Pac West **[Sold 11-4-99]**

The Debtor acquired a 68.333% net revenue interest in a producing natural gas well from two unit investment trusts which co-owned the well, known as Pac West Unit Investment Trust and Pac West-2 Unit Investment Trust. Pac West drilled and completed its producing well in 1997. The well has been drilled to a depth of 2700 feet where it intercepts the Starkey Sands formation. The well is presently producing sporadically at approximately 50,000 cubic feet per day, or $1,000 to $3,000 per month. The well has a proven reserve of 365,000,000 cubic feet of natural gas.

Golden West **[Sold 11-4-99]**

The Debtor acquired interests in two wells from Golden West Unit Investment Trust ("Golden West"); a 67.33% net revenue interest in one California gas well and a 61.145833% net revenue interest in another California oil well. The prospects were apparently purchased by Golden West in December of 1997. Golden West recently completed drilling the two wells, and they have both been deemed commercially viable by the well operator. However, because of the recent very low prices offered for oil at the refinery, the oil well has been held dormant. None-the-less, the projects engineer and geologist have estimated that the wells will have recoverable oil reserves in excess of 107,500 barrels and significant natural gas reserves. The gas well is currently producing at greater than 100,000 cubic feet per day, or $7,500 per month.

Sun West **[Option Sold 11-4-99]**

The Debtor also acquired an option to purchase a 67.33% net revenue interest in the a gas drilling prospect and a 61.15% net revenue interest in another oil drilling prospect from Sun West Unit Investment Trust ("Sun West"). The prospects were apparently purchased by Sun West in December of 1997. The Trust is preparing to drill the prospects and anticipates that the first well will be completed in October of 1999. The geological report anticipates that the prospects will have recoverable oil reserves of 107,500 barrels upon completion and significant natural gas reserves. Because the Debtor is divesting rather than building its other California oil and gas interests, it is almost certain that the Debtor will not exercise the purchase option for the Sun

West properties.

Petro Wells **[Sold 10-4-99]**

The Debtor has also acquired working interests from the Petro Assignee Trust in six oil and gas wells located in Oklahoma. Of the Petro wells, two had been generating aggregate net revenues of approximately $21,000 per month for their owners through February 1998. However, one (Golden Trend) became clogged in March 1998 and needs to have paraffin removed from the well bore, at a cost of approximately $15,000. However, if the paraffin has solidified back into the formation, then the well may not be able to be brought back into production. The second producing well (Waynette III), the only well that has been in production since the Debtor acquired the properties in August 1998, had net production of $6,076 in December 1998. However, through December, the Debtor had only recorded a formal assignment in this well of 23% out of the 65% of the seller's interests that agreed to assign, and has thus only received 23% of the net revenue from the well. This well has also experienced pump problems and the combined result is that through June 1999, the Debtor has received cumulative revenue of only $9,073 from this well and the Debtor reflects a net loss of ($2,165) for its Oklahoma operations. Three other wells are not now in production, but these wells still have salvage value.

The Debtor has also purchased interests in an additional Petro well. However, the interests appears to be without value because of a foreclosure sale which took place on June 10, 1998. A prior operator of the wells had diverted funds earmarked to pay for work on the wells, and the contractor who performed the work obtained a judgment for its unpaid work. The contractor then levied on the well property and it was sold at a foreclosure sale on June 10, 1998 for $60,000.

The six Petro Wells were owned by approximately 250 individuals who each owned undivided Joint Participation Interests in specific wells. Varying percentages of Petro Participants have sold their positions and agreed to formally assign their interests in the wells in which they participate to the Petro Trust in exchange for notes from the trust. Such percentages range between 65% and 84% of particular wells. As of the date of this Disclosure Statement, some of

the Petro Participants have recorded formal assignments of their interests to the Petro Trust; others have not yet fulfilled their agreements to do so. The current formally recorded percentages are 45%. The Debtor has not made collecting the assignments a priority because unless the Oklahoma wells are repaired or reperforated in a second production zone, which entails some risk, they have very limited revenue potential. The wells have been sold for equipment salvage value, or to a local low volume stripper well operator. The recording of assignments is complete.

The Petro Assignee Trust assigned its interests in the Petro wells to the Debtor in exchange for a note secured by the interests acquired. Accordingly, while legal title to the Joint Participation Interests in some of the Petro wells may not yet have been recorded in the Debtor's name, the Debtor retains the beneficial interest in such participation interests under the Purchase Agreement assigning the interests to the Debtor.

Properties Historical Operating Performance

Over the last six months, the well interests acquired by the Debtor have generated net revenue after excise taxes of just over $160,000[16]. However, until the Effective Date, the Debtor has agreed to receive only approximately 10% of the revenues from the California wells (which account for 94% of the well revenue) and has no responsibility for past liabilities or any expenses in the California wells prior to the Effective Date. Of critical interest to the Debtor's analysis of historic and continuing operations and revenue levels has been the recent depressed price of oil which has been much lower than historic norms but has risen somewhat. The low spot price for oil makes the divestiture of some of the wells more attractive than that action would be in the normal case.

Description of ATM Business

The Debtor has acquired all of the assets of four limited liability companies organized in

[16] The Debtor now receives 10% of the approximately 66% net revenue interest in the California wells (i.e. 6.6%) that it will eventually receive, but has no responsibility for their costs. Since the inception of the case through July 1, 1999, the Debtor has received $15,313 in revenue from the California wells and $9,073 from the Oklahoma wells.

Nevada (defined collectively in the Plan as "ATM Nevada"), 38%[17] of the membership interests in a fifth company (ATM-2 of Nevada, LLC), and 57% of the membership interests in a sixth (ATM-3 of Nevada, LLC).[18] The companies own, in the aggregate, 60 automated teller machines located in northern Nevada.

The ATMs are installed at casinos, gas stations, McDonalds restaurants, and convenience stores. The machines have been serviced by an independent operating firm named Nevada ATM. This firm has agreed to continue maintenance and stocking of the machines, including management of an inventory of approximately $240,000 in cash for customers to withdraw (The Debtor's portion of this cash inventory is $200,000). Nevada ATM is not bonded. The cash is owned by the six companies. The oversight of the companies' accounting and other general management functions have been performed by Mr. David Morris who will continue to advise and assist the Debtor in these areas.[19] For the active LLCs, Mr. Morris is responsible for preparation of tax returns, making distributions to shareholders, and other similar functions. Mr. Morris has resigned his position as president of the five ATM LLCs whose assets have been purchased by the Debtor in favor of Mr. Earl Gurnack, an ATM investor and representative on the investor's committee.

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[17] The Debtor has simplified and consolidated its ATM-2 and ATM-3 interests solely into ATM-3 of Nevada, LLC which it now owns 100% of. The Debtor has no residual interest in ATM-2 of Nevada, LLC. The Debtor owns 100% of 50 ATMs.

[18] Substantially all of the information in this Disclosure Statement about the ATM Nevada business and the rights and interests acquired was derived principally from information provided by David Morris and Reliance Corporation. The membership interests were acquired through a Purchase Agreement entered into among the Debtor and the subject LLC's. Reliance Corporation, identified in the agreement as the Serving Agent for such LLC's, has represented to the Debtor that the LLC's have authorization to represent and act on behalf of the selling members. However, the Debtor has reviewed only some of the sellers' organizational documents and other agreements defining their rights in the assets transferred (and which are unsigned). The Operating Agreement for the LLCs provide for management of the LLCs by the members. They do not refer to a Serving Agent. Nonetheless, the Purchase Agreement was "approved" by David E. Morris, the President of each of the LLCs and the person identified in certain offering documents as the "Manager." The Debtor has not been provided any documents which confirm the LLCs' authority to act for the selling members, but has relied upon the representations of the Serving Agent and Mr. Morris in acquiring such interests and preparing this Disclosure Statement with respect thereto.

[19] The advisory involvement of Mr. Morris will only continue if the Debtor's Adversary Proceeding with him pending before the Bankruptcy Court, which has been settled by the parties, is approved by the Court. If the Adversary Proceeding is not resolved in a manner that, in the judgment of the Debtor, is timely and satisfactory, he will have no ongoing role and his contemplated compensation for future advisory support will be eliminated.

1 Customers are charged a fee of $2.00 per transaction. Fees for servicing the machines and
2 bank access are charged on a per-transaction basis, and they total approximately 30¢ per
3 transaction. The only other costs of the business include telephone company fees for data
4 transmission and office overhead.
5 The ATM corporations' managers have represented that investors received net cash flow
6 of approximately $5,000 per month at the end of 1997, and the operator projects that such flow
7 will increase to approximately $6,000 per month by the end of 1999. On a monthly basis, the
8 Debtor anticipates receipt of net cash flow from the machines ranging between $4,000 and $6,000
9 per month.

10 **Acquisition of the Properties**

11 The Debtor acquired the foregoing properties and interests in exchange for promissory
12 notes secured by the assets acquired and the products and proceeds thereof. The acquisition
13 prices are shown in the following table:

14-17

Property	Price
Sierra West	$ 2,578,000
Pac West	311,000
Golden West	3,300,000
Sun West	825,000
Petro	4,271,000
ATM Nevada	2,370,000
Total	$13,655,000

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19 The acquisition prices were determined through vigorous negotiations between the Debtor
20 and representatives of the selling entities. However, in retrospect, it appears the selling parties
21 misrepresented and overstated the performance and values of the properties sold. Given this and
22 the current low price of oil, these purchase amounts now are not supported by fair market values
23 or actual or projected cash flow or income, and the Debtor has determined that they greatly
24 exceed the current fair market value of the assets acquired. Based on it's recent exploratory
25 activity on the sale of these acquired assets, it is estimated by the Debtor that the assets purchased
26 could only be liquidated for $730,000 total. The Notes to Sierra West, Pac West, Golden West,
and Sun West are payable in monthly installments equal to 90% of the revenues from the property

1 securing that note minus all expenses of operating the property. Payments under the Petro and
2 ATM Nevada notes have been suspended by mutual agreement until the final balloon installment.
3 The notes bear interest at eight percent per annum. All monthly payments are applied to principal,
4 with accrued interest payable in a lump sum at the time of the last installment of principal.
5 Until the Confirmation of the Plan, the acquisitions are to provide the Debtor with 10% of
6 the gross revenues from the Sierra West, Pac West, Golden West, and Sun West properties
7 acquired and all of the net cash flow from the Petro and ATM interests. After the Effective Date,
8 the well assets will have been sold, the notes surrendered to the Debtor on Confirmation and all
9 future ATM cash flow and profits will be freely available to the Debtor.
10 The intent to sell the well assets to clean up the uncertain financials of these acquired
11 assets stems from early actions taken by the Debtor. The Debtor made the conscious decision to
12 not demand from sellers the information that would allow it to diligently evaluate the value of the
13 various businesses and properties which were purchased when it was involved in the active
14 acquisition phase, and, in so doing, increased the recovery to creditors and shareholders. This
15 approach reflects the Debtor's comprehensive understanding of the acquisition equation and the
16 fiduciary role of the Debtor and can be easily misinterpreted if not viewed from that perspective.
17 To illustrate this concept it is important to remember that the Debtor's expectation was to capture
18 a percentage (20% - 25%) for the creditors and shareholders. The value of the Debtor's "license
19 to trade" is greater if calculated in this fashion than if it is bargained for at a fixed price[20]. This
20 percentage approach is the one Debtor promoted and it was accepted by the selling agents. Once
21 the concept of a fixed percentage was accepted, then the Debtor had one clear path to maximize
22 recovery to creditors and shareholders and that was to increase its 20% "commission" by
23 increasing the number of businesses that would be acquired. The Debtor was initially offered only
24 one well which was the asset of two partnerships. By being the easy acquirer that did not demand
25 the normal diligence, even foregoing balance sheets and bank statements when their supply was

26 [20] Conversely, if the Debtor's portion of the combined entities was instead determined based on a fixed price, then detailed information would be demanded to specifically determine, and minimize, the value placed on the acquired assets.

resisted, the Debtor was able to increase the number of entities acquired from two to eighteen. The Debtor believes if it demanded the normal due diligence that it has requested and received in past acquisitions, that instead of now having eighteen entities in the reorganization there would only be four[21] and the creditors and shareholders would be receiving far less than they will under the current Plan. From each of the eighteen entities the creditors and shareholders now stand to receive 20% or so. Not all of the eighteen entities are star performers, but as long as they do not have liabilities or negative cash flow they will not subtract from, and will probably slightly add to, the benefit delivered to the Debtor's constituency: its creditors and shareholders.

Also, the Debtor did attempt to balance the interests of the acquired entities so no partnership acquired was treated better than any other on a proportional basis. The net result is an equitable mix where the benefit or recovery to creditors and shareholders is maximized, but the background paperwork is somewhat sacrificed and incomplete. This tradeoff in the paperwork to receive real benefit is only a minor irritation to the Debtor who has qualified management with twenty years of turnaround experience where faulty records are the norm, not the exception. The key requirements the led to the success of this approach were that, i) no liabilities were assumed unless specifically accepted by the Debtor (none were), ii) that, on Confirmation, the exact percentage ownership for all wells is readily available from the well operators and will be known to four decimal places, and purchase prices will be adjusted accordingly, and iii) the Debtor will own fifty ATM machines that it can identify by location and count. These certainties (especially the prohibition on liabilities) made the poor documentation a low risk annoyance that is easily accepted in light of the multiple acquisitions that were made possible and the resulting increased recovery to creditors and shareholders.

FINANCIAL PERFORMANCE

[21] The Debtor believes the increase from two to four acquired entities would have occurred in any case. However, at different times during the acquisition cycle, twelve of the eighteen entities decided to withdraw and were turned around by management. Two others threatened to withdraw and were convinced not to.

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Almost immediately upon the filing of this case on August 21, 1998, the Debtor ran into difficulty in gaining control of its cash and assets from selling parties who refused to comply when it asked for bank statements and other financial records. [See Dispute with Wilson and Morris]. The Debtor fell behind in its obligations until the dispute began to be resolved just prior to year end 1998. The dispute is completely settled and has been approved by the Court. The Debtor has received $145,000 from the closing cash balances in the assets it purchased, from operations or through settlement payments. The Debtor is current in all its obligations and has a modest positive cash flow from operations of approximately $3,000 per month.

The finances of the Debtor have been relatively steady and not complex. Settlement payments from Mr. Blake Wilson are $10,000 per month through August 1999, ATM revenue is approximately $9,000 per month with expenses of $5,000, and the 10% from the California wells plus revenue from the unrepaired Oklahoma wells total approximately $3,000 with expenses of $1,000. Net cash inflow to headquarters Has thus been $16,000 per month and administrative expenses there are held to less than $13,000 for a net $3,000 monthly positive cash flow. After August 1999[22], when the $10,000 monthly settlement payments are completed, the net positive cash flow will drop to a ($7,000) loss.

After the Effective Date and sale of well assets, the Reorganized Debtor will be an ATM company, trading publicly, with approximately $150,000 cash as reserve. [23] Management of the Debtor then expects to proceed to acquire other assets into the portfolio to increase its cash flows from investing and operating activity. Because of the cash reserves and $4,000 per month in ATM operating income, as compared to the modest headquarters expenses of $16,000 maximum per month, it is anticipated that the Reorganized Debtor will have ample time to search for portfolio investments without undue financial pressure. The Reorganized Debtor's future

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[22] The final August 1999 settlement payment will be approximately $5,000 , so in that transition month the net cash flow will be ($2,000).

[23] After the proceeds of the Oklahoma and California Wells have been returned, the Reorganized Debtor will have approximately $120,000 cash in its operating account and $200,000 cash in its ATM machines. The expected administrative claims that must be paid in cash are approximately $170,000, so the residual cash reserve is approximately $150,000. The Reorganized Debtor will follow the usual practice of ATM companies and borrow the cash to stock the ATMs from the bank that handles the ATM transactions.

operating strategy will focus on mergers with or acquisitions of minority interests in companies with existing management and positive cash flow. This limited and "go slow" approach in the initial months after confirmation will be well within the Debtor's capacity and without an increase in overhead.

After Confirmation, headquarters expenses could be reduced to $4,000 per month on a reduced presence basis if financial pressure indicated that extreme action was necessary. The Reorganized Debtor's post-confirmation expenses are now forecast to be: $10,000 for salary and payroll taxes; $2,000 for rent; $1,000 for telephones and office expenses; and $3,000 for accounting and legal. The Debtor believes there are many fine opportunities to expand and acquire interests in ATM businesses, so the Debtor does not anticipate much delay or difficulty in completing acquisitions of ATM companies. Even if there would be a delay, however, the Reorganized Debtor could reduce its expenses by management deferring salary and giving up its small office. The Reorganized Debtor could operate for at least awhile with just its telephone and professional expenses, or $4,000 per month. The Reorganized Debtor will have enough cash on hand on confirmation to cover its expenses at $16,000 per month for about a year; at $4,000 per month it could operate essentially indefinitely, as that is what projected operating income would be.

From operating assets and cash flow, $15,000 has been authorized by the Court and paid for legal expenses on the case to date. Outstanding unpaid legal costs total more than $150,000[24] and have been increasing at more than $10,000 per month.

The most recent Monthly Operating Report, without attachments, filed with the Court plus sub-reports by operating segment, accompanies this Disclosure Document (See Attachment A - Monthly Operating Report). The Operating Report contains the following major sections listed below (1-5). In addition, to clarify the contribution of each operating group, the Statement of Operations has been expanded here from the normal presentation to portray case-to-date

[24] This does not include approximately $37,000 from the Debtor's former legal counsel, Brooks and Raub, that is also expected to be an administrative expense and claim in the case.

operations by segment[25] in (2a-d). Also, a list of wells and the expected Debtor interest in them on Confirmation follows. Because there were *de minimus* expenditures by the Debtor until the filing of this case on August 21, 1998, these figures cover the entire period of ownership of the assets, which began with their acquisition on August 10, 1998. Attachment A contents are as follows:

1) Summary of Financial Status
2) Statement of Operations
    a) California Wells Detail
    b) ATM Businesses Detail
        (Also: ATM Locations, Monthly Transactions by Machine, Inception to Date ATM income Staement and Balance Sheet and ATM Cash Flow Report by Outside Accountants)
    c) Oklahoma Wells Detail
    d) Headquarters Expense Detail
3) Balance Sheet
4) Schedules to the Balance Sheet
5) Statement of Cash Flows
6) Post Confirmation *Pro Forma* Balance Sheet

The Monthly Operating Report differs slightly from normal financial reports prepared under generally accepted accounting principals, primarily because most assets are adjusted to market value instead of reflecting their cost basis. If you have questions on the presentation, if

[25] Although detailed data and information is received by well and by ATM it would be impractical and of little value to report the eleven wells and fifty ATMs separately in this document. Such data to make these precise calculations is available at the administrative offices of the Debtor for those parties interested in inspecting them. At the request of the Office of the U.S. Trustees, each monthly operating report has been broken down as California wells, Oklahoma wells, ATMs, and headquarters. These reports reflect the revenue of the Debtor. The reports do not include an analysis of the funds from the California wells that do not redound to the Debtor. This choice was made because it appeared that capital items were being improperly included in the operating accounts at those sites. The Debtor has not and will not be reconciling those, perhaps faulty, financial reports because it has no economic or fiduciary interest in the outcome.

1 the report is not attached, or if you would like additional financial information, please contact the
2 Debtor at (408)244-3362.

3 In support of the above reports, the Debtor receives and relies upon industry standard
4 reports it receives from the Oklahoma and California well operators. These reports list oil and gas
5 production by well in barrels and cubic feet and converts those to revenue in dollars. This is
6 recalculated and reported again adjusted to the percentage ownership of the Debtor. The net
7 expenses as a total and for the percentage interest are supplied on the same report. The total
8 expenses are then documented by well on an invoice by invoice basis. The Debtor has reviewed
9 each report received and cross checked them for internal consistency and reasonableness. In this
10 manner it determined that some capital items seem to be included in the California well expense
11 accounts. These misleading entries are no longer tracked and only the Debtor's 10% portion of
12 revenue without any expense is now recorded. The reports do appear to be precise and inclusive,
13 however the field operators are more interested in operations than in accounting. As a result, the
14 Debtor often has to remind the operators to forward reports in a timely manner and include all
15 schedules even for small items and amounts.

16 The ATM operations' current monthly financial reports (which are supplied by an outside
17 contractor and outside accountant) are being supplied and include LLC inception to date balance
18 sheet information. Transactions by machine are sent monthly and all checks are remitted with
19 invoice from the Debtor-in-Possession account. Each invoice to be paid is reviewed by the Debtor
20 and counter-signed by Debtor's counsel. The Debtor has interviewed the outside accountants and
21 contractor and is satisfied that their financial reporting, which will be made available to any party
22 of interest so requesting, is accurate. The by-machine reports are reviewed for internal
23 consistency and, so far, have proven to be so.

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Well Name [SOLD]	Net Revenue Interest at Confirmation
Bennet 2-7 (Pac West)	**68.3333%** **(PRODUCING)**
TVT 1-9 (Sierra West)	**66.1458%** **(PRODUCING)**
Verona (Sierra West)	**60.0000%** (Isolated from pipeline - ready to produce)
Theta 9801 (Golden West)	**61.1458%** (Not economic to produce at current low oil prices - ready to produce)
Stephens 2-28 (Golden West)	**67.3333%** **(PRODUCING)**
Gas Prospect (Sun West)	**67.3333%** (Option to purchase declined)
Oil Prospect (Sun West)	**61.1458%** (Option to purchase declined)
Petro 16-1[26] (Golden Trend)	**82.3333%** (Clogged with paraffin)
Petro 16-2 (Waynette - I)	**76.7778%** (Second zone potential)
Petro 16-3 (Waynette - II)	**77.3333%** (Second zone potential)
Petro 16-4 (Waynette - III)	**65.3333%** **(PRODUCING)**
Petro 16-5 (Waynette - IV)	**76.4444%** (Second zone potential)
Petro 36-1 (South Prairie)	**84.0000%** (Legal claim only)

[26] The percentages listed are the percentage of the interest that has been sold to the Debtor. The Petro Assignee interest holders only have the right of rescission and this percentage could decrease by the percentage of persons who rescind prior to Confirmation, however, the percentage will not exceed the listed number.

1 Upon the sale of the well assets, their historic operating performance will be moot, the
2 assets will have been converted to cash, most of those funds deposited in an investor trust account
3 and the net financial position of the company communicated to the investing public through a
4 summary press release. The financial summary of the sale transactions will be included in the
5 Debtor's Monthly Operating Reports filed with the Court and all affected investors and those on
6 the special notice list will be noticed of their respective sale transactions.

7 In total, the Debtor will have cash available to pay its administrative claims on
8 Confirmation and has the flexibility to operate within its cash reserve and cash flow limits as it
9 expands its business.

10 **DEBTOR'S DISPUTE WITH WILSON AND MORRIS**[27]

11 On August 21, 1998, as pre-planned, Debtor filed its voluntary proceeding under Chapter
12 11 of the Bankruptcy Act along with a Disclosure Statement and Plan of Reorganization. At that
13 time, the Company came under the direct review of the Office of the U.S. Trustees of the
14 Department of Justice and began to operate under the Bankruptcy guidelines as Debtor-in-
15 Possession. Some of these requirements under 28 U.S.C. section 586 and 18 U. S. C. section 154
16 are to:

17 1) Provide copies of all check registers and bank statements for all accounts covering the
18 90 day period prior to the commencement of the case.

19 2) Close all pre-petition banking accounts and deposit funds and ongoing revenues in,
20 and expend funds from, bonded Debtor-in-Possession accounts at a Court approved banking
21 institution.

22 When asked over a two month period to provide the detailed banking information and
23 accounting that the Court requires, the two controlling parties, Blake Wilson for the California

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25 [27] Although Main Street has indications that multiple dbas and controlled companies are involved, at this time, it has not been provided a comprehensive listing and mapping of the names and controlling parties of those
26 many entities. None-the-less, over the last year, all release of funds, negotiations, direction and control of the California wells and ATM business in their relationship to Main Street were closely held by only Mr. Wilson or Mr. Morris. Throughout this document, when Mr. Blake Wilson and Mr. David Morris are referred to, it is defined herein to mean themselves or their directly or indirectly controlled companies, employees or affiliates.

1 wells, and Dave Morris for the ATM businesses, refused to comply. The Oklahoma wells
2 management is fully co-operative. Dave Morris did provide partial information for one period.
3 Blake Wilson provided no accounting and banking information. This was reported to the Office
4 of the U.S. Trustees.

5 In addition to withholding the required financial and banking information, Mr. Wilson and
6 Mr. Morris refused to close existing banking accounts that became property of the Debtor and to
7 turn that money over to be placed in the Court approved Debtor-in-Possession accounts as
8 required under the Bankruptcy Code. Not only did this violate the directives of the Office of the
9 U. S. Trustees, it also jeopardized the viability of an otherwise well funded Plan and commercial
10 enterprise. Initially, Mr. Morris turned over approximately 7% of funds, and Mr. Wilson
11 forwarded only $1,244 from inactive accounts but accounted for nothing nor closed and
12 forwarded any funds from the presumably larger active accounts. Lastly, there seemed, at least
13 from the partial financial records available, to be irregularities involving transfers and payments
14 that gave rise to significant claims by the Debtor against Messrs. Wilson and Morris. Estate
15 funds in the six figures are involved.

16 In order to compel Mr. Wilson and Morris, their various controlled businesses and
17 affiliates to comply with both the requirements of the Bankruptcy Court and the terms of the
18 already concluded asset sales, Debtor has filed an Adversary Proceeding in the Bankruptcy
19 Court to cause them to do so.

20 It appears the prosecution of the Adversary Proceeding persuaded all of the named parties
21 to settle, and most of the proposed initial settlement funds have been delivered to the Debtor. Mr.
22 Wilson and the "oil and gas defendants" have signed a settlement agreement, the settlement and
23 mutual release have been noticed to all oil and gas investors, approved by the Bankruptcy Court
24 and the Adversary Proceeding is pending dismissal. In that agreement, to satisfy a claimed debt of
25 about $1.08 million, Mr. Wilson has agreed to a) pay $85,000 over nine months to Debtor, b)
26

convert 1,000,000[28] of the shares he was to receive into warrants at $1 per share, and c) turn over 1,100,000 shares to be sold to raise any balance of the $1,000,000 owed if that sum is not collected by the exercise of warrants in (b).

Mr. Morris has agreed to settle and all ATM defendants have signed the settlement agreement. In that agreement, Mr. Morris agrees to A) Pay the Debtor $10,000 or B) i) Pay $1,000[29], ii) loan Main Street $20,000 under the borrowing motion, if authorized, and iii) convert 50,000 of his shares to Series D Warrants. This settlement has also been noticed to all ATM investors, approved by the Bankruptcy Court and is pending dismissal.

The resolution of the Adversary Proceeding also clarifies the enforceability of the asset purchase agreements and the extent of the assets transferred.

DEBTOR'S OPERATIONS DURING THE CHAPTER 11 CASE

The Debtor has control of the assets it purchased under the asset purchase agreements[30]. It is operating those assets as it deems in its best interest. It can take any action, in the normal course of business and with the Court's permission other actions, that any owner of those assets ever could take. The assets can be produced, repaired, operated, sold, retired, moved or scuttled by the Debtor as it wishes.

The Debtor has retained the former "hired hands" that operated the interests in the past

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[28] As a result of the California and Oklahoma wells sale, Wilson will retain only 165,000 shares which will all be converted to Series A warrants, plus 66,000 Series B and 66,000 Series D warrants. His 22% portion of the proceeds of sale on account of his formerly anticipated remaining shares will be applied against the his settlement with the Debtor. The Debtor is expected to receive an estimated $42,000 from Wilson on account of this application of proceeds.

[29] Morris has paid $1,000 already and will be due another $1,000 under the California well sale. If Morris does not voluntarily lend the Debtor $20,000 or pay the remainder of the $10,000 by Confirmation, then the Debtor will retain the $1,000 due from the well sale. The 50,000 shares will be converted to Series D warrants as provided in (B)(iii), and, additionally, 80,000 of his remaining 159,541 shares will be canceled in satisfaction of his claim. At $.0.10 per share, 80,000 shares is $8,000, and when added to the $2,000 cash paid or recovered will settle the claim.

[30] The Debtor continues to collect the final deed assignments from the Petro Assignee participants who have sold their interests to the Debtor. Until repaired, all but one of their smaller wells are generally inactive and non-producing, so the Debtor has not made this final step in completing the transfer a priority. The Debtor feels that its rights and working relationship with Moore Investments, the Oklahoma well operator, are unaffected by the status of the paperwork in process. The Debtor does not anticipate any other trouble in securing clear title to any of its properties.

because they seem to have done a good job in operating the assets. These persons are not employees of the sellers, but rather separate contractors. If the Debtor wishes to bring on someone new to operate all or part of its assets it can and will do so.

For the California wells only, the Debtor bargained to receive 10% of the revenue, but has no responsibility for past liabilities, ongoing costs, or any costs prior to the Effective Date. This agreement in no way limits the Debtor's operating flexibility or rights. The Debtor's purpose, which has been achieved, was to capture a fair portion of the revenue and not be saddled with any, perhaps questionable, liabilities, especially those that should be more properly charged to capital accounts.

Any party in interest that wishes to be provided a copy of the six (almost identical) asset purchase agreements (approximately 125 pages total) may receive same by asking for them in writing from the Debtor. In summary, the asset purchase agreements describe that the Debtor is buying the assets of every kind from the sellers and is assuming no liabilities whatsoever. The purchase was in exchange for promissory notes with associated security agreements. However, if an acceptable Plan is proposed, then the sellers may accept that Plan, or they may not. To facilitate in advance the smooth approval of a potential Plan a mix of New Equity Securities that would be mutually acceptable was memorialized in the Purchase Agreement and those numbers serve as the underlying basis for the current Plan. Finally, the asset purchase agreements call for the Debtor to receive numerous documents from the sellers. The settlements for the Adversary Proceeding call for those documents to be supplied to the Debtor. The Debtor has received many of those documents and many of the documents are now not needed and of no current benefit to the Debtor. Nonetheless, the Debtor expects that as any additional documents are needed by the Debtor they will be supplied to it by the sellers if that is requested of them.

The Debtor intends to manage its properties during the case in a holding company fashion. The Debtor and its predecessor, Mentor Capital, have operated as a private holding company since 1985. The Debtor will retain the contractor management utilized by the properties' previous owners and confine headquarters actions to supervision (and replacement if necessary) of the

1 asset operators, plus financial, legal, and strategic review. This decentralized approach is
2 designed to limit overhead costs.
3 The Sierra West, Pac West, Golden West, and Sun West properties will continue to be
4 managed by R&R Resources. The Petro field operations will continue to be managed by Moore
5 Investments. The ATM Nevada operations will continue to be managed by Nevada ATM, and
6 David Morris will continue to assist in the general operating advisory on the ATMs. Reliance
7 Corporation, which has extensive oil and gas experience and is affiliated with the general partners
8 of the Investment Trusts, may be asked to advise on certain oil and gas issues. [See
9 Compensation of Management and Certain Other Parties.]
10 The Debtor has used the proceeds from the Petro wells and ATM Nevada production and
11 the $10,000 per month payment from Wilson as its primary source of operating capital during the
12 Case. The Debtor will also be receiving 10% of the revenues of the Sierra West, Pac West,
13 Golden West, and Sun West interests. The Debtor estimates that these sources have generated
14 average revenue of approximately $16,000 per month. The settlement payments, which continued
15 through mid-August 1999, and profit generated from the ATM and California wells were
16 adequate and exceeded headquarters' costs by approximately $3,000 per month, and the Debtor
17 had a net profit before tax of approximately $3,000 per month through August before
18 reorganization costs. This general situation has existed since the settlement with Wilson was
19 formulated in December 1998. (Starting in September 1999, the Debtor is not receiving
20 settlement payments from Wilson, and is currently operating with a ($7,000) per month negative
21 cash flow). During August through November 1998, the Debtor operated at a loss and, through
22 July 1999, shows a cumulative loss of ($2,383) from core operations and an overall net loss
23 (including reorganization expenses) of ($117,946). The Debtor's interest expense is not and
24 should not be included in this calculation because the Debtor does not actually receive or pay the
25 reported income and expense. The Debtor is operating in the normal course of business only, no
26 funds are being expended for rework or repairs by any party on the oil and gas wells nor are any
extensive efforts proceeding in the ATM business.

After August 1999, the Debtor will operate at a negative cash flow until it increases operating and investment cash flows in its portfolio by acquiring businesses, assets, securities and fractional interests in businesses. The Debtor currently has over $100,000 in its operating checking account and could operate without utilizing cash from the sale of assets for approximately one year in the unlikely event that Confirmation of this Plan took that long to reach.

FUTURE BUSINESS OPERATIONS

Moving forward, the Reorganized Debtor's[31] strategy for success is to expand through small acquisitions. The Debtor, under current management, has concluded forty-two acquisition or divestiture actions during the past fifteen years[32]. The "AC" in Main Street AC, Inc. stands for "Acquisition Corporation" and the Debtor is committed to that business approach. As such, the acquisition strategy is completely in keeping with the long term history and capabilities of the Debtor. The management of the Debtor has broad operating, acquisition and divestiture experience which will continue to be applied to maximizing investor returns in a flexible manner. Creditors and interest holders of the Debtor should consider the acquisition orientated nature of the Debtor's business strategy in assessing the merits of the Plan.

Although the Debtor has had interests in a wide variety of companies in the past, and will explore all opportunities as they become available, the Debtor believes that "pure play" companies present a better opportunity. Generally, "pure play" companies command a higher market valuation than companies involved in more than one market segment, so the Debtor intends to remain narrowly focused for at least the near term future. Because of this belief in the value of

[31] Throughout this document, the term Debtor is used when it is uncertain if the action will be taken by the Debtor or the Reorganized Debtor.

[32] The Debtor's flexibility in its acquisition approach may be best underscored by the fundamentals of the reorganization under consideration. The Debtor facilitated the reorganization of an athletic club business with no assets by acquiring oil and gas wells and ATM businesses. Additionally, the predecessors to the Debtor have included trucking, tortilla chip, salsa, sun tan, computer, child care, toy design, pizza equipment, interior design and investment interests. This cycle of acquisition and divestiture is expected to continue because it is reflective of the investment banking background and skills of the management of the Debtor and is one of the tools that will be applied to maximize recovery for creditors and shareholders.

remaining focused, the Reorganized Debtor may try initially to maximize its value by acquiring interests in other ATM companies, thereby increasing its own value and its leverage for future expansion. The Debtor's board has directed management to explore investment opportunities in the Internet or "e-commerce" areas; that exploration has not yet begun, so the Debtor cannot predict whether it will become involved in a ".com" business, but that is a very plausible possibility. If that should become a reality, the Debtor will quite likely switch its focus from ATM companies to an area of more perceived promise.

Prohibition on Shell Mergers

The SEC is much concerned about the possibility of a so-called shell or reverse merger and the associated potential for investor harm. The Debtor is keenly aware of its fiduciary role and would not voluntarily cause such investor harm. Nonetheless, the Debtor wishes to entirely belay that SEC concern. To satisfy the SEC objection the Debtor agrees to be prohibited from engaging in such otherwise legal merger activity for three years without the prior approval of the SEC or this Court. Specifically, the Debtor will not acquire more than 20% of any private entity unless, post-acquisition, owners of such entity will hold less than 30% of the reorganized Debtor's common and preferred stock. Imposition of the 20% - 30% thresholds by definition blocks the possibility of a reverse merger and limits the Debtor to smaller private acquisitions. Even issuing stock to acquire a private firm that is approximately half the size of the Debtor would be prohibited. Under these constrained conditions the SEC's concern about the potential for abuse should be laid to rest.

Revenue Projections

Detailed financial projections in an open acquisition scenario are usually impractical, prone to inflation and problematic. Such detailed financial projections are not provided, however the claimants and investors may note that the Debtor, upon the effectiveness of the Plan, will have approximately $150,000 in cash, ATM operating income of $4,000 per month and expenses of

$16,000[33] per month that could be reduced, post-Confirmation, to $4,000 per month. It may be assumed that any acquisition or divestiture activity entered into by the Debtor utilizing the Debtor's cash and/or stock will be reviewed by the Board which is controlled by the largest interest holders who are, other than Mr. Billingsley, all outside directors. They will ensure actions taken will be in the best interest of the shareholders and such actions will generally improve the economics of the Reorganized Debtor in some manner.

It should also be noted that the source of funds for the Reorganized Debtor's operating activities for the first sixteen months after the Confirmation of the Plan are from existing cash and Court approved settlements. In particular, the exercise of Warrants are not critical to the first sixteen months of the Reorganized Debtor's existence. Because the general and administrative expenses of the Debtor have been kept to a minimum, the capitalization needs of the Reorganized Debtor are also minimized. In this way, although mere survival is not in the Debtor's plans, addressing that issue, the Debtor projects it would be able to maintain a presence even by doing nothing for two years without the inflow of new capital or the exercise of Warrants. This is not to say that the inclusion of Warrants in the Plan is not important. They are part of what was discussed and bargained for with the sellers' representatives. The primary purpose of the Warrants is to provide a source of ready funding for the hoped for future growth of the Reorganized Debtor and provide a conduit for all claimants and interest holders to more fully benefit from that success if it materializes.

DESCRIPTION OF CLAIMS

Secured Claims

Class A-1 (Heller): Class A consists of the secured Allowed Claim held by Heller to the extent that it is secured by its security interest in the Bedbro Notes.

