

211741

JOHN D. HEFFNER, PLLC

1920 N St., N.W.

SUITE 800

WASHINGTON, D.C. 20036

(202) 263-4180

FAX (202) 296-3939

j.heffner@verizon.net



August 5, 2004

BY MESSENGER AND FEDEX overnight mail

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 204423-0001

Thomas F. McFarland, P.C.
Thomas F. McFarland Law Office
208 South LaSalle Street,
Suite 1890
Chicago, IL 60604-1112

Re: Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC. –
Abandonment Exemption – in Union, Pontotoc and Chickasaw Counties,
MS.*

Gentlemen:

Hereby transmitted to each of you is an Offer of Financial Assistance in the above proceedings filed on behalf of Hust Brothers, Inc. The Offer sent to Mr. Williams is an original and is accompanied by 10 copies. The \$1,100 filing fee is enclosed.

Please date stamp and return one copy of this filing to me.

Very truly yours,

John D. Heffner
Counsel for
Hust Brothers, Inc.

ENTERED
Office of Proceedings

AUG 05 2004

Part of
Public Record

FEE RECEIVED

AUG - 5 2004

**SURFACE
TRANSPORTATION BOARD**

FILED

AUG - 5 2004

**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD



MISSISSIPPI TENNESSEE HOLDINGS, LLC)
ABANDONMENT EXEMPTION - IN)
UNION, PONTOTOC AND CHICKASAW)
COUNTIES, MS)

DOCKET NO. AB 868X

OFFER OF FINANCIAL ASSISTANCE

ENTERED
Office of Proceedings

AUG 05 2004

Part of
Public Record

HUST BROTHERS, INC.
710 Third Street
P.O. Box 591
Marysville, CA 95901

Offeror

JOHN D. HEFFNER
JOHN D. HEFFNER, PLLC
1920 N St., N.W.
Suite 800
Washington, DC 20036
(202) 263-4180

Attorney for Offeror

DATE FILED: August 5, 2004



BEFORE THE
SURFACE TRANSPORTATION BOARD

MISSISSIPPI TENNESSEE HOLDINGS, LLC	)	DOCKET NO. AB 868X
ABANDONMENT EXEMPTION – IN	)	
UNION, PONTOTOC AND CHICKASAW	)	
COUNTIES, MS	)	
	)	

OFFER OF FINANCIAL ASSISTANCE

Pursuant to 49 U.S.C. § 10904(c) and 49 C.F.R. § 1152.27(c)(1), and in accordance with the Board's decision in this proceeding served July 26, 2004, HUST BROTHERS, INC. (hereafter "HB") hereby files its offer of financial assistance (OFA) for purchase of the entire rail line ("the Line") involved in the above proceeding: between Milepost 324.2 near New Albany and the end of the line at Milepost 281.0 near Houston, MS, a distance of 43.2 miles in Union, Pontotoc and Chickasaw Counties, MS. HB offers to pay \$1,252,232, for the rail line.

**THERE IS A REASONABLE EXPLANATION FOR THE DISPARITY
BETWEEN THE AMOUNT OFFERED AND THE OWNER'S
VALUATION OF THE RAIL LINE**

The owner of the rail line, Mississippi Tennessee Holdings, LLC (hereafter "Owner") states that the value of the Line, not including real estate is \$2,714,688. (Exhibit E of the Petition for Exemption.). HB contends that the correct NLV for the Line is \$1,252,232. HB submits Exhibit A, a net liquidation value appraisal of the track material comprising the Line in support of its offer. The principle difference in the valuation of railroad track materials involves three areas; namely: the value of the ties after subtracting the associated take-up costs, the value of the ballast and the value of the bridges. The Owner has significantly overstated the quality and quantity of the ties on the Line. The Owner has apparently not included the disposal costs of the significant quantity of scrap ties as well as the cost to repair road crossings in determining the take-up costs. With a depth of four (4") inches, there is insufficient depth to economically salvage the ballast. Accordingly, the ballast has no value. Finally, the bridges have no value inasmuch as their removal costs exceeds their salvage value.

HB IS FINANCIALLY RESPONSIBLE

HB submits with its filing as Exhibit B a copy of its most recent Financial Statements and Supplemental Schedules¹ for Hust Brothers, Inc. for the years ended March 31, 2002 and 2003 as well as the latest personal financial statements of HB's

¹ These statements take the form of a "compilation" prepared by the accounting firm of Tenney and Company.

controlling shareholders Roy and Sandra Lanza dated as of September 16, 2003.² HB's 2003 statement shows both a net worth and retained earnings that substantially exceed the \$1,252,232 offering price. The Lanza's personal net worth exceeds their offering price for the Line many times over. Thus, HB is financially capable of paying the probable purchase price for the Line and of maintaining the Line for at least two years as required by 49 U.S.C. § 10904(f)(4)(A).

THE OFFER IS FOR CONTINUED RAIL SERVICE

Upon acquisition of the Line, HB intends to provide rail service to International Paper Corp.; Agro; MPI, Inc.; Farmers' Marketing Association; Ware Milling Co.; and to other shippers and receivers located or to be located along the Line. The offer thus contemplates continued rail service on the Line.

CONCLUSION AND REQUESTED RELIEF

WHEREFORE, the Board should find that HB is a financially responsible person who has offered financial assistance to permit rail service to be continued on the Line. Based on that finding, the Board should postpone the effectiveness of the exemption for abandonment of the Line pending further proceedings under 49 U.S.C. § 10904.

² Mr. Lanza is HB's President.

Respectfully submitted,

HUST BROTHERS, INC.
710 Third Street
P.O. Box 591
Marysville, CA 95901

Offeror

A handwritten signature in black ink, appearing to read "J.D. Heffner", with a long horizontal flourish extending to the right.

JOHN D. HEFFNER
JOHN D. HEFFNER, PLLC
1920 N St., N.W.
Suite 800
Washington, DC 20036
(202) 263-4180

Attorney for Offeror

Date Filed: August 5, 2004

Exhibit A

NET LIQUIDATION VALUE Mississippi Tennessee Railroad Line Between MP 381.4 and MP 324.2

RAIL: 85#	4.4 miles [149.6 nt/mile = 658 nt, less 5% wear = 625 nt]	
	486 net tons of Reroll @ \$170/nt =	\$82,620
	139 net tons of Scrap @ \$160/nt =	<u>\$22,240</u>
90#	39.5 miles [158.4 nt/mile = 6256.8 nt less 5% wear = 5944 nt]	
	594 net tons of Reroll @ \$170/nt=	\$100,980
	475 net tons of Scrap @ \$160/nt=	76,000
	4875 net tons of Relay @ \$218/nt=	<u>1,062,750</u>
Total Rail		\$1,344,590
OTM: Plates	Relay 135,000 SS Tie Plates @ \$1 each=	\$135,000
	Plates Scrap 131,000 SS Tie Plates @ \$.68 each=	89,080
Bars	Scrap 35 net tons 85# @ \$160/nt=	5,600
Bars	Scrap 69 net tons 90# @ \$160/nt=	11,400
Bars	Relay 7161 pairs @ \$8.50/pair=	60,868
Spikes	Scrap 4.9 tons/mile x 43.9 miles (80%)	<u>27,534</u>
Total OTM		\$329,482
TIES: Relay	8,865 @ \$10 each=	\$88,600
	#1 & #2 Landscape 14,035 @ \$6 each=	<u>84,210</u>
Total Ties		\$172,810
SWITCHES:		
	4 Relay switches @ \$1,200 each=	\$4,800
	12 Scrap switches @ \$400 each=	4,800
Total Switches		\$9,600
TOTAL ASSET VALUE		\$1,856,482
TAKE-UP COSTS: 43.9 miles @ \$12,500 per mile, including the disposal of the scrap ties. The cost to remove the bridges exceeds the salvage value. The ballast has no salvageable value as there is not a sufficient depth of ballast.		<\$548,750>
Repair 37 asphalt road crossings @ \$1,500 each =		<\$55,500>
TOTAL NET LIQUIDATION VALUE		<u>\$1,252,232</u>

