

MENTOR CAPITAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mentor Capital, Inc.

We have audited the accompanying consolidated balance sheet of Mentor Capital, Inc. as of December 31, 2007, and the related consolidated statement of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mentor Capital, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended 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 limited cash resources as of December 31, 2007 and has recorded an accumulated deficit of approximately \$1.1 million through December 31, 2007. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A handwritten signature in black ink that reads "Squar Milner Peterson Miranda & Williamson, LLP".

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

San Diego, California
August 18, 2008

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP
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MENTOR CAPITAL, INC
CONSOLIDATED BALANCE SHEET
December 31, 2007

	<u>2007</u>
ASSETS	
Assets	
Cash and cash equivalents	\$ 14,061
Accounts receivable	40,962
Note receivable - related party	491,173
Management fee receivable	175,312
Note receivable	39,500
Interest receivable	8,491
Property and equipment, net	-
Other assets	400
	<hr/>
Total assets	\$ 769,899
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LIABILITIES AND STOCKHOLDERS' DEFICIT

Liabilities

Accounts payable	\$ 4,847
Deposits	21,500
Deferred revenue	157,780
Accrued salary and benefits – related party	721,349
Accrued tax liability	800
Warrant redemption liability	482,910
Accrued retirement and other benefits – related party	475,007
	<hr/>
Total liabilities	1,864,193
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Stockholders' Deficit

Preferred stock, no par value: 100,000,000 shares authorized, No shares issued and outstanding at December 31, 2007	-
Common stock, no par value: 400,000,000 shares authorized, 15,075 shares issued and outstanding at December 31, 2007	3,458
Accumulated deficit	(1,097,752)
	<hr/>
Total stockholders' deficit	(1,094,294)
	<hr/>
Total liabilities and stockholders' deficit	\$ 769,899
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MENTOR CAPITAL, INC
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

	<u>2007</u>
REVENUE	
Administration fees	\$ 68,567
Management and performance fees	<u>17,532</u>
Total revenue	86,099
OPERATING EXPENSES	<u>(184,987)</u>
Operating loss	(98,888)
OTHER EXPENSE (INCOME)	
Interest income	(7,641)
Interest expense	<u>986</u>
Total other income	<u>(6,655)</u>
LOSS FROM OPERATIONS	(92,233)
Provision for income taxes	<u>800</u>
NET LOSS	<u>\$ (93,033)</u>
Loss per share – basic and diluted	<u>\$ (6.33)</u>
Weighted average shares – basic and diluted	<u>14,699</u>

MENTOR CAPITAL, INC
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
For the Year Ended December 31, 2007

	<u>Common Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	
Balance – December 31, 2006	14,327,352	\$ 36,458	\$ (1,004,719)	\$ (968,261)
Restricted stock reacquired	(4,125)	(33,000)	-	(33,000)
Reverse stock split	(14,308,152)	-	-	-
Net loss	-	-	(93,033)	(93,033)
Balance – December 31, 2007	<u>15,075</u>	<u>\$ 3,458</u>	<u>\$ (1,097,752)</u>	<u>\$ (1,094,294)</u>

MENTOR CAPITAL, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

	2007
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (93,033)
Adjustments to reconcile net loss to net cash used in operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(29,383)
Management fee receivable	(175,312)
Note receivable - related party	(137,633)
Interest receivable	(2,824)
Accounts payable	(15,011)
Accrued salaries and benefits – related party	8,666
Accrued retirement and other benefits – related party	90,000
Deposits	(6,000)
Accrued tax liability	800
Deferred revenue	157,780
Warrant redemption liability	244,975
Net cash provided by operating activities	43,025
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of term loan	(8,201)
Repurchase of common stock	(33,000)
Net cash used by financing activities	(41,201)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,824
CASH AND CASH EQUIVALENTS – beginning of period	12,237
CASH AND CASH EQUIVALENTS – end of period	\$ 14,061
Supplemental disclosures of cash flow information	
Interest paid	\$ 986
Taxes paid	\$ 800

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

1. DESCRIPTION OF BUSINESS

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 December 6, 1999, the Company’s Plan of Reorganization (“the Plan”) was approved by the bankruptcy court and, on January 11, 2000, the Company emerged from Chapter 11. The Company has contracted to provide financial assistance to small businesses since its reorganization. In October, 2007, the Company entered into an agreement with a hedge fund to provide significant investment into the hedge fund investing partnerships (the “Fund(s)"). In addition to receiving returns from its investment in the Funds, the Company shares in a percentage of the Fund management company’s (the “Management Company”) current and future earned performance and management fees on currently invested and future assets under management, whether the investment is provided by others or by the Company.