[33] After Confirmation, the Reorganized Debtor will continue to minimize expenses by not taking operational control of the ATM businesses it will own or acquire. The Reorganized Debtor will retain existing management at acquired or merged companies and will, at least initially, merely collect its share of the cash flow. In that environment, the Reorganized Debtor's main expense categories will be salary for one person, rent and operating costs for a small office, telephone and whatever professional fees it will incur as part of its acquisition strategy and for market compliance.

Among the few assets the Debtor had remaining after Heller seized the athletic clubs were two promissory notes issued by Bedbro, Inc., with original face amounts aggregating $793,941 The Debtor acquired the Bedbro Notes along with other assets acquired when its predecessor entities were merged into the Debtor. [See History of the Debtor's Prior Business.] Thereafter, the Debtor incurred a liability to Sumitomo Bank and pledged the Bedbro Notes as collateral therefor. Heller also held a security interest in the notes. Since Heller's seizure of the athletic clubs, it paid Sumitomo and took possession of the notes.

To the best of the Debtor's knowledge, the principal proceeds received and retained by Heller plus the balance remaining under the Bedbro Notes total approximately $635,000[34]. The Bedbro Notes bear interest at five percent (5%). The Debtor contends that the amount of Heller's secured claim is the principal payments retained and principal balance on the Bedbro Notes. The Debtor also assumes any taxes due on the interest portion of the note payments received and retained by Heller will be the responsibility of Heller to report and pay as appropriate.

Because all of the Debtor's material assets (other than the Bedbro Notes) could be secured by purchase money security interests in such assets, any lien Heller might assert thereon would be without value. Therefore, Heller's claim is secured only to the extent of its interest in the Bedbro Notes. For purposes of this Disclosure Statement only, the Debtor estimates that Heller will retain an approved claim secured claim of approximately $635,000. The Debtor believes that a global settlement with Heller that is acceptable to all parties has been reached in concept, is being reduced to writing, and that that settlement limits the secured claim to the extent of the Bedbro Notes.

Class A-2 (ATM Nevada): Class A-2 consists of the $310,000 (See Notes to be Retired) secured Allowed Claim held by the six ATM entities that held $2,370,000 purchase money security interests in the promissory notes issued to purchase the ATM assets of the Debtor to the extent that it is secured by the assets, products and proceeds of the secured assets. The secured

[34] The $635,000 balance on filing has been paid down to $560,000 as of the date of this Disclosure Statement. The $75,000 in principal proceeds received and retained by Heller and the $560,000 note balance constitute the entirety of Hellers' $635,000 security interest.

1 portion of this claim is $310,000[35] and is expected to be settled by the issuance of 3,100,000
2 shares of restricted stock at the equivalent $0.10 per share conversion rate at which restricted
3 stock was earlier approved for sale by the Court. The shares are issued under normal securities
4 regulations and fall under no special Bankruptcy exemption[36][37][38]. .The excess claim of $2,060,000

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[35] The basis for the $310,000 valuation of the ATM business is that the Debtor received a purchase offer for the business in that amount. The figure is also consistent with the combined cash and machine values. The Debtor placed an ad in the *Wall Street Journal* and received approximately 70 responses from parties interested in purchasing the ATM business. The Debtor believes it might possibly obtain an even higher offer after further marketing and negotiations, but the best indication of a higher price at this time is an oral offer for $330,000. Because the certainty of the oral offer was not assured, the Debtor used the $310,000 offer as the basis for its valuation of its ATM holdings.

[36] The SEC asked the Debtor to identify what exemption(s) from the Securities laws would apply to the restricted shares to be issued under the Plan. The Plan proposes the issuance of securities to holders of unsecured claims and interests in exchange for their claims or interests. These will be exempt from the registration and prospectus delivery requirements of the Securities Act, and the holders will be able to resell the securities without violation of the Securities Laws. In addition to these shares, however, and because of the Court's previously expressed concern over the motivation behind the original Plan of Reorganization, the Debtor proposes issuance of restricted shares to the ATM entities from which the Debtor bought the ATM assets. These securities, unlike those to the holders of unsecured claims, will be restricted from further sale for at least one year. The Debtor believes that the shares to these ATM entities would also be exempt from the registration requirements under section 1145, just as would the securities exchanged for unsecured claims. However, to address the Court's determination that the earlier Plan of Reorganization could not be confirmed because the primary purpose of the earlier Plan was to avoid securities laws, the Plan is now predicated upon complying with the restrictions of the Securities laws and without any Code-based exemption. As set out in some detail in the November 18, 1999 supplemental memorandum to the Disclosure Statement, the Securities laws themselves contain exemptions from the registration and prospectus delivery requirements in Section 5 of the Securities Act. Specifically, the Debtor will issue the securities to the ATM entities with restriction on the resale so as to come under the provisions in either or both of (I) the exemption under 4(2) of the Securities Act, or (ii) the exemption under Regulation D, 504. The issuance of the shares to the ATM investors would be exempt under section 4(2) because the issuance would not be part of a public offering. The Debtor would be issuing its stock to just five Nevada LLCs, not to the investing public as a whole or even a wide group of investors.

[37] A point to emphasize: the securities to the ATM entities can be exempt under section 1145(a); the Debtor's contractual restriction on the securities by the Plan make those securities also eligible for section 4(2) exemption, but it is *not essential*. The exemption under Rule 504 may not be as clear or as strong as the one under section 4(2), but the Debtor believes that exemption should be available because the offering value is so low and the Debtor otherwise falls within the limits of the rules boundaries.

[38] The Debtor believes the securities could be resold under the resale limitations contained in rule 144, although the Debtor wants the shares to be tradable as soon as permissible. Through the Plan itself, the Debtor is restricting resale of the securities for one year to make their marketability comparable to securities sold under either or both of the Rules. Even if not required by the Code, this restriction is designed to eliminate any concern or contention that the securities will be issued as part of a plan with the principal purpose of avoiding the Securities laws. If the shares were to be issued only under the exemption in section 1145(a) rather than under 4(2) because of the Court's concerns with the principal purpose for the Plan) these ATM LLCs which would receive securities in exchange for their claims against the Debtor would be able to resell them immediately under the exemption in section 1145(b). The Debtor would not really be responsible for compliance with any restrictions on subsequent distribution of the shares; that would be the responsibility of the recipient, *i.e.*, the ATM LLCs. If for any reason any of the securities could not be tradable under the

5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26

will be treated as a General Unsecured Claim under Class C. The claimants are ATM of Nevada, LLC, ATM-1 of Nevada, LLC, ATM-1A of Nevada, LLC, ATM-2 of Nevada, LLC, ATM-2A of Nevada, LLC and ATM-3 of Nevada, LLC.

Class A-3 (Oil Well Interests) [SOLD]: Class A-3 consists of the $11,285,000 (See Notes to be Retired) secured Allowed Claim held by the seven entities that held purchase money security interests in the promissory notes issued to purchase the oil and gas assets of the Debtor to the extent that it is secured by the assets, products and proceeds of the secured assets. These claims are expected to be completely satisfied by the sale of these well assets and the surrendering of the net proceeds ($150,000) to the interest holders. 100% ($16,000) of the Oklahoma wells net sale proceeds will go to the Petro Assignee Trust, Mr. Jerry Fey, trustee, for the economic benefit of the interest holders. For the California wells, 78% of the net proceeds will go into the Petro Assignee Trust (which may be renamed) which will have its membership expanded to provide for the interests of these well investors, also. 22% ($42,000) of the proceeds would be due Wilson, however, the entirety of this amount is less than the settlement claim by the Debtor against him and will be retained by the Debtor. These amounts will retire the claims of this class in full. It should be noted that no excess unsecured claim is provided for. The Debtor takes the position that the wells are worth what they sell for and any excess claim would only be because of exaggerations in the reporting of financial results by the sellers at the times the purchase notes were entered into. It is expected that the Class C-3 claimants will accept the net sale proceeds as 100% settlement of their secured claims[39]. The claimants are Sierra West UIT, Sierra West-A UIT, Pac West UIT, Pac West -2 UIT, Golden West UIT, Sun West UIT, and the Petro Assignee Trust.

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exemption in section 4 1145(b) or Rules 144 or 144A, then the individual ATM LLCs would be responsible for compliance with the Securities laws, not the Reorganized Debtor.

[39] The original purchase price of the oil and gas entities by the Debtor was based upon fraudulent disclosures by the selling entities (not, however, the investors in those entities). The difference in the purchase prices of the assets compared to what the Debtor was able to sell them for reflects and is evidence of the fraudulent overstatement of value. The entities themselves have not asked for an unsecured deficiency, and the Debtor assumes that the investors will look to the entities in which they invested for any redress for fraudulent or otherwise improper solicitations. The Debtor would object to the allowance of an unsecured deficiency under the circumstances.

1
2 **Unclassified Claims**
3 **Administrative Claims**
4 Claims entitled to priority under §507(a)(1) of the Bankruptcy Code are not classified
5 under the Plan, and the Code requires them to be provided special treatment. Such claims are
6 those arising during the pendency of the Chapter 11 case. Traditionally, such claims would
7 include the fees and costs of professionals (lawyers and accountants) representing the Debtor and
8 any creditors' committee, fees of the United States Trustee for overseeing the case on behalf of
9 the government, and claims by parties who provide goods and services during the case.
10 Because the normal operating expenses will be paid from revenues generated by the
11 operating properties, the Debtor believes that there will be only minimal claims for goods and
12 services during the case. The Debtor cannot predict at this time the total amount of fees that will
13 be incurred for the services of professionals, but the Debtor believes that such claims will not
14 exceed $160,000. Of this amount, $48,000 in legal fees have been incurred to file and attempt to
15 bring to settlement the dispute with Wilson and Morris, and $112,000 is for projected total basic
16 legal expenses associated with the reorganization. If allowed, as is expected, an additional
17 $37,000 in administrative claims would also be added to this total derived from prior work of the
18 Debtor's former legal counsel, Brooks and Raub.
19 On January 22, 1999, the Debtor asked the court for authority to issue between $134,444
20 and $500,000 in Certificates of Indebtedness from its existing shareholders and investors which
21 was denied by the Court.
22 **Priority Tax Claims**
23 Certain governmental claims for taxes and customs duties which existed prior to
24 commencement of the case are entitled to priority under §507(a)(8) of the Code. These claims
25 are not classified under a plan of reorganization, and they are entitled to special treatment. The
26 Debtor believes that such claims consist only of certain property tax claims in the aggregate

1 amount of approximately $12,000.

2 The above not-with-standing, in particular, the Debtor plans that no claim be allowed for

3 additional personal property taxes for Santa Clara County as those taxes are already paid in full.

4 The Santa Clara County personal property assets were sold by the receiver for approximately

5 $320,000. Personal property taxes were paid on these assets at a valuation of approximately

6 $720,000 for 1995, 1996 and 1997 at the full rate of 1.045%. The Santa Clara County tax office

7 contends that these assets (gym equipment, furniture, fixtures and leasehold improvements) really

8 had a value of $2,000,000 and at a personal property tax rate of 1% an additional $60,000 is

9 owed which the Debtor vigorously denies. The Debtor has met with the county and explained

10 that although pre-receivership depreciation schedules are not available, the Debtor's audited

11 financials, equipment appraisals, and asset sale information (which were provided to the county)

12 indicate the taxes were paid correctly and perhaps even a $12,000 rebate is due to the Debtor.

13 Lacking depreciation schedules, Santa Clara County has incorrectly included goodwill, customer

14 lists, and below market rents as personal property and otherwise inflated the values beyond the

15 credible. The Debtor will object to this claim unless it is withdrawn or at least reduced to a level

16 that the Debtor would accept in view of all of the circumstances..

17 **Priority Claims**

18 **Class B-1 (Employee Claims)**: Class B-1 consists of unsecured Allowed Claims entitled

19 to priority pursuant to §507(a)(3) or (4) of the Code. These include unsecured claims for (i)

20 wages and salaries of the kind specified in Section §507(a)(3) of the Bankruptcy Code, including

21 claims for vacation, severance, and sick leave pay, and (ii) contributions to employee benefit plans

22 arising from services rendered within six months prior to commencement of the Chapter 11 case.

23 The Debtor believes that such claims total approximately $9,000.

24 **Class B-2 (Member Claims):** Class B-2 consists of unsecured Allowed Claims entitled

25 to priority pursuant to §507(a)(6) of the Code. Such claims would include claims, up to a

26 maximum of $1,950 each, held by purchasers of athletic club memberships whose memberships

the Debtor was unable to honor.

1 At the time of its closure, the Debtor owed approximately $4,000 in unearned membership
2 deposits to approximately 15 members. The Debtor has been informed that the vast majority of
3 membership deposits are being honored by the purchaser of the largest of the Debtor's clubs.
4 Other clubs have been closed. The Debtor believes that many of the pre-paid memberships in the
5 closed clubs will be honored by the purchaser of the largest club or through cooperative use
6 agreements with competitors' athletic clubs in the area.

7 However, the Debtor cannot determine with accuracy at this time how many members
8 may have claims for dishonored pre-paid memberships. Based on the Debtor's investigation, it
9 estimates that such claims will not total more than $6,000.

10 **General Unsecured Claims (Class C)**

11 Class C consists of unsecured Allowed Claims which are neither priority claims included in
12 Class B-1 or Class B-2 nor unclassified administrative or governmental priority claims. This class
13 includes the vast majority of unsecured claims, consisting primarily of the commissions or finder
14 fees for the Debtor's previous and pending acquisitions, and the claims of trade creditors from the
15 Debtor's prior business. The Debtor estimates (for purposes of this Disclosure Statement) that
16 contingent commissions and contingent finder fees total approximately $1,700,000 and that trade
17 claims will total approximately $1.9 million.[40] Any Allowed Claim held by Heller which exceeds
18 the value of the Bedbro Notes will be included in Class C. Based on the settlement with Heller
19 that is being drafted, Heller's unsecured claim would be approximately $250,000 , which will be
20 used in this presentation. The unsecured portion of any Allowed Claim by ATM Nevada,
21 estimated at $2,060,000 , will be included in Class C.

22 Heller was also seeking to recover the entire amount of its $1.2 million original loan
23 amount from the Debtor's President, who had guaranteed the loan, without any credit for the

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[40] Commissions and finder's fees include primarily certain fees earned on acquisition of the oil and gas and ATM businesses, as well as commissions relating to the transaction under negotiation for the Illinois acquisition. Some of these commissions may be disputed or are contingent claims, all of which depend on the consummation and the terms of the acquisition and the final value of the assets acquired. For commissions on asset purchases, the shares to settle the claim will be scaled back proportionately to the book value of the assets actually purchased compared to the book value bargained for.

1 estimated recovery from the Debtor's assets. In December 1997, Mr. Billingsley filed personal
2 bankruptcy under Chapter 7 of the Code on account of his guarantee, and Heller has filed a non-
3 dischargability action against him in his personal case. To the extent that the President is required
4 to make payments to Heller, he could assert a claim for indemnity against the Debtor pursuant to
5 an indemnification provision in the Debtor's bylaws. To the extent an indemnification claim would
6 be allowed, it would be included in Class C and, if large, would have commensurably large
7 negative impact on the success of the Debtor's plans and financial viability. However, it appears
8 that these concerns are virtually moot, because the resolution of the dispute with Heller that
9 includes a release of Mr. Billingsley for his actions on behalf of the Debtor has been agreed upon.
10 The settlement between Mr. Billingsley, Heller and the Debtor has been reached in concept and is
11 being reduced to writing. The Debtor will seek approval of the settlement prior to confirmation
12 of the Plan. In this Disclosure Statement, no estimated amount is included for the Debtor's
13 president's contingent indemnity claim. [See "Class 7 (Heller)."]

14 **Estimated Amounts of Claims**

15 The Debtor is unable to predict the sum of all claims which might be filed in the Chapter
16 11 case but estimates that the sum of all Allowed Claims will be as follows:

17 Secured claims

Heller First Capital (Class A-1)	$635,000
ATM Nevada	310,000
Oil Well Interests [SOLD]	11,285,000
Administrative Claims	
Professional fees, etc.	197,000
Governmental Claims	12,000

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1 Priority claims

2 Employee Claims (Class B-1)	9,000
Member Claims (Class B-2)	6,000
3	
Unsecured claims (Class C)	4,610,000[41]
4	
TOTAL (Estimated)	$17,064,000

5

6

DESCRIPTION OF EQUITY SECURITY INTERESTS

7

Outstanding Preferred and Common Stock

8 **Class D-1 (Preferred Stock):** Class D-1 consists of the interest based on the Debtor's

9 outstanding preferred stock: 13,333 shares held by a former general partner of a predecessor of

10 the Debtor and the Debtor's former Chief Operating Officer, Mr. Joe Gigantino.

11 **Class D-2 (Common Stock):** Class D-2 consists of the interests based on the Debtor's

12 outstanding common stock. All holders of common stock on the record date will be afforded the

13 same treatment. There are 2,299,242 shares of common stock outstanding, held of record by

14 approximately 320 persons and entities. 800,000 of these shares are restricted, and consists of

15 the interest in 800,000 restricted shares sold under Bankruptcy Court approval but with no special

16 exemption to Gib McCord and resold to Ernie Williams in a private transaction. Consideration

17 was $80,000 cash. 1,449,242 of the shares legally trade on the National Association of Securities

18 Dealers' bulletin board under the trading symbol "MFIT" ("MFITQ" during the pendency of this

19 case). However, the shares are not listed on any securities exchange or quoted in the National

20 Market System. [See "Market for the Debtor's Securities" under Means for Implementation of

21 the Plan.] The stock is not registered with the Securities and Exchange Commission, and the

22 Debtor is not subject to the reporting requirements under the Securities and Exchange Act of

23 1934. [See also "1996 Stock Offering" under History of the Debtor's Prior Business.]

24 The record date for voting and receiving distributions under the Plan is the date of

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26 [41] Because of the contingent nature of over $1,000,000 of the unsecured claims, it is estimated that the final allowed claims in Class C will be $4,610,000. Total unsecured claims before contingent elimination are $5,710,000

1 approval of the Adequacy of this Disclosure Statement, or such other date which is shown on the

2 Notice of Hearing on Confirmation. [See Voting on the Plan.]

3 **Warrants to Acquire Common Stock**

4 From time to time, before the beginning of this case, the Debtor issued options and

5 warrants to acquire common stock. The currently outstanding classes of options and warrants

6 are identified in the following table:

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Plan Class	Exercise Price	Number of Shares Subject to Options	Number of Option Holders
Class D-3	$1.00	165,040	2
Class D-4	$4.00	274,283	76
Class D-5	$6.00	52,691	17
Class D-6	$10.00	294,084	31
Totals		786,098	126

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13 **TREATMENT OF CLAIMS AND INTERESTS**

14 The times for payments and distributions with respect to claims are generally measured

15 from the Effective Date of the Plan. The Effective Date will be the date on which the Debtor files

16 the Amended Articles. [see "Effective Date/Filing of Amended Articles of Incorporation" under

17 Means for Implementation of the Plan.] The Plan requires the Amended Articles to be filed after

18 the assets are sold but within 120 days after Confirmation.

19 **Secured Claims**

20 **Heller Financial Corp; (Class A-1)**

21 The Plan provides for the Debtor to assign the Bedbro Notes to Heller in full satisfaction

22 of its secured Allowed Claim in Class A-1 which the Debtor contends is the principal payments

23 received and retained by Heller plus the outstanding principal balance owing on the Effective

24 Date. All payments which Heller will have received on the Bedbro Notes before the Effective

25 Date will be applied to the total prepetition claim. To the extent that Heller has an Allowed Claim

26 against the Debtor in excess of the principal balance of the Bedbro Notes on the Effective Date,

such claim will be unsecured claims and included in Class C (Unsecured Claims). Any taxes due, if any, on the interest portion of the note payments already received by Heller are the responsibility of Heller.

Nevada ATM; (Class A-2)

The Plan provides for the Debtor to issue 3,100,000 restricted shares to ATM Nevada in full satisfaction of its secured Allowed Claim in Class A-2 which the Debtor contends is $310,000. To the extent that ATM Nevada has an Allowed Claim against the Debtor in excess of $310,000 , such claim, estimated at $2,060,000 , will be an unsecured claims and included in Class C (Unsecured Claims).

Oil Well Interests; (Class A-3)

The Plan provides for the Debtor to complete the sale of the California and Oklahoma oil and gas interests and return the net proceeds to the economic interest holders in full satisfaction of their secured claims. The portion due Wilson will retained by the Debtor in partial satisfaction of his settlement with the Debtor. No unsecured claim is provided for.

Unclassified Claims

Administrative Claims

Traditional Administrative Claims

The Plan provides for administrative Allowed claims to be paid on the Effective Date unless the holder of such a claim agrees to different treatment.

Election for Administrative Claimants

The Plan contains a mechanism for holders of administrative claims to elect to receive New Equity Securities in lieu of cash on account their claims. Holders of administrative claims who elect such treatment will receive New Equity Securities in satisfaction of their Allowed Claims. Each claimant will receive (i) four shares of New Common Stock for each dollar of its Allowed Claim, and (ii) four Warrants: one Series A Warrant, one Series B Warrant, one Series C Warrant, and one Series D Warrant. Each Warrant will permit the Certificate Holders to purchase four shares of the Debtor's common stock for each dollar of their Allowed Claims. In other

1 words, each electing creditor will be entitled to receive up to twenty shares of common stock for
2 each dollar of its Allowed Claim, consisting of four shares of New Common Stock and up to
3 sixteen additional shares, if purchased upon exercise of Warrants. To make this partial or
4 complete election, the holder must notify the Debtor in writing of its election prior to the earlier
5 of (a) ninety days after the Effective Date or (b) the holder's receipt of Cash on account of such
6 portion of their claim.

7 **Priority Tax Claims**

8 The Debtor estimates that the only priority tax claims consist of personal property tax
9 claims in the aggregate amount of approximately $12,000. If such estimate is substantially
10 correct, then the Debtor projects that it will have sufficient cash to pay such claims in full on the
11 Effective Date. Accordingly, the Plan provides for payment of all priority tax claims in full on the
12 Effective Date if the total of such claims are $22,000 or less. However, if it should turn out that
13 priority tax Allowed Claims exceeds $22,000, then the Plan provides for the claims (plus interest
14 at the rate provided in §6621 of the Internal Revenue Code), to be paid in quarterly installments
15 of $5,000 each, commencing three months after the Effective Date and continuing until the earlier
16 of full satisfaction of such Allowed Claims or three years after the Effective Date. Any principal
17 or interest not paid at the end of three years will be immediately due and payable.

18 **Priority Employee and Member Claims; (Class B-1 and Class B-2)**

19 The holders of Allowed Claims in Class B-1 (employee wage and benefit claims) and
20 holders of Allowed Claims in Class B-2 (member claims) will receive Cash in the amount of such
21 claims on the Effective Date. Classes B-1 and B-2 are impaired under the Plan.

22 As with administrative claims, the Plan provides for each holder in Class B-1 and Class
23 B-1 to elect to receive New Equity Securities; in this case, one share of New Common Stock for
24 each dollar of claims as well as one Series A Warrant and one Series D Warrant, each to purchase
25 a like number of shares of common stock. To make this complete or partial election, the holder
26 must notify the Debtor in writing of its election prior to the earlier of (a) ninety days after the
Effective Date or (b) the holder's receipt of Cash on account of such portion of their claim.

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Unsecured Claims; (Class C)

Each holder of Allowed Claims in Class C will receive one share of New Common Stock on account of each dollar of such claims and one Series B Warrant and one Series D Warrant each entitling the holder to purchase a like number of shares of the Debtor's common stock. Class C is impaired under the Plan.

Equity Security Interests

Outstanding Shares

Class D-1 (Preferred Stock): The holder of the Debtor's existing Preferred Stock will receive (a) 13,333 shares of New Common Stock, which is equal to the number of shares of preferred stock he currently holds, plus (b) one Series C Warrant and one Series D Warrant, each entitling him to purchase a like number of shares of the Debtor's common stock. His preferred stock will be canceled on the Effective Date. Class D-1 is impaired under the Plan[42].

Class D-2 (Common Stock): Each of the Debtor's existing shareholders will retain its shares of the Debtor's common stock and will receive one Series D Warrant entitling such holder to purchase a number of additional shares of the Debtor's common stock equal to twice[43] the number of shares held by such holder on the Record Date. [See "Determination of Record Date for Voting of Common Stock" under Voting on the Plan.] Class D-2 is impaired under the Plan.

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[42] Impairment is a term of art used in the Bankruptcy Code to refer to any change, either positive or negative, in the legal, equitable or contractual rights of the holder of a claim or interest.

[43] When the individual investors in the Unit Investment Trusts purchased by the Debtor voted to be acquired by the Debtor, they understood and it was planned that electric generation systems would be installed at several gas well sites. Because the field engineering group that would work with the Debtor to accomplish these projects has been sued by the Debtor in Bankruptcy Court, it was decided that the degree of cooperation required for successful project implementation would not be possible. The installation of power systems will not be undertaken. To compensate the investors for the slightly diminished circumstances, it was decided that one extra Series D Warrant (the most out of the money and least valuable Warrant) would be issued with each share, which slightly increases what is to be received by the investors over what was submitted in the original Plan filed in August 1998. This move is felt to bring the overall value received back in line with what the investors voted on and equals the value they were expected to receive under the August 1998 Plan. To then keep the entire Plan in equitable balance, one additional of the least valuable Series D Warrants was also added pro rata to each of the other Warrant recipients (i.e. other than the investors) beyond what was contemplated in the August 1998 Plan, as previously filed. The result is judged to be of equal and equitable value for all parties under this current Plan.

Existing Options and Warrants

The Plan provides for the holders of existing options and warrants to receive new Warrants in exchange for such existing options and warrants. Each holder will receive one Series D Warrant and one matching Warrant, each to purchase the same number of shares as the holder could purchase with their existing options and warrants. The exercise periods will generally be shortened from the lengthier option periods the holders are now entitled to. The exercise prices for the matching Warrants also will be different, as shown on the following table:

Plan Class	Existing Exercise Price	New Warrant Series	New Maximum Exercise Price
Class D-3	$1.00	Series A	$1.00
Class D-4	$4.00	Series B	$3.00
Class D-5	$6.00	Series C	$5.00
Class D-6	$10.00	Series D	$7.00

MEANS FOR IMPLEMENTATION OF THE PLAN

Summary

The Plan is to be implemented by issuance of certain New Equity Securities in exchange for claims[44] and interests[45] of the Debtor's creditors and shareholders, as well as payment of those claims which must be paid in cash. All disputes with the Debtor are sufficiently resolved and, to

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[44] Warrants will be issued directly to the entities (e.g. ATM LLCs) that will also hold restricted shares of the Debtor, not to their investors. No New Equity Securities will be issued to, for example, the shareholders in ATM companies who are not direct shareholders and who hold merely a beneficial interest or shares in the entities which executed the Purchase Agreements with Main Street and which now hold the shares issued to settle secured claim against Main Street's assets.

[45] The Plan is now, in simplified form, the issuing of shares and warrants to satisfy unsecured claims and the issuing of warrants only as an adjustment for the impairment of equity interest holders. It is inaccurate to characterize the Plan implementation as the merger of a public shell with a privately held corporations since 54% of the equivalent stock to be issued will have occurred (some stock will be issued but held for initial safekeeping) under 1145 but contractually limited to the equivalent of normal state and federal securities regulations without any bankruptcy exemption. (See also footnote page 5) The Plan now, to the greatest extent, only settles unsecured claims and makes a token adjustment to equity interest holders . As part of the Plan no merger will occur, no new entity will be formed, no new shares will be issued to existing shareholders (although they will receive Warrants because of their impairment). The ATM corporations will, at least for a short period of time, have some continued responsibility for their own liabilities, taxes, investor communication and distribution, and limited other issues. Since August 10, 1998, the Debtor has ceased to be a shell corporation. Since that date, the Debtor had an operating business with revenues, expenses and profit.

the Debtor's knowledge, all parties with an economic interest in the case,, and the Debtor, if an affirmative vote is obtained, are prepared to immediately implement the Plan.

Description of New Equity Securities

The New Equity Securities to be issued under the Plan consist of newly issued New Common Stock and certain Warrants. Generally, such shares and warrants would be freely tradable, however no trading will be allowed in these shares until the Debtor is audited and fully reporting under the SEC securities reporting system, probably in February 2000. On Confirmation, it is estimated that the New Common Stock and previously issued stock (approximately 11,000,000[46] in total shares) would have a forced liquidation value of $0.02 (approximately $260,000[47]). Since January 1999, the Debtor's common stock has generally traded close to $0.18 bid and $0.32 asked. Each Warrant will entitle its holder to purchase shares of the Debtor's common stock, and all Warrants expire sixteen months after Confirmation, unless such date is extended by the Debtor for any particular series. Each series of Warrants has a different exercise price. The holders of Warrants will be entitled to purchase the Debtor's common stock at the purchase prices stated in such Warrants, as shown in the following table:

Series	Exercise Price
Series A	$1.00
Series B	$3.00
Series C	$5.00
Series D	$7.00

The Debtor will have the right, under the Plan, to redeem all or part of the Warrants in any particular series if the closing bid price for the common stock is at least $1.00 or at least 100% higher than the exercise price for that series on the last trading day before the Debtor gives notice

[46] This approximate 11,000,000 share figure includes approximately 1,400,000 previously issued, outstanding freely tradable shares, 3,000,000 restricted shares issued to retire the secured portion of the ATM purchase notes, 800,000 shares issued under bankruptcy court approval in a stock sale motion and 4,800,000 to satisfy unsecured claims and 1,000,000 shares for management.

[47] If all of the assets of the Reorganized Debtor were sold just before Confirmation it is estimated that $260,000 would be generated after claims. If those funds were distributed pro rata to all of the shareholders at that time, then each shareholder would receive approximately $0.02324 per share for each share that they held at that time. This $260,000 liquidation estimate is based on 1) the ATMs contain $200,000 cash, and 2) the 50 ATM machines are worth approximately $2,200 each in place ($7,000 to $8,000 new) or $110,000 in total 3) $120,000 in operating cash , and 4) $170,000 in administrative claims.

of its desire to redeem Warrants. The Debtor must give a minimum of 30 days notice of its intent to redeem Warrants by issuing a press release and sending written notice by first class mail to the last known address of the Warrant holder. Warrant holders may exercise their Warrants at any time before the close of the specified redemption date. The redemption price will be $0.10 per share in cash, and unexercised Warrants may be redeemed by the Debtor or its designee. Any unexercised warrants not redeemed will be reset to the next higher Warrant level at the end of the notice period. Series notice periods of the four Warrants types may overlap which could limit the holder's time to exercise at the next Warrant level. The Debtor intends (but is not required) to sequentially reset the Series A, B, and C Warrants when it has the option to redeem to give holders the maximum opportunity to exercise. After the notice period for the Series D Warrants expires, the Debtor intends to allow designees to redeem and exercise the Series D Warrants; if done, the Debtor will send the $.10 per Warrant proceeds to the holders when the entire class has been redeemed. Even after the Series D Warrant notice period has expired, the holders may still exercise their Series D Warrants until all of the Series D Warrants have been redeemed by the Debtor or its designees.

After the Effective Date, the Debtor may reset all of the outstanding Warrants in one or more Series to a lower exercise price[48]. The Warrants may not be reset to a higher exercise price. Because of this reset provision, and to have maximum flexibility to facilitate a follow-on merger, if a reverse stock split occurs, it will be applied to the number of outstanding shares but not affect the number or price of outstanding Warrants. The more normally encountered, forward splits are unaffected by this procedure.[49]

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[48] For example, to optimize capitalization the exercise price of the Series A, B, C and D Warrants could be reset downward from $1, $3, $5 and $7 per share to $0.50, $0.50, $1 and $2.27 per share, respectively. The outstanding Warrants as a class may be reset once or repeatedly from time to time to any downward adjusted exercise price that the management of the Debtor calculates as financially optimal. Already exercised Warrants will be unaffected by such adjustment. The Warrants may not be adjusted upward, nor readjusted upward once the strike price has been lowered.

[49] For example, if a holder has 300 shares and 300 Series B Warrants at a $3.00 per share exercise price and a 2:3 reverse split is announced, then, after the reverse split, the holder would own 200 shares and 300 Series B Warrants at $3.00 per share. However, in the case of a normal 2:1 forward split, the same original holder would end up with 600 shares and 600 Series B Warrants at a $1.50 per share exercise price.

Description of Restricted ATM Shares

The Plan calls for the issuance of restricted stock, not under any bankruptcy exemption, to settle the secured claims from the purchase notes the Debtor owed to the ATM entities from which it purchased the ATMs in August 1998. These shares are issued and must be held by the ATM entities (not the investors) for a period of one year. The Debtor will take those measures, that in its sole judgment, are necessary to ensure that any transfer prior to the first anniversary cannot occur without prior approval of Debtor's counsel as being in complete accord with all securities laws requirements. The Debtor will also take those steps necessary to ensure that the investor's interests are fully protected. It should be noted that Earl Gurnack is taking over as President of the five ATM LLCs that the Debtor purchased the assets from.

Retirement of Notes

The Plan calls for the issuance of restricted stock to settle and retire the ATM notes and surrendering of the net cash proceeds of sale to settle and retire the Oklahoma and California well notes

An overview of the notes to be settled and the allocation of cash or shares in settlement is detailed in the immediately following two tables:

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NOTES TO BE RETIRED

Note Holder	Note Amount	$CASH or *Shares* to Retire Notes
Sierra West UIT	$1,290,000	$45,000
Sierra West -A UIT	$1,290,000	$45,000
Pac West UIT	$155,000	$14,000
Pac West - 2 UIT	$155,000	$14,000
Golden West UIT	$3,300,000	$82,000
Sun West UIT	$825,000	$5,000
Petro Assignee Trust	$4,271,000	$18,000
ATM of Nevada, LLC	$474,000	*620,000*
ATM - 1 of Nevada, LLC	$474,000	*620,000*
ATM - 1A of Nevada, LLC	$474,000	*620,000*
ATM - 2 of Nevada, LLC[50]	$189,600	*248,000*
ATM - 2A of Nevada, LLC	$474,000	*620,000*
ATM - 3 of Nevada, LLC	$ 284,400	*372,000*
Total Restricted Shares[51]		***3,100,000***
Total Cash	**$13,655,000**	**$223,000**

[50] The consolidation of ATM - 2 and ATM - 3 of Nevada LLC has been approved. All ATM -2 and ATM - 3 amounts will redound to ATM - 3 of Nevada, LLC which the Debtor will own 100% interest in.

[51] Additionally, for each three restricted shares planned to be issued to the ATM entities shown in this table, an additional two shares and four warrants will be issued on account of their related unsecured claims.

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ALLOCATION OF PROCEEDS AND SHARES

Note Holder	# Shares	Investor $	Investor $ *Sh*	Overhead $ *Sh*
Sierra West UIT Sierra West -A UIT		$2,700,000	$61,000	$29,000
Pac West UIT Pac West - 2 UIT		$1,500,000	$25,000	$3,000
Golden West UIT		$3,965,000	$72,000	$10,000
Sun West UIT		$1,839,434	$5,000	$0
Petro Assignee Trust[52]		$2,880,096	$18,000	$0
ATM of Nevada, LLC[53] ATM - 1 of Nevada, LLC ATM - 1A of Nevada, LLC ATM - 2 of Nevada, LLC ATM - 2A of Nevada, LLC ATM - 3 of Nevada, LLC	*5,160,000*	$2,370,000	*4,945,000*	*215,000*
Total Cash		**$15,224,530**	**$181,000**	**$42,000**

[52] The Debtor expects to hold an approximate 45% interest in the Oklahoma wells (Petro). The $ investment and investor and overhead shares are calculated above assuming the Debtor's final interest is 45%.

[53] The number of shares for ATM of Nevada includes both the restricted and unrestricted shares on account of their secured and unsecured claims, respectively.

The net effect of the above described issue of stock as part of the Plan is that the majority of the total shares to be issued (6 million of 11 million) under 1145 are issued without any avoidance of the securities registration law restrictions what-so-ever. The contractual restriction and one year holding period mirrors Section 5 of the Securities Act of 1933. This parallel compliance for the majority of shares, which was an earlier expressed concern of the Court, now should be ameliorated.

In simplified form, every investor in an economic property who invested $1.00 can be expected to receive under the Plan the following:

NORMALIZED INVESTOR CASH PROCEEDS, SHARES AND WARRANTS

(per $1.00 Invested)

Note Holder	Net Cash Proceeds	*Shares*	*Warrants*	*Equivalent Shares*[54]
Sierra West UIT	$0.023			
Sierra West -A UIT	$0.023			
Pac West UIT	$0.017			
Pac West - 2 UIT	$0.017			
Golden West UIT	$0.018			
Sun West UIT[55]	$0.003			
Petro Assignee Trust	$0.006			

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[54] The warrants as a whole are much less valuable than shares of stock. The higher priced a warrant is, the lower is its value. The initial strike price for the Series A, B, C & D warrants is $1, $3, $5 and $7, respectively. At those prices, with the Debtor stock trading at $0.18, it is estimated that a series A warrant is worth 12% of one share, Series B = 5%, Series C = 3% and a series D warrant is equivalent to 2 % of one share of stock. Using those figures a true relative estimate of what value, in equivalent shares, each group is receiving can be calculated and compared.