Tenney and Company

Certified Public Accountants

Roy E. and Sondra Lanza
Marysville, California

We have compiled the accompanying statement of financial condition of Roy E. and Sondra Lanza as of April 30, 2003, in accordance with Statements on Standards 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 information that is the representation of the individuals whose financial statements are presented. We have not audited or reviewed the accompanying statement of financial condition and, accordingly, do not express an opinion or any other form of assurance on it.

Tenney & Company
September 16, 2003

ROY E. AND SONDRALANZA
STATEMENT OF FINANCIAL CONDITION
APRIL 30, 2003

ASSETS

Cash	730,961
Notes Receivable	\$ 7,285,849
Investments :	
Marketable Securities and Stocks	290,922
Exchange Funds Held by Facilitator	1,251,469
Real Estate	29,605,096
Hust Brothers, Inc.	5,550,000
Midvalley Industrial, Inc.	608,610
Equity - Partnerships	1,159,047
Retirement Plans	425,557
Sacramento Valley Farm Credit Stock	188,934
Personal Effects	150,000
Total Assets	\$ <u>47,246,445</u>

LIABILITIES AND NET WORTH

Mortgages Payable	\$ 13,914,956
Liabilities Related to "Wrap Around" Notes and Other Unsecured Notes Payable	77,633
Estimated Income Taxes, on the Difference Between the Estimated Current Values of Assets and the Estimated Current Amounts of Liabilities and Their Tax Base	7,409,121
Net Worth	<u>25,844,736</u>
Total Liabilities and Net Worth	\$ <u>47,246,445</u>

See accompanying notes and independent accountant's compilation report.

ROY E. AND SONDR Lanza
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE A - Summary of accounting principles

The accompanying financial statement includes the assets and liabilities of Roy E. and Sondra Lanza. Assets are stated at their estimated current values, and liabilities at their current amounts, unless otherwise noted. Estimated values were provided by Mr. Lanza based upon his knowledge of the assets and their relative values. The actual results could vary from the estimates used. However, Mr. Lanza does not consider such possible variances to be material to the accompanying financial statement.

Concentration of Credit Risk

At April 30, 2003, the individuals maintained cash investment accounts in Bank of America with a balance of \$552,000 that were not FDIC insured. The funds in these accounts were invested in money market mutual funds.

NOTE B - Notes Receivable

The details are:

<u>NAME</u>	<u>HOW SECURED</u>	<u>MONTHLY PAYMENT</u>	<u>TYPE</u>	<u>INTEREST RATE</u>	<u>BALANCE OWED</u>
Abbott, Thomas & Carmen	D/T	\$ 340.45	P&I	10.00%	\$ 8,283
Agracon - Sarb	A		MAT.	12.00%	115,444
Applegarths	D/T	4,000.00	I	12.00%	400,000
Applegarth/Estrada-Salacup	D/T		MAT.	12.00%	65,000
Bailey, Harrison	D/T	955.90	I	12.00%	95,550
Bowman, Cyril & Beverly	D/T	600.00	P&I	10.00%	14,527
Bumpus, Kelly	D/T	1,500.00	I	12.00%	150,000
Burgett, Allen	D/T	1,021.16	P&I	8.00%	2,000
Chatwin, Travis	D/T	250.00	I	10.00%	30,000
Cisneros, Esperanza	D/T	844.00	I	11.00%	92,213
Dunham, Mike	D/T	114.79	P&I	12.00%	5,822
Everett, Richard J.	D/T	150.00	I	12.00%	15,000
Feather River Construction	D/T	290.27	I	9.50%	36,666
Feather River Construction	D/T	77.78	I	8.00%	11,667
Foor, Betty	D/T	1,500.00	P&I	6.00%	39,865

ROY E. AND SONDRALANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE B - Notes Receivable - cont.

<u>NAME</u>	<u>HOW SECURED</u>	<u>MONTHLY PAYMENT</u>	<u>TYPE</u>	<u>INTEREST RATE</u>	<u>BALANCE OWED</u>
Gibbs, Steven	D/T	200.00	I	12.00%	20,000
Greenetz, Dave	D/T	200.00	I	12.00%	20,000
Griesa, Bob	D/T	1,000.00	I	12.00%	100,000
Hafferty, Jim	D/T	952.32	P&I	11.00%	99,928
Harcourt-Salyer, Donald	D/T	500.00	P&I	9.00%	56,332
Heimbürger	D/T	1,050.00	I	12.00%	105,000
Holley, Roy	U	494.28	P&I	10.00%	36,748
Huett, Dave	D/T	113.57	P&I	10.00%	3,345
Hust Brothers, Inc.	U	3,573.00	I	12.00%	357,330
Imler	D/T	None		10.00%	75,885
Kanada, James	D/T	650.00	P&I	10.00%	88,101
Kanada, James #2	D/T	1,000.00	P&I	8.00%	31,588
Kanada, Cory and Desha	D/T	1,005.25	P&I	8.00%	136,441
Kingsley, Chris & Diane	D/T	963.00	P&I	9.00%	88,448
Kalfsbeek, Jake	D/T	2,333.33	I	12.00%	233,333
Sondra & Fran(Yuba Gardens)	D/T	* 5,250.00	I	7.00%	300,000
Laffond, Cliff	D/T	396.45	P&I	10.00%	28,552
Mathews, Ron	D/T	750.00	I	12.00%	75,000
Moghaddam, Jaavad	D/T	1,750.00	I	12.00%	175,000
Monroe, Angela	D/T	528.00	P&I	9.00%	65,974
Nevis, Al - Rocklin	D/T	416.00	I	10.00%	50,000
Nevis, Alfred	A	1,217.00	I	10.00%	146,000
Nevis, Sam (Canyon Creek)	U	3,165.91	I	18.00%	267,166
Nichols, Anthony	D/T	812.50	P&I	15.00%	50,000
North Butte - Turpen	D/T	31,500.00	P&I	12.00%	254,546
Pamma, Sukhraj	D/T	2,125.00	I	8.50%	300,000
Porter, Bruce	D/T		MAT.	12.00%	18,500
Preston, Dan	D/T	1,189.36	P&I	10.00%	64,291
Raines, Clyde	D/T	560.00	P&I	10.00%	47,488
Redding, Charles	D/T	680.00	P&I	8.00%	12,774
Redding, Charles	D/T	380.00	P&I	8.00%	4,979
Redding, Charles	D/T	380.00	P&I	8.00%	4,979
Rentz, Jack	D/T	660.00	P&I	13.00%	26,949
S & J Enterprises	A	348.00	I	12.00%	34,815

ROY E. AND SONDRALANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE B - Notes Receivable - cont.

