

**MENTOR CAPITAL, INC.**

**fka MAIN STREET AC, INC.**

**FINANCIAL STATEMENTS**

**AND ACCOUNTANT'S COMPILATION REPORT**

**AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2005**

POORTINGA ACCOUNTANCY CORP  
CERTIFIED PUBLIC ACCOUNTANT  
RAMONA, CALIFORNIA

**PA** Poortinga Accountancy Corp.  
CERTIFIED PUBLIC ACCOUNTANT

John C. Poortinga, CPA

California Society  
of Certified Public  
Accountants

Board of Directors  
Mentor Capital, Inc.  
fka Main Street AC, Inc.  
Ramona, CA 92065

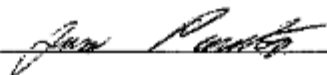
I have compiled the accompanying balance sheet for MENTOR CAPITAL, INC., fka MAIN STREET AC, INC. as of December 31, 2005 and the related statement of operations, statement of changes in shareholders' equity and statement of cash flows for the twelve months then ended, and the accompanying supplementary information, which is presented only for supplementary analysis purposes, in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent in respect to these statements.

POORTINGA ACCOUNTANCY CORP.

By:  \_\_\_\_\_

Ramona, California  
January 21, 2008

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2005**

**ASSETS**

<b>Current Assets</b>		
CASH	\$	253
ACCOUNTS RECEIVABLE		12,908
PREPAID TAXES		800
LOANS TO STOCKHOLDERS		299,631
<b>TOTAL CURRENT ASSETS</b>		<u>313,592</u>
<b>Property and Equipment</b>		
COMPUTER EQUIPMENT		12,250
LESS: ACCUM DEPRECIATION		<u>(10,628)</u>
<b>NET FIXED ASSETS</b>		1,622
<b>Other Assets</b>		
DEPOSITS		350
INVESTMENT SUBSIDIARIES-WCI		400
<b>TOTAL OTHER ASSETS</b>		<u>750</u>
<b>TOTAL ASSETS</b>		<u>\$ 315,964</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current Liabilities</b>		
NOTES PAYABLE - CURRENT	1,488	
LINE OF CREDIT	2,929	
ACCRUED OFFICER COMPENSATION	<u>536,993</u>	
<b>TOTAL CURRENT LIABILITIES</b>	541,410	
REDEMPTION FEE LIABILITY	72,179	
BUSINESS DEPOSITS HELD	95,902	
OFFICER SEVERANCE PAYABLE	<u>457,677</u>	
<b>TOTAL LONG-TERM LIABILITIES</b>	625,758	
<b>TOTAL LIABILITIES</b>	<u>1,167,168</u>	
<b>Equity</b>		
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, 14,323,250 SHARES ISSUED AND OUTSTANDING	13,696	
ADDITIONAL PAID IN CAPITAL	165,756	
ACCUMULATED DEFICIT	<u>(1,030,656)</u>	
<b>TOTAL EQUITY</b>	<u>(851,204)</u>	
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>315,964</u>

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>INCOME</b>		
ADMINISTRATION FEES	\$ 201,602	100.00 %
<b>TOTAL INCOME</b>	<b>\$ <u>201,602</u></b>	<b>100.00 %</b>
<b>OPERATING EXPENSES</b>		
ADMINISTRATIVE ASSESSMENT	250	.12
ADVERTISING	563	.28
BANK CHARGES	220	.11
CONTRIBUTIONS	45	.02
DEPRECIATION	1,752	.87
DUES & SUBSCRIPTIONS	570	.28
EMPLOYEE BENEFITS-OTHER	8,666	4.30
LEGAL	594	.29
OUTSIDE SERVICES	4,289	2.13
OFFICE SUPPLIES	3,123	1.55
POSTAGE	873	.43
RENT	10,980	5.45
OFFICERS SALARIES	104,000	51.59
TELEPHONE	3,145	1.56
UTILITIES	1,516	.75
MEALS	65	.03
OTHER EXPENSES	1,481	.73
<b>TOTAL OPERATING EXPENSES</b>	<b><u>142,132</u></b>	<b>70.49 %</b>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<b><u>59,470</u></b>	<b>29.51</b>
INTEREST EXPENSE	15	.01
OTHER INCOME	0	.00 %
<b>INCOME BEFORE INCOME TAXES</b>	<b><u>59,455</u></b>	<b>29.50 %</b>
PROVISION STATE INCOME TAX	850	.42
<b>NET INCOME (LOSS)</b>	<b>\$ <u><u>58,605</u></u></b>	<b>29.08 %</b>