[55] The Sun West investors get to retain 100% of their investment in Sun West because the Debtor is not exercising its option to acquire those assets. The net affect is that for zero investment in the Debtor the Sun West investors will receive some small value in the warrants earned. The Debtor considers that the Sun West option to purchase extends to the part of it renamed as Cal West. This is subject to discussion, but that discussion is moot because the option will not be exercised and the small equity value awarded in the option for an option exchange is deemed fair and proper by the Debtor who must grant it.

ATM of Nevada, LLC (ALL)	*2.18*	*1.74*	*2.24*

Effective Date/Filing of Amended Articles of Incorporation

Many of the transactions contemplated by the Plan become effective on the Effective Date, as defined in the Plan. The timing of many events under the Plan is also measured from the Effective Date. Under the Plan, the Effective Date is on the date on which the Debtor files Amended Articles of Incorporation. The Amended Articles must be filed not later than 120 days after Confirmation of the Plan.

The Amended Articles will contain provisions that authorize sufficient number of shares of common stock to allow for issuance of the New Common Stock and the shares that would be issuable on exercise of the Warrants to be issued under the Plan[56]. Additional authorized shares will be included to allow for common stock to be available for issuance in future transactions.

Issuance of New Equity Securities

On the Effective Date, ATM Nevada will have their purchase notes retired by the Debtor in accordance with the Plan. Not later than sixty days thereafter, the Debtor will issue the Warrants to the entities holding shares as they are entitled.[57]

Finally, the New Equity Securities issuable to the Debtor's unsecured creditors and equity holders (Class C and Classes D-1, D-2, D-3, D-4, D-5, and D-6) will concurrently be issued within 60 days after the Effective Date.

Any New Common Stock and proceeds from the redemption of Warrants that are not deliverable after issuance or receipt and that have not been claimed 90 days after five press releases on issuance and the redemption of Warrants have been made, will be retired into the Debtor's treasury. The claim with respect to which the New Equity Securities was issued shall

[56] The Debtor's Amended and Restated Articles of Incorporation currently authorized the issuance of up to 40,000,000 shares of common stock and 10,000,000 shares of preferred stock. Currently, 2,299,242 common shares and 13,333 preferred shares are outstanding.

[57] New Equity Securities will be deemed issued on the date they are sent by first class mail to the holder's last known address recorded on the Debtor's books.

be deemed withdrawn, and the funds corresponding to the withdrawn claim shall be disbursed according to the Plan.

Post-Confirmation Control

Mr. Billingsley, Mr. Williams and Mr. Meyer, all board members in the reorganized Debtor, will each hold slightly more than 10% , 8% and 2% , respectively, of the Debtor's outstanding shares after Confirmation.

The following two tables show the total number of new common shares to be issued pursuant to the Plan. The first table shows the new common shares to be issued on Confirmation. The second table assumes all Warrants and options are exercised. Both tables show the percent of that total number of shares that will be held either on Confirmation or upon full exercise by officers, directors, control persons, insiders and each class of creditors and interest holders (including holders of unclassified claims). If voting control is held by another entity it is so noted. The chart assumes that the maximum shares that can be issued in a given category are issued and includes all claims unless it is expected that said claims will be disallowed.

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SHARE OWNERSHIP ON CONFIRMATION

CLASS	PERCENT INTEREST (on Confirmation)	SHARES ON CONFIRMATION
Secured claims		
ATM Nevada	27.30%	3,100,000
Administrative Claims		
Voluntary Conversion	1.76%	200,000
Priority claims		
Employee Claims (Class B-1)	.08%	9,000
Member Claims (Class B-2)	.05%	6,000
Unsecured claims (Class C)		
Regular Unsecured Claims	22.50%	2,554,002
ATM Nevada Unsecured	18.14%	2,060,000
Equity Security Interests		
Preferred Stock (Class D-1)	.12%	13,333
Common Stock (Class D-2)		
Formerly Issued & Trading	12.76%	1,449,242
Stock Motion (Restricted)	7.05%	800,000
$1 Options (Class D-3)	.00%	0
$4 Options (Class D-4)	.00%	0
$6 Options (Class D-5)	.00%	0
$10 Options (Class D-6)	.00%	0
Other		
Employee Stock & Options	10.23%	1,161,800
Conversion of Wilson's shares to Warrants in settlement	(1.45%)	(165,000)
TOTAL	100.00%	11,188,377
Insiders or Control Persons > 1%		
C. Billingsley	10.01%	1,120,025
B. Meyer	2.31%	257,915
E. Williams	8.04%	900,000
D. Morris	1.43%	159,541

SHARE OWNERSHIP IF ALL WARRANTS ARE EXERCISED

CLASS	PERCENT INTEREST (with all Warrants)	FULLY EXERCISED SHARES
Secured claims		
ATM Nevada	10.28%	3,100,000
Administrative Claims		
Voluntary Conversion	3.32%	1,000,000
Priority claims		
Employee Claims (Class B-1)	.09%	27,000
Member Claims (Class B-2)	.06%	18,000
Unsecured claims (Class C)		
Regular Unsecured Claims	26.50%	7,995,406
ATM Nevada Unsecured	20.49%	6,180,000
Equity Security Interests		
Preferred Stock (Class D-1)	.13%	39,999
Common Stock (Class D-2)		
Formerly Issued & Trading	14.41%	4,347,726
Stock Motion (Restricted)	7.96%	2,400,000
$1 Options (Class D-3)	1.09%	330,080
$4 Options (Class D-4)	1.82%	548,566
$6 Options (Class D-5)	.35%	105,382
$10 Options (Class D-6)	1.95%	588,168
Other		
Employee Stock & Options	11.55%	3,485,400
TOTAL	100.00%	30,165,727
Insiders or Control Persons > 1%		
C. Billingsley	11.34%	3,420,025
B. Meyer	2.56%	773,745
D. Morris	1.59%	478,623
E. Williams	8.95%	2,700,000

SOURCE OF EQUIVALENT SHARES ON CONFIRMATION

NORMAL SECURITIES REGISTRATION vs. BANKRUPTCY EXCEPTION

CLASS	LIKE NORMAL SECURITIES REGISTRATION	UNDER BANKRUPTCY EXEMPTION
Secured claims		
ATM Nevada	25.72%	
Administrative Claims		
Voluntary Conversion		2.02%
Priority claims		
Employee Claims (Class B-1)		.09%
Member Claims (Class B-2)		.06%
Unsecured claims (Class C)		
Regular Unsecured Claims		22.63%
ATM Nevada Unsecured		18.26%
Equity Security Interests		
Preferred Stock (Class D-1)		.12%
Common Stock (Class D-2)		
Formerly Issued & Trading	12.04%	.48%
Stock Motion (Restricted)	6.67%	.27%
$1 Options (Class D-3)		.19%
$4 Options (Class D-4)		.16%
$6 Options (Class D-5)		.02%
$10 Options (Class D-6)		.10%
Other		
Employee Stock & Options	9.66%	1.35%
Conversion of Wilson's shares		.16%
TOTAL	54.09%	45.91%

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Section 1129(d) Analysis

The Debtor is trying to facilitate a reorganization that will bring maximum value to its creditors and shareholders. As more fully cited in the supplemental memo filed in support of this Disclosure Statement, the Debtor notes that it would be a rare case for the Debtor to be in violation of securities (or tax) laws by its issuing of shares under an approved Plan.

Numerically, 54% of the Debtor's outstanding equivalent shares on Confirmation of the Plan will have been issued subject to the contractual equivalent of normal securities registration laws with full application of section 5 of the Securities Act of 1933. Of the 46% of equivalent shares[58] that are issued subject to the bankruptcy exemption, 41% is for unsecured claims, standard administrative claims and Court approved settlement. To meet the 1129(d) hurdle, the Debtor eliminated its earlier planned Debtor Certificate motion (and conversion) and is issuing restricted stock under the Plan to settle the ATM purchase notes. It is relinquishing its well assets which reduced the number of shares and warrants issued by more than half. This has changed the mix of equivalent equities issued from 12% under securities laws and 88% under bankruptcy exemption (per the Third Amended Disclosure Statement), to 56% under securities laws and 44% under bankruptcy exemption. The Debtor has addressed the 1129(d) concerns of the Court by eliminating the raising of money and eliminating the issuing of large blocks of freely tradable shares, and generally confining the application of the bankruptcy exemption to the settling of standard claims and adjusting for impairments.

[58] The Debtor is issuing a mix of four classes of warrants and common stock. Counting only the common stock understates the issuance and counting all the warrants as exercised greatly overstates the issuance. To make an apples to apples comparison all the securities were converted to "equivalent shares." Both restricted and freely tradable shares were counted one for one to their number. The warrants, however, are worth much less than the shares and this is especially so for the higher priced warrants. The Debtor's common stock now can be sold for $0.18. The exercise or strike price for the Series A, B, C and D warrants (long term stock options) are respectively $1, $3, $5 and $7 per share. At those strike prices, and given the current price of the Debtor's stock it is estimated that each series A warrant is worth 12% of one share of common, series B is worth 5% of one share, series C is worth 3% and series D is worth 2% of one share of common. (e.g. a hypothetical reasonable investor would accept 9 series A warrants as a fair trade for one share of common). To complete the equivalent share analysis all warrants to be issued were converted to equivalent shares using the percentages outlined and in that fashion a normalized comparison was conducted and is presented in the table.

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Section 1141(d)(3) Analysis

The Debtor intends, in this revised Plan, to fully address the SEC's concerns under Section 1141(d)(3). Those SEC concerns were that only a company with physical operations is appropriate to be reorganized, and that a shell company that merges with a private firm without SEC review is harmful and should not be allowed.

To address the first SEC concern under Section 1141(d)(3) the Debtor notes it has an operating business (the ATM business) with revenues, expenses and profit. Of the businesses owned by the Debtor, it was the least tainted by investor abuse from prior to the Debtor's involvement and has the cleanest financial records. This will be the initial business around which the Reorganized Debtor will expand.

Second, the Reorganized Debtor will not engage in any otherwise legal, but so called reverse or shell mergers for a period of three years from this date without the approval of the SEC or this Court. Specifically the Debtor will not merge with (a 100% acquisition) or even acquire any more than 20% of any private entity unless the economic interest holders of that entity, post merger, will hold less than 30% of the outstanding common and preferred stock of the Reorganized Debtor. This three year prohibition limits any large private acquisition and effectively blocks, by definition, the possibility of a shell or reverse merger.

Section 1129(a)(11) Analysis

The Reorganized Debtor will not have to file another chapter 11 petition in the foreseeable future, nor will it have to be liquidated shortly after confirmation of the Plan. The Reorganized Debtor will have cash reserves (about $150,000) at confirmation, enough to provide about one year's expenses without any increase in cash flow. During that time, the Reorganized Debtor will seek out and evaluate the many business opportunities that come available every day. The one year could be extended by many years by management deferring salary and retrenching in a home office. These "fall back" positions are mentioned to point out that the Reorganized Debtor will not be in jeopardy of promptly failing to reorganize, not that the Debtor anticipates that it will

have difficulty in successfully reorganizing to the benefit of the holders.

Treatment of Disputed Claims.

At the time of Distributions under the Plan, any Disputed Claims or Disputed Interests will be provisionally treated as Allowed Claims or Allowed Interests. Unliquidated or contingent claims or interests will be estimated for the same purpose. However, such treatment will not be final or deemed binding on any party.

The portion of a Cash Distribution that would be payable on account of such claims and interests will be held by the Debtor in an insured deposit account pending resolution of the dispute. The Debtor will also hold in reserve shares of its unissued common stock equal to either the New Common Stock that would be issuable to the holder of a Disputed Claim or Disputed Interest or the shares issuable on exercise of a Warrant issuable to the holder of a Disputed Claim or Disputed Interest. To preserve its right of exercise on any Warrants proceeding from a claim dispute, disputed claimants and disputed interest holders must forward funds to the Debtor equal to the exercise price of subject Warrants prior to the redemption date if a notice of redemption is announced or before said Warrants expire. Forwarded funds will be held in an insured deposit account and shares will be held in reserve until resolution of the dispute is final.

The Plan provides that Disputed Claims and Disputed Interests may be resolved by either (a) agreement between the holder and the objecting party or (b) a Final Order.

Once a Disputed Claim or Disputed Interest is finally resolved, the Debtor will distribute to the holder the Cash or New Equity Securities to which the holder is determined to be entitled. Any portion to which the holder is not entitled will be released to the Debtor.

MARKET FOR NEW EQUITY SECURITIES

The Debtor estimates that there are approximately 300 beneficial holders of its common stock and that there are an additional 200 investors who may eventually receive restricted shares and New Equity Securities by virtue of their interest in the ATM entities that owned the purchased assets if said entities, including after holding the restricted stock for one year, choose

to reallocate shares to owners in some fashion[59]. Recent market makers in the stock were National Capital, L.L.C., Paragon Capital Corporation, W.M.V. Frankel & Company, Inc., Sharpe Capital, Inc., and Hill, Thompson, Magid & Co.

The current transfer agent for the common stock is MC Transfer (transfer agent #23368), a proprietorship owned by Mr. Billingsley's brother. After the Effective Date, the Debtor intends to engage American Stock Transfer or a similar national transfer agent to handle the hoped-for increase in trading in the common stock.

The Debtor also believes that the business and future acquisitions (coupled with the issuance of the additional shares and Warrants to creditors, shareholders, and the entities which owned the ATM properties recently acquired) will result in an active trading market, especially after one year, that will create value and liquidity for all constituencies and generate a recovery for creditors. The Debtor's belief is based on historic observation of its own stock and that of similarly sized OTCBB companies during various phases of their business activity. An active trading market is, of course, relative. The Reorganized Debtor will still be a small OTCBB company, but it will be larger than it was pre-petition and any trading whatsoever is more active than the private investment held by the 700 investors who cannot trade at all. Today, through virtually any broker, the Debtor's stock can now be purchased by any interested buyer or sold by any interested seller on any trading day. That liquidity, the ability to buy or sell, afforded by the real time availability of quotes by NASD market makers, is generally considered to improve the value of the holdings. Something that can be sold at anytime has more value than that same thing if it cannot easily be transferred. Also, when the number of shareholders increases from 400 to

[59] Throughout this document, if any reference is made to investors receiving shares or taking action with shares received, then the reference to their ownership presumes that preceding their action there was a legal reallocation from the entities that held the claims against the Debtor to them. The LLC will be the entity that will be sent the restricted shares directly, and, after twelve months, if those units then wish to dividend shares out or dissolve, as this would seem to be a reasonable business action, then that is their decision to make. After Confirmation the Debtor intends to take reasonable care to put into place safeguards, as much as are permitted under securities and contract law and the commercial code, to ensure that the shares that are anticipated to go to the investors do indeed eventually go to those investors. The specific form of trust, escrow or other mechanism that will be used as a safeguard will be discussed with investor and entity representatives but is undetermined at this time.

700 or more by the issuing of the additional shares under the Plan and the maturing of the restricted stock in twelve months, it is believed that the activity in the stock will also increase as more persons follow the stock they will be owners in. Some of the shares will be issued to creditors who may chose to sell some or all of their shares, now or later. Any sale will ultimately result in a check being issued to the creditor by their brokerage firm. In this manner, the creditor will make some recovery on their claim which is by definition better than the complete loss they would otherwise suffer were this or a similar Plan not to be confirmed.

To further promote liquidity for creditors and shareholders, the Debtor intends to occasionally be a net purchaser[60] of the Debtor's common stock out of the market[61]. Generally, there are two ways for a company to return some cash from operations to shareholders: it can issue dividends or repurchase shares. Issuing dividends is intuitive, but a more tax efficient way to return excess cash to shareholders is through a stock repurchase program. In that fashion, shareholders who have held their shares for a sufficiently long period are usually only taxed on the funds they receive on the sale of stock to the company (indirectly, through the stock market via a regular broker) at the capital gains tax rate. Further, in this fashion, only the persons interested in receiving their cash at that time are cashed out and subjected to a taxable event. Other investors who hold their shares for many years will pay no tax on their investment during this entire period, as is the case with any stock that is held. By being a buyer of the company stock through regular brokerage channels, the Reorganized Debtor is increasing the pool of buyers which makes it easier for creditors and interest holders who will get shares to sell them when they wish to. Other investors can let their investment continue, tax free, until they too, are ready or need to sell.

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[60] In any corporate stock purchase program a company can buy at a slightly better price if its intentions to buy or sell are not entirely communicated to the market makers who may move the price slightly against the company if they see the company is active and know what the company intends. By being a net buyer, that is making perhaps three large buys and one small sale, the market may not always be certain which way the company intends to go, and a more competitive price may thus be obtained.

[61] The Reorganized Debtor intends to channel some of its funds back to investors by repurchasing some of its common stock. Any such program will not be done on a direct basis with shareholders, rather it will be accomplished by placing orders through normal brokerage channels and buying out of the market, making the process available to all parties holding shares. Any such program will be conducted only in full compliance with any and all relevant securities laws and regulations.

1 The Debtor intends to be immediately active in promoting small follow-on mergers and
2 acquisitions (M&A) to strengthen the Reorganized Debtor and improve the value of the
3 Reorganized Debtor's common stock in these public markets. (However, no large private merger
4 or any shell or reverse merger with a private firm will be permitted for three years). Through
5 small acquisitions the Debtor hopes to generate maximum returns to its creditors and shareholders
6 who are being issued New Equity Securities under the Plan. The management of the Debtor has
7 been primarily involved in M&A activities for the last fifteen years. The Reorganized Debtor will
8 continue this focus and will, for example, continue to receive M&A related publications such as
9 Acquisition News, Exploration and Land (oil), Petroleum Listing Service and Red Herring.
10 Currently, in addition to these sources, the Debtor, usually under its dba Mentor Capital, is
11 contacted on approximately two hundred unsolicited prospective acquisitions or substantial
12 investments each year. Lastly, the Debtor researches investment literature and publications to
13 identify companies and CEOs who fit well with the Debtor's financial goals and capabilities. When
14 a likely target is identified, the Reorganized Debtor will seek a friendly introduction through third
15 parties, hopefully meet in person and discuss the financial, operating and other needs of the
16 company and principals. Through its normal deal flow and by maintaining this other company
17 focus, the Debtor has been able to execute, on average, one acquisition each six months for the
18 last fifteen years. The Debtor intends to again be active in the M&A arena as soon as it exits from
19 its reorganization.
20 The Debtor, and any public company, can increase the price of their shares in four general
21 ways: i) increase the value of the company by improving operations, ii) increase the value of the
22 company by acquiring more profitable operations, iii) increase the proportional value of the
23 company by selling under-performing assets, iv) obtain favorable publicity to increase awareness
24 of the stock. The Reorganized Debtor will emphasize the first three of these methods. The
25 Debtor is also aware of the practical necessity of a investor relations program and will make
26 regular press releases and do a minimum amount in this last area. Generally, the Debtor prefers
and plans to rely on annual and quarterly reports, 10Ks and 10Qs, and press releases to convey

information to its public shareholders. The philosophy of the Debtor is that if the company grows and value is there, then the share price will follow. The short term approach of excessive stock promotion will be avoided.

On January 4, 1999, the Securities and Exchange Commission (SEC) approved amendments to the National Association of Securities Dealers, Inc. (NASD) Rules 6530 and 6540 to limit quotations on the OTC Bulletin Board (OTCBB) to the securities of companies that report their current financial information to the SEC. Based on its discussions with the NASD representative, the Reorganized Debtor projects that it will now need to start reporting its information to the SEC by February 2000, although such rules during the phase in period were described by the NASD representative as not yet being "cast in stone". Under the previous controlling rules, given the number of shareholders and assets of the Debtor, it was anticipated that the Reorganized Debtor would need to begin full reports to the SEC in April 2000. The two month acceleration of the initiation of financial reporting from April 2000 to February 2000 is not expected to be more than a year end inconvenience to the Reorganized Debtor.

THE DEBTOR CANNOT, OF COURSE, ASSURE THAT A VIABLE TRADING MARKET WILL CONTINUE FOR THE SECURITIES TO BE ISSUED TO CREDITORS AND SHAREHOLDERS UNDER THE PLAN OR THAT THE ASSETS BEING ACQUIRED WILL GENERATE SIGNIFICANT VALUE FOR THE REORGANIZED DEBTOR'S SHAREHOLDERS.

ISSUANCE AND TRANSFER OF NEW EQUITY SECURITIES

Pursuant to the exemption contained in §1145 of the Bankruptcy Code, the New Equity Securities being issued to the holders of claims and interests under this Plan will not have to be registered with the Securities & Exchange Commission or registered or qualified with any state or local securities regulator, nor will any securities issued on exercise of the Warrants issued to such persons under the Plan. (The 3,100,000 restricted shares to be issued to retire the ATM purchase notes are not subject to this exemption and will remain restricted for one year). Similarly, the issuance of such securities will be exempt from any federal, state or local laws requiring the licensing of an issuer, underwriter or dealer in securities. The exemption from

registration or qualification, however, will not apply to shares issued to persons who fit within §1145's definition of an underwriter.

In addition, pursuant to §1145, any New Equity Securities whose issuance is exempt will be deemed to have been issued in a public offering within the meaning of federal and state securities laws. Accordingly, any New Equity Securities which qualify for the §1145 exemption may be freely traded in the public market.

New Equity Securities issued in connection with the Plan but not issued to the holders of claims or interests will still qualify for the protection of §1145. Such shares will, however, be contractually restricted and as "restricted securities" be subject to the same significant restrictions on transfer as normally encountered for restricted shares under federal and state securities laws. [See Compensation of Management and Certain Other Parties.]

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THIS DISCLOSURE STATEMENT, OR DETERMINED IF IT IS TRUTHFUL OR COMPLETE.

The Plan prohibits sale or other transfer of shares of New Common Stock (not shares issued upon exercise of Warrants) without the prior written consent of the Debtor for eighteen months following the Effective Date[62], even though the shares may be transferable under securities laws. This restriction is imposed to permit the Debtor's business and the market for its stock to mature before large numbers of shares are attempted to be sold, and to ensure that the general investing public is on an equal footing and has the same opportunity to access the comprehensive information in this Disclosure Statement which will be provided to all claimants and interest holders. Accordingly, the Reorganized Debtor, after its Plan is Confirmed, and before the trading restriction is removed from any New Common Stock, will voluntarily submit the entire Disclosure Statement as a current information report on form 8K to the Securities and Exchange Commission (SEC) to be posted on their EDGAR automated information system. In this fashion,

[62] The restriction on transfer will survive any merger that may occur and apply to the successor stock controlled by the successor board if that merger event were to occur.

1 any interested party or their broker will be able, for no cost, to dial up and read this Disclosure
2 Statement, or to order a copy of it to read, before making his or her decision to buy or sell the
3 Reorganized Debtor's publicly traded shares. To the Debtor's knowledge, the SEC accepts all
4 8K information submitted to it, however, if there is some delay or restrictions on the posting, the
5 Reorganized Debtor will alternatively, post the entire Disclosure Statement over one of the
6 financial wire services like PRNewswire or in some similar fashion. This alternative newswire
7 posting would also result in this Disclosure Statement being available to all interested p[redacted]o
8 cost. Additionally, the Reorganized Debtor intends to be audited and fully reporting u[redacted]
9 SEC's securities reporting system (e.g. issuing 10Ks, 10Qs, 8ks, etc.) by February 2000.

10 Once the Disclosure Statement is posted for public access, the Debtor is audited and
11 reporting, and only after these are all complete, will the Reorganized Debtor begin to authorize
12 the transfer agent to remove the restrictive legend that prevents the public sale of the Debtor's
13 New Common Stock. From the date forward, each calendar month following the Effective Date,
14 the Reorganized Debtor may (but is not obligated to) authorize the transfer of ten percent (10%)[63]
15 or some lesser percentage or lesser fixed amount of the New Common Stock subject to this
16 restriction which is held by a person as of the beginning of such month, if the person delivers the
17 certificate evidencing such shares to the Debtor with a written request for removal of the
18 restriction. Once authorized, normal stock transfer procedures and fees (commonly $10 per
19 certificate generated), as specified by the transfer agent, would then apply.

20 For example, of a creditor receives 1,000 shares of New Common Stock under the Plan
21 and Series B and D Warrants for another 2,000 shares, the creditor could exercise the Warrants
22 and sell those shares immediately. In addition, if the creditor sent his or her New Common Stock
23 certificate to the Debtor and a request to sell shares, the Debtor might authorize the creditor to
24 sell up to 100 shares by directing the transfer agent to issue the creditor a certificate for 100
25 shares without legend and a certificate containing the original legend for the remaining 900
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[63] The Reorganized Debtor may not authorize the transfer of any greater amount of the restricted New Common Stock past 10% per month.

1 The next month, the creditor could repeat the process and, if it desired, the Debtor might
2 authorize sale of up to 90 shares. At the end of 18 months, the creditor could sell any shares he
3 or she still held.

4 **POST-CONFIRMATION MANAGEMENT**

5 **Directors and Officers**

6 The names, backgrounds, positions, and projected post-Confirmation equity holdings and
7 of the officers and directors who will manage the Debtor and its properties after Confirmation are
8 as follows:

Name	Age	Position	Post-Confirmation Share Holdings
Chester Billingsley	47	Chief Executive Officer Member of the Board	1,10,192 + options
Robert Meyer	56	Secretary, Member of Board	257,915
Gilbert McCord	45	Chairman of the Board Member of Board	0
Ernest M Williams	73	Member of Board	900,000[64]
Stan Shaul	36	Treasurer, Member of Board	65,340

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15 **Chester Billingsley** founded the Debtor in 1994, and has served as its Chairman and Chief
16 Executive Officer since such time. He will continue in such offices after Confirmation with
17 responsibility for supervision (and replacement if necessary) of the operators and financial, legal,
18 and strategic review. [See Debtor's Operations During the Chapter 11 Case.]

19 In connection with his post-Confirmation employment, Mr. Billingsley will initially receive
20 1,000,000 shares, 1,000,000 Series D Warrants, and 1,000,000 Series A Warrants. [See
21 Compensation of Management and Certain Other Parties.][65]

22 Between 1985 and the founding of the Debtor, Mr. Billingsley acquired and started

23

24 [64] In a private transaction Mr. Williams bought 800,000 restricted shares at cost from Mr. McCord who had purchased them from the Debtor after receiving court approval to do so.

25 [65] Mr. Billingsley currently holds 8,167 shares of the Debtor's common stock, which he received upon transfer of his interest in a predecessor entity to the Debtor. As a result of the failure of the athletic club business, he commenced a case under Chapter 7 of the Code, but the shares were not transferred to the Chapter 7 trustee.
26 Approximately one year ago, Mr. Billingsley sold the remainder of his shares, approximately 430,000 shares, to a third party in exchange for an agreement to pay a portion of the Debtor's expenses incurred in consummating the purchase of assets and preparing for this case.

various businesses, operating under the names Tech Start and Mentor Capital. Since formation of the Debtor, Mentor Capital's activities and Tech Start's holdings have been transferred to the Debtor, and Mentor Capital has become a trade name used by the Debtor. Prior to forming Mentor Capital, Mr. Billingsley worked in the Nuclear Energy Division and other Divisions of General Electric Corporation. Prior thereto, he worked for private contractors on solar, geothermal, natural gas, battery, wind and coal projects for the U.S. Department of Energy.

Mr. Billingsley received a Congressional appointment to West Point in 1970 and later transferred to Harvard University where he received a Master's Degree in Applied Physics in 1975. He also studied at the Harvard Business School and the Nuclear Engineering Department at Massachusetts Institute of Technology.

Gilbert McCord has been President of his own firm for more than twenty years. During that time he has built company sales to over $20 million per year. He is the largest investor in the businesses being acquired by the Debtor, having invested $1.2 Million into these projects..

Ernest M. Williams is Chairman of the unofficial Investor's Committee and is one of the largest investors in these projects. In a long career he has been involved in a range of businesses often in the real estate market. He currently is President of his own firm that imports shipping containers of semi-finished wood products from the Far East.

Robert Meyer is the founder, publisher, and editor of *Barter News*, and he is active in many reciprocal trade organizations and is a frequent speaker on the subjects of barter and reciprocal trade. He is a former professional baseball player, having played with the New York Yankees, Kansas City Athletics, Los Angeles Angels, among others, between 1960 and 1971. He is a member of the Board of Governors of the American Small Business Advisory Council.

Stan Shaul has served since 1993 as President of Personal Touch Software, which develops and supports client/server database applications for work flow, business analysis, and project management applications. Clients have included Walt Disney Motion Pictures, Hollywood Records, and the Los Angeles Rams. Prior to Personal Touch Software, Mr. Shaul served as a Product Manager for After Hours Software and, prior thereto, Mansfield Systems. He received

1 his B.S. in Mathematics/Computer Science from U.C.L.A. in 1986.

2 **Property Management**

3 The ATM Nevada operations will continue to be managed by Nevada ATM, and David

4 Morris will continue to advise on the general operating oversight of the ATMs. Reliance

5 Corporation, which has extensive oil and gas experience and is affiliated with the general partners

6 of the Investment Trusts, may also advise on many oil and gas issues.

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8 **COMPENSATION OF MANAGEMENT AND CERTAIN OTHER PARTIES**

9 **Directors and Officers**

10 **Chester Billingsley:** Upon Confirmation, the Debtor will enter into a two year

11 employment agreement with Mr. Billingsley for his service as Chief Executive Officer. Under the

12 agreement, he will receive a base salary of $104,000 per year and a comprehensive benefits

13 package. On the Confirmation he will also be granted 1,000,000 shares and 1,000,000 Series D

14 Warrants and 1,000,000 Series A Warrants. As further incentive for his performance, Mr.

15 Billingsley will receive, depending upon his success in raising the share price, 1% rising on a

16 sliding scale to 5% (at $8 per share) of the increase of the Market Capitalization of the Debtor

17 beyond the book value upon Confirmation.

18 **Other Officers:** Mr. Shaul will not receive additional compensation for his service as

19 Treasurer, Mr. Meyer will not receive additional compensation for service as the Debtor's

20 Secretary, and Mr. McCord will not receive additional compensation for service as Chairman of

21 the Board.

22 **Director Fees:** Each member of the Debtor's board of directors will receive a payment of

23 $250 for each regular or special meeting the member attends.

24 **Property Management**

25 David Morris will receive a fixed fee of 50,000 shares of New Common Stock as his fee

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for two years' service supporting the general management of ATM Nevada,[66] and Nevada ATM will continue to receive a fee of 27.5¢ per transaction for maintenance and operation of the ATM Nevada machines.

INCOME TAX CONSIDERATIONS

Neither the Debtor nor its counsel or accountant expresses any opinion as to the tax consequences to any creditor or equity security holder under this Plan of Reorganization. Both the Plan and the treatment of individual parties' claims or interests could have significant federal or state income tax consequences.

Any tax due on the interest portion of the Bedbro Note payments already or in the future received and retained by Heller will be the responsibility of Heller.

CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM, UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS, OF THE CONSUMMATION OF THE PLAN.

LIQUIDATION ANALYSIS

The Debtor believes that, at its root, the analysis of the Debtor's Plan is straightforward. Recovery for creditors and shareholders is better than no recovery. Any discussion or speculation as to how limited or generous that recovery might be is much a secondary consideration. According to the terms of the Acquisition purchase through the issuance of restricted stock, if the company is liquidated the note purchase would be rescinded and the note reinstated allowing the secured parties to reclaim all of the proceeds of the sale of their former assets.

Therefore, the Debtor believes that, if the Debtor were liquidated, holders of unsecured claims (claims in Classes B-1, B-2 and C) would receive nothing, shareholders (Class D-2) would again be left with a shell corporation

On the other hand, the New Equity Securities to be issued to creditors will be freely

[66] In addition to the shares he will receive as compensation, the Debtor believes Mr. Morris will receive 159,541 shares of New Common Stock in exchange for his claim as a shareholder of ATM Nevada.

tradable in the public market. The Debtor believes that the market will establish a value for the securities based on the combined, going concern value of the Debtor as it proceeds to operate the ATM business and execute future small acquisitions as a holding company. Because the going concern value of the Debtor's assets is greater than the liquidation value, the Debtor believes that creditors and shareholders will receive more under the Plan than if this case were converted to one under Chapter 7 of the Code on the Effective Date and the Debtor's assets were immediately liquidated.

DISCHARGE AND REVESTING

All debts of the Debtor that arose before Confirmation will be discharged in full at the time of Confirmation and will no longer be obligations of the Debtor, except for any debts that are expressly assumed by the Debtor in the Plan.

All property of the estate created upon commencement of the Chapter 11 case will, upon the Effective Date or payment of all Administrative Expenses, whichever is later, revest in the Debtor free and clear of all claims, liens, charges and other interests of creditors arising prior to the Filing Date. Liens that will not be effective or enforceable after the Effective Date will include:

(a) **Heller:** The security interest asserted by Heller in any assets of the Debtor other than the Bedbro Notes.

(b) **Orders of Examination:** Any liens asserted by parties who, in litigation commenced prior to the Filing Date, obtained orders of examination under §708.110 or 708.120 of the California Code of Civil Procedure or otherwise, including **The Miner Group, d/b/a Olympic Graphics Industries**, and **Value Business Products, Inc.**

(c) **Judgment Lienholder:** Any liens asserted by parties who have filed notices of judgment liens after Heller filed its financing statement, including **Re-New Sealers, Inc.**

EXECUTORY CONTRACTS

The Plan provides that all of the Debtor's executory contracts (including unexpired leases,

1 warrants, options, and any other rights to purchase shares of the Debtors' stock), except those
2 specifically described in Exhibit A to the Plan or otherwise treated under the Plan, will be rejected
3 by virtue of the Plan's Confirmation. Such a provision means that only the contracts and leases
4 listed on Exhibit A to the Plan will be continued after Confirmation. All other contracts and
5 leases to which the Debtor was a party at the time the case was commenced will be terminated.
6 Parties to contracts or leases with the Debtor which will be terminated under this provision may
7 become creditors entitled to file claims against the Debtor, in which case the Debtor may incur
8 additional debts for unfulfilled obligations under such contracts and leases. The Debtor will
9 request that a deadline for filing such claims be set by the Court at the Confirmation hearing.
10
11 **JURISDICTION**
12 Among other provisions, the Plan also provides for continued jurisdiction by the
13 Bankruptcy Court so that any controversies and disputes which arise under the Plan may be
14 resolved by the Bankruptcy Court.
15 **SUMMARY**
16 The Debtor intends to operate the ATM business it has acquired and expand through small
17 acquisitions. ("Shell" mergers are prohibited). The Debtor proposes to complete the sale of the
18 California and Oklahoma well assets and surrender back the proceeds (less portions owed to
19 Debtor from Wilson and Morris) to an investor trust to settle these claims in a way that protects
20 the investors. The Debtor will issue contractually restricted shares similar to under normal
21 securities regulations, with the standard one year holding period, on account of the secured
22 portion of the ATM purchase note on the same economic terms as restricted shares were recently
23 authorized by the Court ($0.10 per share). The Debtor will satisfy unsecured claims (including
24 the unsecured portion of the ATM claim) by issuing shares and warrants to the holders of these
25 claims and existing shareholders will be issued warrants only. These unrestricted securities will be
26 issued under the Bankruptcy exemption in USC Section 1145. To ensure there is no opportunity

1 for trading abuse, none of these securities will be tradable until the Debtor is audited and fully
2 reporting under the SEC securities reporting system, most probably in February 2000. Further, all
3 unrestricted new shares are subject to a 10% of holdings maximum per month sales limitation to
4 prevent dumping, to maintain an orderly market and prevent the possibility of market
5 manipulation. The Debtor intends that this Disclosure Statement will be filed and posted to
6 EDGAR, the SEC electronic information system for investor reporting.

7 **CONCLUSION AND REQUEST FOR ACCEPTANCE**

8 This Disclosure Statement was designed to provide holders of claims or interests entitled
9 to vote on the Plan adequate information upon which to base the holder's decision whether to
10 accept the Plan. However, this Disclosure Statement only summarizes the Plan and information
11 regarding the Debtor's business. For this reason, and due to the financial restraints which limited
12 the Debtor's ability to research and verify all information provided by third parties, this Disclosure
13 Statement is not guaranteed to be completely accurate. You are invited to ask questions and
14 request additional information if you desire it.

15 **YOU ARE ENCOURAGED TO DISCUSS THE INFORMATION HEREIN WITH YOUR**
16 **LEGAL, TAX, AND FINANCIAL ADVISORS BEFORE DECIDING WHETHER TO ACCEPT THE PLAN**

17 The Debtor believes the Plan is in your best interests and requests your acceptance of the
18 Plan after you have completed your review.