<u>NAME</u>	<u>HOW SECURED</u>	<u>MONTHLY PAYMENT</u>	<u>TYPE</u>	<u>INTEREST RATE</u>	<u>BALANCE OWED</u>
Scarola/Weir	D/T	1,575.00	I	15.00%	126,001
Schriber/Oak-Hawaiian golf	D/T	2,500.00	I	10.00%	300,000
Sciallo #2	D/T	900.00	P&I	10.00%	7,125
Scott, Roger	D/T	200.00	P&I	10.00%	8,013
Sinott	D/T	1,609.65	P&I	13.00%	3,129
Spaich/Bains	D/T	5,731.00	I	20.00%	343,900
Sylvan Partners	D/T	1,089.95	P&I	10.25%	18,111
Tatla	D/T	* 6,000.00	I	12.00%	200,000
Thompson & Rodriguez	D/T	1,000.00	I	12.00%	100,000
Thiara, Sarb	D/T	1,998.00	I	12.00%	199,870
Timberlake - Joint Venture	D/T	2,326.00	I	10.00%	279,167
Timberlake - Hust Brothers	U		MAT.	10.00%	175,000
Trost, Thomas	D/T	433.00	I	13.00%	40,000
Tumber, Ravi	D/T	3,060.00	I	12.00%	306,000
Van Dorn	D/T	650.00	I	12.00%	65,000
Yuba Street Developers	D/T	2,500.00	I	12.00%	250,000
Williams, R.C. #2	D/T	358.68	P&I	12.00%	71,963
Williams, R.C. & Karen	D/T	1,434.71	P&I	12.00%	23,123
Young, Jeff	D/T	179.34	P&I	12.00%	7,917
Yuba Gardens - HBI	D/T	2,500.00	I	10.00%	300,000

Total Notes Receivable @ 4/30/03

\$ 7,285,849

* DUE QUARTERLY - SOME ARE DUE ON DEMAND, MOST ARE DUE MONTHLY,
SOME ARE DUE ANNUALLY. SOME ARE PAYABLE AT THE END OF THE TERM
OF THE NOTE.

P&I - Payment includes principal and interest.

I - Payment is interest only.

MAT. - Principal and Interest is due on the maturity date.

D/T - Secured by Deed of Trust

U - Unsecured

A - Assignment of personal property or other (UCC1).

ROY E. AND SONDRALANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE C - Marketable Securities

The estimated current values of marketable securities are either (a) their quoted closing prices obtained from brokerage house records or (b) for securities not traded on the financial statement date, amounts that fall within the range of quoted bid and asked prices. Marketable securities consist of the following:

	Number of Shares	Estimated Current Value
Mutual Funds		
Dean Witter Brokerage Account #178075234	Various	\$ 132,013
Total Securities		<u>132,013</u>
Stocks		
Gold Country National Bank	11,022	98,909
California Independent Bancorp	2,957	<u>60,000</u>
Total Stocks		<u>158,909</u>
Total Marketable Securities and Stocks		<u>\$ 290,922</u>

NOTE D - Hust Brothers, Inc. (HBI)

Roy Lanza owns 74% of the common stock of Hust Brothers, Inc., a wholesale & retail auto parts business. The condensed balance sheet of the Corporation at March 31, 2003 prepared by the HBI staff on their internal computer, prepared in conformity with the Income Tax Basis of accounting, is summarized below:

Current Assets	\$ 4,139,418
Net Property, Plant & Equipment	5,137,779
Other Assets	<u>2,284,910</u>
Total Assets	<u>11,562,107</u>
Current Liabilities	524,707
Long-Term Debt	<u>7,173,534</u>
Total Liabilities	<u>7,698,241</u>
Equity (Income Tax Basis)	<u>\$ 3,863,866</u>
74% to Roy Lanza at estimated total value of \$7,500,000	<u><u>\$ 5,550,000</u></u>

ROY E. AND SONDRALANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE E - Midvalley Industrial, Inc.

Sondra Lanza owns 100% of the common stock of Midvalley Industrial, Inc., a wholesale auto parts business. The condensed balance sheet of the Corporation at April 30, 2003, prepared by the HBI staff on their internal computer, prepared in conformity with the Income Tax Basis of accounting, is summarized below:

Current Assets	\$ 768,044
Other Assets	204,874
Total Assets	<u>972,918</u>
Current Liabilities	364,308
Long-Term Debt	<u>0</u>
Total Liabilities	<u>364,308</u>
Equity (Income Tax Basis)	<u>\$ 608,610</u>
100% to Sondra Lanza at estimated value	<u>\$ 608,610</u>

NOTE F - Equity - Partnerships

The details of partnership interests are as follows:

	%	Book Value	Estimated
	<u>Ownership</u>	<u>@ 12/31/2002</u>	<u>Market Value</u>
1. Garoyco Enterprises	42.86%	\$ 33,529	\$ 44,047
2. Central Land Co.	20.00%	19,011	40,000
3. American Basin Farms	50.00%	252,917	300,000
4. Williams Development Group	10.00%	64,336	75,000
5. Best Choice Self Storage	50.00%	485,499	<u>700,000</u>
Partnership Interests at estimated market value		<u>\$ 1,159,047</u>	

ROY E. AND SONDRALANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE G - Retirement Plans

1. Roy Lanza - 100% vested interest in Hust Bros. Inc. Pension Plan (Estimated present value)	\$ 384,895
2. Sondra Lanza - 100% vested interest in Hust Bros. Inc. Pension Plan (Estimated present value)	<u>40,662</u>
Total Retirement Plans	\$ <u><u>425,557</u></u>

NOTE H - SACRAMENTO VALLEY FARM CREDIT STOCK

Stock ownership is part of the requirement to be a member of Sacramento Valley Farm Credit Association(SVFC). SVFC Coop lender requires that the borrower purchase common stock in the cooperative. The stock is retired as the principal payments are made on the loans.

	<u>Number of Shares</u>	<u>Estimated Current Value</u>
Common Stock in Sacramento Valley Farm Credit Association	23,884	\$ <u><u>188,934</u></u>

NOTE I - Personal Effects, Jewelry and Paintings

The estimated current values of personal effects, jewelry and paintings are the estimated value of those assets for insurance purposes.