SEE ACCOUNTANT'S COMPILATION REPORT

**Mentor Capital, Inc.**  
**fka Main Street AC, Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the Year to Date Ended December 31, 2005**

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance - December 31, 2004	14,048,250	13,421	-	-	165,756	(1,089,386)	\$ (873,889)
Net Income						\$ 58,605	\$ 58,605
Issuance of stock	400,000	400					\$ 400
Stock Required	(125,000)	(125)				\$ 125	\$ -
Balance - December 31, 2005	14,323,250	13,696	-	-	165,756	(1,030,656)	(851,204)

See Accountant's Compilation Report

**Mentor Capital, Inc.**  
**fka Main Street AC, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005**

December 31, 2005

<b>Cash flows from operating activities</b>	
	58,606
Adjustments to reconcile net income (loss) to net cash provided/used by operating activities:	
Depreciation expense	1,752
(Increase) decrease in accounts receivable	87,020
(Increase) decrease in other assets	67,810
(Decrease) increase in accounts payable	(42,779)
Increase in accrued payroll benefits	96,055
Increase (decrease) in other current liabilities	2,929
Increase (decrease) in other liabilities	(202,601)
Total adjustments	<u>10,186</u>
Net cash provided (used) by operating activities	<u>\$ 68,792</u>
<b>Cash flows from investing activities</b>	
Investment in subsidiaries	(275)
Furniture and fixtures	8,260
Automobiles and transportation equipment	18,518
Goodwill	91,965
Distribution of Subsidiary	(36,319)
Net cash used in investing activities	<u>82,149</u>
<b>Cash flows from financing activities</b>	
Long-term debt borrowing	(173,584)
Advances to shareholder	(62,885)
Capital stock	275
Net cash provided from financing activities	<u>(236,194)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ <u>(85,253)</u></b>
Cash - beginning balance	<u>85,506</u>
Cash - ending balance	<u><u>253</u></u>

MENTOR CAPITAL, INC.  
fka MAIN STREET AC, INC.  
SUPPLEMENTAL INFORMATION

\* WARRANT SUMMARY

**Mentor Capital, Inc.**  
**fka Main Street AC, Inc.**  
**For the Year to Date Ended December 31, 2005**

	Issued Warrants			Total Warrants
	Series A	Series B	Series C	
Balance - December 31, 2004	2,989,180	7,999,356	1,768,260	14,707,917
Balance - December 31, 2005	<u>2,989,180</u>	<u>7,999,356</u>	<u>1,768,260</u>	<u>27,464,713</u>

See Accountant's Compilation Report

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDING DECEMBER 31, 2005**  
(Prepared Internally by the Company)

NOTE – 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*General*

Mentor Capital, Inc. (the “Company”) was 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 of 1933 by the SEC, and the Company began to trade its shares publicly. On August 21, 1998, (the “Petition Date”) the Company filed voluntary proceedings under Chapter 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Northern District of California. On November 17, 1999 the SEC issued a “No Comment” letter with regard to the Company’s Plan of Reorganization, and on January 11, 2000, the Company emerged from the Chapter 11 case. Each and every security issued under the Company’s Plan of Reorganization (and in the case of warrants, the shares that spring from them) is exempt from registration under the Securities Act on account of the exemption provided under Section 1145 of the Bankruptcy Code. 99.99% of the Company’s 27,475,649 securities are issued subject to the preceding exemptions and 1,715 shares of “144 Stock” were issued during 2005 or prior years. The Company contracted to provide financial assistance to small businesses since its reorganization and entered into a financial contract with a Phoenix-based service company in May 2003.