19

20 Dated: November 24, 1999 Main Street AC, Inc., Debtor

21

22

23 By: ________________________
24 Chester Billingsley,
Chief Executive Officer

25

26

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re: Main Street AC. Inc.
dba Mentor Capital
fdba Main Street Athletic Clubs, Inc., et al
Successor to
Tech Start, and Mentor Investors - I, LP

Case No. 98-56803-MM-11

CHAPTER 11
MONTHLY OPERATING REPORT
(GENERAL BUSINESS CASE)

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: Oct-99 **FILING DATE:** 8/21/98 0:00

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
Dollars reported in $1

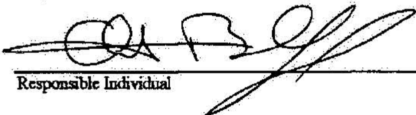
		End of Current Month	End of Prior Month	As of Petition Filing
2.	**Asset Structure**			
	a. Current Assets (Market Value)	$363,949	$353,121	
	b. Total Assets (Market Value)	$1,195,703	$1,243,569	$14,362,267
	c. Current Liabilities	$156,137	$144,677	
	d. Total Liabilities	$17,192,456	$17,180,997	$18,246,319
		Current Month	**Prior Month**	**Cumulative (Case to Date)**
3.	**Statement of Cash Receipts & Disbursements for Month**			
	a. Total Receipts	$21,023	$20,639	$458,198
	b. Total Disbursements	$22,262	$30,023	$411,493
	c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	($1,239)	($9,384)	$46,705
	d. Cash Balance Beginning of Month	$292,398	$301,898	$244,359
	e. Cash Balance End of Month (c + d)	$291,064 *	$292,398 *	$291,064
		Current Month	**Prior Month**	**Cumulative (Case to Date)**
4.	**Profit/(Loss) from the Statement of Operations**	($16,098)	($14,731)	($158,441)
5.	**Account Receivables (Pre and Post Petition)**	$18,540	$6,378	
6.	**Post-Petition Liabilities**	$156,137	$144,677	
7.	**Past Due Post-Petition Account Payables (over 30 days)**	$0	$0	

	At the end of this reporting month:	Yes	No
8.	Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing)	X	
9.	Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	X	
10.	If the answer is yes to 8 or 9, were all such payments approved by the court?	X	
11.	Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	X	
12.	Is the estate insured for replacement cost of assets and for general liability?	X	
13.	Are a plan and disclosure statement on file?	X	
14.	Was there any post-petition borrowing during this reporting period?		X

15. Check if paid: Post-petition taxes x ; U.S. Trustee Quarterly Fees x ; Check if filing is current for: Post-petition tax reporting and tax returns: x .
(Attach explanation, if post-petition taxes or [illegible] are under

***Note: A small portion of the historic cash figures are estimated due to past inaccurate or non-reporting by principals of the selling group.**

Date: 11/26/99



Responsible Individual

Revised 1/1/98

STATEMENT OF OPERATIONS

(General Business Case)

For the Month Ending 10/31/99

Current Month						
Actual	**Forecast**	**Variance**			**Cumulative (Case to Date)**	**Next Month Forecast**
				Revenues:		
$13,214	$11,200	$2,014	1	Gross Sales	$181,693	$9,700
$0	$0	$0	2	less: Sales Returns & Allowances	$0	$0
$13,214	$11,200	$2,014	3	Net Sales	$181,693	$9,700
$0	$0	$0	4	less: Cost of Goods Sold (Schedule 'B')	$0	$0
$13,214	$11,200	$2,014	5	Gross Profit	$181,693	$9,700
$7,809	$7,809	$0	6	Interest	$117,135	$7,809
$0	$0	$0	7	Other Income: Settlement Payments	$79,721	$0
$0	$0	$0	8		$0	$0
$0	$0	$0	9		$0	$0
$21,023	$19,009	$2,014	10	**Total Revenues**	$378,549	$17,509
				Expenses:		
$5,414	$5,016	$398	11	Compensation to Owner(s)/Officer(s)	$75,297	$5,536
$0	$0	$0	12	Salaries	$0	$0
$0	$0	$0	13	Commissions	$0	$0
$0	$0	$0	14	Contract Labor	$0	$0
$0	$0	$0	15	Personal Property	$0	$0
$1,313	$1,313	$0	16	Real Property	$17,750	$1,313
$0	$0	$0	17	Insurance	$0	$0
$0	$0	$0	18	Management Fees	$0	$0
$0	$0	$0	19	Depreciation	$0	$0
$3,251	$4,127	($876)	20	Employer Payroll Taxes	$54,718	$3,005
$0	$0	$0	21	Real Property Taxes	$0	$0
$0	$0	$0	22	Other Taxes	$0	$0
$0	$0	$0	23	Other Selling	$0	$0
$1,027	$1,300	($273)	24	Other Administrative	$24,354	$1,300
$7,809	$7,809	$0	25	Interest	$117,135	$7,809
$0	$0	$0	26	Other Expenses:	$0	$0
$0	$0	$0	27	Petro well operating costs	$14,137	$0
$0	$0	$0	28	California well operating costs	$0	$0
$6,057	$4,759	$1,298	29	ATM operating costs	$78,377	$4,759
$0	$0	$0	30		$0	$0
$0	$0	$0	31		$0	$0
$0	$0	$0	32		$0	$0
$0	$0	$0	33		$0	$0
$0	$0	$0	34		$0	$0
$24,871	$24,269	$602	35	**Total Expenses**	$381,767	$23,722
($3,849)	($5,260)	$1,411	36	**Subtotal**	($3,218)	($6,213)
				Reorganization Items:		
$11,499	$15,000	($3,501)	37	Professional Fees	$160,076	$15,000
$0	$0	$0	38	Provisions for Rejected Executory Contracts	$0	$0
$0	$0	$0	39	Interest Earned on Accumulated Cash from	$0	$0
0	0	0		Resulting Chp 11 Case	0	0
$17,000	$17,000	$0	40	Gain or (Loss) from Sale of Equipment	$17,000	$185,000
$750	$750	$0	41	U.S. Trustee Quarterly Fees	$3,250	$0
$0	$3,000	($3,000)	42	Other (postage and labels)	$7,977	$3,000
$12,249	$15,000	($2,751)	43	**Total Reorganization Items**	$171,303	$15,000
($16,098)	($22,260)	$6,162	44	**Net Profit (Loss) Before Federal & State Taxes**	($157,521)	($23,213)
$0	$0	$0	45	Federal & State Income Taxes	$920	$0
($16,098)	($22,260)	$6,162	46	**Net Profit (Loss)**	($158,441)	$161,788

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

Revised 1/1/98

STATEMENT OF OPERATIONS

(General Business Case) - California Wells [sold 11-4-99 $205,000] (a)

For the Month Ending 10/31/99

Current Month Actual	Current Month Forecast	Variance		Cumulative (Case to Date)	Next Month Forecast
			Revenues:		
$2,737	$1,500	$1,237	1 Gross Sales	$21,756	$0
		$0	2 less: Sales Returns & Allowances		
$2,737	$1,500	$1,237	3 Net Sales	$21,756	$0
		$0	4 less: Cost of Goods Sold (Schedule 'B')		
$2,737	$1,500	$1,237	5 Gross Profit	$21,756	$0
		$0	6 Interest		
$0	$0	$0	7 Other Income: Settlement Payments	$78,721	$0
		$0	8		
		$0	9		
$2,737	$1,500	$1,237	10 **Total Revenues**	$100,477	$0
		0	**Expenses:**		
		$0	11 Compensation to Owner(s)/Officer(s)		
		$0	12 Salaries		
		$0	13 Commissions		
		$0	14 Contract Labor		
			Rent/Lease:		
			Personal		
		$0	15 Property		
		$0	16 Real Property		
		$0	17 Insurance		
		$0	18 Management Fees		
		$0	19 Depreciation		
			Taxes:		
			Employer		
		$0	20 Payroll Taxes		
		$0	21 Real Property Taxes		
		$0	22 Other Taxes		
		$0	23 Other Selling		
		$0	24 Other Administrative		
		$0	25 Interest		
		$0	26 Other Expenses:		
		$0	27 Petro well operating costs		
		$0	28 California well operating costs		
		$0	29 ATM operating costs		
		$0	30		
		$0	31		
		$0	32		
		$0	33		
		$0	34		
		$0	35 **Total Expenses**		
$2,737	$1,500	$1,237	36 **Subtotal**	$100,477	$0
			Reorganization Items:		
	$0	$0	37 Professional Fees	$3,900	$0
		$0	38 Provisions for Rejected Executory Contracts		
		$0	39 Interest Earned on Accumulated Cash from		
		0	Resulting Chp 11 Case		
		$0	40 Gain or (Loss) from Sale of Equipment		$185,000
		$0	41 U.S. Trustee Quarterly Fees		
		$0	42		
$0	$0	$0	43 **Total Reorganization Items**	$3,900	$0
$2,737	$1,500	$1,237	44 **Net Profit (Loss) Before Federal & State Taxes**	$96,577	$0
		$0	45 Federal & State Income Taxes		
$2,737	$1,500	$1,237	46 **Net Profit (Loss)**	$96,577	$185,000

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

Revised 1/1/98

STATEMENT OF OPERATIONS
(General Business Case) - ATM Business (b)

For the Month Ending 10/31/99

Current Month Actual	Current Month Forecast	Current Month Variance		Cumulative (Case to Date)	Next Month Forecast
			Revenues:		
$10,477	$9,700	$777	1 Gross Sales	$147,465	$9,700
		$0	2 less: Sales Returns & Allowances		
$10,477	$9,700	$777	3 Net Sales	$147,465	$9,700
		$0	4. less: Cost of Goods Sold (Schedule 'B')		
$10,477	$9,700	$777	5 Gross Profit	$147,465	$9,700
		$0	6 Interest		
			7 Other Income: Settlement Payments	$1,000	
		$0	8		
		$0	9		
$10,477	$9,700	$777	10 **Total Revenues**	$148,465	$9,700
		0	**Expenses:**		
		$0	11 Compensation to Owner(s)/Officer(s)		
		$0	12 Salaries		
		$0	13 Commissions		
		$0	14 Contract Labor		
			Rent/Lease: Personal		
		$0	15 Property		
		$0	16 Real Property		
		$0	17 Insurance		
		$0	18 Management Fees		
		$0	19 Depreciation		
			Taxes: Employer		
		$0	20 Payroll Taxes		
		$0	21 Real Property Taxes		
		$0	22 Other Taxes		
		$0	23 Other Selling		
		$0	24 Other Administrative		
		$0	25 Interest		
		$0	26 Other Expenses:		
		$0	27 Petro well operating costs		
		$0	28 California well operating costs		
$6,057	$4,759	$1,298	29 ATM operating costs	$78,377	$4,759
		$0	30		
		$0	31		
		$0	32		
		$0	33		
		$0	34		
$6,057	$4,759	$1,298	35 **Total Expenses**	$78,377	$4,759
$4,420	$4,941	($522)	36 **Subtotal**	$70,088	$4,941
			Reorganization Items:		
		$0	37 Professional Fees		
		$0	38 Provisions for Rejected Executory Contracts		
		$0	39 Interest Earned on Accumulated Cash from		
		0	Resulting Chp 11 Case		
		$0	40 Gain or (Loss) from Sale of Equipment		
		$0	41 U.S. Trustee Quarterly Fees		
		$0	42		
		$0	43 **Total Reorganization Items**		
$4,420	$2,941	$1,479	44 **Net Profit (Loss) Before Federal & State Taxes**	$70,088	$2,941
		$0	45 Federal & State Income Taxes		
$4,420	$2,941	$1,479	46 **Net Profit (Loss)**	$70,088	$2,941

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

Revised 1/1/98

STATEMENT OF OPERATIONS

(General Business Case) - Oklahoma Wells [sold 10-4-99 ~$18,000] (c)

For the Month Ending 10/31/99

Current Month						
Actual	**Forecast**	**Variance**			**Cumulative (Case to Date)**	**Next Month Forecast**
				Revenues:		
$0	$0	$0	1	Gross Sales	$12,472	$0
		$0	2	less: Sales Returns & Allowances		
$0	$0	$0	3	Net Sales	$12,472	$0
		$0	4	less: Cost of Goods Sold (Schedule 'B')		
$0	$0	$0	5	Gross Profit	$12,472	$0
		$0	6	Interest		
		$0	7	Other Income: Settlement Payments		
		$0	8			
		$0	9			
$0	$0	$0	10	**Total Revenues**	$12,472	$0
		0		**Expenses:**		
		$0	11	Compensation to Owner(s)/Officer(s)		
		$0	12	Salaries		
		$0	13	Commissions		
		$0	14	Contract Labor		
				Rent/Lease:		
				Personal		
		$0	15	Property		
		$0	16	Real Property		
		$0	17	Insurance		
		$0	18	Management Fees		
		$0	19	Depreciation		
				Taxes:		
				Employer		
		$0	20	Payroll Taxes		
		$0	21	Real Property Taxes		
		$0	22	Other Taxes		
		$0	23	Other Selling		
		$0	24	Other Administrative		
		$0	25	Interest		
		$0	26	Other Expenses:		
$0	$0	$0	27	Petro well operating costs	$14,137	$0
		$0	28	California well operating costs		
		$0	29	ATM operating costs		
		$0	30			
		$0	31			
		$0	32			
		$0	33			
		$0	34			
$0	$0	$0	35	**Total Expenses**	$14,137	$0
$0	$0 0	$0	36	**Subtotal**	($1,665)	$0
				Reorganization Items:		
		$0	37	Professional Fees		
		$0	38	Provisions for Rejected Executory Contracts		
		$0	39	Interest Earned on Accumulated Cash from Resulting Chp 11 Case		
$17,000	$17,000	$0	40	Gain or (Loss) from Sale of Equipment	$17,000	$0
		$0	41	U.S. Trustee Quarterly Fees		
		$0	42			
		$0	43	**Total Reorganization Items**		
$0	$0	$0	44	**Net Profit (Loss) Before Federal & State Taxes**	$15,335	$0
		$0	45	Federal & State Income Taxes		
$0	$0	$0	46	**Net Profit (Loss)**	$15,335	$0

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only).

Revised 1/1/98

STATEMENT OF OPERATIONS

(General Business Case) - Headquarters (d)

For the Month Ending 10/31/99

Current Month Actual	Current Month Forecast	Current Month Variance		Cumulative (Case to Date)	Next Month Forecast
			Revenues:		
$0	$0	$0	1 Gross Sales	$0	$0
$0	$0	$0	2 less: Sales Returns & Allowances	$0	$0
$0	$0	$0	3 Net Sales	$0	$0
$0	$0	$0	4 less: Cost of Goods Sold (Schedule 'B')	$0	$0
	$0	$0	5 Gross Profit	$0	$0
$7,809	$7,809	$0	6 Interest	$117,135	$7,809
$0	$0	$0	7 Other Income: Settlement Payments		$0
$0	$0	$0	8	$0	$0
$0	$0	$0	9	$0	$0
$7,809	$7,809	$0	10 **Total Revenues**	$117,135	$7,809
			Expenses:		
$5,414	$5,016	$398	11 Compensation to Owner(s)/Officer(s)	$75,297	$5,536
$0	$0	$0	12 Salaries	$0	$0
$0	$0	$0	13 Commissions	$0	$0
$0	$0	$0	14 Contract Labor	$0	$0
			Rent/Lease:		
			Personal		
$0	$0	$0	15 Property	$0	$0
$1,313	$1,313	$0	16 Real Property	$17,750	$1,313
$0	$0	$0	17 Insurance	$0	$0
$0	$0	$0	18 Management Fees	$0	$0
$0	$0	$0	19 Depreciation	$0	$0
			Taxes:		
			Employer		
$3,251	$4,127	($876)	20 Payroll Taxes	$54,718	$3,005
$0	$0	$0	21 Real Property Taxes	$0	$0
$0	$0	$0	22 Other Taxes	$0	$0
$0	$0	$0	23 Other Selling	$0	$0
$1,027	$1,300	($273)	24 Other Administrative	$24,354	$1,300
$7,809	$7,809	$0	25 Interest	$117,135	$7,809
$0	$0	$0	26 Other Expenses:	$0	$0
$0	$0	$0	27 Petro well operating costs	$0	$0
$0	$0	$0	28 California well operating costs	$0	$0
$0	$0	$0	29 ATM operating costs	$0	$0
$0	$0	$0	30	$0	$0
$0	$0	$0	31	$0	$0
$0	$0	$0	32	$0	$0
$0	$0	$0	33	$0	$0
$0	$0	$0	34	$0	$0
$18,814	$19,510	($696)	35 **Total Expenses**	$289,253	$18,963
($11,005)	($11,701)	$696	36 **Subtotal**	($172,118)	($11,154)
			Reorganization Items:		
$11,499	$15,000	($3,501)	37 Professional Fees	$156,176	$15,000
$0	$0	$0	38 Provisions for Rejected Executory Contracts	$0	$0
$0	$0	$0	39 Interest Earned on Accumulated Cash from Resulting Chp 11 Case	$0	$0
$0	$0	$0	40 Gain or (Loss) from Sale of Equipment	$0	$0
$750	$750	$0	41 U.S. Trustee Quarterly Fees	$3,250	$0
$0	$3,000	($3,000)	42 Other reorg costs	$7,977	$3,000
$12,249	$15,000	($2,751)	43 **Total Reorganization Items**	$167,403	$15,000
($23,254)	($26,701)	$3,447	44 **Net Profit (Loss) Before Federal & State Taxes**	($339,521)	($26,154)
$0	$0	$0	45 Federal & State Income Taxes	$920	$0
($23,254)	($26,701)	$3,447	46 **Net Profit (Loss)**	($340,441)	($26,154)

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

Revised 1/1/98

Attachment
Oct-99

Summary Status # 8 (payments on pre-petition debt)

a) 10-15-99 Heller Capital $7,809.49 -- collecting payments from Bedbro Note

Summary Status #11

(Payments to insiders)

a) 10-31-99 C. Billingsley $500 - Petty Cash Reimbursement
b) 10-1/15/28-99 C. Billingsley $5,414 - Net payroll for the month of September

Variance of Statement of Operations

a) Other reorganization items ($0 vs $3,000) reflect mailings budgeted in October that will be sent in Novemeber

b) Proffesional fees ($11,499 vs $15,000) reflect resolution of major issues

Revised 1/1/98

BALANCE SHEET

(General Business Case)

For the Month Ended 10/31/99 12:00

Assets

		From Schedules	Market Value
	Current Assets		
1	Cash and cash equivalents - unrestricted		$287,704
2	Cash and cash equivalents - restricted		$3,360
3	Accounts receivable (net)	A	$18,540
4	Inventory	B	$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: Deposits for phones and Rent		$3,650
8	Settlements receivable		$50,695
9	**Total Current Assets**		$363,949
	Property and Equipment (Market Value)		
10	Real property	C	$0
11	Machinery and equipment	D	$100,439
12	Furniture and fixtures	D	$2,010
13	Office equipment	D	$900
14	Leasehold improvements	D	$0
15	Vehicles	D	$0
16	Other:	D	
17	California wells interest	D	$159,405
18	Oklahoma wells interest	D	$0
19		D	
20		D	
21	**Total Property and Equipment**		$262,754
	Other Assets		
22	Loans to shareholders		
23	Loans to affiliates		
24	Bedbro Note		$560,000
25	ATM site location and membership interests		$9,000
26			
27			
28	**Total Other Assets**		$569,000
29	**Total Assets**		$1,195,703

NOTE: 1) Indicate method and date of valuation: Tentative sales offers and actual sale amounts

- ATM: 9/15/99, Oklahoma Wells: 10/4/99, California Wells 11/4/99

Revised 1/1/98

Liabilities and Equity
(General Business Case)

Liabilities From Schedules

Post-Petition

Current Liabilities

Line	Item		Amount
30	Salaries and wages		
31	Payroll taxes		
32	Real and personal property taxes		
33	Income taxes		
34	Sales taxes		
35	Notes payable (short term)		
36	Accounts payable (trade)		$0
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees		
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other:		
42	Professional Fees owing		$156,137
43			
44	**Total Current Liabilities**		$156,137
45	**Long-Term Post-Petition Debt, Net of Current Portion**		
46	**Total Post-Petition Liabilities**		$156,137
	Pre-Petition Liabilities (allowed amount)		
47	Secured claims	F	$14,455,000
48	Priority unsecured claims	F	$27,317
49	General unsecured claims	F	$2,554,002
50	**Total Pre-Petition Liabilities**		$17,036,319
51	**Total Liabilities**		$17,192,456
	Equity (Deficit)		
52	Retained Earnings/(Deficit) at time of filing		($1,976,290)
53	Capital Stock		$0
54	Additional paid-in capital		$80,000
55	Cumulative profit/(loss) since filing of case		($158,441)
56	Post-petition contributions/(distributions) or (draws)		$0
57	Contingent liability elimination effect on retained earnings		($654,002)
58	Market value adjustment/approximation on unreported items/settlement		($13,288,021)
59	**Total Equity (Deficit)**		($15,996,754)
60	**Total Liabilities and Equity (Deficit)**		$1,195,702

Revised 1/1/98

SCHEDULES TO THE BALANCE SHEET

(General Business Case)

Schedule A
Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0-30 Days	$18,540		
31-60 Days			
61-90 Days			$0
91+ Days			
Total accounts receivable/payable	$18,540	$0	
Allowance for doubtful accounts			
Accounts receivable (net)	$18,540		

Schedule B
Inventory/Cost of Goods Sold

Types and Amount of Inventory(ies)

	Inventory(ies) Balance at End of Month
Retail/Restaurants -	
Product for resale	
Distribution -	
Products for resale	
Manufacturer -	
Raw Materials	
Work-in-progress	
Finished goods	
Other - Explain	$200,561
Cash in ATM machines	
TOTAL	$200,561

Cost of Goods Sold

Inventory Beginning of Month	
Add -	
Net purchase	
Direct labor	
Manufacturing overhead	
Freight in	
Other:	
Less -	
Inventory End of Month	
Shrinkage	
Personal Use	
Cost of Goods Sold	$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?

Yes x No ___

How often do you take a complete physical inventory?

Weekly	
Monthly	x
Quarterly	
Semi-annually	
Annually	

Date of last physical inventory was October/Perpetual

Date of next physical inventory is November/Perpetual

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -	
FIFO cost	
LIFO cost	
Lower of cost or market	x
Retail method	
Other	
Explain	

Revised 1/1/98

Schedule C
Real Property

Description	Cost	Market Value
Total	$0	$0

Schedule D
Other Depreciable Assets

Description	Cost	Market Value
Machinery & Equipment -		
50 owned ATM machines	$445,000	$100,439
Total	$445,000	$100,439
Furniture & Fixtures -		
	$2,010	$2,010
Total	$2,010	$2,010
Office Equipment -		
	$900	$900
Total	$900	$900
Leasehold Improvements -		
Total	$0	$0
Vehicles -		
Total	$0	$0

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Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Federal					
Income Tax Withholding					$0
FICA - Employee					$0
FICA - Employer					$0
Unemployment (FUTA)					$0
Income					$0
Other (Attach List)					$0
Total Federal Taxes	$0	$0	$0	$0	$0
State and Local					
Income Tax Withholding					$0
Unemployment (UT)					$0
Disability Insurance (DI)					$0
Empl. Training Tax (ETT)					$0
Sales					$0
Excise					$0
Real property					$0
Personal property					$0
Income					$0
Other (Attach List)					$0
Total State & Local Taxes	$0	$0	$0	$0	$0
Total Taxes	$0	$0	$0	$0	$0

Schedule F
Pre-Petition Liabilities

List Total Claims For Each Classification -	Claimed Amount	Allowed Amount (b)
Secured claims (a)	$14,455,000	$14,455,000
Priority claims other than taxes	$15,317	$15,317
Priority tax claims	$72,000	$12,000
General unsecured claims	$3,491,002	$2,554,002
	*	**

*J. Allen ($20,000) and J. Wenger ($150,000) have been removed from schedules of general unsecured claims because of their regulatory troubles.

**MCMI ($400,000), J.Maida ($400,000) and Shawnee ($240,000) are contingent brokers' fees that are now unlikely, so they are excluded from the allowed total.

	Account 1	Account 2	Account 3	Account 4	Account 5
Bank	First Bank	ATM	Heritage		
Account Type	Checking	Checking	Checking		
Account No.	9401970730	B of A	1114457		
Account Purpose	General-DIP	Machine account	Investor Trust		
Balance, End of Month	$87,143	$200,561	$3,360		
Total Funds on Hand for all Accounts	$291,064				

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report. Revised 1/1/98

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STATEMENT OF CASH FLOWS

(Optional) Increase/(Decrease) in Cash and Cash Equivalents

For the Month ending 10/31/99

	Cash Flows From Operating Activities	Actual Current Month	Cumulative (Case to Date)
1	Cash Received from Sales	$13,214	$181,339
2	Balances or Settlements Collected		$79,721
3	Interest Received	$7,809	$117,137
4	Cash Paid to Suppliers		
5	Cash Paid for Selling Expenses		
6	Cash Paid for Administrative Expenses	$527	$17,843
	Cash Paid for Rents/Leases:		
7	Personal Property		
8	Real Property	$1,313	$17,750
9	Cash Paid for Interest		
10	Cash Paid for Net Payroll and Benefits		
	Cash Paid to Owner(s)/Officer(s)		
11	Salaries	$5,414	$75,299
12	Draws		
13	Commissions/Royalties		
14	Expense Reimbursements	$500	$6,561
15	Other		$900
	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
16	Employer Payroll Tax	$3,251	$54,721
17	Employee Withholdings		
18	Real Property Taxes		
19	Other Taxes		
20	Cash Paid for General Expenses		
21			
22	Petro well operations	$0	$14,137
23	California well operations	$0	$0
24	ATM operations	$6,057	$78,377
25			
26			
27	**Net Cash Provided (Used) by Operating Activities before Reorganization Items**	$3,961	$112,609
	Cash Flows From Reorganization Items		
28	Interest Received on Cash Accumulated Due to Chp 11 Case		
29	Professional Fees Paid for Services in Connection with Chp 11 Case	$0	$20,900
30	U.S. Trustee Quarterly Fees	$750	$3,250
31	Other Reorganization Costs	$0	$7,977
32	**Net Cash Provided (Used) by Reorganization Items**	($750)	($32,127)
33	**Net Cash Provided (Used) for Operating Activities and Reorganization Items**	$3,211	$80,482
	Cash Flows From Investing Activities		
34	Capital Expenditures		
35	Proceeds from Sales of Capital Goods due to Chp 11 Case	$3,360	
36			
37	**Net Cash Provided (Used) by Investing Activities**	$3,360	$3,360
	Cash Flows From Financing Activities		
38	Net Borrowings (Except Insiders)		
39	Net Borrowings from Shareholders, Partners, or Other Insiders		
40	Capital Contributions		$80,000
41	Principal Payments	$7,809	$117,137
42			
43	**Net Cash Provided (Used) by Financing Activities**	($7,809)	($37,137)
44	**Net Increase (Decrease) in Cash and Cash Equivalents**	($1,239)	$46,705
45	**Cash and Cash Equivalents at Beginning of Month**	$292,398	$244,359
46	**Cash and Cash Equivalents at End of Month**	$291,064	$291,064

BALANCE SHEET

(General Business Case)

For the Month Ended *Pro Forma*

Assets

		From Schedules	Market Value
	Current Assets		
1	Cash and cash equivalents - unrestricted		$150,000
2	Cash and cash equivalents - restricted		$0
3	Accounts receivable (net)	A	$0
4	Inventory	B	$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: Deposits for phones and Rent		$3,650
8	Settlements receivable		$0
9	**Total Current Assets**		$153,650
	Property and Equipment (Market Value)		
10	Real property	C	$0
11	Machinery and equipment	D	$100,439
12	Furniture and fixtures	D	$2,010
13	Office equipment	D	$900
14	Leasehold improvements	D	$0
15	Vehicles	D	$0
16	Other:	D	
17	California wells interest	D	$0
18	Oklahoma wells interest	D	$0
19		D	
20		D	
21	**Total Property and Equipment**		$103,349
	Other Assets		
22	Loans to shareholders		
23	Loans to affiliates		
24	Bedbro Note		$0
25	ATM site location and membership interests		$9,000
26			
27			
28	**Total Other Assets**		$9,000
29	**Total Assets**		$265,999

NOTE: 1) Indicate method and date of valuation: Tentative sales offers and actual sale amounts

- ATM: 9/15/99, Oklahoma Wells: 10/4/99, California Wells 11/4/99

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Liabilities and Equity
(General Business Case)

Liabilities From Schedules

Post-Petition

Current Liabilities

Line	Item		Amount
30	Salaries and wages		
31	Payroll taxes		
32	Real and personal property taxes		
33	Income taxes		
34	Sales taxes		
35	Notes payable (short term)		
36	Accounts payable (trade)		$0
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees		
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other:		
42	Professional Fees owing		$0
43			
44	**Total Current Liabilities**		$0
45	**Long-Term Post-Petition Debt, Net of Current Portion**		
46	**Total Post-Petition Liabilities**		$0
	Pre-Petition Liabilities (allowed amount)		
47	Secured claims	F	$0
48	Priority unsecured claims	F	$0
49	General unsecured claims	F	$0
50	**Total Pre-Petition Liabilities**		$0
51	**Total Liabilities**		$0
	Equity (Deficit)		
52	Retained Earnings/(Deficit) at time of filing		$0
53	Capital Stock		$185,999
54	Additional paid-in capital		$80,000
55	Cumulative profit/(loss) since filing of case		$0
56	Post-petition contributions/(distributions) or (draws)		$0
57	Contingent liability elimination effect on retained earnings		$0
58	Market value adjustment/approximation on unreported items/settlement		$0
59	**Total Equity (Deficit)**		$265,999
60	**Total Liabilities and Equity (Deficit)**		$265,999

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(4)

Phone Bill Checklist

Main Street				
ATM Phone #	Location	Address	TR#	Phone Co.
530-541-8466	Ski Run Liquor #2	1950 Lake Tahoe Blvd.	TR066976	Pacific
530-542-2541	The Bottle Shop Liquor	1350 Lake Tahoe Blvd.	70338191	Pacific
530-546-7260	King's Beach Shell	8369 North Lake Blvd.	70338219	Pacific
530-581-2716	Squaw Valley Lodge	201 Squaw Peak Rd.	70338291	Pacific
530-581-4186	Squaw Valley Com Mkt	1600 Squaw Valley Rd.	TR066296	Pacific
530-582-5496	J&L Food Mart	12105 Donner Pass	TR325018	Pacific
775-322-3246	Silver Spur Liquor	221 N. Virginia	TR323824	Nevada
775-322-5823	El Cortez Lounge	235 W. 2nd Street	70338260	Nevada
775-323-4907	Reno Bar	800 W. 5th Street	70338261	Nevada
775-323-5379/329-0857	Longneck's/Two Giraffes	200 Lake Street	TR326983	Nevada
775-324-0973	The Quest	210 W. Commercial Row	80280345	Nevada
775-324-1029	Bad Dolly's	535 E. 4th Street	80280349	Nevada
775-324-6034	Bertha Miranda's-Reno	336 Mill Street	TR327122	Nevada
775-327-4465	Rocco's II	4755 N. Virginia	70338162	Nevada
775-327-4541	Shooters Bar	434 N. Virginia	70338249	Nevada
775-329-3791	Shenanigan's	77 W. Plumb Ln	TR325931	Nevada
775-329-7908	Short Stop	1275 Wells Ave.	TR326219	Nevada
775-331-3921	Spot Bar	2140 Victorian Lane	70338200	Nevada
775-331-4314	Oasis	2100 Victorian Ave	70338753	Nevada
775-331-5179	Bertha Miranda's-Sparks	2144 Greenbrae	TR327119	Nevada
775-337-1976	Contintental Lounge	1855 S. Virginia	TR326211	Nevada
775-345-6945	Cedar Lounge	775 Highway 40	TR327123	Nevada
775-348-7019	Midtown Market	121 Vesta	80280220	Nevada
775-355-7847	Juicy's	104 E. Glendale Ave.	80280091	Nevada
775-355-9177	Rainbow Market-Sparks	1225 Commerce	TR326208	Nevada
775-356-1863	Donley's Irish Pub	2174 Greenbrae Ave.	70338175	Nevada
775-359-7397	Litke's Midget Market	128 Victorian Ave.	70338241	Nevada
775-575-5104	I-80 Smoke Shop	1000 Smoke Shop	TR326209	Nevada
775-586-8333	Mott Canyon	259 Kingsberry Grade	TR326848	GTE
775-673-9075	Super Buy Market	5200 Sun Valley Blvd.	TR326352	Nevada
775-674-0342	Call of the Wild	5400 Sun Valley Blvd.	70338676	Nevada
775-786-3731	Airport Plaza	1981 Terminal Way	TR326568	Nevada
775-786-8865	AZ International Foodland	2145 A. Sutro #3	TR326170	Nevada
775-786-9474	Rainbow Market-Reno	1501 Vassar	TR323823	Nevada
775-825-4727	Q's Billiards	2295 S. Virginia	70338249	Nevada
775-826-7653	Sunset Grille	3655 S. Virginia	TR325884	Nevada
775-828-6952	Lucha's Hideaway	541 E. Moana Lane	70338190	Nevada
775-828-9651	Carl's Bar	310 S. Virginia	70338292	Nevada
775-829-4542	Bronco Billy's	145 Hillcrest #G	80280346	Nevada
775-829-7615	Otto's Bar	102 E. Grove Street	80280347	Nevada
775-847-9329	Ponderosa	106 South C (Virg. City)	80280219	Nevada
775-851-0809	Rainbow #6(AM/PM Mini)	7590 Colbert Drive	TR326212	Nevada
775-857-4122	Rocco's I	4840 E. Mill Street	TR327421	Nevada
775-882-2702	McDonald's N. Carson	3344 North Carson St.	TR325882	Nevada
775-883-2181	Carson City McDonalds	2001 North Carson St.	70338619	Nevada
775-887-3582	El Charro	4389 S. Carson St.	TR325016	Nevada
N/A	Brickies Tavern	706 W. 2nd Street	70338456	N/A
N/A	Fourth Turn	2285 Kietzke Lane	TR327121	N/A
N/A	Sports West	1575 S. Virginia St.	70338193	N/A
N/A	Corner Minute Mart	1775 Mill Street	70338192	N/A

LINDEKEN & ASSOCIATES, LTD.
A Professional Corporation
1025 Ridgeview Drive, Suite 200
Reno, Nevada 89509-6321
(702) 829-0500 FAX 829-1693

Roger L. Lindeken, E.A.

Financial Statement for Main Street A C, Inc.