\$ 150,000

ROY E. AND SONDR Lanza
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE J - Notes Payable

The estimated maturities of long-term debt include the mortgage notes payable detailed on Note K and the wrap around notes and other unsecured notes payable listed below. Estimated Maturities of long-term debt are calculated as follows:

<u>April 30</u>	
2004	\$ 2,163,883
2005	657,089
2006	688,642
2007	722,256
2008	754,908
Thereafter	<u>9,005,810</u>
Total	<u>\$ 13,992,588</u>

The details of the wrap-around notes and other unsecured notes payable are as follows:

Great Western - Bowman	\$ 16,777
Atlantic Mortgage-Ardmore (Raines)	9,077
Joe Schmidl	<u>51,779</u>
Total	<u>\$ 77,633</u>

NOTE K - REAL ESTATE

The estimated current value of real estate, percentage of ownership and the related deeds of trust payable are summarized as follows:

ROY E. AND SONDA LANZA NOTES TO FINANCIAL STATEMENTS APRIL 30, 2003

LOCATION OF PROPERTY	DATE ACQUIRED	OWNED	BASIS	ACCM. DEPREC. @ 12/30/02	NET BOOK VALUE OF LANZA'S SHARE	LANZA'S SHARE OF EST. CUR. VALUE	SHARE OF ANNUAL RENTS	INTERST RATE	PAYMENT FREQUENCY	SHARE OF PAYMENT	LANZA'S SHARE OF MORTGAGE	LENDER NAME
W 710 3RD ST. MSYL (TENCO) & 626 3RD ST. MSYL (MUTUAL GHOC)	1980	35,004 \$	324,035	195,803	128,232	1,400,000	180,000	8.00%	Monthly	500	27,468	INDIVIDUAL
C 824 5TH ST. MSYL	1975	100,004	104,158	77,000	27,158	235,000	34,860	8.00%	Monthly			
B 814 ORK ST. & 912 7TH ST. MSYL	1990	50,004	42,237	29,848	12,389	75,000	4,400					
L 6321 GIFFITH, SIERRA VISTA		33,004	157,500		157,500	200,000		6.38%	Monthly	1,750	100,870	BANK OF AMERICA
H 510 E 26TH ST. MSYL (RESIDENCE)		100,004	117,094		117,094	185,000		8.33%	Monthly	1,063	92,031	BANK OF AMERICA
R 200 PARK AVE (COLONIAL GARDENS)	1981	22,504	559,676	461,393	80,283	200,000	114,000					
L 1.67 ACRES GARDEN HWY & RAILROAD AVE	1992	100,004	80,975	125	2,000	25,000						
C SHEDLER CODE	1980	50,004	2,000		43,632	180,000	7,800	9.00%	Monthly	7,233	808,157	BANK OF AMERICA
R 418-420 PINE WAY	1981	100,004	99,979	56,347	43,632	20,000	1,100	7.00%	Monthly	5,601	519,753	GMAC
C 418-420 PINE WAY	1986	25,004	15,150	9,925	5,225	20,000	4,700	7.00%	Monthly	1,963	340,000	INDIVIDUAL
R YIBA GARDENS, MARYSVILLE	1983	49,674	46,931		46,931	64,571						
	1980	62,504	1,389,123	1,098,430	290,693	2,050,000	450,000	9.00%	Monthly	7,206	229,526	BANK OF AMERICA
R VILLAGE APTS, TRACY	1980	49,674	586,230	469,346	116,884	950,000	285,000	9.00%	Monthly	4,602	516,713	GMAC
C A & B ST MARYSVILLE	1990	50,004	231,876	83,062	148,814	700,000	37,000	9.25%	Monthly	577	56,725	WASHINGTON MUTUAL
R 2323 HALL STREET	1995	100,004	69,234	14,235	50,999	65,000	7,800	7.00%	Monthly	792		
R 2843 BUTTE HOUSE RD	1992	100,004	105,750	35,039	72,711	130,000	12,000	6.44%	Monthly	705	105,112	SAC. VALLEY FARM CREDIT
W SOUTH BUTTE WAREHOUSE	1994	50,004	297,287	44,940	252,347	450,000	52,000	5.40%	Monthly	4,881	743,784	SAC. VALLEY FARM CREDIT
C 940 COLUSA AVE & 960 GRAY AVE.	1996	50,004	1,086,018	119,170	966,848	1,225,000	147,000					
C 911 GRAY AVE	1996	50,004	110,000		110,000	200,000	16,000					
C 1608 N. BEALE RD, SUB SHOE	1995	100,004	15,000		15,000	180,000	23,376					
R 10046 LIVE OAK BLVD	2000	100,004	105,000	6,544	98,456	120,000	6,000					
R 120 OLIVER	1996	100,004	141,491	20,620	120,871	100,000	8,000	11.00%	Monthly	452	27,428	BANK OF AMERICA
L LOMA RICA 10 ACRES-SMITH ROAD	1997	50,004	97,051		97,051	120,000		10.00%	Monthly	578		
C 720 YIBA ST. CAL TRANS - MARYSVILLE	2002	60,004	2,376,727	19,679	2,357,048	4,200,000	637,869	5.27%	Monthly	20,278	2,975,304	SAC. VALLEY FARM CREDIT
C 1712 N. BEALE W/ MARCO	2002	50,004	45,721			50,000	4,200	8.00%	Int Only			
C 990 THRAP RD BLOC	2002	50,004	1,002,350	1,073		1,175,000						
C 815 FIDMAS STREET	2002	100,004	273,791	1,676		400,000	36,000	9.00%	Monthly	2,000	550,000	INDIVIDUAL
C 930 YIBA ST PDC STORAGE	2002	100,004	213,537	1,767		300,000	36,000				217,494	INDIVIDUAL

ROY E. AND SONDRA LANZA
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2003