*Property and Equipment*

Property and equipment are recorded at reorganization value and at cost less depreciation. Depreciation is accounted for on a straight-line method based on estimated useful lives. Betterments and large renewals which extend the life of the asset are capitalized, whereas maintenance and small repairs are expensed as incurred.

*Income Taxes*

The Company uses the asset and liability method as identified in SFAS 109, *Accounting for Income Taxes*. Benefits realized from preconfirmation net operating loss carryforwards will first reduce reorganization value in excess of amounts allocable to identifiable assets until exhausted and then be reported as a direct addition to paid in capital.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NOTE 2 -- WARRANTS

As of December 31, 2005, the Company had 27,464,713 warrants issued and outstanding; series A warrants to purchase 2,989,180 shares of common stock for \$1 per share, series B warrants to purchase 7,999,356 shares of common stock for \$3 per share, series C warrants to purchase 1,768,260 shares at \$5 per share, and series D warrants to purchase 14,707,917 shares at \$7 per share. The warrants expire on May 11, 2007, with one year automatic extensions. The automatic extensions may be terminated or may be modified at the discretion of the Company's board of directors.

NOTE 3 -- PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2005 is comprised of the following:

	<u>2005</u>
Furniture and fixtures	\$ 2,010
Office Equipment	10,240
	<u>12,250</u>
Less accumulated depreciation	(10,628)
	<u>Property and equipment, net</u>
	\$ 1,622
	=====

NOTE 4 -- DEFERRED COMPENSATION AND OTHER BENEFITS

Deferred compensation and other benefits consist of the following:

	<u>December 31, 2005</u>
Auto reimbursement	\$ 194,321
Relocation reimbursement	85,492
Severance pay	177,864
	<u>Officer severance payable</u>
	\$ 457,677
	=====
	<u>December 31, 2005</u>
Medical reimbursement	\$ 15,594
Vacation pay	102,000
Sick leave	51,800
Accrued officer salary	367,599*
	<u>Accrued officer compensation</u>
	\$ 536,993
	=====

\* \$367,599 net of (\$299,631) loans to stockholder is \$67,968 net liability.

NOTE 5 -- REDEMPTION FEE LIABILITY

The Plan of Reorganization provides for designees of the Company to redeem warrants that are not exercised timely on call by transferring a 10 cent redemption fee to a former holder from the designee through the Company. Warrant holders and certain individuals have deposited redemption fees equal to expected redemptions with the Company that will be forwarded to the former warrant holders at their last known address after the 90 day call period expires. The Plan provides that if the redemption fee checks are not cashed within 90 days, then those redemption fees will be retained by the Company as additional paid in capital. The classification of \$165,756 of additional paid in capital was, following a change of events, properly reassigned to redemption fee liability during 2007 which would otherwise bring this total to \$237,935.

	<u>2005</u>
Redemption fee liability	\$ 72,179

NOTE 6 -- INCOME TAXES

As of December 31, 2004, the Company had available a net operating loss carryforward of approximately \$769,749 for federal income tax purposes. The tax benefit of the net operating loss carryforward available for state tax purposes was approximately \$728,949. \$104,000 in booked revenue is deferred.

The Company's provision for income taxes represents a current state income tax expense of \$850 for the year ended December 31, 2005. There is no current federal tax liability.

The deferred federal tax liability is \$47,003 and the deferred state tax liability is \$13,601.

NOTE 7 -- EARNINGS PER COMMON SHARE

On December 13, 2007 the Company effected a 1,000 to 1 reverse split on its outstanding common stock, under the authority of the January 11, 2000 court order and subsequent to a 84% approving shareholder vote and unanimous board of directors authorizing resolution. Fractional shares were rounded up. Retroactively calculating the reverse split and taking into account the affect of rounding, there are 15,033 common shares outstanding as of December 31, 2005.

	<u>2005</u>
After-tax earnings per common share	\$ 3.90 per share

The average shares listed below were not included in the computation of diluted earnings per common share because to do so would have been antidilutive for the year ended December 31, 2005.

	<u>2005</u>
Warrants	27,464,713