For Month of September 1999

	Month	Year To Date
Net Transactions For September	6,112	52,251
Gross Transaction Fee Revenue	$ 11,002.23	$ 96,159.99
Less Transaction Fees	916.80	7,837.65
Less Machine Loading Fees	1,680.82	14,369.15
Less Telephone Company Charges	1,713.47	17,901.61
Less Accounting and Legal	1,375.00	12,375.00
Less Site Location Agreements	53.50	2,337.75
Less Other Charges	255.00	3,408.22
Net Profit (Loss)	$ 5,007.64	$37,930.61

Tax Crisis Representation • Tax Planning and Tax Returns • Bookkeeping

tion Fees Calculation Worksheet for ATM LLC--

Terminal	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep
TR323824 (Silver Spur)	63	56	87	92	106	94	109	142	129
TR323823 (Rainbow Market)	388	312	403	393	449	401	445	477	528
80280219 (Ponderosa)		12	61	79	132	92	197	190	147
70338261 (Reno Bar)	189	135	145	182	186	149	192	220	168
TR326209 (I-80 Smoke Shop)	296	185	376	295	318	321	309	353	429
80280349 (Bad Dolly's)				7	66	49	47	84	38
TR326212 (AM/PM - Reno)	316	296	351	387	415	326	395	411	330
70338619 (McDonalds)	305	110	142	124	155	187	125	165	187
80280345 (Quest)	176	184	191	99	68	71	60	74	89
70338291 (Squaw V. Lodge)	105	103	93	66	22	33	44	65	51
Total Approved Transactions	1838	1393	1849	1724	1917	1723	1923	2181	2096
Gross Fee	$3,523.50	$2,731.00	$3,627.00	$2,664.50	$2,957.30	$2,680.03	$ 3,006.50	########	$3,304.85
Less Transaction Fees	$ 275.70	$ 208.95	$ 277.35	$ 258.60	$ 287.55	$ 258.45	$ 288.45	$ 327.15	$ 314.40
Surcharge Split (1.85)	$3,247.80	$2,522.05	$3,349.65	$2,405.90	$2,669.75	$2,421.58	$ 2,718.05	########	$2,990.45
Servicing Fees	$ 505.45	$ 383.08	$ 508.48	$ 474.10	$ 527.18	$ 473.83	$ 528.83	$ 599.78	$ 576.40

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Fees Calculation Worksheet for ATM LLC 1										
Terminal	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct
80280220 (Midtown Market)	57	0	38	69	66	87	100	91	85	
TR325864 (Sunset Grill)	92	68	87	85	87	82	108	128	102	
TR326219 (24th St.1 Stop)	190	209	204	186	163	179	169	191	214	
80280091 (Juicy's)	54	50	56	77	71	59	65	64	53	
TR326208 (Rainbow Market)	167	174	179	255	276	268	227	298	245	
TR066296 (Squaw Community)	101	110	96	71	44	30	62	60	36	
TR326568 (Airport Plaza)	359	349	380	466	420	363	394	501	491	
TR326170 (A-Z)	29	23	38	34	48	43	31	42	45	
70338249 (Q's Billiards)	137	120	85	124	129	109	144	122	107	
TR327421(Rocco's I)	22	20	52	68	82	79	92	94	81	
Total Approved Transactions	1208	1123	1215	1435	1386	1299	1392	1591	1459	
Gross Fee	$2,370.00	$2,246.00	$2,430.00	$2,634.13	$2,516.70	$2,350.10	$2,574.03	$2,906.35	$2,691.38	
Less Transaction Fees	$181.20	$168.45	$182.25	$215.25	$207.90	$194.85	$208.80	$238.65	$218.85	
Surcharge Split	$2,188.80	$2,077.55	$2,247.75	$2,418.88	$377.51	$352.52	$2,365.23	$2,667.70	$2,472.53	
Servicing Fees	$332.20	$308.83	$334.13	$394.63	$381.15	$357.23	$382.80	$437.53	$401.23	

ved Transaction Fees Calculation Worksheet for ATM LLC 1A										
Terminal	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**Sept**	**Oct**
TR326963 (Two Girraffes/Long(	0	8	16	20	23	32	37	43	45	
TR325862 (McDonalds)	222	103	112	175	138	128	142	179	148	
TR325016 (El Charro)	77	100	89	84	83	22	87	101	91	
TR325931 (Shenanigans)	156	166	151	154	129	108	136	143	130	
70338753 (Oasis)	8	0	10	20	9	9	14	10	126	
70338292 (Carl's Bar)	27	38	47	59	64	61	82	83	75	
TR065018 (J&L Food Mart)	326	310	308	224	190	168	226	363	282	
70338676 (Call of the Wild)	87	72	85	86	106	87	116	69	71	
TR325017 (The Christiana Inn)	188	165	179	145	158	90	161	16	9	
70338162(Rocco's II)	68	51	56	51	48	39	59	48	6	
Total Approved Transactions	1159	1013	1053	1018	948	744	1060	1055	983	
Gross Fee	$2,207.00	$1,974.50	$2,050.00	$1,948.50	$1,827.00	$1,424.00	$2,049.00	$2,020.50	$1,892.00	
Less Transaction Fees	$173.85	$151.95	$157.95	$152.70	$142.20	$111.60	$159.00	$158.25	$147.45	
Surcharge Split (1.85)	$2,033.15	$1,822.55	$1,892.05	$1,795.80	$1,684.80	$1,312.40	$1,890.00	$1,862.25	$1,744.55	
Servicing Fees	$318.73	$278.58	$289.58	$279.95	$260.70	$204.60	$291.50	$290.13	$270.33	

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Approved Transaction Fees Calculation Worksheet for ATM LLC 2A									
Terminal	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**Sept.**
TR326211 (Continental Lounge)	16	7	6	62	8	10	8	9	14
TR327121 (4th Turn Sport)	201	140	161	100	164	125	123	31	90
TR327199 (Bertha Mirandas)	82	78	60	64	43	46	41	37	49
TR326172 (Adobe Bar)	177	158	148	111	158	119	184	33	32
70338190 (Lucha's)	55	49	61	67	87	67	84	79	116
TR327422 (Corner Minute)	154	186	179	237	189	198	195	238	199
70338200 (The Spot Bar)	27	21	9	18	39	29	26	23	0
TR327420 (Sports West Club)	60	56	66	57	63	61	62	58	87
70338456 (Brickies Tavern)	65	66	47	45	65	73	61	77	94
80280346 (Bronco Billy's)					16	13	28	41	36
Total Approved Transactions	837	761	737	761	832	741	812	626	717
Gross Fee	$1,674.00	$1,522.00	$1,474.00	$1,522.00	$1,664.00	$1,482.00	$1,624.00	$1,252.00	$1,434.00
Less Transaction Fees	$125.55	$114.15	$110.55	$114.15	$124.80	$111.15	$121.80	$93.90	$107.55
Surcharge Split (1.85)	$1,548.45	$1,407.85	$1,363.45	$1,407.85	$1,539.20	$1,370.85	$1,502.20	$1,158.10	$1,326.45
Servicing Fees	$230.18	$209.28	$202.68	$209.28	$228.80	$203.78	$223.30	$172.15	$197.18

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ved Transaction Fees Calculation Worksheet for ATM LLC 3

Terminal	January	February	March	April	May	June	July	August	Sept.
TR327122 (Bertha Mirandas)	56	50	80	57	103	68	82	69	70
TR327123 (Cedar Lounge)	46	40	44	58	59	39	64	56	47
TR326352 (Super Buy)	107	100	91	94	115	102	204	122	136
70338175 (Donley's)	70	50	58	60	53	56	50	59	60
70338160 (Rocco's III)	224	171	181	132	90	84	184	81	84
70338219 (Kings Shell)	176	142	138	105	107	131	232	250	189
70338241 (Midget Mkt)	38	60	59	68	77	57	90	89	68
70338240 (Shooters)	53	54	66	75	66	47	72	81	62
70338260 (El Cortez)	100	72	99	120	137	99	137	86	128
TR325019 (Otto's)				3	27	16	20	27	13
Total Approved Transactions	870	739	816	772	834	699	1135	920	857
Gross Fee	$1,609.00	$1,362.50	$ 1,512.00	$ 1,444.00	$ 1,584.50	$ 1,327.50	$ 2,133.00	$ 1,795.50	$ 1,680.00
Less Transaction Fees	$ 130.50	$ 110.85	$ 122.40	$ 115.80	$ 125.10	$ 104.85	$ 170.25	$ 138.00	$ 128.55
Surcharge Split (1.85)	$1,478.50	$1,251.65	$ 1,389.60	$ 1,328.20	$ 1,459.40	$ 1,222.65	$ 1,962.75	$ 1,657.50	$ 1,551.45
Servicing Fees	$ 239.25	$ 203.23	$ 224.40	$ 212.30	$ 229.35	$ 192.23	$ 312.13	$ 253.00	$ 235.68

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08/31/99

Main Street AC, Inc.
Profit and Loss
January through June 1999

	Jan - Jun '99
Ordinary Income/Expense	
Income	
4000 · Transaction Fee revenue	62,338.76
Total Income	62,338.76
Cost of Goods Sold	
5000 · Terminal transaction fee exp	5,016.60
5100 · Terminal Service Fees	9,197.18
5200 · Terminal telephone expense	12,907.46
5250 · Site location agreement	2,073.75
5270 · Fees and Licenses	570.00
5301 · Professional fees exp.	8,250.00
5800 · Bank charges	1,840.59
Total COGS	39,855.58
Gross Profit	22,483.18
Expense	
5600 · Depreciation	87,500.00
5650 · Amortization expense	55,000.00
Total Expense	142,500.00
Net Ordinary Income	-120,016.82
Net Income	-120,016.82

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08/31/99

Main Street AC, Inc.
Balance Sheet
As of June 30, 1999

	Jun 30, '99
ASSETS	
Current Assets	
Checking/Savings	
1000 · DIP Checking account	13,706.91
Total Checking/Savings	13,706.91
Other Current Assets	
1200 · Cash in ATM Machines	200,000.00
1499 · Undeposited Funds	18,144.68
Total Other Current Assets	218,144.68
Total Current Assets	231,851.59
Fixed Assets	
1500 · ATM Machines	500,000.00
1599 · Accumulated depreciation	-87,500.00
Total Fixed Assets	412,500.00
Other Assets	
1930 · Purchase premium	1,670,000.00
1999 · Accum Amortization	-55,000.00
Total Other Assets	1,615,000.00
TOTAL ASSETS	2,259,351.59
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	4,704.56
Total Accounts Payable	4,704.56
Other Current Liabilities	
2500 · Notes payable	2,370,000.00
Total Other Current Liabilities	2,370,000.00
Total Current Liabilities	2,374,704.56
Total Liabilities	2,374,704.56
Equity	
3103 · Dividends to L. Cerovac	-152.84
3900 · Retained Earnings	4,816.69
Net Income	-120,016.82
Total Equity	-115,352.97
TOTAL LIABILITIES & EQUITY	2,259,351.59

CAMPEAU & THOMAS, A LAW CORPORATION
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ATTORNEY'S FOR
DEBTOR-IN-POSSESSION

FILED
OCT 01 1999
KEENAN G. CASADY, CLERK
United States Bankruptcy Court
San Jose, California

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In re

Main Street AC, Inc.,
dba Mentor Capital,
fdba Main Street Athletic Clubs, Inc.,
Foxworthy Athletic Club,
Meridian Athletic Club,
Fremont Athletic Club,
Second Street Athletic Club, and
San Thomas Athletic Club,
successor to:
Tech Start, and
Mentor Investors-I, L.P.,

Debtor.

Address: 346 Saratoga Avenue, Suite 201
San Jose, California 95129

Employer Identification
Number 77-0395098

Chapter 11

Case No. 98-56803-MM-11

DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION

Main Street AC, Inc., the Debtor herein, proposes this Plan of Reorganization under Chapter 11 of the Bankruptcy Code.

ARTICLE I

DEFINITIONS

1.1 **Defined Terms:** The following definitions apply in this Plan:

"Affiliate" means an entity which is an affiliate of a party in interest within the meaning of Section 101(2) of the Bankruptcy Code and every partnership and joint venture in which such entity is a general partner or joint venturer.

"Allowed Claim" or "Allowed Interest" means a claim against, or equity interest in, the Debtor to the extent that:

A. If the claim or interest arose or is deemed to have arisen on or before the Filing Date, (1) proof of the claim or interest either is timely filed or is deemed filed under Code §1111(a) and (2) the claim or interest either is not the subject of a timely filed objection or is allowed by a Final Order; or

B. If the claim arose after the Filing Date and is not deemed to have arisen on or before such date, (1) the claim is of a kind that can be voluntarily paid from the Debtor's estate without specific Bankruptcy Court approval and is so paid or (2) the claim has been allowed by a Final Order; and

C. Such claim is not subject to disallowance pursuant to §502(d) of the Code.

"ATM Nevada" means, collectively, those four limited liability companies known as ATM of Nevada, LLC; ATM-1 of Nevada, LLC; ATM-1A of Nevada, LLC; and ATM-2A of Nevada, LLC.

"ATM Members" means those members of ATM-2 of Nevada, LLC, and ATM-3 of Nevada, LLC, who sold their membership interests in such companies to the Debtor in exchange for beneficial interests under the promissory notes issued to ATM-2 of Nevada, LLC, and ATM-3 of Nevada, LLC, as their representatives, pursuant to the applicable Purchase Agreements.

"Ballot" means the form distributed to holders of claims and interests on which is to be stated an acceptance or rejection of this Plan.

"Bankruptcy Court" means the United States Bankruptcy Court for the Northern District of California.

"Bar Date" means the date fixed as the last date for filing proofs of claims.

"Bedro Notes" means the two promissory notes remaining out of four notes made by Bedro, Inc., in favor of the Debtor which are pledged as collateral for the Debtor's obligations to Heller and are currently in Heller's possession.

"B.L.R." means the Bankruptcy Local Rules of the Bankruptcy Court.

"Cash" means cash and cash equivalents including, but not limited to, checks and other similar forms of payment or exchange.

"Claims Reserve" means the federally insured, interest bearing deposit account to be established by the Debtor and into which shall be deposited all funds of reserved on account of Disputed Claims that will be entitled to payment in Cash if they are determined to be Allowed Claims.

"Code" means the Bankruptcy Code contained in Title 11 of the United States Code.

"Committee" means the committee of creditors, if any, appointed in this case pursuant to §1102 of the Code.

"Confirmation" means entry of the Confirmation Order.

"Confirmation Order" means the order of the Bankruptcy Court confirming this Plan.

"Debtor" means Main Street AC, Inc.

"Disclosure Statement" means the disclosure statement relating to this Plan approved by the Bankruptcy Court pursuant to §1125 of the Code.

"Disputed Claim" means a claim against the Debtor (a) which has been included in the Debtor's schedules as disputed, contingent, or unliquidated, (b) as to which a proof of claim is filed which does not assert a claim to a fixed, liquidated sum, or (c) to which an objection has been filed which neither is the subject of a Final Order nor has been withdrawn.

"Disputed Interest" means an equity security interest in the Debtor (a) which has been included in the Debtor's schedules as disputed, contingent, or unliquidated, or (b) to which an objection has been filed which neither is the subject of a Final Order nor has been withdrawn.

"Distributions" means the payments of Cash and issuance of New Equity Securities to be distributed hereunder to holders of Allowed Claims and Allowed Interests.

"Effective Date" means the date on which the Debtor files the amendment to its articles of incorporation required by §6.7 hereof.

"Filing Date" means the date on which the petition to commence this case is filed.

"Final Order" means an order as to which (a) any appeal or petition for writ of certiorari that has been filed has been finally determined or dismissed, or (b) the time for appeal has expired and a notice of appeal has not been filed.

"Heller" means Heller First Capital Corporation.

"Golden West" means Golden West Unit Investment Trust.

"Investment Trusts" means, collectively, Golden West, Pac West, Sierra West and Sun West.

"Joint Participation Interests" means the undivided joint participation interests in the Petro Wells.

"New Equity Securities" means the New Common Stock and/or the Warrants to be issued under this Plan.

"New Common Stock" means the common stock of the Debtor to be issued pursuant to this Plan.

"Pac West" means, collectively, Pac West Unit Investment Trust and Pac West-2 Unit Investment Trust .

"Petro Participants" means the former holders of Joint Participation Interests in the Petro Wells who have executed agreements assigning such interests to the Petro Trust.

"Petro Trust" means the Petro Assignee Trust, a business trust formed to facilitate the loan by the Petro Participants to the Debtor which forms the basis for the Allowed Claim in Class A-5.

"Petro Wells" means the oil and gas wells located in Pottowatomie County, Oklahoma, and commonly known as Petro 16-1, Petro 16-2, Petro 16-3, Petro 16-4, Petro 16-5, and Petro 36-1.

"Plan" means this Plan of Reorganization together with any modifications hereto.

"Plan Interest" means interest earned on funds held on deposit in the Claims Reserve.

"Pro Rata" means proportionately so that the ratio of the consideration distributed on account of an Allowed Claim or Allowed Interest in a class (or, as applicable, group of classes) to the consideration distributed on account of all Allowed Claims or Allowed Interests in the class (or, as applicable, group of classes) is the same as the ratio of such Allowed Claim or Allowed Interest to all Allowed Claims or Allowed Interests in the class(es).

"Purchase Agreement" means one of the Asset Purchase Agreements entered into between the Debtor and each of Sierra West, Pac West, Golden West, Sun West, the Petro Trust, ATM Nevada, and the ATM Members.

"Record Date" means the date fixed, by the Bankruptcy Court or otherwise, for identifying the holders of Allowed Interests based on the Debtor's outstanding common stock for purposes of voting on, and receiving distributions under, this Plan.

"Rules" means the Federal Rules of Bankruptcy Procedure.

"Series A Warrants" means the Series A Warrants to be issued hereunder granting the holder the right to acquire common stock of the Debtor at a price of $1.00 per share.

"Series B Warrants" means the Series B Warrants to be issued hereunder granting the holder the right to acquire common stock of the Debtor at a price of $3.00 per share.

"Series C Warrants" means the Series C Warrants to be issued hereunder granting the holder the right to acquire common stock of the Debtor at a price of $5.00 per share.

"Series D Warrants" means the Series D Warrants to be issued hereunder granting the holder the right to acquire common stock of the Debtor at a price of $7.00 per share.

"Sierra West" means, collectively, Sierra West Unit Investment Trust and Sierra West-A Unit Investment Trust.

"Sun West" means the Sun West Unit Investment Trust.

"Warrant" means, generally, a Series A Warrant, a Series B Warrant, a Series C Warrant, or a Series D Warrant.

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1.2 **Undefined Terms**: A term used, but not defined, herein but defined in the Code or the Rules has the meaning given to that term in the Code or the Rules.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

All claims (except claims treated under Article III of this Plan) and interests are placed in the following classes.

2.1 **Secured Claims**

Class A-1 (Heller): Class A-1 consists of the Allowed Claim held by Heller in the amount of the outstanding principal balance of the Bedro Notes on the Effective Date.

Class A-2 (ATM Nevada): Class A-2 consists of the $310,000 secured Allowed Claim held by the six ATM entities that held $2,370,000 purchase money security interests in the promissory notes issued to purchase the ATM assets of the Debtor to the extent that it is secured by the assets, products and proceeds of the secured assets.

Class A-3 (Oil Well Interests): Class A-3 consists of the $11,285,000 secured Allowed Claim held by the seven entities that held purchase money security interests in the promissory notes issued to purchase the oil and gas assets of the Debtor to the extent that it is secured by the assets, products and proceeds of the secured assets.

2.2 **Priority Claims**

Class B-1 (Employee Claims): Class B-1 consists of unsecured Allowed Claims entitled to priority pursuant to §507(a)(3) or (4) of the Code.

Class B-2 (Member Claims): Class B-2 consists of unsecured Allowed Claims entitled to priority pursuant to §507(a)(6) of the Code.

2.3 **Class C (Unsecured Claims)**: Class C consists of unsecured Allowed Claims other than claims treated under Article III and claims in Classes B-1 and B-2.

2.4 **Equity Security Interests**

Class D-1 (Preferred Stock): Class D-1 consists of the Allowed Interest held by the holder, on the Record Date, of the outstanding shares of the Debtor's preferred stock.

Class D-2 (Common Stock): Class D-2 consists of the Allowed Interests held by the holders, on the Record Date, of the outstanding shares of the Debtor's common stock.

Class D-3 ($1.00 Option Holders): Class D-3 consists of Allowed Interests based on rights to acquire common stock of the Debtor at a price of $1.00 per share.

Class D-4 ($4.00 Option Holders): Class D-4 consists of Allowed Interests based on rights to acquire common stock of the Debtor at a price of $4.00 per share.

Class D-5 ($6.00 Option Holders): Class D-5 consists of Allowed Interests based on rights to acquire common stock of the Debtor at a price of $6.00 per share.

Class D-6 ($10.00 Option Holders): Class D-6 consists of Allowed Interests based on rights to acquire common stock of the Debtor at a price of $10.00 per share.

ARTICLE III

TREATMENT OF UNCLASSIFIED CLAIMS

3.1 **Treatment of Administrative Claims:** Except to the extent that a particular holder agrees otherwise, the holders of Allowed Claims entitled to priority under §507(a)(1) of the Code (administrative claims, including fees due under 28 U.S.C. §1930 and claims under Certificates issued prior to the Effective Date) shall receive Cash in the amount of such claims on the Effective Date. If such a claim has not been allowed on the Effective Date, the holder shall receive such payment within thirty days after the Debtor receives notice that such claim is an Allowed Claim, together with interest thereon from the Effective Date at the rate of eight percent (8%) per annum. Without limiting the generality of the foregoing, holders of such Allowed Claims arising from the provision to the Debtor of goods and services in the ordinary course of business shall receive the treatment provided for in their agreements with the Debtor; and

3.2 Election for Administrative Claimants: Holders of Allowed Claims entitled to priority under §507(a)(1) of the Code may elect to receive shares of New Common Stock in exchange for all or part of such claims at the rate of four shares for each dollar of such claims plus sixteen Warrants (four each of Series A, B, C and D), each entitling such holder to purchase an equivalent number of shares of the Debtor's common stock.

To receive such New Equity Securities, a holder must notify the Debtor in writing of its partial or complete election prior to the earlier of (a) ninety days after the Effective Date or (b) the holder's receipt of Cash on account of such portion of their claim.

3.3 Treatment of Priority Governmental Claims. Except to the extent that a particular holder agrees otherwise, the holders of Allowed Claims entitled to priority under §507(a)(8) of the Code (claims by governmental units) shall receive one of the following treatments:

(a) If the total of all such Allowed Claims is not greater than $22,000, Cash in the amount of such claims on the Effective Date. If such a claim has not been allowed on the Effective Date, the holder shall receive such payment within thirty days after the Debtor receives notice that such claim is an Allowed Claim, together with interest thereon from the Effective Date at the rate of eight percent (8%) per annum.

(b) If the total of all such Allowed Claims is greater than $22,000, quarterly Cash payments in the amount of $5,000 each, including interest payable at the rate provided under §6621 of the Internal Revenue Code, commencing on the 15th day of the third month which begins after the Effective Date and continuing on the same day of each third month thereafter until the twelfth quarter after the Effective Date, at which time all principal and interest on such Allowed Claims shall be due.

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ARTICLE IV

DESIGNATION AND TREATMENT OF UNIMPAIRED CLASSES

4.1 **Class A-1 (Heller):** On account of its secured Allowed Claim in Class A, Heller shall receive a complete assignment of all of the Debtor's interest in the Bedro Notes.

ARTICLE V

TREATMENT OF IMPAIRED CLASSES

5.1 **Satisfaction of Allowed Claims:** Holders of Allowed Claims and Allowed Interests in the following classes shall receive the Distributions set forth in this Article on account, and in complete satisfaction, of all such Allowed Claims and Allowed Interests.

5.2 **Secured Claims:**

Class A-1 (Heller): Secured claimant (Heller) is unimpaired and has possession of their collateral. Any residual unsatisfied claim amount by Heller will be included in Class C.

Class A-2 (ATM Nevada): Holders of secured Allowed Claims in Class A-2 will receive restricted stock, issued under normal securities regulations, at the rate of ten shares for each dollar of such claim to the extent of their security interest. Any residual unsatisfied claim amount by ATM Nevada will be included in Class C.

Class A-3 (Oil Well Interests): Holders of secured Allowed Claims in Class A-3 will receive 100% of the net proceeds from the sale of their secured California and Oklahoma well assets in full satisfaction of their claim. No claim amount will be included in Class C.

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5.3 **Priority Claims**

Class B-1 (Employee Claims): Class B-1 is not impaired under the Plan. Except to the extent a particular holder agrees otherwise, holders of Allowed Claims in Class B-1 shall receive Cash in the amount of such claims on the Effective Date. If such a claim has not been allowed on the Effective Date, the holder shall receive such payment within thirty days after the Debtor receives notice that such claim is an Allowed Claim, together with interest thereon from the Effective Date at the rate of eight percent (8%) per annum.

Class B-2 (Member Claims): Class B-2 is not impaired under the Plan. Except to the extent a particular holder agrees otherwise, holders of Allowed Claims in Class B-2 shall receive Cash in the amount of such claims on the Effective Date. If such a claim has not been allowed on the Effective Date, the holder shall receive such payment within thirty days after the Debtor receives notice that such claim is an Allowed Claim, together with interest thereon from the Effective Date at the rate of eight percent (8%) per annum.

Election for Priority Claimants: Holders of Allowed Claims entitled to priority under §§507(a)(3),(4) and (6) of the Code may elect to receive shares of New Common Stock in exchange for all or part of such claims at the rate of four shares for each dollar of such claims plus sixteen Warrants (four each of Series A, B, C and D), each entitling such holder to purchase a like number of shares of the Debtor's common stock, provided that such holder notifies the Debtor in writing of its partial or complete election prior to the earlier of (a) ninety days after the Effective Date or (b) the holder's receipt of Cash on account of such portion of their claim.

5.4 **Class C (General Unsecured Claims):** Holders of Allowed Claims in Class C shall receive one share of New Common Stock on account of each dollar of such claims and a Series B Warrant and a Series D Warrant each entitling the holder to purchase a like number of shares of the Debtor's common stock.

5.5 **Equity Security Interests**

Class D-1 (Preferred Stock): The holder of the Allowed Interest in Class D-1 shall receive, in exchange for such interest (a) a number of shares of New Common Stock equal to the number of shares of preferred stock held by such holder plus (b) Series C Warrants and Series D Warrants each entitling such holder to purchase a like number of shares of the Debtor's common stock.

Class D-2 (Common Stock): Each holder of an Allowed Interest in Class D-2 shall retain its shares of the Debtor's common stock and shall receive Series D Warrants entitling such holder to purchase a number of additional shares of the Debtor's common stock equal to twice the number of shares held by such holder on the Record Date.

Class D-3 ($1.00 Option Holders): Holders of Allowed Interests in Class D-3 shall receive, in exchange for such interests, Series A Warrants and Series D Warrants each to acquire the same number of shares of New Common Stock as they are entitled to acquire under their existing options and/or warrants.

Class D-4 ($4.00 Option Holders): Holders of Allowed Interests in Class D-4 shall receive, in exchange for such interests, Series B Warrants and Series D Warrants each to acquire the same number of shares of New Common Stock as they are entitled to acquire under their existing options and/or warrants.

Class D-5 ($6.00 Option Holders): Holders of Allowed Interests in Class D-5 shall receive, in exchange for such interests, Series C Warrants and Series D Warrants each to acquire the same number of shares of New Common Stock as they are entitled to acquire under their existing options and/or warrants.

Class D-6 ($10.00 Option Holders): Holders of Allowed Interests in Class D-6 shall receive, in exchange for such interests, Series D Warrants to acquire twice the number of shares of New Common Stock as they are entitled to acquire under their existing options and/or warrants.

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ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

6.1 **Completion of Heller Note Assignment:** On the occurrence of the Effective Date the assignment of the Bedbro Notes, now in the possession of Heller, will by irrevocably final in full satisfaction of the secured portion of Heller's secured Allowed Claim.

6.2 **Transfer of Net Sale Proceeds from Oil Well Interests:** Prior to the Effective Date, the Debtor will deposit the net proceeds from the sale of the Oklahoma and California well interests into an investor trust for the *pro rata* economic interest of those investors. 22.08% of these net sale proceeds would be due Wilson or Morris, but will be retained by the Debtor in partial satisfaction of their settlement with the Debtor.

6.3 **Issuance of Other Equity Securities:** Not later than sixty days after the Effective Date, the Debtor shall issue the restricted shares to be issued on account of Allowed Claims in Class A-2 and New Equity Securities to be issued on account of Allowed Claims in Class C and Allowed Interests in Classes D-1, D-2, D-3, D-4, D-5, and D-6.

6.4 **Transferability of New Equity Securities:**

(a) **Securities Exchanged for Claims and Interests:** To the extent provided in §1145 of the Code, the New Equity Securities (not the restricted shares issued to ATM Nevada) being issued to the holders of claims and interests under this Plan, and all securities issued in exchange therefor or on conversion thereof, shall be exempt from the registration requirements of the Securities Act of 1933, as amended, and any state or local laws requiring the registration for offer or sale of a security or registration or licensing of an issuer, underwriter or dealer.

(b) **Other New Equity Securities:** All other New Equity Securities issued hereunder shall be issued only upon compliance with applicable state and federal securities laws. None of such securities may be transferred by the recipient thereof unless registered and/or qualified under such laws or the recipient provides the Debtor with an opinion of counsel acceptable to the

Debtor that an exemption from the registration or qualification requirements is available to such recipient.

(c) **Contractual Restrictions on Transfer:** In addition, without limiting the generality of the foregoing, all shares of New Common Stock issued under this Plan (not shares issued upon exercise of Warrants) may not be transferred without the prior written consent of the Debtor for eighteen months following the Effective Date. Without limiting the generality of the foregoing, each calendar month following the Effective Date, the Debtor may (but is not obligated to) authorize the transfer of ten percent (10%) or some lesser percentage or lesser fixed amount of the New Common Stock subject to this restriction which is held by a person as of the beginning of such month, if the person delivers the certificate evidencing such shares to the Debtor with a written request for removal of the restriction.

6.5 Terms of Warrants:

(a) **Duration of Warrants:** All Warrants shall expire on 5:00 p.m., Pacific Time, on the 485th day following Confirmation unless redeemed by the Debtor or exercised prior thereto, unless the expiration date for Warrants held by a particular holder is extended by the Debtor in writing.

(b) **Time and Manner of Exercise:** Warrants shall be considered exercised at the time the Debtor actually receives written notice of the holder's election to exercise its Warrants, provided that such notice shall be effective only if the Debtor receives full payment of the exercise price in good funds within ten days after receipt of the notice of election.

(c) **Redemption of Warrants:** The Debtor shall have the right to redeem all or a portion of one or more series of Warrants on the following terms:

(i) **Redemption Price:** The redemption price shall be ten cents (10¢) for each share purchasable upon exercise of the Warrants.

(ii) **Manner of Redemption:** Redemption shall be effected by giving written notice to the address last known by the debtor for the holder not less than thirty days prior

to the intended redemption date (which date shall be stated in the notice). Holders of Warrants may exercise their Warrants at any time prior to 5:00 p.m., Pacific Time, on the redemption date stated in the Debtor's notice.

(iii) **Time of Redemption:** The Debtor may redeem Warrants in a particular series only when the closing bid price on the last trading day prior to giving notice of redemption for the shares receivable upon exercise of the Warrants in that series is at least $1.00 or at least 100% greater than the exercise price for that series of Warrants.

(iv) **Partial Redemption:** Subject to the limitation set forth in the preceding subsection, the Debtor may select one or more series of Warrants for a partial redemption and may redeem less than all Warrants in a particular series; however, any partial redemption shall be made Pro Rata among the holders of Warrants of any particular series.

(v) **Conversion of Unredeemed Warrants:** All Warrants as to which the Debtor issued a notice of its intention to redeem that remain unexcercised and unredeemed after the redemption date stated in the notice shall be automatically converted to a Warrant of the series which has the next highest exercise price.

6.6 **Disputed Claims and Interests**

(a) **Reserve for Disputed Claims and Interests:** When any Distribution is to be made to holders of claims entitled to payment in Cash, the Debtor shall deposit into the Claims Reserve any amount that would be distributed to the holder of a Disputed Claim if it were an Allowed Claim. When any Distribution is to be made to holders of claims or interests entitled to New Equity Securities, the Debtor shall reserve the number of shares that would be distributed to the holder of a Disputed Claim or Disputed Interest if it were an Allowed Claim or Allowed Interest or the number of shares that would be issuable on exercise of a Warrant that would be distributed to the holder of such a Disputed Claim or Disputed Interest. Such amount shall be retained in the Claims Reserve, or the shares shall continue to be reserved, until the allowability of such claim is resolved.

(b) **Determination of Reserve Amount:** The amount withheld, or number of shares reserved, shall be determined on the basis of (a) the amount claimed by the holder in its proof of claim filed in this case if such proof of claim asserts a fixed, liquidated sum, (b) the amount upon which the parties to the dispute agree, or (c) the amount estimated by the Bankruptcy Court after notice and an opportunity for a hearing under B.L.R. 9014-1(b).

(c) **Distributions on Disputed Claims and Interests:**

(i) After a Disputed Claim that would be entitled to Cash is resolved:

(A) To the extent the Disputed Claim is determined to be an Allowed Claim after one or more Distributions have been made hereunder, then within 30 days after the Debtor has notice that such claim has become an Allowed Claim, the Debtor shall distribute Cash to the holder from the Claims Reserve in an amount equal to (1) the Distribution the holder would have received if the claim had been an Allowed Claim at the time such Distributions were made and (2) Plan Interest thereon, accruing from the date each such Distribution would have been made; and

(B) Funds in the Claims Reserve not paid to the holder of the claim shall be returned to the Debtor's general account.

(ii) After a Disputed Claim or Disputed Interest entitled to a Distribution of New Equity Securities is resolved:

(A) To the extent the Disputed Claim or Disputed Interest is determined to be an Allowed Claim or Allowed Interest after one or more Distributions have been made hereunder, then within 30 days after the Debtor has notice that such claim or interest has become an Allowed Claim or Allowed Interest, the Debtor shall distribute the New Equity Securities which the holder is entitled to receive; and

(B) The common stock reserved on account thereof (and/or Warrants, as applicable) to which the holder is not entitled shall be distributed Pro Rata to the holders of Allowed Claims or Allowed Interests in the class of which the Disputed Claim or

1 Disputed Interest is a member if such class is entitled to Pro Rata Distributions from a fixed block of New Equity Securities; otherwise such reserved shares shall be released from reserve and deemed thereafter to be authorized, unissued, and unreserved shares available for issuance as the Debtor deems appropriate.

6.7 Amendment of Articles of Incorporation: Not later than 120 days after Confirmation, the Debtor shall file amendments to its articles of incorporation which provide for:

(a) Authorization of sufficient shares of its common stock to permit issuance of the New Common Stock, the shares issuable on exercise of all Warrants to be issued under this Plan, and such additional common stock as the Debtor considers appropriate to have available for future transactions; and

(b) Prohibit the issuance of nonvoting equity securities.

6.8 Validity of Corporate Actions: Pursuant to §1400 of the California Corporations Code, Confirmation shall constitute due authorization required for the full validity, enforceability, and effectiveness of all transactions provided for in this Plan, notwithstanding any provisions of the California General Corporation Law which would otherwise require approval of such transactions by the Debtor's board of directors, shareholders, or otherwise. Confirmation shall constitute authorization for the Debtor's Responsible Individual designated under B.L.R. 4002-1 to take all actions and execute, deliver and file all certificates, notices, and other documents as he deems necessary or appropriate to consummate the transactions provided for in this Plan, including certificates of amendment of the Debtor's Articles of Incorporation.

6.9 Selection of Directors: At Confirmation, the following individuals shall be the directors of the Debtor:

Chester Billingsley
Gilbert McCord
Stan Shaul
Robert Meyer
Ernest Williams

At the first regular meeting of shareholders following Confirmation, directors shall be elected in accordance with the Debtor's articles of incorporation and bylaws.

ARTICLE VII

DISCHARGE

Except as otherwise provided herein or in the Confirmation Order, Confirmation shall discharge the Debtor from all debts that arose, or are treated under the Code as if they had arisen, at any time before Confirmation. The discharge shall be effective as to each debt regardless of whether a proof of claim therefor is filed or deemed filed, whether the claim is an Allowed Claim, or whether the holder thereof accepts the Plan.

ARTICLE VIII

RETENTION, SETTLEMENT, AND WAIVER OF CLAIMS

8.1 Retention and Enforcement of Claims. The Debtor shall retain and may enforce claims held by it or its estate, including claims arising from the power, under the Code or otherwise, to avoid and recover transfers.

8.2 Settlement of Objections to Claims: If a party has timely filed an objection to a claim, the party who filed the objection and the holder of the disputed claim may enter into a written settlement agreement to compromise such claim, which agreement, when filed with the Bankruptcy Court, will have the force and effect of a Final Order.

8.3 Stale Checks and Claim Waiver: All checks constituting disbursement of amounts due under the Plan shall be drawn so as to become automatically void if not cashed or otherwise negotiated within 90 days after issuance. If any such check becomes void, the claim with respect to which the check was issued shall be deemed withdrawn, and the funds corresponding to the withdrawn claim shall be disbursed according to the Plan.

Any New Common Stock and proceeds from the redemption of Warrants that are not deliverable after issuance or receipt and that have not been claimed 90 days after five press releases on issuance and the redemption of Warrants have been made, will be retired into the Debtor's treasury. The claim with respect to which the New Equity Securities was issued shall be

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deemed withdrawn, and the funds corresponding to the withdrawn claim shall be disbursed according to the Plan.

ARTICLE IX

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Except for the executory contracts and unexpired leases described in Exhibit A or in an amendment to Exhibit A which may be filed before Confirmation, the Debtor hereby rejects all executory contracts (which include warrants, options, and other rights to purchase shares of the Debtor's stock) and unexpired leases to which it was a party on the Filing Date. On the Effective Date, the executory contracts and unexpired leases described in such Exhibit A shall be assumed by the Debtor.

ARTICLE X

REVESTING

10.1 Revesting of Property: Except as provided in this Plan or in the Confirmation Order, on the Effective Date, the Debtor shall be vested with all of the property of its estate free and clear of all claims, liens, charges and other interests of creditors arising prior to the Filing Date. All property of the estate shall remain property of the estate within the meaning of §541 of the Code, and the automatic stay imposed by §362 of the Code shall remain in force, until the Effective Date.

10.2 Avoidance of Liens: Without limiting the generality of the preceding section, on the Effective Date, the Debtor's property shall be free of any liens in favor of parties who do not hold secured Allowed Claims within the meaning of §506(a) of the Code, including the following:

(a) Heller: The security interest asserted by Heller in any assets of the Debtor other than the Bedro Notes.

(b) **Orders of Examination:** Any liens asserted by parties who, in litigation commenced prior to the Filing Date, obtained orders of examination of the Debtor under California CCP §708.110 or 708.120 or otherwise, including:

(i) The Miner Group, d/b/a Olympic Graphics Industries;

(ii) Value Business Products, Inc.

(c) **Notices of Judgment Liens:** Any liens asserted by parties who filed financing statements or notices of judgment liens with the California Secretary of State after the date on which Heller filed its financing statements, including a notice of judgment lien filed by Re-New Sealers, Inc.

10.3 Operation of Business: Upon Confirmation, the Debtor shall operate its business free of any restrictions of the Code, the Rules, or the Bankruptcy Court.

ARTICLE XI

RETENTION OF JURISDICTION

Notwithstanding Confirmation, the Bankruptcy Court shall retain jurisdiction to enforce the provisions, purposes, and intent of this Plan including, without limitation:

A. Determination of the allowability of claims and interests;

B. Approval of the assumption, assignment, or rejection of any executory contract or unexpired lease of the Debtor;

C. Determination of requests for payment entitled to priority under §507(a)(1) of the Bankruptcy Code, including compensation of parties entitled thereto;

D. Resolution of controversies and disputes regarding interpretation of this Plan;

E. Implementation of the provisions of this Plan and entry of orders in aid of confirmation of this Plan, including, without limitation, appropriate orders to protect the Debtor from creditor action;

F. Modification of the Plan;

1 G. Adjudication of any causes of action, including avoiding powers actions, brought by
2 the Debtor; and
3 H. Entry of a final decree closing this case.
4
5 ## ARTICLE XII
6 **REQUEST FOR CONFIRMATION**
7 If necessary, the Debtor requests Confirmation of this Plan pursuant to §1129(b) of the
8 Code.
9 Dated: September 30, 1999

Main Street AC, Inc.

