

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2006**

**MENTOR CAPITAL, INC.**  
**P.O. BOX 1709**  
**RAMONA, CA 92065**

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**BALANCE SHEET**  
**December 31, 2006**

**ASSETS**

**Current Assets**

CASH	\$ 12,237
ACCOUNTS RECEIVABLE	11,579
LOANS TO STOCKHOLDERS	353,540
TOTAL CURRENT ASSETS	<u>377,356</u>

**Property and Equipment**

COMPUTER EQUIPMENT	12,250
ACCUMULATED DEPRECIATION	<u>(12,250)</u>
NET PROPERTY AND EQUIPMENT	0

**Other Assets**

DEPOSITS	350
INVESTMENT SUBSIDIARIES-WCI	400
NOTE RECEIVABLE	39,500
INTEREST RECEIVABLE	5,667
TOTAL OTHER ASSETS	<u>45,917</u>

TOTAL ASSETS

\$ 423,273

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current Liabilities**

ACCOUNTS PAYABLE	\$ 19,858
TERM LOAN - CURRENT PORTION	8,551
ACCRUED OFFICER COMPENSATION	<u>631,349</u>
TOTAL CURRENT LIABILITIES	659,758

**Long-Term Liabilities**

REDEMPTION FEE LIABILITY	72,179
BUSINESS DEPOSITS HELD	27,500
OFFICER SEVERANCE PAYABLE	466,341
TOTAL LONG-TERM LIABILITIES	<u>566,020</u>
TOTAL LIABILITIES	<u>1,225,778</u>

**Stockholders' Equity**

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	36,458
ADDITIONAL PAID IN CAPITAL	165,756
NET INCOME	36,450
RETAINED EARNINGS	(1,041,169)
ACCUMULATED DEFICIT	<u>(1,004,719)</u>
TOTAL STOCKHOLDERS' EQUITY	(802,505)

TOTAL LIABILITIES AND  
AND STOCKHOLDERS' EQUITY

423,273

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**INCOME**

ADMINISTRATION FEES	117,293	66.38	%
REVENUE RECOGNITION	59,413	33.62	%

<b>TOTAL INCOME</b>	<b>\$ 176,706</b>	<b>100.00</b>	<b>%</b>
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**OPERATING EXPENSES**

DEPRECIATION	1,622	.92	
BANK CHARGES	446	.25	
ACCOUNTING	11,234	6.36	
AUTO EXPENSE	109	.06	
OFFICE SUPPLIES	2,194	1.24	
DUES & SUBSCRIPTIONS	233	.13	
MISCELLANEOUS EXPENSE	66	.04	
OUTSIDE SERVICES	3,380	1.91	
OFFICERS SALARIES	96,950	54.87	
TAXES-OTHER	1,050	.59	
TELEPHONE	3,244	1.84	
RENT	11,305	6.40	
LEGAL	1,751	.99	
POSTAGE	865	.49	
EMPLOYEE BENEFITS-OTHER	8,664	4.90	
UTILITIES	1,710	.97	
OTHER EXPENSES	679	.38	

<b>TOTAL OPERATING EXPENSES</b>	<b>145,502</b>	<b>82.34</b>	<b>%</b>
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<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<b>31,204</b>	<b>17.66</b>	
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**OTHER INCOME (EXPENSE)**

INTEREST INCOME	5,740	3.25	
INTEREST EXPENSE	495	.28	

<b>INCOME BEFORE INCOME TAXES</b>	<b>36,449</b>	<b>20.63</b>	<b>%</b>
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<b>NET INCOME (LOSS)</b>	<b>\$ 36,449</b>	<b>20.63</b>	<b>%</b>
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**Mentor Capital, Inc.**  
**fka Main Street AC, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

December 31, 2006

**Cash flows from operating activities**

Net Income (Loss)	36,450
Adjustments to reconcile net income (loss) to net cash provided/used by operating activities:	
Depreciation expense	1,622
(Increase) decrease in accounts receivable	(9,079)
(Increase) decrease in other current assets	800
(Increase) decrease in other assets	(34,759)
(Decrease) increase in accounts payable	11,234
Increase in accrued payroll benefits	104,000
Increase (decrease) in other current liabilities	1,540
Increase in other liabilities	10,237
Total adjustments	85,595
Net cash provided (used) by operating activities	\$ 122,045

**Cash flows from investing activities**

Automobiles and transportation equipment	0
Net cash used in investing activities	0

**Cash flows from financing activities**

Long-term debt borrowing	(68,402)
Advances to shareholder	(53,909)
Capital stock	22,762
Net cash provided from financing activities	(99,549)