Note K - Real Estate - continued

LOCATION OF PROPERTY	DATE ACQUIRED	\$ OWNED	BASIS	ACCU. DEPREC. @ 12/30/02	NET BOOK VALUE OF LANZA'S SHARE	LANZA'S SHARE EST. CUR. VALUE	SHARE OF ANNUAL RENT	INTST RATE	PAYMENT FREQUENCY	SHARE OF PAYMENT	LANZA'S SHARE OF MORTGAGE	
R 1758 7TH AVE OLIVEHURST RESIDENCE	2001	100,004 \$	30,697 \$	934 \$	29,763 \$	50,000 \$	6,000	8.0%	Int Only	\$	600,000	INDIVIDUAL
L BROWNS VALLEY LOTS	1999	33,118	30,000		30,000	35,000	14,400	9.0%	Monthly	3,167	175,690	INDIVIDUAL
L 2078 COLUMA HWY, 35 ACRES	1999	50,004	553,115		553,115	2,000,000						
L 996 KIMMATH LANE	1999	100,004	567,370	6,053	567,370	565,000	7,200	9.0%	Monthly			
R 1839 PARK CIRCLE, LINDA	2000	100,004	100,000	10,400	93,947	500,000	53,340	3.1%	Monthly	1,990	325,504	SAC. VALLEY FARM CREDIT
C 931 MARKET ST-DEL NORTE CLINICS	2001	50,004	512,335	15,348	501,935	850,000	99,144					
C 935 MARKET ST-DEL NORTE CLINICS	2000	50,004	682,309		666,961	180,000		4.0%	Annual	39,118	413,415	SAC. VALLEY FARM CREDIT
C 3.4 ACRES ON MARKET ST-UNDEVELOP	2000	50,004	181,000	155,250	181,000	900,000						
A CLENN COUNTRY - 172 ACRES	2000	100,004	795,998		640,748	450,000		3.75%	Annual	41,002	100,000	INDIVIDUAL
A SCHIEBER RANCH - 150 ACRES	1999	50,004	144,450	85,944	144,450	805,775	110,000				608,456	SAC. VALLEY FARM CREDIT
A KALSHBERG RANCH	1999	50,004	877,107		791,163							
A SUNSET RANCH (PMAA)	1999	100,004	376,552	95,043	281,509	400,000	85,000					
L 598 GARDEN HWY	2001	50,004	50,320	1,734	48,586	25,000	16,800					
C 1150 N BEALE ROAD, LINDA AUTO, MARCO	1994	100,004	262,424	8,429	253,995	275,000	2,400					
C MAXWELL AUTO PARTS STORE	1998	50,004	14,200	2,092	12,108	30,000	12,000	8.0%	Monthly	908	35,832	INDIVIDUAL
C WILLOWS AUTO PARTS STORE	1999	50,004	120,318	13,464	106,854	120,000	9,300	8.0%	Monthly	758	19,741	INDIVIDUAL
C ORLAND AUTO PARTS STORE	2001	50,004	75,426	5,619	69,807	75,000	86,000	4.0%	Annual	88,008	1,339,643	SAC. VALLEY FARM CREDIT
A WHEATLAND - DRY CREEK - 1,178 ACRES	2001	50,004	1,391,530	163,730	1,227,800	1,750,000		3.75%	Annual	2,851,828		
A HAUSSE RANCH - SAWTELLE	2001	100,004	868,000	98,462	769,538	1,240,000						
A MESSICK ROAD	2001	100,004	180,500	15,708	164,792	215,000						
A DEPALMA - DISTRICT 10	2001	100,004	1,106,000	128,971	977,029	1,580,000						
A SAWTELLE SHOP-2 SHOPS 25 ACRES	2001	100,004	577,500	58,667	518,833	920,000						
A REED ROAD	2001	100,004	80,500	9,375	71,125	155,000						
C 576 N. GEORGE WASHINGTON	2002	50,004	63,750	532	63,198	57,750	2,700					
C 240 GARDEN HWY	2002	50,004	303,136	1,859	301,277	400,000	34,350	9.25%				
C HELDER RANCH	2002	50,004	137,658	5,808	131,850	177,000						

TOTALS \$ 19,724,116 \$ 3,627,484 \$ 14,565,749 \$ 29,605,096 \$ 2,623,859 \$ 431,321 \$ 13,914,956

W = Warehouse L = Land
C = Commercial H = Home
R = Residence
A = Agriculture

*SAWTELLE -This loan is secured by Hausse Ranch, Messick Road, Depalma, Sawtelle Shops and Reed Road.

ROY E. AND SONDR L ANZA
NOTES TO FINANCIAL STATEMENT
APRIL 30, 2003

NOTE L - Estimated Income Taxes

The estimated current amounts of liabilities at April 30, 2003 equaled their tax basis. Estimated income taxes have been provided on the excess of the estimated current values of assets over their tax basis as if the estimated current values of the assets had been realized on the statement date, using applicable tax laws and regulations. The provision will probably differ from the amounts of income taxes that eventually might be paid because those amounts are determined by the timing and the method of disposal or realization and the tax laws and regulations in effect at the time of disposal or realization.

	(A) Estimated Current Values	(B) Tax Basis	Excess of (A) over (B)	Amount of Estimated Income Tax
Cash	\$ 730,961	\$ 730,961	\$	\$
Notes Receivable	7,285,849	7,285,849		
Mrktble Securities	290,922	290,000	922	304
Sac. Valley Farm				
Credit Stock	188,934	119,421	69,513	22,939
Real Estate	29,605,096	14,565,749	15,039,347	4,962,985
Hust Bros. Inc.	5,550,000	19,320	5,530,680	1,825,124
Midvalley Ind.	608,610	12,000	596,610	196,881
Equity-Prtnshps	1,159,047	369,793	789,254	260,454
Exchange Funds	1,251,469	1,251,469		
Pers. Effects				
Jewelry, &				
Paintings	150,000	150,000		
Retirement Plans	425,557		425,557	140,434
	<u>\$ 47,246,445</u>	<u>\$ 24,794,562</u>	<u>\$ 22,451,883</u>	<u>\$ 7,409,121</u>

NOTE M - Funds in Possession of Exchange Facilitator

In April 2003, Mr. Lanza sold real property. These properties will be subject to the like-kind exchange rules set by the Internal Revenue. As of April 30, 2003, the replacement property had not been identified or purchased to complete the like-kind exchange. A qualified intermediary is holding the funds received from the sold property. Mr. Lanza does not expect to realize capital gains on the exchange, and therefore, there should be no tax affect on the exchange.

HUST BROTHERS, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

YEARS ENDED MARCH 31, 2003 AND 2002

Tenney and Company

Certified Public Accountants

The Board Of Directors
Hust Brothers, Inc.
Marysville, CA 95901

We have compiled the accompanying statements of assets, liabilities and equity--income tax basis of Hust Brothers, Inc. (a California Corporation) as of March 31, 2003 and 2002 and the related statements of revenues, expenses and retained earnings - income tax basis and statements of cash flows--income tax basis for the years then ended and the accompanying supplementary information-income tax basis contained in the schedules on pages 20 to 25, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards 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.

Tenney and Company
October 29, 2003

HUST BROTHERS, INC.
STATEMENTS OF ASSETS, LIABILITIES AND EQUITY--INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

ASSETS	<u>2003</u>	<u>2002</u>
CURRENT:		
Cash	\$ 230,798	\$ 565,806
Accounts receivable	462,465	437,722
Inventories	3,407,589	3,435,266
Prepaid expenses and income taxes	100,481	55,589
Current maturity of notes receivable	<u>284,028</u>	<u>485,366</u>
Total Current Assets	<u>4,485,361</u>	<u>4,979,749</u>
PROPERTY AND EQUIPMENT, less accumulated depreciation	<u>5,385,590</u>	<u>5,218,253</u>
OTHER ASSETS:		
Investments in partnership		6,586
Notes receivable (net of current portion)	1,408,683	1,533,804
Impounds and cash held by property management	107,413	84,754
Other investments and cash value of life insurance	<u>318,850</u>	<u>306,470</u>
Total Other Assets	<u>1,834,946</u>	<u>1,931,613</u>
Total Assets	<u>\$ 11,705,897</u>	<u>\$ 12,129,615</u>

See accompanying notes and independent accountant's compilation report.

HUST BROTHERS, INC.
STATEMENTS OF ASSETS, LIABILITIES AND EQUITY--INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable	\$ 330,465	\$ 148,110
Accrued Expenses	91,825	92,005
Line of Credit		625,153
Current maturities of notes payable to related parties		26,333
Current maturities of notes payable to stockholder	240,000	663,000
Current maturities of long-term debt	<u>457,783</u>	<u>115,160</u>
Total Current Liabilities	<u>1,120,073</u>	<u>1,669,760</u>
Notes payable to related parties, less current maturities	1,125,685	1,035,952
Notes payable to stockholder, less current maturities	1,367,958	1,601,345
Long-term debt, less current maturities	<u>4,210,154</u>	<u>3,998,320</u>
Total Long-Term Liabilities	<u>6,703,797</u>	<u>6,635,617</u>
Total Liabilities	<u>7,823,870</u>	<u>8,305,377</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$10 par; shares authorized-10,000, issued and outstanding-2,608	26,080	26,080
Retained earnings	<u>3,855,947</u>	<u>3,798,157</u>
Total Stockholders' Equity	<u>3,882,027</u>	<u>3,824,237</u>
Total Liabilities and Stockholders's Equity	<u>\$ 11,705,897</u>	<u>\$ 12,129,615</u>

See accompanying notes and independent accountant's compilation report.