2. GOING CONCERN

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the financial statements as of December 31, 2007 and for the year then ended, the Company has limited cash resources and has recorded an accumulated deficit of approximately \$1.1 million through December 31, 2007. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability of the carrying amount of recorded assets or the amount of liabilities that might result from the outcome of these uncertainties.

Management's plans include increasing revenues to a level capable of supporting its operations, and raising additional capital through the sale of equity securities. While management is confident of their ability to execute these actions, there can be no assurance that it will be successful or that the Company will attain profitable operating levels in the future. These financial statements do not contain any adjustments that might result from the failure of the Company to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in the Preparation of Financial Statements (continued)

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 the reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, WCI Financial. All significant intercompany transactions and accounts have been eliminated.

Concentrations of Revenue

The Company derives its revenue from two main customers which account for 80% and 20%, respectively of the Company's revenues during the period.

Fair Value of Financial Instruments

The carrying amounts of cash equivalents, accounts receivable, management fees receivable, note receivable and other current assets, accounts payables, and accrued liabilities approximate fair value due to the short maturity of these instruments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. At times, cash balances may be in excess of amounts insured by Federal agencies.

Accounts Receivable

The Company reviews its accounts receivable to determine if an allowance for doubtful accounts is necessary on a periodic basis based on its assessment of the collectability of specific customers and history of bad debts. The estimate of allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, 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 December 31, 2007, the Company considers its accounts receivable to be fully collectible and no allowance has been included in the accompanying financial statements.

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation has been computed using the straight-line method over the estimated useful lives as follows:

Office furniture and equipment	3-5 years
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Betterment and large renewals which extend the life of the asset are capitalized. Costs for repairs and maintenance are expensed as incurred.

Revenue Recognition

The Company generally recognizes revenues when fees are earned based on the contractual terms of each respective agreement.

Loss per common share

Basic loss per common share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding. Diluted loss per common share includes the components of basic loss per common share and also gives effect to dilutive common stock equivalents. Potentially dilutive common stock equivalents include stock options and warrants. No dilutive effect was calculated for the year ended December 31, 2007, as the Company reported a net loss in the period and the effect would have been anti-dilutive.

Income Taxes

Income taxes are accounted for on an asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided for deferred tax assets if it is more likely than not that the Company will not realize deferred tax assets in future operations.

New Accounting Pronouncements

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB statement No. 109 (“FIN 48”)* In July 2006, the FASB issued FIN 48, which the Company adopted effective January 1, 2007. This interpretation

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

clarifies the accounting for income tax benefits that are uncertain in nature. Under FIN 48, a Company will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that its position is "more likely than not" (i.e., a greater than 50 percent likelihood) to be upheld on audit based only on the technical merits of the tax position. This accounting interpretation also provides guidance on measurement methodology, derecognition thresholds, financial statement classification and disclosures, interest and penalties recognition, and accounting for the cumulative-effect adjustment. The Company is currently evaluating the impact of this guidance.

FASB Statement No. 157, *Fair Value Measurements* ("FAS 157"), In September 2006, the FASB issued FAS 157, which is effective for the Company on January 1, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements, but would apply to assets and liabilities that are required to be recorded at fair value under other accounting standards. In February 2008, the FASB issued FSP FAS 157-2, to defer the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until years beginning after November 15, 2008. The impact, if any, to the Company from the adoption of FAS 157 in 2008, will depend on the Company's assets and liabilities at that time that are required to be measured at fair value.

FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115* ("FAS 159"). In February 2007, the FASB issued FAS 159, which is effective for the Company on January 1, 2008. This standard permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The implementation of FAS 159 is not expected to have a material effect on the Company's results of operations or financial position.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* ("SFAS 141(R)"). This statement requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS 141(R) also requires additional disclosure of information surrounding a business combination, such that users of the entity's financial statements can fully understand the nature and financial impact of the business combination. The Company will implement SFAS No. 141(R) on January 1, 2009 and does not expect the adoption of this standard to have a material impact on its financial position or cash flows.