By: ______________________
Chester Billingsley
Chief Executive Officer

Campeau & Thomas
A Law Corporation,
Attorneys for Debtor-in-Possession

By: ORIGINAL SIGNED BY ______________________
Wayne Thomas

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EXHIBIT A

EXECUTORY CONTRACTS TO BE ASSUMED BY THE DEBTOR

1. Lease for premises at 346 Saratoga Avenue, San Jose, California.

2. Hired Service Provider Contract with Nevada ATM including Service Agreement and network Fee Licensing Agreement.

3. Location Agreements for the ATM Nevada automated teller machines.

4. Any other leases, contracts and agreements necessary for the continued operation of the ATM business acquired pursuant to the Purchase Agreements.

5. Indemnification Agreement for corporate agents and all other agreements memorialized in the Corporate Minutes Book not in conflict with the Plan.

6. The Attorney - Client Fee Contract with Campeau & Thomas.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
PACIFIC REGIONAL OFFICE
11TH FLOOR
5670 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90036-3648

IN REPLYING PLEASE QUOTE

November 19, 1999

BY FACSIMILE (408) 295-6606
AND U.S. MAIL

Kathryn M. Infante, Esq.
Campeau & Thomas
55 South Market Street, Suite 1660
San Jose, CA 95113

Re: Main Street AC, Inc.
Bankr. Case No. 98-56803-MM
(BLA-417)

Dear Ms. Infante:

As I mentioned during our telephone conversation this afternoon, the Commission staff has reviewed the draft of the Debtor's Memorandum in Support of Approval of its Proposed Fifth Amended Disclosure Statement, which you provided to our office on November 17, 1999. The staff does not have any further questions or comments regarding the Debtor's Fifth Amended Disclosure Statement ("Disclosure Statement") at this time. However, please note that this should not be interpreted as approval of the Disclosure Statement, or the proposed Debtor's Third Amended Plan of Reorganization, by the Commission or its staff.

If you have any questions or comments regarding this matter, please feel free to call me at (323) 965-3860.

Very truly yours,

Arthur W. Richardson

Arthur W. Richardson
Senior Counsel

Exhibit 10(a)

LONG – TERM LIQUIDITY & FUNDING AGREEMENT
BY
MANAGEMENT CONTRACT & OPTION

$3,200,000

This Long–Term Liquidity and Funding Agreement by Management Contract and Option (the "Agreement") is entered into this **30th day of April, 2005** ("Effective Date"), by and among the following parties:

Waste Consolidators, Inc., aka **WCI**, a Colorado corporation ("Operating Company"),
WCI Management, Inc., an **Arizona** corporation ("Management Company"),

(Collectively, the two above companies may be referred to as the "**WCI Companies**"),

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The shareholders of **WCI** ("OpCo Owners"),
The shareholders of **WCI Management, Inc.** ("MCo Owners"),

(Collectively, the two above groups may be referred to as the "Owners"),

----

The management team of **WCI Management, Inc.** ("Owner / Managers"),

----

(Collectively, the Owners, Owner / Managers and **WCI Companies** may be referred to as the "**WCI Parties**"),

----

Main Street AC, Inc., a California corporation ("Main Street"),

(All the above parties together, may be collectively referred to in this Agreement as the "Parties").

RECITALS

Main Street's central business purpose is to provide access to the higher valuations and greater liquidity that is found in the public markets to the owners of profitable private companies. The **WCI Parties** desire to secure those potential public market and other benefits for themselves. The Parties understand that the public market determines value accurately only over the long-run and that the benefits of this Agreement will most probably manifest themselves over a long period of time. Hence, this Agreement is accepted by the Parties as a gradual, long-term, multi-year program.

Within Main Street, the family of agreements, similar to this Agreement, is referred to as the "Owners' Fund" program. Main Street is an operating company and not a mutual fund nor an investment company.

AGREEMENT STRUCTURE

To secure the long-term benefits hoped for, the Parties are entering into this single, unified Agreement. For ease of understanding only, the Agreement may be thought of as being comprised of five primary provisions, as follows:

- I. Formation of a Management Company, issuing these new shares to the Owners,
- II. Structuring of a Management Contract for the Management Company,
- III. Structuring of an Employment Contract for the Owner / Managers within the Management Company,
- IV. Providing for a tax-free Exchange to purchase the Owners' new Management Company shares with Main Street stock which is repurchased for cash over time,
- V. Providing Main Street with a long-term Option To Purchase the Operating Company at a probably distant time to be determined by the OpCo Owners.

The body of the Agreement follows along these lines concluding with appropriate administrative sections.

SUMMARY OF TERMS

As a short, quick reference, the following financial terms of the Agreement are excerpted and consolidated here. The complete text found in the main body of this Agreement governs and must be consulted to determine the conditions and details that therein define, limit and materially impact each of these terms, other terms and the above five provisions.

A. The *pro forma* Purchase Price of the Management Company is **$3,200,000.**
- i The initial Exchange is a tax-free exchange of stock.
- ii The stock is repurchased over time targeted to equal the Purchase Price.
- iii Exercise of $150 Million in public warrants provides funds for repurchase.
- iv Purchase funds are released to MCo Owners as increasing percentages of the Earnings Target are met by the Management Company.
- v The Earnings Target is **$400,000** per year after-tax.
- vi The purchase price multiple for the Management Company is **8x.**

B. The Management Company will be 100% owned by Main Street.
- i The standard monthly Accounting Fee is 10% of salary + $500 = **$1,500.**
- ii The Stock Repurchase Allocation (fee) matches and equals any bonus, dividends or other funds Owners receive above salary and benefits.

C. The Owner / Managers monthly salary allocation is **$10,000** including benefits.
- i. The Owners / Managers may draw extra bonuses as they wish (see Bii).

D. The option price for the Operating Company is **8x** its Future Earnings calculated at the time of exercise.
- i The OpCo Owners may remain as shareholders, directors and officers of the Operating Company until after option Exercise.
- ii The Option To Purchase is generally exercised upon Owner's request.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

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ARTICLE I
MANAGEMENT COMPANY FORMATION

Section 1.0 Initial Reorganization. In November 2003, Main Street purchased 100% of the **WCI** operating company from the OpCo Owners for 125,000 shares of Main Street restricted common stock, with the additional right to buy the associated management company later. Since that time, the Owners' Fund has evolved and now completes the same type of purchases, but in reverse order. Thus, currently, for any given new company, Main Street seeks to purchase the management company first, followed by the purchase of the operating company, some years later. Similarly reversing the order of purchase would have advantages for both the **WCI Parties** and for Main Street. To secure such benefits, the Parties are entering into this Agreement. As a preliminary step, the basic November 2003, purchase will be zeroed out by a resale with any miscellaneous payments trued up. This will be accomplished in the following manner:

1.0.1 Basic Resale. Upon execution of this Agreement, the OpCo Owners will buy back, and Main Street will sell back, 100% of the outstanding **WCI** shares in exchange for the 125,000 Main Street shares originally paid.

1.0.2 Miscellaneous Matters. Prior to the execution of this Agreement, **WCI** will pay the outstanding administrative assessment from the November 2003 agreement, (approximately **$7,000**) owed to Main Street. Concurrent with the execution of this Agreement**, WCI** will enter into a note payable to Main Street equal to the cumulative matching administrative assessment due under the November 2003 agreement (approximately **$22,500**). The note is at Attachment 1.0.2. The various terms of the note are, 7.8% accruing interest, but with abated payment until **Kyle D. Thomas** has some portion of his Main Street Purchase Shares first repurchased under the restricted stock repurchase program. The first payment will be due on the note on the first 10th of the month following thirty-days after said initial repurchase for **Kyle D. Thomas** is made. Starting with that first payment, the note will be amortized in a total of twelve following equal monthly payments of principal and interest, continuing at 7.8% interest, compounded and paid monthly. This recapture of historic fees will not count toward any other Management Fees owed at the then future time under other provisions of the Agreement. Once due, payments are subject to the general timing and late payment provisions of 2.7.5.

Section 1.1 Formation of a Management Company. With the assistance of Main Street, the Operating Company has caused to be formed the "Management Company" in a form that is acceptable to Main Street. The articles of incorporation, board minutes and other similar corporate records for the Management Company are found at Attachment 1.1(a). Initially, the Management Company is a wholly owned subsidiary of the Operating Company. Basic corporate information for the Operating Company is at Attachment 1.1(b)

1.1.1 OpCo Shareholders. A list of all of the OpCo Owners containing their name, address, telephone number(s), e-mail, their percentage or numeric share holdings, and their affirmation of accredited investor status is at Attachment 1.1.1.

Section 1.2 Distribution of Management Company shares. The Operating Company will execute a tax-free distribution under Section 351 of the Internal Revenue Code to place the share ownership of the Management Company into the hands of the MCo Owners. The "Management Company Shares" thus issued, represent 100% of the outstanding and issued shares of the Management Company. The reorganization plan for the Management Company formation, to be filed with associated company tax returns, is at Attachment 1.2.

1.2.1 MCo Shareholders A list of all of the MCo Owners containing their name, address, telephone number(s), e-mail, their percentage or numeric share holdings, their affirmation of accredited investor status and any other information as may be reasonably requested by Main Street is at Attachment 1.2.1.

Section 1.3 Management Company Assets. The minimum initial assets of the Management Company are the Management Contract (defined in Article II) and Option To Purchase (defined in Article V). Unless otherwise stated here, the initial liabilities are zero. A listing of initial assets and liabilities of the Management Company are detailed herein at Attachment 1.3.

ARTICLE II
MANAGEMENT CONTRACT

Section 2.1 Management Contract Reference. To improve the conceptual understanding of this article of the Agreement, the provisions under Article II may be referred to together herein as the "Management Contract".

Section 2.2 Management Contract Creation and Initial & Future Assignments. Co-incident with the creation of the Management Company, this Management Contract was created and assigned as an intangible asset of the Management Company. All rights, duties and obligations of the Management Company with respect to the Management Contract apply and inure equally to its successors and assigns.

Section 2.3 Duties of Contract Holder. As the initial holder of the Management Contract, the Management Company has the responsibility to perform the duties of general manager of the Operating Company. This means the Management Company has responsibility for the day-to-day management of the Operating Company, its sales, marketing, operations and accounting. In addition to having primary responsibility for performance in these tactical management areas, the Management Company will provide consulting to the Operating Company with regard to the more strategic issues of corporate finance, legal, strategy, vision and culture.

Section 2.4 Limitation to Duties. Any item that is or should properly be brought before the board of directors of the Operating Company is beyond the scope of responsibility granted by and required under the Management Contract. The Management Contract confers a non-officer-like role. The overall and executive direction of the Operating Company, including

corporate finance, legal, strategy, vision and culture, will continue to vest with, and be controlled by, the OpCo Owners through the directors and officers they select.

Section 2.5 Indemnification of Contract Holder. The management team of the Management Company will be the Owner / Managers. Some Owner / Managers will simultaneously be directors, officers and/or major shareholders of the Operating Company. This dual role ineffectuates the normal executive function of directors, officers and shareholders acting as an onsite check over the management team to prevent negligent, damaging or illegal, civil or criminal acts. The **WCI Parties** believe they have operated in a fine fashion without a double-check on themselves, in the past. They feel the addition of appropriate crosschecks by the Management Company on the management team to ensure proper behavior is unneeded and counterproductive. Instead, the **WCI Parties** affirm that they will take responsibility and ensure proper behavior and acts by the Owner / Managers. To substantively take responsibility for their actions, the **WCI Parties** agree to defend, indemnify and hold harmless the Management Company and Main Street because of any action taken by, or under the direction of, the Owner / Managers under the Management Contract or for any events of the **WCI Companies** prior to the Close.

Section 2.6 Term. The Parties agree that the benefits of the Owners' Fund program in general, and the Agreement in particular, are long-term. To fully realize the mutual benefit of the Agreement, the Management Contract is exclusive and non-cancelable. The Management Contract may be terminated only by: i) mutual written consent of the Parties, or ii) exercise of the long-term Option To Purchase the Operating Company as defined and detailed in Article V.

Section 2.7 Management Fees. In consideration for performance of the duties outlined in Section 2.3, the Operating Company will pay the Management Company the various "Management Fees" defined in the following subsections, in the amounts and according to the terms indicated. In general, up to **$10,000** will go through the Management Company to Owners each month on a non-cumulative, month-by-month basis. **$1,500** will go to Main Street and any overage will be split 50% - 50%. The **$1,500** monthly payment is mandatory. Paying the **$10,000** Recurring Management Fee and any extra Incentive Management Fee for Owners is at the discretion of the Owner / Managers. However, if any Incentive Management Fee is paid, or imputed because of Direct Payments already paid to Owners under 2.7.4.3, then the matching Stock Repurchase Allocation, that, if after Management Company purchase, would go to Main Street, is also a mandatory payment.

2.7.1 Owner / Managers Salary & Benefits Coverage. At the Close[1] and each month on the 10th, the Operating Company may remit, on a non-cumulative, use it or lose it, month-by-month basis, a "Recurring Management Fee" of up to **$10,000** to the Management Company.

2.7.1.1 **Recurring Fee Elimination Upon Death, etc.** The Recurring Management Fee is specific to the designated Owner / Managers and will be eliminated if they are unavailable to provide full-time management services. If there are more than one Owner / Managers, then the Recurring Management Fee allocable to only one Owner / Manager (as detailed in Attachment 3.5) may be eliminated. The specific

[1] The Recurring Management Fee due at the Close is a mandatory payment.

events that trigger an elimination of an individual Owner / Manager's associated Recurring Management Fee are his i) death, ii) disability, iii) cumulative fraud or conversion against the **WCI Companies** in excess of $10,000 , iv) working hours devoted to management of the **WCI Companies** averaging less than 20 hours per week for any consecutive 12 week period, (v) working hours are spent for any amount of time working on any other business interest that the Owner / Manager has an equity interest in, or vi) working hours are spent working for any other entity from which any compensation is received by the Owner / Manager, or vii) written consent.

2.7.2 Public Company Administration and Accounting Coverage. At the Close, and, in addition, each month on the 10th, the Operating Company will remit an "Accounting Fee" of **$1,500** to the Management Company. The **$1,500** Accounting Fee is fixed and does not change even if the Recurring Management Fee is later reduced according to the provisions of 2.7.1.1.

2.7.3 Owner / Managers Controlled Bonus & Matching Coverage. Each month, at the option of the Owner / Managers, the Operating Company may remit an optional "Incentive Management Fee" and matching "Stock Repurchase Allocation", in any matching amounts they so designate, to the Management Company. Notwithstanding the general freedom of financial action, the Owner / Managers may not make expenditures or take action of any kind that would cause the Operating Company to be in violation of debt covenants, or to be categorized, or be forecast to be categorized, as insolvent under the Uniform Commercial Code or applicable law, or under other insolvency guidelines for the Operating Company that Main Street may from time to time specify. In determining if the insolvency threshold has been crossed, the effect of expected concurrent Stock Repurchase Allocation shall be included in any calculation.

2.7.3.1 **General Use of Bonus & Matching Funds.** In general, the Incentive Management Fee is used to pay benefits, salary and bonus for the Owner / Managers in the current month or future months. Similarly, the Stock Repurchase Allocation is earmarked to repurchase Main Street stock in the current month or future months. The later may only happen, when, if and after, Main Street completes the purchase of the Management Company. However, if so completed, the repurchase of Main Street shares may be of restricted shares under the restricted share repurchase program, or public shares out of the market. Notwithstanding the foregoing, the Management Company reserves the right, in its sole judgment, to apply its funds for any legal business purpose.

2.7.3.2 **Loans by Owner / Managers.** To best control cash flow, or for other reasons, the Owner / Managers are allowed to pay all of a Stock Repurchase Allocation in cash, yet, to then pay, but immediately loan back, the Incentive Management Fee (or some portion) in a new loan owed to designated Owners from the Operating Company. Other new loans from Owners will be assumed to indicate the Recurring Management Fee previously taken was too large. Repayment of such loans will be considered an Incentive Management Fee payment under 2.7.3, or upon sale or similar event, will increase Today's Liabilities under Section 5.12, unless specifically excepted by Main Street's in its sole judgment. Generally, Main Street will not except

loans made to bolster operating cash flows, but may except loans made for expansion, especially if funds are from proceeds of stock repurchase or from outside sources. After the Close, if any loan is made by any of the Parties to any of the **WCI Companies**, the loan will be unsecured, 7.8% accruing interest, calculated and accrued monthly. Accrued interest and principal are paid on sale of the Operating Company according to the various methods described under Section 5.11.

2.7.4 Direct Payments and Fees. In as much as is possible, all payments that directly, indirectly or even peripherally benefit the Owners will be channeled through the Management Company. This may not always be possible. For example, interest earned but not paid, dividends from the Operating Company, salary for an individual Owners' family member, odd payments not appropriate for a public company, or emergency payments may all, at some time or the other, need to be paid directly from the Operating Company. All such payments made from the Operating Company for some benefit to any of the Owners are defined as "Direct Payments". Direct Payments will be included in the Management Fee calculations as follows:

2.7.4.1 **Payments All Inclusive.** It is the intent of the Parties that any accrual or payment (without double counting) made to any Owner be included in the calculation of Management Fees. If somewhat outside of the norm, these will often be Direct Payments. They include, for example, Owners' new loans, payback of principal or interest on pre-existing loans, real estate leases, royalties, retirement, medical reimbursements, wife's salary, loan for son's college, expense reimbursement, car allowance, gas allowance, per diem, vacation or sick leave accrual, credit card rebates on company purchases, severance payment or accrual, company credit card use, life insurance and dental premiums. In general, anything is allowed, but all things must be counted, when they become the first of, an obligation of, or a payment by, the **WCI Companies**.

2.7.4.2 **In Advance as Recurring Management Fee.** When Direct Payments are disclosed by the **WCI Parties** to the Management Company in the course of the normal and timely monthly reporting for the month incurred, then they may be included and count towards the Recurring Management Fee calculation under 2.7.1. In order to be so included, the Direct Payments must be accepted by the Management Company. Also, the total for the subject month's Recurring Management Fee may not exceed **$10,000** per month on a non-cumulative, use it or lose it, month-by-month basis.

2.7.4.3 **After the Fact as Incentive Management Fee.** When Direct Payments do not qualify for inclusion under the Recurring Management Fee calculation in 2.7.4.2, then they will be added to, and treated as, an additional payment to Owners[2] and be included in the Incentive Management Fee calculation under 2.7.3.

---

[2] If the Management Company incurs or pays for expenses directly, that it deems are because of or for the benefit of the Operating Company (e.g. response to lawsuit, forensic CPA cost or in an emergency), then those expenses will be calculated into the Management Fee formula as if an equal payment was made directly to Owners. These expenses will be referred to as "OpCo Expenditures" and their Management Fee treatment will indirectly result in an equal and offsetting payment back to the Management Company covering or reimbursing the expense.

2.7.5 Timing & Late Fees. Mandatory payments are due on the 10th day of the month following the subject month during which the payment to the Owners occurred, and late 10 days later, at the 20th day. Late payments bear a penalty of 10% of the amount due and start to incur additional interest of 1% per month on the outstanding balance commencing after the 30th day. Non-mandatory payments are due on the 10th day following the subject month and bear no penalty, if late. However, non-mandatory payments received after the 30th day from the close of a subject month will be counted as a payment toward a later month just preceding the receipt of payment.

Section 2.8 Reporting and Verification. The payment splitting nature of the Agreement presents such an inherent conflict of interest for the Owner / Managers that any ongoing operation under the Agreement would not be acceptable to auditors, financial professionals and public shareholders without regular verification. Additionally, it is believed, the payments to Owners will be accelerated if some limited financial or newsworthy information on the various or collective Operating Companies is reported to the public market. To facilitate these twin goals, any of the **WCI Parties** will provide any specific financial information in a timely way when requested by the Management Company. Additionally, the Owner / Managers will keep the Management Company apprised of any Material financial, operating, managerial or legal event or circumstance of the Operating Company[3]. On an on-going basis, the Owner / Managers will provide the Management Company with the following categories of information in the manner specified. All information will only be used by the Management Company to promote the goals stated here and otherwise will be kept confidentially, unless consented to by the Owner / Managers.

2.8.1 Confidentiality and Limited Scope. If involved because of purchase of the Management Company, Main Street's purpose for receiving information is only to protect and promote its narrow interests. Main Street may review in a cursory fashion, or may not even review, some reports if it feels its interests are not then at risk. Receipt, or even review, of reports from the Operating Company does not indicate Main Street acceptance or approval of any action, activity or circumstance represented. This is all to say that, Main Street is not responsible nor interested at all in control, but just in seeing to it that its interests are always being treated fairly.

2.8.2 Financial Statements. When financial statements for the Operating Company are prepared for the Owner / Managers, then a copy will be included in a "Monthly Accounting Package" that transmits the monthly Management Fee check(s) and other financial information by the 10th of the month. The intent is that no new financial information be generated, but rather, that only an extra copy of already existing reports be forwarded.

2.8.3 Tax Returns. When federal or state tax returns are sent in for the Operating Company, an extra copy will be included in the next Monthly Accounting Package.

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[3] The Operating Company will inform the Management Company in advance before consummating agreements or taking action that will commit the Operating Company to Material assets sales, long-term compensation or related party transactions.

2.8.4 Board Information. The Management Company will have observer status on the Operating Company board of director meetings. This means that, if the Management Company so desires, they may observe, telephonically or in person, any meeting of the Operating Company board of directors or its committees. All notices that go to any Operating Company director will be sent directly to a designated the Management Company representative, if time requires, or will be included in the Monthly Accounting Package, if not time-sensitive. A copy of all minutes, resolutions, management discussion and other information, that is supplied to directors or included in the corporate minutes book, will be forwarded in the Monthly Accounting Package to the Management Company.

2.8.5 Shareholder Information. The Management Company will have observer status on the Operating Company shareholder meetings. This means that if the Management Company so desires, they may observe telephonically or in person to any meeting of shareholders of the Operating Company. All notices that go to any Operating Company shareholder will be sent directly to a designated Management Company representative, if time requires, or be included in the Monthly Accounting Package, if not time-sensitive. A copy of all minutes, resolutions, management discussion and other information, that is supplied to shareholders or included in the corporate minutes book, will be forwarded in the Monthly Accounting Package to the Management Company.

2.8.6 Original Bank Statements and Checks. Each month, after the Operating Company accountants have reviewed the bank statements, they will forward original bank or other financial institution statements and cancelled checks to the Management Company in the Monthly Accounting Package. This will usually mean a two-month delay (e.g. May checks forwarded in July, or October checks forwarded in December). The Management Company will return the originals on a monthly basis. If there is more than one bank account, then original statements for each account must be provided.

2.8.7 List of Direct Payments. As discussed in 2.7.4, on occasion, some Direct Payments will unavoidably have to be made to Owners. Each month, in the Monthly Accounting Package, there will be a straightforward listing of Direct Payments to any of the Owners. Such list will include, for each payment or accrual: i) name, ii) date, iii) amount, iv) check number or journal voucher number, v) description or purpose, and vi) additional explanatory comments, if needed. Because of the inherent conflict of interest, cash impact and easy appearance of impropriety, all persons involved should be briefed to be very precise in the reporting of these amounts. The allocation rules from 2.7.4 will be very strictly adhered to. This list of direct payments is the main disclosure device for such Direct Payments.

2.8.9 Explanation of Payment. If not paid by separate check, the Monthly Accounting Package should also contain, on the Management Fee check, or separately, a description of the breakdown and allocation of amounts paid. The ongoing balance of funds from the collection of Management Fee payments less disbursements is known as the "Management Fee Pool".

2.8.9 Site Visits. The Management Company will have the right to inspect the books and records of the Operating Company, and make copies of same, at any time.

Even for well-run companies, with owners of sterling character, these visits will occasionally and randomly be made. The Management Company views such visits as not only investagatory and prophylactic, but also as a way to promote and provide a real sense of confidence in the investing public that ultimately provides the source of funding for all owners. When asked, "How do you know owners aren't taking money out the back door?" the Management Company can answer that, not only do we deal with owners of good character, we also randomly visit sites and inspect their books. The key task of the site visit is to verify that payments to Owners are as stated. The confidentiality and limitation of scope to Main Street and Management Company interests, defined in 2.8.1, apply. The visits will be done on a no-notice or short-notice basis. A Management Company representative will show up at the door of the Operating Company to see the books in a bank examiner-like fashion. It is in the Management Company's best interest to keep such visits as non-disruptive as is possible. The Operating Company will supply a reasonable workspace and access to records and computer systems. The representative will also have access to Operating Company employees, if requested. Reasonable support for the visit will be supplied by the Owner / Managers.

ARTICLE III
PROFESSIONAL EMPLOYMENT CONTRACT

Section 3.1 Employment Contract Reference. To improve the conceptual understanding of this article of the Agreement, the provisions under Article III may be referred to together herein as the "Employment Contract".

Section 3.2 Participants. This Employment Contract is entered into between the Management Company and the following individuals, who collectively are the initial Owner / Managers:

Kyle D. Thomas

Although the Employment Contract herein may now or later cover more than one individual, the provisions continue to apply to the remaining individuals should one or more of the Owner / Managers retire earlier than another, die or become disabled, or for any reason withdraw or be terminated from the Employment Contract while other Owner / Managers remain employed.

Section 3.3 Duties. The Owner / Managers have the responsibility to perform the duties of general manager of the Operating Company. This means the Owner / Managers have responsibility for the day-to-day management of the Operating Company, its sales, marketing, operations and accounting. In addition to having primary responsibility for performance in these tactical management areas, the Owner / Managers will provide consulting to the Operating Company with regard to the more strategic issues of corporate finance, legal, strategy, vision and culture. Within this broad scope, the Owner / Managers will follow the direction of the officers and directors of the Operating Company who maintain overriding control of the Operating Company.

Section 3.4 Limitation to Duties. Any item that is or should properly be brought before the board of directors of the Operating Company is beyond the scope of responsibility

granted by and required under the Employment Contract. The Employment Contract covers non-officer-like actions. The overall and executive direction of the Operating Company, including corporate finance, legal, strategy, vision and culture, will continue to vest with, and be controlled by, the OpCo Owners through the directors and officers they select.

Section 3.5 Compensation. In consideration for the performance of the duties outlined in Section 3.3, the Owner / Managers will receive compensation from the Management Company as detailed in Attachment 3.5. The compensation is incentive driven. It is limited and controlled in magnitude by the OpCo Owners as, through the officers and directors they select, they direct additional non-mandatory payments into the Management Fee Pool. The Management Fee Pool is the net balance of Management Fee deposits less reserves and disbursements as calculated by the Management Company in their best business judgment. The monthly Recurring Management Fee paid into the Management Fee Pool by the Operating Company is targeted at **$10,000** per month. Additional Incentive Management Fee payments of any amount, in compliance with matching formulas, may also be paid into the Management Fee Pool each month from the Operating Company.

3.5.1 100% of Management Fee Pool May Be Paid Out. It is expected that, over time, 100% of all monies in the Management Fee Pool will be paid out.[4] Unless otherwise provided for herein, the balance the funds in the Management Fee Pool prior to the 1st day of a subject month are available for payout in recurring paychecks on the 6th and 21st of that subject month[5]. The initial twice per month payment for each of the Owner / Managers is detailed at Attachment 3.5. Alternatively, the funds are available for benefits or other compensation selected on a similar schedule. Instead of paying out all funds immediately, funds paid in earlier may be held and paid out gradually over the months as long as such payments remain consistent with applicable law. All costs of every type that are associated with the compensation for the Owner / Managers will be charged off or allocated against funds in the Management Fee Pool.

3.5.2 Flexible Benefit Selection. Over time, it is expected that there will be an expanding menu of benefits available for selection by the Owner / Managers. To the limit of funds left and available in the Management Fee Pool, Owner / Managers may add benefits in a cafeteria plan fashion, as they are available. The initial benefits to be paid through the Management Company to the Owner / Managers are detailed at Attachment 3.5.

3.5.3 Split Amongst Individual Owner / Managers. If there are two or more Owner / Managers, the Management Fee Pool will be administered as if each individual Owner / Manager had a separate management fee pool. The allocation of funds between these sub-accounts will be initially set by the Owners and is detailed at Attachment 3.5. Subsequent

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[4] Funds in the Management Fee Pool may, at the Management Company's sole discretion, be applied, if due, first, and then in order to, penalties, interest, Accounting Fees, Stock Repurchase Allocations, and Owner / Manager compensation under the Employment Contract.

[5] In the Management Company's sole judgment, reserves may be set and compensation may be adjusted to ensure that compensation is in compliance with prevailing labor laws, such as minimum wage, workman's compensation and others, as may from time-to-time apply.

changes between individuals are generally not allowed. Subsequent changes between sub-accounts require the consent of the Management Company.

3.5.4 Consulting or Extended Benefits. If, at the end of the Employment Contract for one or all Owner / Managers, additional funds remain in their Management Fee Pool, then those funds, at the Owner / Manager's option, may be paid out in one final payment, in consulting fees over time (if agreed to by the Management Company), or paid out in the form of extended benefits. In addition to any other non-compete provisions provided for elsewhere in this Agreement, the Owner / Managers agree not to compete with the business of the Operating Company during the period of time when they are receiving extended benefits or extended consulting fees.

Section 3.6 Term. The Employment Contract is a long-term agreement and is non-cancelable except by written consent of the Owner / Managers and the Management Company, upon termination of the Management Contract, or upon Exercise of the Option to Purchase under Article V.

ARTICLE IV
EXCHANGE OF SHARES

Section 4.1 The Exchange. The MCo Owners wish to sell and Main Street wishes to purchase 100% interest in the Management Company. To accomplish this objective, the Parties agree to the "Exchange" outlined here, which is structured to qualify as a tax-free exchange under Section 368 of the Internal Revenue Code. The MCo Owners agree to transfer to Main Street, at the Close, as defined in Section 4.12, the Management Company Shares which represent one hundred percent (100%) of the shares of common stock, no par value, of the Management Company, consisting of the number of shares shown opposite their names, or derived by percentage calculation, on or from Attachment 1.2.1. Main Street will issue "Main Street Purchase Shares" equal to that number of shares of voting capital stock, no par value per share, of Main Street having a total *pro forma* or target value of **$3,200,000** , which is defined as the "Purchase Price". The total number of Main Street Purchase Shares to be issued shall be determined by dividing the Purchase Price by the Applicable Value Per Share Of Main Street Capital Stock. The "Applicable Value Per Share Of Main Street Capital Stock" shall be **$8.00** per share. However, no fractional Main Street Purchase Shares shall be issued pursuant to the Exchange and, in lieu thereof, the fractional Main Street Purchase Share to be issued will be rounded up to the next whole share. In accordance with Section 4.2, the number of Main Street Purchase Shares so calculated is **400,000** shares.

4.1.1 Exchange of Certificates. At the Close, subject to the transfer and performance requirements later set forth in this article, (i) Main Street shall deliver or direct the transfer agent to cause to be delivered to each of the MCo Owners a certificate or certificates representing the number of whole Main Street Purchase Shares for which the Management Company Shares owned by each of the MCo Owners shall have been exchanged and (ii) concurrently therewith, the MCo Owners shall deliver or cause to be delivered to Main Street certificates evidencing the ownership of the Management Company Shares, in each case accompanied by one or more stock powers duly executed in blank or duly executed instruments

the then current actual Main Street combined state and federal tax rate, the then current actual Operating Company combined state and federal tax rate, or 35%.

4.3.1.3 **Net Present Value Discount Factor**. The Exchange allows for the Owners to meet the Earnings Target in a future rolling four fiscal quarter time period. In the market in general, stocks may often grow at an average 12% per year rate and that percentage is used under the Exchange as a general NPV discount rate. If the initial Earnings Evaluation Period is the normal case of the rolling year starting at the beginning of the very next calendar quarter from the Close and running over the next four quarters, then, that associated Net Present Value Factor is 100%, which has no effect. The "Net Present Value or NPV Factor" for the quarter-by-quarter rolling four fiscal quarter Earning Evaluation Periods past then, increases at 3% for each fiscal quarter extension, compounded. This means that if the rolling fiscal period being considered to see if the Earnings Target Is Met is pushed out by three months, then the NPV Factor applied to that annual period would be 103%. In other words, if the Earnings Target were 100, then, over the four fiscal quarters that commence just after three (3) months from signing, the earnings would need to be 103 to qualify so that the Earnings Target Is Met. The NPV Factor for the next annual Earnings Evaluation Period, starting three months later, would be 106.09%.

4.3.2 Definition of Achievement. Certain financial events are proportional, dependant or triggered upon the Owners meeting increasing percentages of, or all of, the declared Earnings Target. The "Earnings Target Is Met", or, in accordance with and by Main Street proportional calculation along similar lines, a certain Main Street declared percentage of the Earnings Target Is Met, if:

(i) the Adjusted After-Tax Earnings during the initial Earnings Evaluation Period, as defined in 4.3.3 are greater than the Earnings Target, or

(ii) after the end of any quarter subsequent to the initial Earnings Evaluation Period, the Owners present financial reports or other evidence to Main Street indicating that the Adjusted After-Tax Earnings have exceeded the annual Earnings Target during four preceding contiguous calendar quarters after adjusting for a Net Present Value Factor as provided for in 4.3.1.3. Based on the request and evidence provided, if Main Street judges that the Adjusted After-Tax Earnings exceed the Earnings Target, or some percentage thereof, as adjusted for NPV, then Main Street may declare that the Earnings Target Is Met, or proportionally, that some percentage has been met. Such declaration shall not be unreasonably withheld, or

(iii) at any time, the Owners present financial reports or other evidence to Main Street that overwhelmingly support the fact that the Adjusted After-Tax Earnings, in the then current annual period, will, with great certainty, go on to exceed the Earnings Target, or some percentage thereof, as adjusted for NPV, and based on the request and evidence provided, if Main Street judges that the Adjusted After-Tax Earnings are in the process of exceeding the Earnings Target, or some percentage thereof, as adjusted, then Main Street, in its sole judgment, may declare that the Earnings Target Is Met, or, proportionally some percentage has been met[9]. Such declaration by Main Street may be withheld for any reason related or unrelated to this Section, at Main Street's discretion.

[9] **If the Owners schedule $51,667 in Stock Repurchase Allocations, $310,000 in stock could be transferable.**

4.3.3 Earnings Evaluation Period. To comply with accounting, tax and securities reporting requirements the Management Company fiscal year will be aligned with that of Main Street, which is on the typical calendar year equaling fiscal year schedule. Adjusted After-Tax Earnings will be continually compared to the Earnings Target during successive Earnings Evaluation Periods. Each "Earnings Evaluation Period" is the quarter-by-quarter year of four contiguous calendar quarters being examined to determine if the Earnings Target Is Met. Unless specified otherwise here, the initial "Earnings Evaluation Period" is defined as the first quarter-by-quarter rolling fiscal year following the Close. The initial Earnings Evaluation Period for the Management Company is specified as **April 1, 2006 to March 31, 2007.**

Section 4.4 Current Main Street Repurchase Program. The Main Street board of directors has determined that it is in the best interests of its shareholders to have in place an aggressive stock repurchase program. This is consistent with Main Street's core corporate purpose of providing liquidity for otherwise private business owners through the public markets. As stockholders, after the Close, the Owners will enjoy the rights of any other shareholder with regard to the repurchase of their restricted Main Street Purchase Shares by Main Street and the potential benefits of reselling shares on the open market when an aggressive stock repurchase plan is in place. Notwithstanding discussion elsewhere in this section, the stock repurchase plan is subject to the overriding constraint that overall corporate overhead, taxes and other needs and financial health must be maintained. Main Street explicitly reserves the right to expend funds for any legal purpose in its sole judgment. But, in as much as is possible, the repurchase program and attendant liquidity are a core focus of the business. The current stock repurchase program is two-fold:

4.4.1 100% of Matching Funds Used to Buy-Back Public Stock. 100% of the net funds that come in from Operating Companies in the form of matching Stock Repurchase Allocations are used to buy-back Main Street stock out of the public market. All other things being equal, this should cause a rise in the Main Street stock price. In its sole business judgment, Main Street may redirect these market repurchases toward the repurchase of restricted shares, if, for example, the market price exceeds the restricted share repurchase price.

4.4.2 100% of Warrant Funds Used to Buy-Back Owners' Stock. The Main Street capital structure, including $1, $3, $5 & $7 warrants that would generate approximately $130,000,000 to $170,000,000 on exercise, is detailed at Attachment 4.4.2. If the Main Street share price rises above those Main Street warrant exercise price points, that rise will make it in the economic best interests of the warrant holders to exercise those warrants at a profit. Also, the warrants each become callable at $1.00 per share above their strike price. If the current warrant holders do not then exercise their warrants, those warrants may be called away by Main Street and assigned to other parties for immediate exercise. In this fashion, it is expected that, if the stock price so rises, then funds from the exercise of warrants will be generated. 100% of the net funds that come in through the exercise of warrants will be earmarked to repurchase restricted shares of Main Street that are presented from Holders and transferable. "Holders" include the MCo Owners who hold Main Street Purchase Shares, the similar owners from other companies that are likewise participating in the Owners' Fund, and other holders of restricted shares. Transferable restricted shares will be targeted for repurchase from the Holders of those restricted shares at a rate of **$8** per share.