HUST BROTHERS, INC.
STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS-INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Net sales (Schedule 1)	\$ 7,073,867	\$ 6,530,387
Cost of sales (Schedule 2)	<u>3,779,178</u>	<u>3,235,801</u>
Gross profit	<u>3,294,689</u>	<u>3,294,586</u>
Operating Expenses:		
Selling, shop and delivery (Schedule 3)	2,653,694	2,675,445
Administrative and general (Schedule 4)	<u>826,683</u>	<u>615,480</u>
Total operating expenses	<u>3,480,377</u>	<u>3,290,925</u>
Operating income	<u>(185,688)</u>	<u>3,661</u>
Other income (expense):		
Net rental income (Schedule 6)	380,682	212,278
Interest income	186,845	238,818
Interest expense	(455,204)	(377,697)
Partnership income (loss)	(5,793)	(892)
Miscellaneous income	20,454	14,312
Tomato Station income (Schedule 5)	56,759	58,341
Gain on sale of assets	82,597	38,614
State income tax refunds (Job Credit)		24,786
Theft loss		<u>(137,265)</u>
Total other income	<u>266,340</u>	<u>71,296</u>
Income before taxes	80,652	74,957
Taxes on income	<u>22,862</u>	<u>20,496</u>
Net Income	57,790	54,461
Retained earnings, beginning of year	<u>3,798,157</u>	<u>3,743,696</u>
Retained earnings, end of year	\$ <u><u>3,855,947</u></u>	\$ <u><u>3,798,157</u></u>

See accompanying notes and independent accountant's compilation report.

HUST BROTHERS, INC.
STATEMENTS OF CASH FLOWS--INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	2003	2002
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 57,790	\$ 54,461
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	225,957	183,189
(Gain) loss on disposition of assets	(82,596)	38,614
(Increase) decrease in accounts receivable	(24,743)	19,179
(Increase) decrease in inventories	27,677	(624,447)
(Increase) decrease in prepaid expenses	(44,892)	156,359
Increase (decrease) in accrued expenses	(180)	(14,508)
Increase (decrease) in accounts payable	182,355	104,859
NET CASH PROVIDED(USED) BY OPERATIONS	<u>341,369</u>	<u>(82,293)</u>
Cash Flows From Investing Activities		
Purchases of machinery, furniture and equipment	(184,451)	(43,610)
Proceeds from notes receivable	452,440	484,611
Advances on notes receivable	(125,981)	(137,073)
Decrease (increase) in other assets	(28,454)	5,030
Proceeds from sales of assets	<u>8,934</u>	<u>157,231</u>
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>122,488</u>	<u>466,189</u>
Cash Flows From Financing Activities		
Proceeds from long-term debt	767,929	215,372
Payments on long-term debt	(348,654)	(1,045,757)
Proceeds from (payments on) Line of Credit	(625,153)	(574,847)
Proceeds from shareholder & related party loans	2,111,466	1,596,802
Payments on shareholder & related party loans	<u>(2,704,453)</u>	<u>(241,768)</u>
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	<u>(798,864)</u>	<u>(50,198)</u>
NET INCREASE (DECREASE) IN CASH	(335,008)	333,698
CASH AT BEGINNING OF YEAR	<u>565,806</u>	<u>232,108</u>
CASH AT END OF YEAR	<u>\$ 230,798</u>	<u>\$ 565,806</u>

See accompanying notes and independent accountant's compilation report.

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the basis of accounting used for income tax reporting. This basis differs from generally accepted accounting principles primarily because of the following reasons:

A. The Company uses the modified accelerated cost recovery system, in accordance with the internal revenue code, to reflect depreciation expense on assets acquired. The estimated useful lives may differ from those used under generally accepted accounting principles.

B. The Company records bad debt expense using the direct write off method and does not maintain an accrual for uncollectable accounts receivable.

C. The Company does not maintain an accrual for unused vacation expense and accrued sick leave. Employees of the Company are entitled to paid vacation, paid sick days and personal days off, depending on length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

D. The Company reports income from the sale of real property under the installment method where applicable.

E. The Company has not calculated the deferred income tax effect on the above differences.

LINE OF BUSINESS - The Company sells auto parts and accessories and owns and manages real-estate investments and lends money through deeds of trusts on real property.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of March 31, 2003 or 2002.

As of March 31, 2003 and 2002, the Company held cash in demand accounts at banks in excess of the federally insured amounts. The excess amounted to \$105,110 and \$393,854 for March 31, 2003 and 2002 respectively.

INVENTORIES - Inventories are stated at the lower of cost or market by applying first in first out (FIFO) and average costing methods. The Company has not reclassified administrative expenses on these financial statements, in accordance with Uniform Capitalization Rules; however, the beginning and ending inventory amounts include a factor for the portion of inventory required to be capitalized by Internal Revenue Code 263A.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of the related property and equipment. (See A above)

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS IN PARTNERSHIP - Investments in partnerships are initially stated at cost and are adjusted annually by the Company's share of the partnership's profit, loss, or distributions (Equity Method). Effective December 31, 2002, the partnership has been dissolved and the final tax return has been filed.

OTHER INVESTMENTS - Other investments includes stock basis in Gold Country National Bank and Sacramento Valley Farm Credit. Cash value of life insurance is also included.

INVESTMENTS IN PROPERTY - Included in land, building and improvements and long-term debt are the Company's proportional share of the assets and liabilities of certain investments in property. The Company has also included its proportional share of the revenues and expenses of these properties in the income statements. The supplemental schedules include data related to revenue, expenses and estimated values of real property. (See Schedules 6 and 7).

USE OF ESTIMATES - The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from estimates used. However, management does not consider such possible variances to be material to the accompanying financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	2003	2002
Buildings and improvements	\$ 7,645,889	\$ 7,693,593
Land	2,346,322	2,107,845
Office and shop equipment	1,743,994	1,606,943
Oxygen and acetylene cylinders	183,496	175,107
Pumper station	74,590	74,590
	11,994,291	11,658,077
Less accumulated depreciation and amortization	6,608,700	6,439,824
Net book value of property and equipment	\$ 5,385,590	\$ 5,218,253

Depreciation expense included in these financial statements amounts to \$225,956 and \$183,189 for the years ended March 31, 2003 and 2002 respectively.