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB 51* (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also established reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owner. The Company will implement SFAS No. 160 on January 1, 2009 and does not expect the adoption of this standard to have a material impact on its financial position or cash flows.

4. NOTE RECEIVABLE

At December 31, 2007, note receivable consists of a note for \$39,500 from one of the Company's customers who is also a minority stockholder in the Company. The note accrues interest at 7.8% per annum. No payments are due on the note until certain stock price performance thresholds are met, which is estimated to be outside of the current year. Thereafter, payments are to be made in twelve equal monthly installments in an amount that fully amortizes the outstanding principal and accrued interest.

5. PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following as of December 31:

	<u>2007</u>
Office equipment	\$ 10,240
Furniture and fixtures	2,010
Property and equipment, gross	<u>12,250</u>
Less: accumulated depreciation	<u>(12,250)</u>
Property and equipment, net	<u>\$ -</u>

6. FUNDING AGREEMENT

The Company entered into a Permanent Funding Agreement (“Funding Agreement”) with a hedge fund (the "Funds") and its management company (the “Management Company”) effective October 1, 2007. Based on terms of the agreement, the Company has agreed to invest \$125 million in the Funds with proceeds derived from the exercise of the Company's outstanding warrants, and to provide investor relations services to raise additional capital for the Funds. In exchange for the commitment of \$125 million in funding to the Funds, the Funding Agreement provides for the Company to receive a

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

6. FUNDING AGREEMENT (continued)

percentage of the performance and management fees earned by the Management Company of the Funds on all funds under management. According to the terms of the Funding Agreement, the Company will receive 80% of the net performance and management fees, and once certain stock price thresholds are met the percentage on additional assets under management will be reduced to 20%. Payment of fees owed to the Company are contingent on the premise that the Company's shares will be publicly traded and until such shares are publicly traded, only 10% of the fees will be considered fully earned. As of December 31, 2007, the Company's shares had not yet begun to publicly trade. As such, of the in \$175,312 performance fees due the Company, \$17,532 of the fees are recorded as revenue earned during 2007 and \$157,780 are recorded as deferred revenue as of December 31, 2007 (See Note 13).

7. COMMON STOCK WARRANTS

The Company's Plan of Reorganization provided for the creditors and claimants to receive new warrants in settlement of their claims. As of December 31, 2007, the Company had 28,755,265 warrants issued and outstanding in the following series: Series A warrants ("Series A") to purchase 3,226,480 shares of common stock for \$1 per share, Series B warrants ("Series B") to purchase 8,244,984 shares of common stock for \$3 per share, Series C warrants ("Series C") to purchase 1,968,560 shares at \$5 per share and Series D warrants ("Series D") to purchase 15,315,241 shares at \$7 per share.

The term of the warrants, initially sixteen months, has been extended each year and were to expire on May 11, 2008. The expiration date of the warrants was extended until May 11, 2038, by the Company on August 1, 2008.

Each warrant is callable by the Company if the share price exceeds the exercise price by \$1 or greater. The warrant holders have 90 non-consecutive calendar days, of greater than \$1 per share in-the-money trading, during which to exercise their warrants once they are called. 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 8.

The following table summarizes common stock warrants and current year activity as of December 31, 2007:

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

7. COMMON STOCK WARRANTS (continued)

	Series A	Series B	Series C	Series D	Total Warrants
Outstanding at December 31, 2006	2,989,180	7,997,868	1,768,260	14,705,303	27,460,611
Issued	237,300	247,116	200,300	609,938	1,294,654
Exercised	-	-	-	-	-
Outstanding at December 31, 2007	<u>3,226,480</u>	<u>8,244,984</u>	<u>1,968,560</u>	<u>15,315,241</u>	<u>28,755,265</u>

8. 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 acquire warrants or increase existing warrant holdings 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 a 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. As of December 31, 2007, deposits received to fund the \$0.10 redemption fee amounted to \$482,910.