4.4.3 Performance Earned Percentage is Qualified for Buy-Back. In order to qualify for the current and separate Main Street restricted stock repurchase program, a Holder's stock need only be restricted and transferable. All Main Street Purchase Shares will be restricted. Once the Earnings Target Is Met, all Main Street Purchase Shares will be transferable. Until the Earnings Target Is Met, a common percentage for each MCo Owner's restricted shares, referred to as the Performance Earned Percentage, is transferable and qualified for buy-back under the restricted share repurchase program. The "Performance Earned Percentage" is determined by a formula that is proportional to the Earnings Target with a 10% Reserve phased in over the first 20% and released at 100%. The 10% Reserve is to encourage Owners to make accurate projections for their Earnings Target which otherwise would be best to project at infinite profitability. The Performance Earned Percentage is proportional and piecewise smooth, rather than stepped, but in tabular form the percentage of a MCo Owner's restricted shares that will be transferable compared to the percentage of the Earnings Target that is thus far met, is as follows:

Percent of Earnings Target Reached:	0%	10%	20%	30%	40%... 90%	99%	100%
Performance Earned Percentage:	0%	5%	10%	20%	30%... 80%	89%	100%

4.4.3.1 **Transfer Restrictions Apply to Public Market Sales.** In the same manner that restricted share repurchases are limited to the Performance Earned Percentage, so to are sales of Main Street Purchase Shares in the public markets limited. Thus, if the Main Street share price on the public market were $12 per share, the Holder would clearly be better off selling through a stockbroker at $12, than in selling back to Main Street at $8. After the typical Section 144 stock restrictions expire, usually after twelve months from issuance, this public market sale is generally allowed and encouraged. However, the total percentage of an MCo Owner's Main Street Purchase Shares that are transferable, so that they may be sold publicly, is still limited to the Percentage Earned Percentage.

4.4.3.2 **Transfer Restrictions are Comprehensive.** Before and until the Earnings Target Is Met the Main Street Purchase Shares may not be transferred or encumbered without the prior written consent of Main Street. The Main Street Purchase Shares may not be put into street name without the prior written consent of Main Street. The transfer restriction is in Main Street's absolute discretion and release of this restriction will not generally be granted except as provided under 4.4.3, upon death, divorce settlement or for other intra-family adjustments. The legend on the share certificate will be extremely restrictive and, among other restrictions, indicate that the particular share certificates are subject to unilateral cancellation by Main Street if certain performance requirements are not met. If any cashless assignments are ever given for such events as the settlement of an estate or as directed by Court order, then the new assignee will be bound by the same restrictive covenants on transfer as the Owners. In effect, the assignee will become a substitute MCo Owner with regard to the Main Street Purchase Shares held.

4.4.3.3 **Release of 10% Reserve.** The 10% limitation on transfer that is phased in over the first 20% of the Performance Earned Percentage is referred to as the "Reserve". The Reserve is automatically released and the remaining 10% of Main Street Purchase Shares are transferable when the Earnings Target Is Met. One-half of the Reserve (e.g. 5%)[10] may be released from transfer restriction by Main Street when or upon:

i) the Exercise of the Option to Purchase,
ii) the Adjusted After-Tax Earnings are less than any previous peak earnings for the next three consecutive years,
iii) the Owner / Managers inform Main Street in writing that the Adjusted After-Tax Earnings are not growing and the MCo Owners wish to collectively exercise a release of the Reserve under 4.4.3.3 iii, or
iv) an individual MCo Owner informs Main Street in writing that they believe the Adjusted After-Tax Earnings are not growing and that the individual MCo Owner wishes to individually exercise a release of their Reserve under 4.4.3.3 iv.

In order to effect the release of 50% of the Reserve, the Untransferable Shares must be surrendered to Main Street and cancelled. The "Untransferable Shares" are that percentage of Main Street Purchase Shares in excess of the Performance Earned Percentage plus one-half of the Reserve. Once the first of any of the events i – iv occurs, the applicable Performance Earned Percentage, for the individual or collectively, will be frozen. In consideration for the availability of early release of one-half of the Reserve, even if the percentage of the Earnings Target earned later increases, the Performance Earned Percentage will not be increased and the Untransferable Shares may not later be made transferable nor be presented for repurchase nor otherwise sold. If the Untransferable Shares are not surrendered after a reasonable time, or if Main Street is unable to contact a particular MCo Owner subject to the surrender, then Main Street is authorized to cancel out the Untransferable Shares on its books and records and direct the transfer agent to record the cancellation on the stock transfer records, also.

4.4.4 Repurchase at $8 per Share at Owner's Choice. If the Main Street shares are trading above $8 per share, the Holders are not required to sell their Main Street Purchase Shares through the restricted share repurchase program. That program is completely voluntary. In fact, no Holder is ever required to sell any shares; they may observe and do nothing. For example, if any Holder wishes to wait until capital gains treatment applies before selling, if it would be tax advantageous to defer, or if for any reason a Holder wishes to defer sale at $8 per share at any time, then he need merely not present his shares for *pro rata* repurchase for any particular calendar month. To participate in the restricted share repurchase program, any Holder should send his restricted shares to Main Street with a written request, in

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[10] Usually, the Reserve will be already 10% of the total when a release event occurs. In theory, the Reserve could be less that 10% if less than 20% of the Earnings Target Is Met. In that case, on release, one-half of the lesser percentage held back from transfer would then become transferable. For example, if 16% of the Earnings Target Is Met, then the Reserve would be 8% , and, on release, an additional 4% of the Main Street Purchase Shares would then be transferable.

forms provided by Main Street or separately, to include some specified number or all of those shares in the repurchase program on a one–time or repeated basis. If participation on a repeated basis is indicated, then any residual shares will be automatically included in the next month's repurchase program until Main Street is notified in writing otherwise. Transfer agent and other third party fees will be paid by the Holder. To minimize fees and expenses, repurchases will done on a ledger basis and a new residual stock certificate will not be repeatedly reissued to the Holder unless specifically requested.

4.4.5 Monthly *Pro Rata* Repurchases. Restricted transferable shares presented for purchase by the beginning of any calendar month by an individual Holder will be repurchased on a *pro rata* basis to the total amount of restricted transferable shares similarly presented by all Holders. Restricted share repurchases will be calculated on a monthly basis and are targeted to be made by the fifteenth of the following month, or as soon as is reasonably practical after the receipt of funds for that purpose. However, in this area, Main Street may exercise its sole judgment in efficiently and effectively administering the repurchases process. This includes actions such as the grouping of months or the accumulation of funds earmarked for repurchase and the accelerated payoff of small residual Holders.

4.4.6 Provision for Limited Buyout of Only Some Owners. By separate agreement amongst themselves, groups of individual MCo Owners associated with one business are allowed under the Exchange and may choose to weight, accelerate or otherwise more quickly repurchase and retire the Main Street Purchase Shares for only one or a small number of their particular multi-person ownership group (e.g. Between parent and children the parent may be paid off first, or between retiring and active partner the retiring partner may be paid off first). To focus the repurchase amounts on the restricted shares of one individual Holder, the Main Street Purchase Shares of the consolidating group should be presented together. Accompanying the shares should be a statement, executed by all participating Holders, indicating that all repurchases for the group are to be allocated first to some limited number of individual Holders in the group for all of those MCo Owners' restricted shares, or up to some maximum repurchase amount. If the allocating Holders in the combined group want their individual monthly repurchases to be reapplied to their own account and restart after the single or limited number of individuals have had their shares repurchased, then that should also be indicated. Owners should note that by taking this approach, the Performance Earned Percentage is recalculated as if the group were one individual Holder. As a result, the residual or non-accelerated Holders bear increased risk of not having their shares repurchased before the Earnings Target Is Met or even never having their shares repurchased because of a reason that otherwise would only partially restrict funding or limit their individual repurchase. Participation under the provisions of 4.3.3 requires the consent of Main Street which may be unreasonably withheld in its sole discretion.

Section 4.5 Current Repurchase Program Subject to Modification by Board. The current Main Street share and restricted share repurchase program described in Section 4.4 may be modified in total by action of the board of directors of Main Street. Any modification would not be selectively applied to this Agreement nor to any particular agreement, as the repurchase program is a voluntary action of Main Street, directed by the board, and available to all shareholders and Holders when applicable. Main Street believes that continuing to operate

the voluntary share repurchase and restricted stock repurchase program is strongly in the best interests of its shareholders. Nonetheless, Main Street reserves the right to adjust, significantly modify in every way, or even terminate the entire share repurchase or restricted stock repurchase program, in Main Street's sole discretion.

Section 4.6 IRA Coordination Available. Generally, all shares issued in a tax-free exchange must be treated equally, and shares deposited to an IRA must be non-cancelable. In the Exchange, all shares are issued in a tax-free exchange, then, if the Earnings Target is not met, a portion may be cancelled. Outside of a tax-deferred vehicle, issuing shares in steps would often generate a series of taxable events. This is not an issue within an IRA or other tax deferred accounts. To ensure equal treatment, if an Owner so elects, shares may be held in escrow until the individual Owner directs that certain issues with regard to IRA treatment for certain shares have been cleared with the IRA custodian. In the meantime, repurchases will continue in the normal fashion and cash or share deposits into an IRA will continue as quickly as is possible until all custodian issues are cleared. This coordinating approach will exactly follow the Performance Earned Percentage from 4.4.3, and other aspects of the Exchange.

MCo Owners should note that they must consult with their own tax advisor with regard to the IRA coordination under Section 4.6. The tax law and tax-deferred accounts are complex and individual. For an individual MCo Owner and his particular account, the description under Section 4.6 may not apply at all. If the individual MCo Owner or Main Street determines that it is advantageous to discontinue coordination under this provision, then they may do so. In that case, the Main Street Purchase Shares will be construed, supplemented, issued or reissued in the normal fashion. This may result in significant negative tax consequences for the affected Parties who shall have no recourse against any of the other Parties.

Section 4.7 Existing Loans to Owners. The Parties agree that as of the Close there are no prior existing outstanding loans, accruals, liabilities, contingent liabilities or other monies due to Owners or related parties from the **WCI Companies** except those specifically delineated in Attachment 4.7 and specifically accepted by Main Street. Unless specifically excepted in writing by Main Street, any liabilities so accepted will automatically be converted, by act of the Close of this Agreement, to a new loan that is unsecured, with 7.8% accruing interest, calculated and accrued monthly. Accrued interest and principal are to be paid on sale of the Operating Company according to the various methods described under Article V. All undisclosed Owner liabilities that are later discovered are agreed between the Parties and the Operating Company to have been previously exchanged for equity and were already appropriately reflected in the equity of the Operating Company prior to the Close, and as such, are already reflected in the total and individual equity interest delineated in Attachments 1.1.1 and 1.2.1.

Section 4.8 No Significant Changes to Balance Sheet. The intent under this Agreement is for the theoretical "Combined Balance Sheet" of the **WCI Companies**, taken together, to remain relatively unchanged as the transition from private company to participant in a public group of companies through the Owners' Fund is made. The "Recent Balance Sheet" and initial position for Operating Company is the **March 31, 2005,** balance sheet provided by the Owners with the Offer and that is found at Attachment 4.8(a). If it is ascertained just after the Close that the Combined Balance Sheet has been significantly and Materially depleted since the

Recent Balance Sheet, except as disclosed by Owners and accepted by Main Street on Attachment 4.8(b), especially because of significant cash reductions prior to sale, or if intentionally depleted in excess of $10,000 in any way, then that is defined as an additional cause to trigger the Option To Purchase at a 25% discount under Section 5.9.

4.8.1 Recent Cash Payments to Owners. Except as disclosed by Owners and accepted by Main Street in Attachment 4.8.1, since **March 31, 2005,** and through to the Close, any enrichment of Owners or related parties in excess of **$10,000**, per month, on a month-to-month basis, that later, under similar calculation, would have been classified as Direct Payments, will be classified as a Direct Payment under 2.7.4.3. This excess will be calculated as an additional Incentive Management Fee paid in a month of Main Street's sole choosing generating a matching Stock Repurchase Allocation in that chosen month.

4.8.2 Access to Records. The **WCI Parties** agree to permit Main Street accountants, auditors and their representatives, to have access to, and to examine and make copies of, all books and records of the **WCI Companies** that are related to verifying there are no balance sheet depletions nor recent payments to Owners that are not accepted by Main Street.

Section 4.9 Requirement for Universal Business Inclusion in Sale. At the typical size of operation for the group of businesses contemplated by Main Street to be brought in as part of the Owners' Fund, it is believed that the full-time contribution of the Owner / Managers is critical. Similarly, if not all business assets are included in a transaction, it is the opinion of Main Street that soon the best opportunities, growth and reward seem to gravitate to the portion not included, while leaving all the risk behind. In order to get the full benefit of the Owners' contribution, all of the business related assets of the Owner / Managers must be and are purchased. Great benefit is lost if a business joins the Owners' Fund but an Owner continues to own the associated real estate, or to sell one business but continue to run a related or even unrelated business. The Owners certify that 100% of their business related assets, holdings, interests and businesses are included as assets of the Operating Company, that the Management Contract and Option to Purchase encompass all such businesses for the consideration given at the Close, and are thus subject to the Agreement, except as listed in Attachment 4.9. The Owner / Managers understand and affirm that future business ideas, opportunities and new ventures are corporate opportunities, will be the property of the **WCI Companies**, and will not be converted or taken for themselves individually.

Section 4.10 Further Assurances. At the Close and from time to time thereafter, the Owners shall execute such additional instruments and take such other action as Main Street may request in order more effectively to sell, transfer and assign the Management Company Shares to Main Street and to confirm Main Street's title thereto; and Main Street shall execute such additional instruments and take such other action as Owners may request in order more effectively to sell, transfer and assign the Main Street Purchase Shares to MCo Owners and to confirm MCo Owners' title thereto. Upon mutual consent of the Owner / Managers and Main Street, the Parties further agree to allow post-Close modification of the non-economic terms of the Agreement if necessary to comply with securities, tax or audit requirements.

Section 4.11 Securities Law Matters. The Main Street Purchase Shares have not been registered under the Securities Act of 1933, as amended, or any applicable state securities laws, but will be issued pursuant to Regulation D promulgated under the 1933 Act. Main Street's obligation to issue, and Main Street's obligation to deliver, the Main Street Purchase Shares upon consummation of the Exchange is contingent upon the receipt of assurances satisfactory to Main Street that each of the MCo Owners is an "Accredited Investor" as such term is defined by the rules of the Securities and Exchange Commission under the 1933 Act, or that Main Street will otherwise be able to stay in compliance with all applicable securities laws. The Main Street Purchase Shares will be subject to restrictions on transfer by virtue of applicable securities laws, and certificates representing such shares shall bear an appropriate legend to the effect that such shares are subject to such restrictions and the additional restrictions enumerated under 4.4.3. The Owners shall provide certain representations to Main Street as to such matters under an "Investment Agreement" in the form appended hereto at Attachment 4.11.

Section 4.12 Closing. The "Close" of the transactions contemplated by this Agreement shall be held (i) at the principal offices of Thoits, Love, Hershberger & McLean, 245 Lytton Avenue, Suite 300, Palo Alto, California, at 10 a.m., on the fifth (5th) business day after the last to be fulfilled or waived of the conditions set forth in Section 6.3 shall be fulfilled or waived in accordance with this Agreement, provided that such "Closing Date" shall not be later than **April 30, 2006**, or (ii) at such other place, time or date as agreed upon in writing by Main Street and the Owners. The Parties agree that, if the transactions contemplated by this Agreement do not Close on or before **April 30, 2006**, there will be no legally binding or enforceable contract between the Parties pertaining to the transactions contemplated by this Agreement, and neither this Agreement, nor any related agreement, shall create any rights or obligations for or on the part of any Party to this Agreement other than the return of the Deposit as detailed in Section 4.13 following.

Section 4.13 Offer and Refundable Deposits Paid. Prior to the initiation of the preparation of the drafting of this Agreement the **WCI Parties** submitted an "Offer", (Attachment 4.13) to Main Street and paid a **$6,000** "Deposit" to Main Street to defray administrative costs. This is a true deposit and will be refunded to the payer under one of the three scenarios following.:[11]

4.13.1 Refund if Agreement Consummated. After the Close, Main Street will refund the Deposit to the payer from the first of the last $1,000,000 of the total warrant funds expected to be received by Main Street upon exercise. Funds from this last $1,000,000 will also be utilized to refund other similar deposits. In making these refunds, monies will be refunded on a first paid, first refunded basis. As of **April 30, 2005,** the Deposit for **$6,000** would be the **second** deposit made out of **five** similar deposits accepted for **$95,402** in total, and expected to be finally refunded under this sub-section. The initial act of the paying the refund will not be considered a Management Fee payment.

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[11] The Deposit calculation generally equals $5,000 plus 1/10th of 1% of the initial Purchase Price as calculated on the Offer document. 1/10th of 1% is $1,000 for each $1 Million of the Purchase Price.

4.13.2 Refund if Agreement Not Executed by Owners. If the **WCI Parties** fail to complete or execute the Agreement along the lines outlined in Offer, then the Deposit will likewise be refunded in the manner outlined in 4.13.1.

4.13.3 Refund at (2x) if Agreement Not Executed by Main Street. If Main Street fails or refuses to execute the Agreement (which is subject to Main Street board approval) along the lines of the Offer then the Deposit must be remitted to the payer promptly from one-half of the net proceeds of the first warrants to be exercised after the failure to execute an Agreement by Main Street is communicated to the **WCI Parties**. This refund will be paid net 30 days from the receipt of funds, to the payer, on a first Owner to pay a deposit being the first refunded basis, if applicable. As of **April 30, 2005**, Main Street has not, and does not contemplate or foresee rejecting any of its current agreements. If the Agreement is complete in every regard, otherwise executed, submitted to the Main Street board of directors and only then rejected, in addition to a Deposit refund under this paragraph, an additional "Breakup Fee" equal to the Deposit must be paid to **WCI** The Break-up Fee and Deposit will be paid as if the Deposit were twice as large as was actually paid.

ARTICLE V
OPTION TO PURCHASE

Section 5.1 Purchase Option Reference. To improve the conceptual understanding of this article of the Agreement, the provisions under Article V may be referred to together herein as the Option To Purchase. The "Option To Purchase" is the option for the Management Company to buy the Operating Company, at some time in the future, as described herein. Again for ease of understanding, it is assumed in this article that the Exchange has already occurred and that Main Street is the new owner of the Management Company rights under the Option To Purchase. Thus, instead of referring to the rights of the Management Company, the Option to Purchase will more clearly refer to the rights of Main Street (that it is receiving by buying the Management Company).

Section 5.2 Idealized Scenario. The ideal and hoped for scenario for the Parties with regard to the exercise of the Option To Purchase is that some many years in the future the Owner / Managers decide they are ready to transition away from the business. About a year in advance they start discussions with Main Street in this regard. During the year, the Parties work-up and agree as to what the projected Future Earnings are expected to be over the following **eight** years. Based on those projections, the Parties apply a 7.8% discount rate and issue those **eight** years' Future Earnings in advance to the OpCo Owners in a tax-free exchange for Main Street shares. Main Street repurchases some of that stock through the stock buyback program that may be active at that time, the OpCo Owners later sell some of the stock at a higher price on the public market paying a low capital gains rate for taxes, and some of the stock the OpCo Owners choose to hold and watch appreciate tax-free for many years.

The Option To Purchase attempts to provide a structure that allows for the possibility of delivering on this ideal. Importantly, it also defines the agreed upon avenues that the Parties will

follow in the probability that the situation will be changed in the future, that the Parties will not agree on some major items, and that some major problems will arise. Notwithstanding the idealized scenario above, the complete definitive description of the Option To Purchase follows in the rest of this article.

Section 5.3 Standard Scenario is at (8) Years' Future Earnings. In the baseline or normal scenario, the overall process of exercising the Option To Purchase involves Notice by Owners, Exercise by Main Street, determining Price by projection of Future Earnings, agreeing to miscellaneous terms of the Purchase, and the Purchase. "Future Earnings" are defined as the product of the Adjusted Earnings under the definition from sub-paragraph item 4.3.1.1 (ii) but assuming the Recurring Management Fee is zero, this amount less the 50% that would be due the Management Company, with that residual all multiplied by the Effective Tax Rate from 4.3.1.2.

5.3.1 One Year Notice by Owners. In the "Standard Scenario", at some time after the Close, and this may be 5, 10, 20 or more years later, the Owners decide they wish to transition away from the business. When they are certain, the Owner / Managers will provide written "Notice" to Main Street that they wish to initiate the Option To Purchase. This Notice initiates a one-year process during which the Parties will prepare for the Exercise of the Option To Purchase leading to the sale of the Operating Company to Main Street. After the Notice, but before the Exercise, there is no discernable change to the day-to-day or strategic management of the Operating Company, nor any change in fees or payments. The Notice accomplishes five things: i) it alerts Main Street to bring in new executive management within a year, ii) the Owner / Managers know that the longest they need to remain on the job is a maximum of one more year, iii) Main Street may Exercise the Option To Purchase and take over control as soon as any time after the Notice, iv) the Exercise must occur no later than one year after the Notice, and v) the Parties have up to one year to prepare paperwork for the Exercise.

5.3.1.1 **Notice Upon Death or Disability.** When Main Street first becomes aware of the death or disability of an Owner / Manager, that awareness has the same effect as receipt of written Notice under 5.3.1. In the case of disability, the disability must be of a nature that substantially interferes with performance as contemplated under the Employment Contract. Main Street will confirm in writing to appropriate representatives of the Parties the events that have triggered the *de facto* Notice and will, as much as is possible, apprise them of Main Street's immediate plans with regard to the Option To Purchase and relevant timing. If the death or disability is of one of several Owner / Managers, then that will start the process to buyout that one Owner / Manager as provided under Section 5.7.

5.3.2 Agreement as to Projected Earnings for Stock Purchase. It is advantageous for the Parties to be able to execute the Purchase of the Operating Company as a tax-free exchange of stock. Generally, for the Owners, no taxes would be due on sale and only capital gains taxes would be paid as shares were eventually sold. For Main Street, an all stock Purchase conserves cash for later acquisitions, stock buy-backs and other corporate purposes. The first step to arrive at an all-stock purchase price is agreement on projected Future Earnings over the **eight** years following the Purchase. After the Notice, but before the Purchase, the Owner / Managers and Main Street will come to agreement as to the projected Future Earnings

eight year period. Each payment will be based on the results of the immediately preceding complete or partial fiscal year. For example, if on July 27th, 2011, the Owner / Managers give Notice with a Purchase consummated as of October 1st, 2011, then the first Purchase payment will be made to the OpCo Owners on or before March 31st, 2012, and at would equal the Future Earnings for the fourth quarter of 2011. Under a hypothetical **eight**-year buyout period with original ownership unchanged, **seven** additional consecutive annual payments would also be made on or before each following March 31st anniversary date and reflecting the Future Earnings during those respective **seven** fiscal years. A final stub period payment would then be made on or before March 31st, 2020, equal to the Future Earnings of the Operating Company during first three fiscal quarters of 2019. If those numbers are not available as of March 31st in any year, then 80% of Main Street's best estimate of that total amount due will be paid on or before March 31st and the residual 20%, as adjusted and reported, will be remitted to the OpCo Owners within ten (10) days of its later reporting. If for any reason under this Section the required payment of any specified amounts in cash would cause the Operating Company to be in violation of debt covenants, other pre-Purchase agreements or solvency criteria as similarly defined under 2.7.3, then as much of the Purchase payment as is necessary to correct that violation will be made in Main Street restricted common stock calculated at **$8** per share, the then current restricted stock program repurchase price, or the average closing price of Main Street shares during the calendar month preceding the Purchase, whichever share price is the greater price per share. The share payment will be entered as a loan from Main Street to the Operating Company and treated as an accruing interest loan, converting to a ten (10) year, 7.8% interest, unsecured, quarterly payment loan, as applicable and provided under 2.7.3.2 and Section 5.11.

Section 5.6 Optional Sale or Spin-off. One corporate function of Main Street is to serve as an incubator to allow private companies to grow and then be spun-off as stand-alone public companies. Additionally, good companies always have opportunities to be purchased by third parties. Prior to Notice, by mutual consent of the Owner / Managers and Main Street, a spin-off or sale of the **WCI Companies** may be authorized and proceed. To execute such a sale or spin-off, in as much as is possible, the Operating Company and the Management Company will merge (or the Management Company rights will be acquired by the Operating Company). The mechanism and form of combination of the Operating Company and Management Company will depend upon the quality of the financials, third party desires, and other future events. The combination may be by merger, acquisition, triangular merger or other similar means arranged at that time. In the sale or spin-off of the merged **WCI Companies**, if there have been no partial repurchases, one-half of the shares issued or consideration given will go to the OpCo Owners and one-half will go to the MCo Owners, which at that time is expected to be Main Street[13]. Although the transaction requires mutual consent, once consent is given, Main Street will take the lead role in coordinating this possible sale or spin-off. For such an optional sale or spin-off, mutual approval of the final sale or reorganization is required. The expenses on account of any such sale or spin-off effort will be bourn by the Operating Company.

[13] If any sale or spin-off closes before the end of the initial Earnings Evaluation Period, then the Adjusted After-Tax Earnings for the less than one year period from the Close to the close of the sale or spin-off will be annualized by calculation by Main Street. That annualized number will then be used to calculate the Performance Earned Percentage and 50% release of Reserve.

5.6.1 Sale if Unauditable, No Agreement Reached or So Elected. After Notice and Exercise, but before the Purchase, if Main Street determines that the financials of the Operating Company are not auditable, or that there are other reasons that make it undesirable, in Main Street's sole judgment, to spin-off the combined **WCI Companies**, or for Main Street to merge with or acquire the Operating Company, then Main Street may proceed without further approvals to sell the **WCI Companies**. To proceed, Main Street will inform the Owner / Managers in writing of the "Intent To Sell". Once the notice of Intent To Sell has been transmitted, matching Incentive Management Fees and Stock Repurchase Allocations may be made and released, at the discretion of Main Street. Main Street may not, but any of the **WCI Parties** may, make an arms length offer to purchase the **WCI Companies**. Main Street will continue to operate the **WCI Companies** under the control granted by the Exercise and subject to the general fee splitting nature of the Management Contract, until a sale is completed under Section 5.6

Section 5.7 Partial Buyout of One of Several Owners. Automatically, upon the death or substantial disability of one out of several Owner / Managers, that Owner / Manager's interest in the Operating Company will be repurchased by the Operating Company. The buyout will follow the rules outlined in Section 5.5 on a proportional basis. That is, if an individual Owner / Manager holds 30% of the shares of the Operating Company, then upon death or disability, his interest will be repurchased by payment of 30% of Future Earnings of the Operating Company, for **eight** years, as more specifically detailed in Section 5.5. To facilitate retirement or other personal choices, with written consent of the remaining Owner / Managers and Main Street, which may be withheld for any reason, any individual Owner / Manager may be authorized to have his ownership in the Operating Company repurchased according to and proportionally to the method outlined in Section 5.5.

Section 5.8 Mathematical Calculation for Overlapping Provisions. Especially over long time periods, it is expected that some buyout or payment actions may overlap or be superceded by subsequent actions. For example, the early buyout of one Owner / Manager under Section 5.7 may be in the 3rd of **8** years of payout when the Operating Company is purchased under the standard scenario of Section 5.3 as a tax-free exchange for **8x**. In that case, the other Owner / Managers would get **8x** for their portion and the early buyout Owner / Manager would get **5x** for his remaining portion. Similar proportional adjustments would also be made for a later sale or spin-off following a partial repurchase. For a complete repurchase under Section 5.5, proportional adjustment would also be made for all Owner / Managers if a sale or spin-off occurred prior to the **eighth** year of the buyout. Partial buyout will also have a proportional effect of the ratio of the Incentive Management Fee to the Share Repurchase Allocation. If the original ratio is 1 : 1 , and then half of the Owner / Managers are bought out, then the ratio will be recalculated at ½ : 1.

Section 5.9 Partial Purchase for (6x) for Fraud. If any Owner / Manager by fraud, conversion, malfeasance, breach of fiduciary duty, related party action, violation of this Agreement, or other means deprives the **WCI Companies** or Main Street of cumulatively more than $10,000, or causes or directs such loss, then, that event shall have the effect of Notice. Following this effective Notice, at Main Street's sole option, that Owner / Manager's interest in the Operating Company may be repurchased for **six** years Future Earnings, which becomes the

Price in the partial Purchase. In this regard, the provisions under Section 5.5 will be followed, except at a 25% discount. If followed by a subsequent sale or spin-off, the residual will be calculated as if two years of Future Earnings had already been paid on the first day. Throughout this Option To Purchase, wherever **eight** years of Future Earnings are used in calculation, those figures and calculations will be similarly discounted to **six** years. After first discovering such items in excess of $10,000, Main Street has 90 calendar days to declare its election under Section 5.9 by mailing written notice to the Parties. Once declared, the presumption is that the $10,000 item is valid, although the Owner / Manager may challenge the determination in a Court of competent authority. If the challenge is successful, the sole recourse is extending the buyout to **eight** years (which is considered the fair price) with the losing party paying the prevailing parties legal fees. In addition to these previous partial remedies, any defrauded amounts or Material negative impact to the Operating Company or Main Street will be appropriately calculated or estimated by Main Street and considered as an Incentive Management Fee paid to the Owner / Manager. This, in turn, will generate a corresponding Share Repurchase Allocation due with appropriate penalties and interest from the time of the $10,000 event. The election under this section is in addition to any other legal recourse that may be available to any of the Parties.

5.9.1 Immediate Walk Away by Owner at a 25% Discount at (6x). At any time, any Owner / Manager may elect to start an immediate buyout of his individual ownership of the Operating Company at a Price of **six** years Future Earnings under the procedure of Section 5.9 by mailing written notice of such to the Parties. If (circumstances of death or disability definitively excepted) the Notice period offered under 5.3.1 is less than one year, the Owner / Manager stops working for the benefit of the **WCI Companies**, or the Owner / Managers working hours devoted to management of the **WCI Companies** averages less than 20 hours per week for any consecutive 12 week period, then any of those events will have the effect of Notice under Section 5.9, except that the conversion of funds is not considered. Under this paragraph, serious illness will also be a mitigating factor that Main Street will weigh in regard to diminished working hours devoted to the business. After any of the circumstances of effective Notice described in this paragraph, Main Street may, in its sole discretion, decline to accept the effective Notice by communicating same to the involved Owner / Manager.

Section 5.10 Main Street Elected Sale Possible at a 25% Premium at (10x). Absent cause under Section 5.9, or Owner / Manager Notice under Section 5.1, Main Street may not initiate the buy-out of an individual Owner / Manager. Additionally, such unilateral action is contrary to Main Street's general mission. However, there are times when concluding the relationship is a corporate necessity. So, notwithstanding the foregoing in this article, upon written notice to the Parties, Main Street may initiate the buy-out of any individual Owner / Manager by paying that individual Owner / Manager a 25% premium. Specifically, Main Street's written notice of its election under Section 5.10 will serve as Notice and Exercise. The Price paid the Owner / Manager is according to the procedure found in Section 5.5, but at or for **10** years Future Earnings. Throughout this Option To Purchase, wherever **eight** years of Future Earnings are used in calculation, those figures and calculations will be similarly increased to **ten** years.

Section 5.11 Treatment of Loans. All pre-existing loans from Owners and new loans from any of the Parties during the term of the Agreement are converted and carried as unsecured, 7.8% monthly compounded and accruing interest, general obligations of the Operating Company[14]. At the time of the Purchase, the principal and accumulated interest from all such loans will be amortized and termed out in new loans with repayment in 40 equal quarterly compounded payments of principal and interest at 7.8%, with the first payment due ninety-days after the Purchase. The note will be an unsecured general obligation of the Operating Company. Payments will be applied first to interest and then to principal. Notwithstanding the general requirement for quarterly payment, payment may not be made if it would cause the Operating Company to be in violation of debt covenants, or to be categorized, or be forecast to be categorized, as insolvent under the Uniform Commercial Code or applicable law, or under other insolvency guidelines for the Operating Company that Main Street may from time to time specify. Such missed payments will be moved to the end of the loan term in successive quarterly payments. However, if regular or partial quarterly payment is made on any such loan, then proportional payments will be made on all such loans. The loans continue to follow the 10 year amortization schedule unchanged in the event of a spin-off. In the event of a subsequent sale to a third-party, such loans must be paid off, without the prior written consent of the affected Parties.

Section 5.12 Adjustment for Today's Liabilities. Given two otherwise identical companies, if one has more liabilities than the other, it is worth less. Main Street, in this Agreement, does not adjust consideration down for Today's Liabilities until much later, at the Purchase. "Today's Liabilities" are defined as the total liabilities that are on, or should have been on, the Operating Company balance sheet on the Closing Date of this Agreement. Today's Liabilities are not increased over time to account for inflation, imputed interest, or adjusted if those accounts increase or decrease over the years. In general, to adjust for Today's Liabilities, the original Price (assuming Today's Liabilities are zero) is reduced by an amount equal to Today's Liabilities, and that reduced Price supercedes the original Price calculated in preceding sections under this Option To Purchase. Specifically: i) If completing a single tax-free exchange for stock under 5.3.2, then the original Price is reduced by an amount equal to Today's Liabilities. ii) If **eight** annual payments equal to the Future Earnings are to be made under Section 5.5, then each annual payment will be reduced by **1/8th** of Today's Liabilities, and will be carried forward cumulatively if the result would otherwise be negative for any single year. iii) If there is a sale to third parties under Section 5.6, then an original effective Price will be calculated equal to one-half of the sum of the third party cash purchase price[15] plus Today's Liabilities. The original effective Price will then be reduced by an amount equal to Today's Liabilities with the remainder going to Main Street. iv) If there is a spin-off under Section 5.6, then a *pro forma* calculation will be performed by Main Street to determine an effective Price similar to the projected Future Earnings methodology from 5.3.2. The method of Item (iii) preceding will then be followed to calculate the percentage ownership of the Owners. The

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[14] Notwithstanding the general requirement to have all loans be 7.8% accruing interest loans, specific bridge loans from the Parties with an identified take-out will be allowed and excepted from normal treatment by Main Street. Those loans must identify a specific take-out and refinancing mechanism and be 7.8% accruing interest until the take-out. When the loan is refinanced, the principal is not considered a Direct Payment to Owners, however, the interest is. If the refinance falls through, then the bridge loan is converted to the standard long-term accruing 7.8% interest loan to start to be paid at the Purchase or paid off upon a subsequent sale to third parties.

[15] The cash purchase price is the amount paid above assumption and payoff of liabilities.

adjustment laid out in this section will be calculated by Main Street and will apply to all Purchase scenarios for calculation of the Price throughout this article except in the case of Today's Liabilities being zero.

Section 5.13 Allocation of Enforcement Costs. If Main Street incurs costs or pays for expenses directly to enforce provisions of this Agreement, including reasonable attorneys fees and costs, then those expenses will be calculated into the Management Fee formula as if an equal payment was made directly to Owners. This will indirectly result in an equal and offsetting payment back to Main Street covering or reimbursing the expense. If the Management Contract has been terminated and this mechanism is not available, then a similar and equal reduction from the next payments to be received by Owners under the Purchase will made to effect an equal and matching economic result.

Section 5.14 Potential Rollback of Fees Just Prior to Exercise. Main Street may declare a cancellation and roll-back of any Incentive Management Fee payment together with the associated and matching Share Repurchase Allocation that was made during the 90 day period prior to Exercise. This roll-back right expires thirty days after Exercise.

Section 5.15 Purchase is All-Inclusive. Except as delineated in Attachment 4.9, the Option To Purchase the Operating Company is all-inclusive. The Purchase includes all business opportunities, rights, tangible and intangible assets. No property, intellectual property, vendor or customer lists, processes or other things related to or involved with the operation of, owned at any time by, the Operating Company will be retained by the Owners.

Section 5.16 Non-Compete Clause. During the term of the Management Contract, and during and until one year after any payment under the Agreement or under the restricted stock repurchase program is paid to an individual Owner / Manager, that Owner / Manager agrees to not compete with the business of the Operating Company. If the Operating Company is sold to third parties or spun off, then the Owner / Managers agree not to compete for an additional four years from the close of that sale or spin-off.

Section 5.17 OpCo Shares and Owners' Rights Not Transferable After the Close. Main Street is entering into this long-term Agreement with the Owners to provide them with the opportunity for access to the liquidity of the public markets. The character of the people Main Street does business with is very important, and especially so in this sort of mutually dependant arrangement. Because of this approach, the Agreement is specific to the current Owners and the rights and privileges under the Agreement are not transferable without the prior written consent of Main Street. That approval will normally be withheld and may be withheld in Main Street's sole discretion. Additionally, Main Street wishes, as much as is possible, to be the exclusive equity funding source for the Operating Company. A portion of the mutual benefit and consideration is based and depends upon that exclusive arrangement. Thus, after the Close, the Operating Company may not issue additional shares, and the Owners may not sell or transfer any Operating Company shares without the prior written consent of Main Street. Such consent will often be withheld and may be withheld in Main Street's sole discretion.

ARTICLE VI
OTHER MATTERS

Throughout this Agreement, when disclosure is called for, such disclosure shall be in writing if the disclosure does not either affirm a requested positive disclosure, deny a requested negative disclosure or have the effect of an answer of "none" or "not applicable". A copy of such written disclosure, where not elsewhere called for, is at Attachment 6.0.

Section 6.1 Representations and Warranties of the Owners. With regard to the **WCI Companies**, or as indicated, each of the Owners hereby jointly and severally represents and warrants to Main Street as follows:

The Owners are the legal and beneficial owners of the number shares represented in the Agreement, free and clear of all liens, equities, encumbrances and claims of every kind.

WCI is a corporation duly organized, validly existing and in good standing under the laws of the State of **Colorado.**

WCI does not have any direct or indirect subsidiaries and is not a party to any joint ventures.