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 3 - LONG-TERM NOTES RECEIVABLE

Notes receivable consist of:

	<u>2003</u>	<u>2002</u>
9% note receivable, secured by a deed of trust on property, monthly installment of \$200, including interest (Tobin) \$	7,687 \$	7,633
9% note receivable, unsecured, shareholder, interest only, due on demand (D. Lanza) (See Note 9)		50,000
8.5% note receivable, secured by a deed of trust on property, monthly installment of \$799.67, including interest (Saddique)	92,737	94,378
9% note receivable, secured by a deed of trust on property, monthly installment of \$608, including interest (Miles)		43,800
15% note receivable, secured a deed of trust on property, monthly installments, interest only, payable April 1, 2002 (D. Bains)	18,554	20,046
18% note receivable, secured by a deed of trust, monthly installments, interest only, payable July 7, 1996 (J Wise)	100,000	100,000
12% note receivable, secured by a deed of trust on property, monthly installments interest only, payable August 8, 1996 (Punian)	27,000	27,000
Discounted note purchased with a yield of 16.15%. Matures July 30, 2003 (CA Water)	17,203	27,635
10% note receivable, secured by a boat, monthly installments of \$100.00 per month, including interest (L. Poste)	2,097	3,204

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 3 - LONG-TERM NOTES RECEIVABLE - CONTINUED

	<u>2003</u>	<u>2002</u>
7.55% note receivable, secured by a deed of trust on property, monthly installments of \$1,130, including interest (Alexander)		155,215
14% note receivable, secured by a deed of trust on property, monthly installments of \$1,468.47, including interest (Orme)	122,779	122,779
8.5% note receivable, secured by a deed of trust on property, payable September 30, 1996 including interest (Lehmkuhl)	45,397	46,347
7% note receivable, secured by a vehicle, monthly installments of \$275.00, including interest (N. Jones)	6,227	8,327
10% note receivable, secured by a deed of trust on property, monthly installment of \$1,250 (No. Beale Mini Storage)	71,644	72,783
10% note receivable, monthly installments of \$2,500 including interest, secured by a deed of trust on property (Wm. Griego)	31,636	31,636
18% note receivable, secured by a deed of trust on property and equipment, quarterly installments, interest only, payable May 2, 1997 (Thiara)	200,000	200,000
10% note receivable, secured by a deed of trust on property, monthly installments of \$361.00, including interest. (R. Chatwin)		15,687

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 3 - LONG-TERM NOTES RECEIVABLE - CONTINUED

	<u>2003</u>	<u>2002</u>
10% note receivable, secured by equipment, monthly installments of \$360.09, including interest (CMS Eng. Bal.)		1,755
8.5% note receivable, secured by a deed of trust on property, monthly installments of \$241.80, including interest (Pack)	15,658	16,690
8% note receivable, secured by a vehicle, monthly installments of \$258.00, including interest (Miller)		2,745
12% note receivable, unsecured, monthly installments, interest only, due on demand (D. House)	4,368	4,448
12 % note receivable, unsecured, monthly installments, interest only, due on demand (Radler)		3,562
9% note receivable, secured by a deed of trust on property, monthly installments of \$963, including interest (Kingsley)	88,448	89,039
Short term note receivable, secured by equipment, due and payable January 31, 2002. (MBS Farms)	21,000	21,000
12% note receivable, secured by a deed of trust on property, monthly installments, interest only, payable April 16, 2004 (R. Davit)	156,327	61,340

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 3 - LONG-TERM NOTES RECEIVABLE - CONTINUED

	<u>2003</u>	<u>2002</u>
12% note receivable, secured by equipment, monthly installments of \$481.00, including interest (D&Z Machine Shop)		41,683
15% note receivable, secured by a deed of trust on property, semi-annual installments, interest only, payable March 21, 1998 (Bains)	250,000	250,000
12% note receivable, secured by equipment, monthly installments of \$481.60, including interest (Christenson)	99,785	102,047
9% note receivable, secured by a deed of trust on property, monthly installments, interest only, payable June 27, 1999 (Northern)		23,500
15% note receivable, secured by a deed of trust on property, monthly installments, interest only, payable April 18, 1997 (Larimer)	29,000	29,000
12% note receivable, secured by a deed of trust on property, monthly installments, interest only, payable March 2000 (McGovern)	37,100	36,160
12% note receivable, related party, unsecured, monthly installments, interest only. (Colusa Motor Sales) (See Note 9)	158,960	128,960
9% note receivable, secured by a deed of trust on property, monthly installments of \$1,412.58, including interest (YC Glass)	14,864	91,732

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 3 - LONG-TERM NOTES RECEIVABLE - CONTINUED

	<u>2003</u>	<u>2002</u>
0% note receivable, secured equipment, semi-annual of \$5,112.50, including interest (F. Rogers)	20,675	30,675
7% note receivable, secured by a deed of trust on property, monthly installments of \$200.00 per month, including interest (Edmunds #1)	24,383	25,000
7% note receivable, secured by a deed of trust on property, monthly installments of \$200.00 per month, including interest (Edmunds #2)	11,681	15,000
12% miscellaneous notes receivable, due on demand (Basrai, etal)	<u>17,500</u>	<u>18,363</u>
Total	1,692,711	2,019,170
Less current maturities	<u>284,028</u>	<u>485,366</u>
Net Long-Term Notes Receivable	\$ <u><u>1,408,683</u></u>	\$ <u><u>1,533,804</u></u>

Hust Brothers, Inc. is an equity lender. Mr. Lanza, the president, makes mortgage loans on his own account and for the corporation. During more than twenty years of lending activity, Mr. Lanza or Hust Brothers, Inc. has rarely had loan losses even when loans are years past the due date. It is estimated that loan losses are less than one percent of the total amounts advanced in the last five years. Therefore, the company maintains that the fair value of these financial instruments is their face value.

HUST BROTHER, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 4 LONG-TERM DEBT

	2003	2002
12% note payable to Elisa Wagner, unsecured, due on demand	\$ 50,000	\$ 50,000
10.25% note payable to Kalcic Pension Trust, secured by deed of trust on property, monthly installments of \$1,090, including interest	15,284	26,182
5% note payable, secured by cash surrender value of life insurance	55,501	53,430
9.5% note payable to Bette Jones, secured by deed of trust on property, monthly installments of \$546.83, interest only, maturing in June, 2007	29,198	29,198
8.11% note payable to Great Western Bank, secured by deed of trust on property, monthly installments of \$596.60, including interest, maturing in January, 2016 (1513 Anneka)	55,702	58,878
7.87% note payable to First Western Bank secured by deed of trust on property, monthly installments of \$845.86, including interest, maturing in November, 2014 (Lakeshore)	50,982	56,863
10% note payable to Midvalley Industrial., unsecured, due on demand	175,000	175,000
12% note payable to Shirl DeFranco, unsecured, due on demand	170,000	170,000
3.75% note payable to Sacramento Valley Farm Credit, secured by deed of trust on property, annual installments of \$19,081, including interest, beginning January 10, 2005, maturing in January 2028 (Chico Ranch)	306,122	
7.0% note payable to Washington Mutual, secured by deed of trust on property, monthly installments of \$7,376 including interest, maturing in December 2016 (Chico)	715,852	750,008