9. STOCKHOLDERS DEFICIT

Common Stock

The Company has a total of 400,000,000 shares of Common Stock, no par value authorized at December 31, 2007. 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 Director approval. There are a total of 15,075 common shares outstanding as of December 31, 2007 after the reverse stock split, allowing for the rounding up of fractional shares.

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

10. INCOME TAXES

In June 2006, the FASB issued FASB Interpretation Number 48 ("*FIN 48*"), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* , which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* , and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is, more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company adopted the provisions of FIN 48 on January 1, 2007, and has commenced analyzing filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. As a result of adoption, the Company has recorded no additional tax liability. As of December 31, 2007, the Company has not yet completed its analysis of the deferred tax assets for net operating losses of \$885,604. As such, these amounts and the offsetting valuation allowance have been removed from the Company's deferred tax assets. The Company will complete a Section 382 analysis regarding the potential limitation of the net operating losses before the Company utilizes any net operating loss carryforwards.

There were no changes in the Company's unrecognized tax benefits during 2007. Due to the existence of the valuation allowance, future changes in our unrecognized tax benefits will not impact the Company's effective tax rate.

The Company is subject to taxation in the U.S. and state jurisdictions. The Company's tax years for 2002 and forward are subject to examination by the U.S. and California tax authorities due to the carryforward of unutilized net operating losses. The Company is currently not under examination by any taxing authorities.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the twelve months ended December 31, 2007, the Company did not recognize any interest or penalties. Upon adoption of FIN 48 on January 1, 2007, the Company did not record any interest penalties.

The adoption of FIN 48 did not impact the Company's financial condition, results of operations or cash flows. At December 31, 2007, the Company had net deferred tax assets of \$419,191. Due to uncertainties surrounding the Company's ability to generate future taxable income to realize these assets, a full valuation has been established to offset the net deferred tax asset. Additionally, the future utilization of the Company's net operating loss to offset future taxable income may be subject to an annual limitation as a

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

10. INCOME TAXES (continued)

result of ownership changes that may have occurred previously or that could occur in the future. The Company has not yet determined whether such an ownership change has occurred; however the Company will complete a Section 382 analysis regarding the limitation of the net operating loss before any losses are utilized. Until this analysis has been completed the Company has removed the deferred tax assets associated with these carryforwards from its deferred tax asset schedule and has recorded a corresponding decrease in its valuation allowance. When the Section 382 analysis is completed, the Company plans to update its unrecognized tax benefits under FIN 48.

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax assets as of December 31, 2008 are as follows:

	<u>2007</u>
Deferred tax assets	
Federal net operating loss carryforward	\$ -
State net operating loss carryforward	-
Deferred salary and benefits	419,191
	<u>419,191</u>
Deferred tax liabilities	<u>-</u>
Less: Valuation allowance	<u>(419,191)</u>
Net deferred tax asset	<u><u>\$ -</u></u>

The provision for income tax on earnings subject to income taxes differs from the statutory federal income tax rate at December 31, 2007 due to the following:

	<u>2007</u>
Expected federal income tax benefit	\$ (33,903)
Change in valuation allowance, net of removal of deferred assets	33,903
State income taxes	800
Provision for income taxes	<u><u>\$ 800</u></u>

MENTOR CAPITAL, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company currently rents office space on a month-to-month basis in Ramona, California. Rent expense for the year ended December 31, 2007 was \$11,780.

12. RELATED PARTY TRANSACTIONS

As of December 31, 2007, the Company has an outstanding note receivable and accrued salaries/benefits balance with its Chief Executive Officer ("CEO") in the amount of \$491,173 and \$1,196,356, respectively. The note receivable has no specific due date and does not bear interest as long as amounts owed to the CEO for accrued but unpaid salary and benefits are in excess of the amount of the note at the valuation date. Advances made on the note during 2007 amounted to \$137,633, and amounts recorded as payable to the CEO increased by \$98,666 during the year.

13. SUBSEQUENT EVENTS

Subsequent to year end, certain warrant holders exercised 186,777 Series A Warrants for that number of shares and the Company received proceeds of \$186,777 as of June 30, 2008.

In August, 2008, shares of the Company's common stock began to trade publicly under the symbol MNTR.PK.