Financial statements provided are true and correct, complete and accurate. The last three (3) years financial statements, quarterly or monthly financial for the most recent partial year, plus financial statements as of the Close are at Attachment 6.1(a).

Real estate owned by the **WCI Parties,** related to **WCI Companies**, has been disclosed.

Pending or suspected environmental issues and violations have been disclosed.

There are no Material adverse changes to the business since the recent balance sheet date that have not been disclosed.

The business does not have any major liability of a financial nature not disclosed

There are no pending major law suits not disclosed.

All taxes have been filed and if due, paid. The last three (3) years tax returns for **WCI** are at Attachment 6.1(b).

There are no alleged violations of safety, employment, ERISA, or labor laws, not disclosed.

At Attachment 6.1(c) is a copy of the latest available statement from each and every bank or similar account maintained by **WCI** or **WCI Management, Inc.**

All of the **WCI** shares previously issued were issued in full compliance with all federal and state securities laws and regulations.

The minute books of **WCI** is complete and a copy will be provided to Main Street, if later requested.

The **WCI Companies,** except as disclosed, (i) have not directly or indirectly dealt with any broker or finder in connection with this transaction, and (ii) have not incurred and will not incur any obligation for any broker's or finder's fee or commission in connection with the transactions contemplated by this Agreement.

To Owners' knowledge, nothing would prevent the transactions contemplated by this Agreement from qualifying as a tax-free exchange of stock .

Related party transactions have been disclosed.

As used in this Agreement, "Material" means an occurrence or matter that causes a financial impact or liability of Ten Thousand Dollars ($10,000) or more.

Each of the Owners has the power, legal right and authority to enter into and deliver this Agreement and the other agreements, instruments and documents contemplated by this Agreement and to carry out the transactions contemplated hereby. This Agreement, when executed and delivered, will have been duly authorized and will constitute a valid and binding obligation of the Owners, enforceable in accordance with its terms.

No representation or warranty made by the Owners in this Agreement or any Attachment, contains any untrue statement of a Material fact, or omits any Material fact, the omission of which would be misleading.

Section 6.2 Covenants and Acknowledgements. Each of the Parties shall cooperate with the other Parties in all reasonable respects, and shall take all other steps necessary to carry out and consummate the transactions contemplated by this Agreement at the earliest practicable time.

From the date of this Agreement until the Close, **WCI** will refrain from licensing, selling or otherwise disposing of any asset, property or intellectual property rights; making any individual disbursements, commitments or purchases in excess of Ten Thousand Dollars ($10,000) to any related party; changing any compensation or rate of compensation payable to any officer, director or employee other than in the ordinary course, or declaring or making any dividends or other distributions to the Owners, except as disclosed prior to the Close.

From the date of this Agreement until the Close, the Owners shall cause **WCI** not to issue any long term debt or additional securities of any kind or warrants or options to purchase any of such securities, except as disclosed prior to the Close.

The Parties shall use reasonable efforts to meet the requirements of Regulation D promulgated under the 1933 Act in order to accomplish the issuance of Main Street Purchase Shares to the Owners.

The Parties shall use their best efforts to cause the Exchange to qualify as a tax-free exchange of stock.

The Parties acknowledge that Main Street stock has been **inactive** or at most reported as trading in the "Pink Sheets" at very low volume just prior to the Effective Date. The closing price of the Main Street shares in the week prior to the Effective Date as reported on PinkSheets.com was, effectively $0.00 per share.

Prior to the Close, the Owners shall cause the respective boards of directors of **WCI** and **WCI Management, Inc.** to each approve and adopt this Agreement in accordance with each of the **WCI Companies** articles of incorporation and bylaws and provide a copy of said approvals at Attachments 6.2 (a) & 6.2 (b).

Section 6.3 Conditions Precedent to Closing. The obligation of each of the Parties to consummate the transactions contemplated by this Agreement is subject to the fulfillment on or prior to the Close of each of the following conditions:

6.3.1 Completion of Attachments. All of the required Attachments are provided, complete and give a true account, or, if appropriate, are marked "Not Applicable" , "None" or "Waived by Main Street". The representations made in those Attachments and the representations and warranties of the Owners set forth in Section 6.1 of this Agreement shall be true and correct in all respects at and as of the respective dates set forth with respect to each, as

of the date of this Agreement and at and as of the Closing Date as if each such representation and warranty was given on and as of the Closing Date.

6.3.2 Execution of Documents. Execution of this Agreement and associated attachments when indicated, including the "General Release" at Attachment 6.3.2, by all designated signatory Parties is a condition precedent to the Close. This Agreement and attachments may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures transmitted by facsimile shall be treated as original signatures when transmitted to the other Party or Parties to this Agreement or their respective legal counsel. Execution shall become effective when such facsimile(s) is delivered; provided that any Party transmitting a signature by facsimile shall deliver to Main Street the original signature(s) within seven (7) business days of delivery of the facsimile.

6.3.3 Main Street Board Approval. After the completion of actions outlined in 6.3.1 & 6.3.2, but precedent to the Close, will be the approval and adoption of this Agreement by the board of directors of Main Street in accordance with the articles of incorporation and bylaws of Main Street. Such approval may be withheld at the discretion of the board of directors.

6.3.4 Exchange of Shares. At the Close there will be an exchange of certificates as detailed in 4.1.1.

Section 6.5 Publicity. The Owners shall not cause or authorize any press release or any public statement with respect to this Agreement and the transactions contemplated by this Agreement without the prior written approval of Main Street. Main Street shall not cause or authorize any press release or any public statement with respect to this Agreement and the transactions contemplated by this Agreement without the prior approval of Owners until after Close. However, subsequent to the Offer, it is permitted for Main Street to announce the general operations, scope, financial magnitude and state of residence of the business making the Offer, without revealing the identity of **WCI** or the Owners.

Section 6.4 Termination. This Agreement may be terminated by the Owner / Managers or Main Street if any condition provided in Section 6.3 has not been satisfied or waived on or before the Close. The Agreement will automatically terminate if the transactions contemplated by this Agreement are not fully and legally consummated by **April 30, 2006**.

6.4.1 Effect of Termination. In the event of a termination of this Agreement pursuant to Section 6.4 each Party shall pay the costs and expenses incurred by it in connection with this Agreement and no Party (or any of their respective officers, directors, partners or shareholders) shall be liable to any other Party for any costs, expenses, damage or loss of anticipated profits hereunder.

6.4.2 Return of Deposit and Double Deposit Return. If the Agreement is terminated under the terms of Section 6.4 by the Owners, or automatically terminated on **April 30, 2006**, then the *regular* return of Deposit procedure specified in 4.13.2 will be triggered and executed. If the Agreement is terminated under the terms of Section 6.4 by

Main Street, then the *early* return of Deposit procedure under 4.13.3 will be triggered and executed. If the Agreement is otherwise complete, executed and submitted to the Main Street board of directors for approval, but not approved, then in addition to the early return of Deposit procedure under 4.13.3, Main Street will remit an additional Breakup Fee to the Operating Company equal to Deposit as also provided under 4.13.3. [16]

Section 6.5 Survival and Indemnification. The representations and warranties, and covenants of the Parties set forth in this Agreement shall survive the Close and remain operative and in full force and effect until the first anniversary of the Closing Date. Each of the Owners jointly and severally shall indemnify and hold Main Street, its successors and assigns, harmless, against and in respect of any losses, liabilities, damages, deficiencies, diminution of value, attorneys' fees or related expenses resulting from any misrepresentation, inaccuracy or breach of any representation, warranty or covenant made by the Owners in this Agreement or in any of the Attachments.

Section 6.6 Miscellaneous Provisions. The Parties agree to bear their respective legal, accounting and other expenses in connection with the preparation and consummation of this Agreement.

The subject headings of the articles, sections, paragraphs and subparagraphs of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of their respective provisions.

This Agreement constitutes the entire agreement between the Parties pertaining to its subject matter and supersedes all prior and contemporaneous agreements, including without limitation the Offer.

Where any consent or waiver of Main Street is required or requested hereunder, Chester Billingsley, President of Main Street, or any successor, shall be the authorized person to provide any such consent or waiver. Where any consent or waiver of the **WCI Parties** is required or requested hereunder, **Kyle D. Thomas**, shall be the authorized person to provide any such consent or waiver.

At any time and from time to time after the Closing, each Party will execute such additional instruments and take such actions as may be reasonably requested by the other Party to confirm or perfect title to any property transferred hereunder or otherwise to carry out the intent and purposes of this Agreement.

This Agreement shall be binding on, and shall inure to the benefit of, the Parties and their respective heirs, legal representatives, successors and assigns; provided, however, that any assignment by any of the **WCI Parties** of its respective rights under this Agreement without written consent of the Main Street shall be void.

No action taken pursuant to or related to this Agreement, including without limitation any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by that Party.

This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding its choice of law rules.

In the event of any dispute arising under or in connection with this Agreement, or any related agreements, the Parties shall attempt in good faith to agree upon their rights with respect to such dispute. If the Parties so agree, a memorandum setting forth such agreement shall be

[16] If the Agreement is consummated, the Deposit is also returned under the regular return of Deposit procedure under 4.13.1.

prepared and signed by the Parties. If no such agreement can be reached after good faith negotiation, any Party may demand arbitration of the matter, in which case, the dispute shall be submitted to final and binding arbitration before an arbitrator of the American Arbitration Association, such arbitration to be conducted in Santa Clara County, California, or, at Main Street's sole option, in San Diego County, California, in accordance with the rules of that body governing commercial disputes. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This provision shall supersede any conflicting or inconsistent provision in any agreement contemplated by or related to this Agreement.

In the event a Party brings any legal action or submits any claim or controversy to arbitration with respect to this Agreement, the prevailing Party, in addition to any other remedies available to it, shall be entitled to recover reasonable attorneys' fees and costs from the non-prevailing Party, regardless of whether such action, claim or controversy is prosecuted or arbitrated to completion.

Section 6.7 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the Party (including, without limitation, service by overnight courier service) to whom notice is to be given, or on the third day after mailing if mailed to the Party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, at the address set forth below, or on the date of service if delivered by facsimile to the facsimile number set forth below, which facsimile is confirmed within three days by deposit of a copy of such notice in first class mail, registered or certified, postage prepaid at the address set forth below. Any Party may change its address for purposes of this Section by giving the other Parties written notice of the new address in the manner set forth.

If to Main Street:

Main Street AC, Inc.
P.O. Box 1709
Ramona, California 92065
Fax No.: (760) 788 – 2525
Attn: Chester Billingsley, President

Copy to

Thoits, Love, Hershberger & McLean
245 Lytton Avenue, Suite 300
Palo Alto, California 94301
Fax No.: (650) 325-5572
Attention: Wayne H. Thomas , Esquire

....

If to the Owners:

Kyle D. Thomas
881 North Forest Court
Chandler, AZ 85226
Fax No.: (480) 897-3602

Copy to:

Phillip S. DeCaro
665 Vista Grande Drive
Colorado Springs, CO 80906

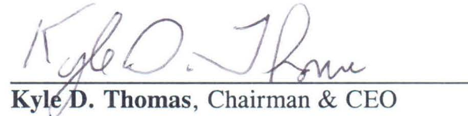
* * * * *

IN WITNESS WHEREOF, the Parties to this Agreement have duly executed it as of the date set forth above.

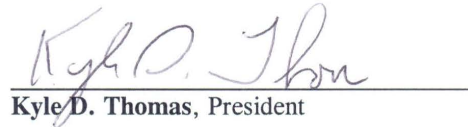
Main Street AC, Inc.

By:
Chester Billingsley, President

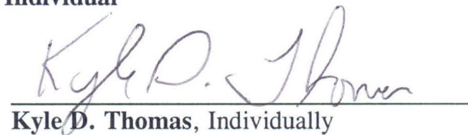
Waste Consolidators, Inc. aka WCI

By: 
Kyle D. Thomas, Chairman & CEO

WCI Management, Inc.

By: 
Kyle D. Thomas, President

As an Individual

By: 
Kyle D. Thomas, Individually

Main Street AC, Inc.
Confirming Board of Directors' Approval

By:
Chester Billingsley, Director

Exhibit 10(b) WCI Addendum

ADDENDUM – OCT 28, 2007

August 24, 2007, the Mentor Capital shareholders voted 84% in favor of instituting a 1,000 to 1 reverse split. This reduces the outstanding Purchase Shares of the **WCI Parties** from approximately 400,000 to 400. This complicates the interpretation and calculation of the stock repurchase program at $8 per share for the **WCI Owners**. Also, preliminary calculations of the **WCI** Adjusted After-Tax Earnings places the Performance Earned Percentage at approximately 2%. Under strict interpretation of the Agreement, all the shares from the 50% Financial Company could be 100% repurchased for less than $72,000. Finally, **Kyle Thomas** has asked to review the possibility of increasing his salary as President as sales grow. This mix of factors could lead to litigation if unresolved.

To address the dilemmas represented by these issues and avoid the costs of unnecessary litigation, the Parties agree that the Agreement will be modified, consistent with section 2.10, as follows:

i) The **WCI Parties** will be designated to redeem 3,200,000 warrants from Mentor Capital's 28,000,000 warrants to the extent those become available following failure of timely exercise by the current warrant holders. This designation does not require any further demonstration of increased After-Tax Earnings by **WCI.**

ii) All the **WCI Parties** permanently withdraw from the Mentor Capital restricted share repurchase program, as under section 2.4.4, to the extent that payment by check has not already been delivered.

iii) The $6,000 deposit under section 2.13 will be applied as a payment on account effective September 2007.

iv) The maximum owner controlled monthly salary and benefits under 3.6 will be modified from $12,500 per month to **the greater of $12,500 or the M/B** (Million in salary per Billion in revenue) **salary calculation**. Such that:

$$M/B = \$1{,}000{,}000 \times [\ 2^{((\log(\text{Revenue})) - 9)}\ ] / 12$$

In sum, the above formula says that if the annual revenues are $1.0 Billion the salary should be $1.0 Million. And, from that point, if the revenue increases or deceases by a factor of ten, then the salary and benefits will increase or decrease by a factor of two.

Mentor Capital will calculate the new salary limits each year from data linked to and included in the federal tax return. Such figures for the preceding year will apply for twelve months from April 1st of the following year .

Kyle Thomas for the **WCI Parties** 10/30/07

Chet Billingsley for Mentor Capital 10/28/2007

Irrevocable Proxy to Vote Shares

By Executing this Irrevocable Proxy, the below members of the **WCI Parties** (as defined in the Liquidity Agreement of May 31, 2005) appoint Chet Billingsley as a permanent proxy to vote any and all shares of **Mentor Capital** that we would be entitled to vote if personally present, in his discretion and in his best judgment, on all corporate matters. This proxy is permanent, may not ever be revoked, and applies to all shares owned or that we come to own in the future.

The parties granting the proxy are:

WCI, Inc

Waste Consolidators, Inc

Kyle Thomas (individually)

Plus, existing or future companies or partnerships formed by any of the above parties, and dependant family members.

Executed for the above

By: **Kyle Thomas**, as President for each organization above, and as an individual

Kyle R. Thomas 11/16/07

ATTACHMENT - 1.0.2

Note Payable for $39, 500

Following and attached to this page is a copy of the Note Payable of **WCI** payable to Main Street.

PROMMISSORY NOTE

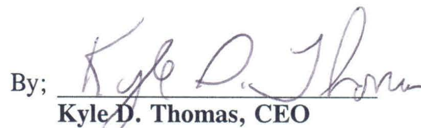
For fair and reasonable value received, the sufficiency of which is hereby acknowledged, **Waste Consolidators, Inc**. agrees to pay to the order of Main Street AC, Inc. thirty-nine thousand five hundred dollars and no cents. (**$39,5000**) effective this **31st day of May, 2005**.

This promise to pay will accrue interest at a rate of **7.8%** per annum, calculated and compounded monthly from the Effective Date. No payments are due or to be paid on this promissory note until after **Kyle D. Thomas** has received payment for the first of his Main Street Purchase Shares that are repurchased by Main Street, otherwise sold or upon Exercise of the Option To Purchase. The first payment due on the Note will be paid to Main Street on the first 10th of the month following more than thirty days after the first of the preceding events to occur. Each 10th of the month thereafter, for a total of twelve monthly payments, another payment will be due. The twelve monthly payments (of approximately $2,200) will be made in twelve equal amounts, fully amortizing the outstanding principal and interest.

The Note will be a unsecured general obligation of **Waste Consolidators, Inc**. Payments are considered late 10 days after they are due, at the 20th day of the month. Late payments bear a penalty of 10% of the amount due and start to incur additional interest of 1% per month on the outstanding balance commencing after the 30th day.

Where applicable, the other general provisions of the Agreement apply to and govern the Note.

Waste Consolidators, Inc.

By; 

Kyle D. Thomas, CEO

Interest Schedule

$39,500.00 @ 7.8% - Coumpounded Monthly
May 31, 2005 - Waste Consolidators, Inc.

7.8%

12/10/07	$310.47	$47,990.88

Total **$8,490.88** <<2007 total

2008 SCHEDULE

Date	Int	Payment	Cumulative Due	Principal	Accumulated Interest	Qtr Int Inc	YTD Int Inc	
1/10/08	$311.94		$48,302.82	$39,500.00	$8,802.82	$311.94	$311.94	
2/10/08	$313.97		$48,616.79	$39,500.00	$9,116.79	$625.91	$625.91	
3/10/08	$316.01		$48,932.80	$39,500.00	$9,432.80	$941.92	$941.92	<<< 1st Qtr
4/10/08	$318.06		$49,250.86	$39,500.00	$9,750.86	$318.06	$1,259.98	
5/10/08	$320.13		$49,570.99	$39,500.00	$10,070.99	$638.19	$1,580.11	
6/10/08	$322.21		$49,893.20	$39,500.00	$10,393.20	$960.41	$1,902.32	<<< 2nd Qtr
7/10/08	$324.31		$50,217.51	$39,500.00	$10,717.51	$324.31	$2,226.63	
8/10/08	$326.41		$50,543.92	$39,500.00	$11,043.92	$650.72	$2,553.04	
9/10/08	$328.54	($4,795.49)	$46,076.97	$39,500.00	$6,576.97	$979.26	$2,881.58	<<< 3rd Qtr
10/10/08	$299.50	($4,795.49)	$41,580.98	$39,500.00	$2,080.98	$299.50	$3,181.08	
11/10/08	$270.28	($4,795.49)	$37,055.76	$39,500.00	-$2,444.24	$569.78	$3,451.36	
12/10/08	$240.86	($4,795.49)	$32,501.14	$39,500.00	-$6,998.86	$810.64	$3,692.22	<<< 2008
		^^pro forma^^						

Payments applied first to interest, then to principal

Prommissory Note of May 31, 2005 for $39,500 at 7.8% due in 12 equal payments due on
the first 10th more than 30 days after shares trade at $4 for 30 non-contiguous days

2009 SCHEDULE

Date	Int	Payment	Cumulative Due	Principal	Accumulated Interest	Qtr Int Inc	YTD Int Inc	
1/10/09	$211.26	($4,795.49)	$32,712.40	$39,500.00	-$6,787.60	$211.26	$211.26	
2/10/09	$212.63	($4,795.49)	$28,129.54	$39,500.00	-$11,370.46	$423.89	$423.89	
3/11/09	$182.84	($4,795.49)	$23,516.89	$39,500.00	-$15,983.11	$606.73	$606.73	<<< 1st Qtr
4/11/09	$152.86	($4,795.49)	$18,874.26	$39,500.00	-$20,625.74	$152.86	$759.59	
5/11/09	$122.68	($4,795.49)	$14,201.45	$39,500.00	-$25,298.55	$275.54	$882.27	
6/11/09	$92.31	($4,795.49)	$9,498.27	$39,500.00	-$30,001.73	$367.85	$974.58	<<< 2nd Qtr
7/11/09	$61.74	($4,795.49)	$4,764.52	$39,500.00	-$34,735.48	$61.74	$1,036.32	
8/11/09	$30.97	($4,795.49)	$0.00	$39,500.00	-$39,500.00	$92.71	$1,067.29	
9/11/09	$0.00		$0.00	$39,500.00	-$39,500.00	$92.71	$1,067.29	<<< 3rd Qtr
10/11/09	$0.00		$0.00	$39,500.00	-$39,500.00	$0.00	$1,067.29	
11/11/09	$0.00		$0.00	$39,500.00	-$39,500.00	$0.00	$1,067.29	
12/11/09	$0.00		$0.00	$39,500.00	-$39,500.00	$0.00	$1,067.29	<<< 2008

Payments applied first to interest, then to principal

ADDENDUM -SEPTEMBER 13, 2011

Notwithstanding anything to the contrary, the May 31, 2005, Liquidity Agreement is clarified and modified by the Parties as follows:

1) Upon mutual review, the Parties agree that the total historic amount owed by the WCI Parties to Mentor Capital, Inc. (MNTR) is $380,000 as of September 12, 2011.

2) Waste Consolidators, Inc. (WCI) will prepay all other fees and 50% profit sharing due under the Liquidity Agreement in one series of payments of $35,000 per month for a period of twenty months beginning January 1, 2010 and extending to August 1, 2011. After this total of $700,000 is paid or accrued in a promissory note under this Addendum, no further ongoing fees will be due other than as specified in this Addendum.

3) The combination of the historic $380,000 owed and $700,000 prepaid amounts will be evidenced in a combined $1,080,000 Promissory Note, payable on demand with a maximum twenty-year term, single payment on maturity, bearing an interest rate of 0.42%. Interest is calculated, compounded and due to be paid in cash or negotiable funds each September 13th . If no principal amounts are otherwise paid off on the Note the annual interest is $4,536. 00.

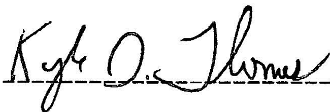
4) The Parties define the first interest payment for 2010 and 2011 to date to be $9,072.00. Deposit of this amount to MNTR Bank of America account number 122 000 661 - 00508 16939 makes effective this Addendum transaction.

5) WCI or its designees may pay off the Note in whole or in part in cash at anytime with no pre-payment penalties.

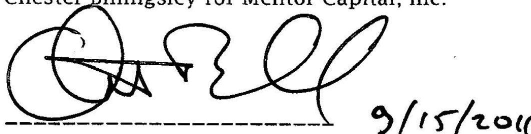
6) Upon demand, maturity or a change of control of WCI or MNTR, the Note is due within 30 days of the specified event. Under previous calculations of provisions of the Liquidity Agreement, MNTR has the right to buy the remaining 50% financial interest in WCI for $72,000, which would be a change of control under this Addendum.

7) Upon demand for payment or if there is a change of control, then WCI or its designees may receive credit, for up to the remaining pay off of the Note only, of $0.45 for each warrant currently held by its related parties and returned back to MNTR for other designees to redeem. If MNTR declares its intent to exercises its right to purchase the remaining 50% financial interest in WCI for $72,000 , then WCI may top that declaration by 10% to $79,200 and buy-out MNTR's 50% interest by both adding the new $79,200 to the existing Note and retiring the entire increased $1,159,200 Note within 30 days. The $0.45 per warrant credit is extended to include the $79,200 increase.

Kyle Thomas for the WCI Parties



Chester Billingsley for Mentor Capital, Inc.



9/15/2011

PROMISSORY NOTE

For fair and reasonable value received, the sufficiency of which is hereby acknowledged, **Waste Consolidators, Inc.** agrees to pay to the order of **Mentor Capital, Inc.** One Million Eighty Thousand Dollars and No Cents (**$1,080,000**) effective this **13th day of September, 2011**.

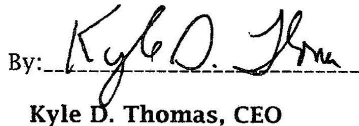
This promise to pay will accrue interest at a rate of **0.42%** per annum, calculated and compounded annually each September 13th anniversary of the execution of this Promissory Note.

The Promissory Note is payable on demand with a maximum maturity of twenty (20) years. Interest is payable annually when it accrues each September 13th on the anniversary of the execution of this document. The first interest payment of $9,072 is for agreed upon and already incurred interest and is due upon the signing of this Note. The next payment will be due on September 13, 2012, for interest accrued since September 13, 2011.

The Note will be an unsecured general obligation of **Waste Consolidators, Inc.** Payments are considered late 10 days after they are due. Late payments bear a penalty of 1% of the amount due and start to incur additional interest at 1% per month on the outstanding overdue balance commencing after the 30th day.

Where applicable, the other general provisions of the Liquidity Agreement and its Addendums apply to and govern the Note.

Waste Consolidators, Inc.

By:

Kyle D. Thomas, CEO

EXHIBIT 10d

Exhibit 10(d) WCI Addendum

ADDENDUM – MAY 14, 2014

(EFFECTIVE JANUARY 1, 2014)

Notwithstanding anything to the contrary, the May 31, 2005, Liquidity Agreement including its September 11, 2011 Addendum is clarified and modified by the Parties as follows:

1) Upon mutual review, the Parties agree to increase the percentage ownership of Mentor Capital, Inc. (MNTR) in Waste Consolidators, Inc. (WCI) from 50% to 51%.

2) The valuation given WCI for this purchase is $2.5 Million. For the additional 1% MNTR has sent a check in good funds to WCI for $25,000 in full payment, which has been accepted by WCI. Deposit of said check will make effective this transaction.

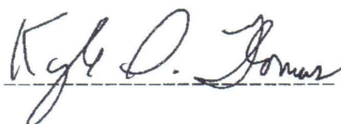
3) The terms of the September 11, 2011 Addendum are unmodified. Because of that previous 2011 Addendum the net change to ongoing cash flows, payments distributions and other disbursements is equal to the change when 1% of WCI is purchased on a standalone basis. MNTR will ensure that for tax, SEC reporting and other financial purposes, this change is properly reflected for WCI and for MNTR

4) By mutual consent and through professional consultation, the Parties will work to ensure tax reporting and payment is properly reflected.

5) The Parties have been anticipating this change since late 2013 and the agreed upon date of the effectiveness of the purchase is January 1, 2014.

Approved by:

Kyle Thomas, CEO, for the WCI Parties



Chet Billingsley, CEO, Mentor Capital, Inc.

EXHIBIT 10g

INDEMNIFICATION AGREEMENT

THIS AGREEMENT, is made and entered into this **29th** day of **July, 1994**, between MAIN STREET ATHLETIC CLUBS, INC., a California corporation ("**Corporation**"), and Chester Billingsley ("**Director**").

WITNESSETH THAT:

WHEREAS, Director, a member of the Board of Directors of the Corporation, performs a valuable service in such capacity for Corporation; and

WHEREAS, the Articles of Incorporation of the Corporation authorize and permit contracts between Corporation and the members of its Board of Directors providing for indemnification, among other things, of such directors; and

WHEREAS, in accordance with the authorization as provided by the California General Corporation Law, as amended ("Code"), Corporation may purchase and maintain a policy or policies of Directors and Officers Liability Insurance ("D & O Insurance"), covering certain liabilities which may be incurred by its directors and officers in the performance as directors of Corporation; and

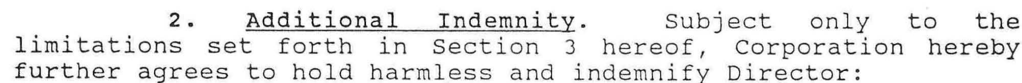
WHEREAS, as a result of recent developments affecting the terms, scope and availability of D & O Insurance there exists general uncertainty as to the extent of protection afforded members of the Board of Directors by such D & O Insurance and by statutory and bylaw indemnification provisions; and

WHEREAS, in order to induce Director to serve or continue to serve as the case may be, as a member of the Board of Directors of Corporation, Corporation has determined that it is in its best interests to enter into this contract with Director;

NOW, THEREFORE, in consideration of Director's continued service as a director after the date hereof, the parties hereto agree as follows:

1. Indemnity of Director. Corporation hereby agrees to hold harmless and indemnify Director to the full extent authorized by the provisions of the Code, as it may be amended from time to time.

2. Additional Indemnity. Subject only to the limitations set forth in Section 3 hereof, Corporation hereby further agrees to hold harmless and indemnify Director:



(a) against any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Director in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of Corporation) to which Director is, was or at any time becomes a party, or is reasonably thought to be threatened to be made a party, by reason of the fact that Director is, was or at any time becomes a director, officer, employee or agent of Corporation, or is or was serving or at any time serves at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Director by Corporation under the non-exclusive provisions of the Articles of Incorporation of Corporation and the Code.

3. Limitations on Additional Indemnity.

(a) No indemnity pursuant to Section 2 hereof shall be paid by Corporation for any of the following:

(i) to the extent the aggregate of losses to be indemnified exceeds the sum of (A) such losses for which the Director is indemnified pursuant to Section 1 hereof and (B) any settlement pursuant to any D & O Insurance purchased and maintained by Corporation;

(ii) in respect to remuneration paid to Director if it shall be determined by a final judgment without right of appeal, or other final adjudication that such remuneration was in violation of law;

(iii) on account of any suit in which judgment is rendered against Director for an accounting of profits made from the purchase or sale by Director of securities of Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(iv) on account of Director's acts or omissions that involve intentional misconduct or a knowing and culpable violation of law;

(v) on account of any proceeding (other than a proceeding referred to in Section 8(b) hereof) initiated by the Director unless such proceeding was authorized by the uninterested directors of the Corporation; or

(vi) if a final decision without right of appeal by a Court having jurisdiction in the matter shall determine that such

indemnification is not lawful;

(b) In addition to those limitations set forth above in paragraph (a) of this Section 3, no indemnity pursuant to Section 2 hereof in an action by or in the right of Corporation shall be paid by Corporation for any of the following:

(i) on account of acts or omissions that Director believed or believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of Director;

(ii) with respect to any transaction from which Director derived an improper personal benefit;

(iii) on account of acts or omissions that show a reckless disregard for Director's duties to the corporation or its shareholders in circumstances in which Director was aware, or should have been aware, in the ordinary course of performing a Director's duties, of a risk of serious injury to Corporation or its shareholders;

(iv) on account of acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of Director's duties to the Corporation or its shareholders;

(v) to the extent prohibited by Section 310 of the California Corporations Code, entitled "Contracts in Which Director Has Material Financial Interest;"

(vi) to the extent prohibited by Section 316 of the California Corporations Code, entitled "Corporate Actions Subjecting Directors To Joint And Several Liability" (generally for prohibited distributions, loans and guarantees);

(vii) in respect of any claim, issue or matter as to which Director shall have been adjudged to be liable to Corporation in the performance of Director's duties to Corporation and its shareholders, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Director is fairly and reasonably entitled to indemnity for expenses and then only to the extent that such court shall determine;

(viii) of amounts paid in settling or otherwise disposing of a pending action without court approval; and

(ix) of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

4. Contribution. If the indemnification provided in Sections 1 and 2 is unavailable and may not be paid to Director for any reason other than those set forth in Section 3 (excluding subsections 3(b)(viii) and (ix)), then in respect of any threatened, pending or completed action, suit or proceeding in which Corporation is jointly liable with Director (or would be if joined in such action, suit or proceeding), Corporation shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Director in such proportion as is appropriate to reflect (i) the relative benefits received by Corporation on the one hand and Director on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of Corporation on the one hand and of Director on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of Corporation on the one hand and of Director on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

5. Continuation of Obligations. All agreements and obligations of Corporation contained herein shall continue during the period Director is a director, officer, employee or agent of Corporation (or is or was serving at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Director shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Director was a director of Corporation or serving in any other capacity referred to herein.

6. Notification and Defense of Claim. Promptly after receipt by Director of notice of the commencement of any action, suit or proceeding, Director will, if a claim in respect thereof is to be made against Corporation under this Agreement, notify Corporation of the commencement thereof; but the omission so to notify Corporation will not relieve it from any liability which it may have to Director otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Director notifies Corporation of the commencement thereof:

(a) Corporation will be entitled to participate therein at its own expense;

(b) Except as otherwise provided below, to the extent that it may wish, Corporation jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to Director. After notice from Corporation to Director of its election so as to assume the defense thereof, Corporation will not be liable to Director under this Agreement for any legal or other expenses subsequently incurred by Director in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Director shall have the right to employ its counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Corporation of its assumption of the defense thereof shall be at the expense of Director unless (i) the employment of counsel by Director has been authorized by Corporation, (ii) Director shall have reasonably concluded that there may be a conflict of interest between Corporation and Director in the conduct of the defense of such action or (iii) Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which case the fees and expenses of counsel shall be at the expense of Corporation. Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of Corporation, which is against or involves Director, or as to which Director shall have made the conclusion provided for in (ii) above; and

(c) Corporation shall not be liable to indemnify Director under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. Corporation shall not settle any action or claim in any manner which would impose any penalty or limitation on Director without Director's written consent. Neither Corporation nor Director will unreasonably withhold its consent to any proposed settlement.

7. <u>Advancement and Repayment of Expenses</u>.

(a) In the event that Director employs his own counsel pursuant to Section 6(b)(i) through (iii) above, Corporation shall advance to Director, prior to any final disposition of any threatened or pending action, suit or proceeding, whether civil, criminal, administrative or investigative, any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding within ten (10) days after receiving copies of invoices presented to Director for such expenses.

(b) Director agrees that Director will reimburse Corporation for all reasonable expenses paid by Corporation in

defending any civil or criminal action, suit or proceeding against Director in the event and only to the extent it shall be ultimately determined by a final judicial decision (from which there is no right of appeal) that Director is not entitled, under applicable law, the Bylaws, this Agreement or otherwise, to be indemnified by Corporation for such expenses.

8. Enforcement.

(a) Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on Corporation hereby in order to induce Director to become or continue as a director of Corporation, and acknowledges that Director is relying upon this Agreement in continuing in such capacity.

(b) In the event Director is required to bring any action to enforce rights or to collect moneys due under this Agreement and is successful in such action, Corporation shall reimburse Director for all of Director's reasonable fees and expenses in bringing and pursuing such action.

9. Separability. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

10. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California.

11. Binding Effect. This Agreement shall be binding upon Director and upon Corporation, its successors and assigns, and shall inure to the benefit of Director, his heirs, personal representatives and assigns and to the benefit of Corporation, its successors and assigns.

12. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

MAIN STREET ATHLETIC CLUBS, INC.,
a California corporation

By: ______________________
Paul David Marotta,
Incorporator

Address: 1901 South Bascom Avenue
Suite 1440
San Jose, CA 95008

By: ______________________
Chester Billingsley
Director

Address: 1901 South Bascom Avenue
Suite 1440
San Jose, CA 95008

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EXHIBIT 11

Statement re computation of per share earnings

Mentor Capital, Inc. and Subsidiaries
Computation of Earnings Per Share

	Three Months Ended	
	September 30, 2014	September 30, 2013
Net loss attributable to controlling interest	$ (186,066)	$ (57,747)
Basic weighted average shares outstanding	14,492,602	6,650,277
Diluted weighted average shares outstanding	14,492,602	6,650,277
Basic net income per share	$ (0.013)	$ (0.009)
Diluted net income per share	$ (0.013)	$ (0.009)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Net loss attributable to controlling interest	$ (11,268)	$ (181,183)
Basic weighted average shares outstanding	12,539,342	5,504,325
Diluted weighted average shares outstanding	12,539,342	5,504,325
Basic net income per share	$ (0.001)	$ (0.033)
Diluted net income per share	$ (0.001)	$ (0.033)

	Year Ended December 31,	
	2014	2013
Net loss	$ (258,784)	$ (236,711)
Basic weighted average shares outstanding	5,741,161	3,326,285
Diluted weighted average shares outstanding	5,741,161	3,326,285
Basic net income per share	$ (0.045)	$ (0.071)
Diluted net income per share	$ (0.045)	$ (0.071)

EXHIBIT 21

Mentor Capital, Inc. Subsidiaries

December 31, 2013 and 2012

At December 31, 2013 and 2012, the Company had the following subsidiary:

Waste Consolidators, Inc. – incorporated in the state of Colorado
5869 S. Kyrene Road, Suite #1
Tempe, AZ 85283

Waste Consolidators, Inc. (WCI) is a legacy investment in which Mentor had a 50% ownership at December 31, 2013 and 2012. This was accounted for in accordance with generally accepted accounting principles under the equity method. Based on guidelines of ASC 323 Mentor Capital did not exercise significant influence over operating and financial policies of WCI. In addition, WCI did not qualify for consolidation as a variable interest entity under the guidelines of ASC 810-10. See description in Item 2 of Form 10.

September 30, 2014

At September 30, 2014, the Company had the following subsidiaries:

Waste Consolidators, Inc. – incorporated in the state of Colorado
5869 S. Kyrene Road, Suite #1
Tempe, AZ 85283

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. In addition, Mentor became involved in the financial reporting for WCI and is believed to have significant influence in 2014. At December 31, 2013, Mentor's investment in WCI was recorded under the equity method. In accordance with Accounting Standard Codification 810-10, Consolidation – Overall, on January 1, 2014 Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain on investment in subsidiary, see Note 14. WCI is a legacy investment that is included in the consolidated financial statements for the three and nine months ended September 30, 2014 and is reported as an investment under the equity method at December 31, 2013 and the three and nine months ended September 30, 2013.

MicroCannaBiz, LLC – organized in the state of Florida.
204 37th Avenue North, Suite 401
St. Petersburg, FL 33704

On February 18, 2014, the Company signed an agreement to purchase a 51% interest in MicroCannaBiz ("MCB"), a development stage company, for $200,000. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. MCB began operations in June 2014 and is not material to the financial statements.