**Net increase (decrease) in cash and cash equivalents** \$ 22,496

CASH - OPERATING CHECKING 253

Cash - ending balance 12,237

**fka Main Street AC, Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the Year to Date Ended December 31, 2006**

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance - December 31, 2005	14,323,250	13,696	-	-	165,756	(1,041,169)	<u>(861,717)</u>
Net Income					\$ 36,449	\$ 36,449	\$ 36,449
Exercise of warrants	4,102	22,762					\$ 22,762
Issuance of stock							\$ -
Stock Required							\$ -
Balance - December 31, 2006	14,327,352	36,458	-	-	165,756	(1,004,720)	<u>(802,506)</u>

See Accountant's Compilation Report

**MENTOR CAPITAL, INC.**  
**fka MAIN STREET AC, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDING DECEMBER 31, 2006**  
(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 one or more years ago. 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, 2006, 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, 2008, 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, 2006 is comprised of the following:

	<u>2006</u>
Furniture and fixtures	\$ 2,010
Office Equipment	10,240
	<u>12,250</u>
Less accumulated depreciation	(12,250)
	<u>Property and equipment, net</u>
	\$ 0
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NOTE 4 -- DEFERRED COMPENSATION AND OTHER BENEFITS

Deferred compensation and other benefits consist of the following:

	<u>December 31,</u> <u>2006</u>
Auto reimbursement	\$ 194,321
Relocation reimbursement	85,492
Severance pay	186,498
	<u>Officer severance payable</u>
	\$ 466,311
	=====
	<u>December 31,</u> <u>2006</u>
Medical reimbursement	\$ 15,594
Vacation pay	102,000
Sick leave	44,750
Accrued officer salary	469,005*
	<u>Accrued officer compensation</u>
	\$ 631,349
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\* \$469,005 net of (\$364,053) loans to stockholder is \$104,952 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>2006</u>
Redemption fee liability	\$ 72,179

NOTE 6 -- INCOME TAXES

As of December 31, 2005, the Company had available a net operating loss carryforward of approximately \$606,279 for federal income tax purposes. The tax benefit of the net operating loss carryforward available for state tax purposes was approximately \$565,479. \$104,000 in booked revenue is deferred.

The Company's provision for income taxes represents a current state income tax expense of \$800 for the year ended December 31, 2006. There is no current federal tax liability.

The deferred federal tax liability is \$17,838 and the deferred state tax liability is \$6,893.

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 15,038 common shares outstanding as of December 31, 2006.

	<u>2006</u>
After-tax earnings per common share	\$ 2.54 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, 2006.

	<u>2006</u>
Warrants	27,460,611

## NOTE 8 -- SUBSEQUENT EVENTS

During the August 2008 financial audit of the fiscal year ending December 31, 2007, audit adjustments suggested that certain income and expense from 2007 should be recognized in prior periods. Those audit adjustments were applied and are correspondingly reflected in the financial statement balances and entries for the 2007, 2006 and 2005 fiscal years, as follows:

	2007	2006	2005
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Revenue Recognition and Note Receivable	(\$ 39,500)	\$ 39,500	
Interest Recognition and Receivable	(\$ 5,667)	\$ 5,667	
Retained Earnings	\$ 10,513		(\$ 10,513)
Income	(\$ 19,913)	\$ 19,913	
Accounting Expense	\$ 11,234	(\$ 11,234)	
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Annual Net Adjustment	(\$ 43,333)	\$ 53,846	(\$ 10,513)

The adjustments are incorporated as part of the 2007 audited financial statements. The 2006 financial statements associated with these notes, have been adjusted to reflect the respective changes including the roll forward of the 2005 changes. The 2005 financial statements have not been restated in their presentation, except as a prior period adjustment incorporated into the 2006 opening balance sheet as of January 1, 2006.

As a result of the adjustments above, 2007, 2006, 2005 and 2004 summary revenue, net income, and income per share are as follows:

	Audit with Trading Deferred Revenue*	Audited	Un-audited	Un-audited	Un-audited
	2007	2007	2006	2005	2004
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Revenue	\$243,879	\$86,099	\$176,706	\$191,089	\$853,656
After-Tax Earnings	\$64,747	(\$93,033)	\$36,449	\$48,092	\$40,076
Net Earnings per Share	\$4.40/sh	(\$6.33/sh)	\$2.54/sh	\$3.36/sh	\$2.85/sh (Unchanged)

\*\$157,072 in income earned in 2007 was deferred until the start of trading because the associated contract could be cancelled if trading never started. Because trading has begun and the contingency is met, for comparison purposes, the income is shown during the period earned in addition to as audited.