HUST BROTHER, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2003</u>	<u>2002</u>
8.33% note payable to Bank of America, (50%) secured by deed of trust on property, monthly installments of \$4,971.48, including interest, maturing in February, 2013 (Colonial Gardens)	196,885	212,931
8.11% note payable to Great Western Bank, secured by deed of trust on property, monthly installments of \$593.02, including interest, maturing in April, 2016 (1523 Anneka)	55,360	58,517
8.11% note payable to Great Western Bank, secured by deed of trust on property, monthly installments of \$593.60, including interest, maturing in April, 2016 (1533 Anneka)	55,702	58,878
12% note payable to W. McFarland, interest only, unsecured and due on demand	250,000	100,000
8% note payable to an individual, interest only, unsecured, due on demand (Lambirth)	100,000	100,000
5.5% note payable to Pacific Farms, unsecured, due on demand	97,000	312,000
7% note payable to Federal National Mortgage Association, (25% of Yuba Gardens HUD property), secured by a deed of trust on property, monthly installments of \$2,308 including interest, maturing in November, 2011	204,800	216,886
12% note payable to Barbara Knecht, unsecured, due on demand	6,000	6,000

HUST BROTHER, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2003</u>	<u>2002</u>
10.25% note payable to Bank of America, secured by deed of trust on property, monthly installments of \$10,902.38, including interest, maturing on May 5, 2001 (Plumas St.)	132	10,919
9% note payable to Nadine Webster, unsecured, due on demand, monthly installments of interest only	90,000	90,000
10% note payable to Hyman and Helen Agid, secured by deed of trust on property, monthly installments of \$828.08, including interest, maturing on June 28, 2006 (2382 Butte House)		34,291
5.7% note payable to Sacramento Valley Farm Credit, secured by deed of trust on property, monthly installments of \$13,518.42, including interest, beginning December 01, 2002, maturing in December 2012 (720 Yuba St-40%)	<u>1,988,418</u>	<u>1,543,500</u>
Total	4,667,937	4,113,480
Less current maturities	<u>457,783</u>	<u>115,160</u>
Net Long-Term Debt	\$ <u><u>4,210,154</u></u>	\$ <u><u>3,998,320</u></u>

The aggregate amount of long-term debt maturing in each of the next years is as follows:

Year Ended March 31,

2004	\$ 457,783
2005	275,008
2006	288,247
2007	305,738
2008	324,328
Thereafter	<u>3,016,833</u>
Total	\$ <u><u>4,667,937</u></u>

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 5 - BUSINESS LINE OF CREDIT

At March 31, 2003, the Company had a line of credit for additional short-term borrowings in the amount of \$1,800,000, at an interest rate of .5% over the prime rate. This line of credit is unsecured. Interest is payable monthly. At March 31, 2003 and 2002, the Company had borrowed \$-0- and \$625,153, respectively, on its line of credit.

NOTE 6 - NOTES PAYABLE TO STOCKHOLDERS

Notes payable to stockholder consist of the following:

	2003	2002
10% note, secured by deed of trust on property. Monthly payments of \$2,500, interest only, maturing January 2010	\$ 300,000	\$ 300,000
12% note, unsecured, due to shareholder, net of receivable	1,307,958	1,964,345
Total	1,607,958	2,264,345
Less current maturities	240,000	663,000
Net Long-Term Notes to Stockholders	\$ 1,367,958	\$ 1,601,345

The annual maturities of notes payable to stockholder are as follows:

Year Ended March 31,	
2004	\$ 240,000
2005	150,000
2006	150,000
2007	150,000
2008	150,000
Thereafter	767,958
Total	\$ 1,607,958

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 7 - NOTES PAYABLE - RELATED PARTIES

Notes payable consist of the following:

	<u>2003</u>	<u>2002</u>
12% - Retired Officer (E. Jones), interest paid monthly, due December 31, 2005	\$ 90,000	\$ 90,000
12% note payable to K. Haskins, unsecured, interest paid monthly, due December 31, 2005	729,475	656,075
6% note payable to former shareholder, (F. Nelson), unsecured, interest only, Due December 31, 2006	116,710	126,710
12% note payable to former shareholder, (F. Nelson), interest paid monthly, due December 31, 2006	189,500	189,500
Total	<u>1,125,685</u>	<u>1,062,285</u>
Less current maturities		<u>26,333</u>
Total notes payable to related parties (See Note 8)	\$ <u>1,125,685</u>	\$ <u>1,035,952</u>

NOTE 8 - PENSION PLAN

The Company is one of the sponsors of a multiple employer defined benefit pension plan that covers substantially all of its employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the company and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist of primarily mortgages, corporate bonds, common stock and cash.

The fair market value of the plan assets amounts to \$2,126,018 as of March 31, 2003. Value of the plan assets is substantially in excess of accrued present value of benefit obligations and has been since March 31, 1986. Consequently, the Company has no current funding obligation and does not expect a contribution in the near future. The pension trust lost \$16,972 on total assets for the year ended March 31, 2003. The net loss included costs for payout of retirement benefits and termination benefits in the amount of \$121,076.

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 9 - RELATED PARTIES

The Company purchases some of its inventories from a company that is owned by a related party. Included in accounts payable at March 31, 2003 is \$244,601 due to the related party for inventory purchases and \$7,401 due from the related party at March 31, 2002. Inventory purchases net of sales to the affiliated company of \$435,872 and \$192,626 are included in costs of sales for the years ended March 31, 2003 and 2002 respectively.

The corporation leases its building facility on 3rd Street from a shareholder on a month-to-month basis. Rental expenses paid to related parties for the years ended March 31, 2003 and 2002 amounted to \$120,000 for each year.

The Company paid interest on notes payable (see Note 5 and 6) to shareholders and a retired officer of the Company and related parties of \$347,366 and \$339,386 for the years ended March 31, 2003 and 2002 respectively.

Included in Notes Receivable (Note 3) is a note receivable from a shareholder amounting to \$-0- and \$50,000 at March 31, 2003 and 2002, respectively.

Also included in Notes Receivable is a related party note receivable from Colusa Motor Sales amounting to \$158,960 and \$128,960 at March 31, 2003 and 2002, respectively. 100% of the shares of Colusa Motor Sales are owned by a shareholder of Hust Brothers, Inc.

NOTE 10 - THEFT LOSS

The Company incurred a theft loss as a result of embezzlement by an employee. The theft was discovered in November of 2001 and prosecution of the matter is ongoing.

NOTE 11 - INCOME TAX

Income taxes are computed by applying rates in effect to taxable income. The Company has no carryforwards of investment credit and records no deferred income taxes payable since the income tax basis of accounting is being applied.

A summary of the income tax provision for March 31, 2003 and 2002 is as follows:

	<u>2003</u>	<u>2002</u>
Federal Tax Expense	\$ 22,062	\$ 19,696
California Tax Expense	<u>800</u>	<u>800</u>
Total Tax Provision	<u>\$ 22,862</u>	<u>\$ 20,496</u>

At March 31, 2003, the Company had California Hiring Credit carryforwards of \$130,604. The credits will carry forward until exhausted. The Company utilized California Hiring carryforwards in the year ending March 31, 2003 of \$10,190 and \$5,207 in the year ending March 31, 2002. These credits apply only to California income tax.

HUST BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002
(Continued)

NOTE 12 - SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest expense in the amount of \$669,307 and \$576,809 for the years ended March 31, 2003 and 2002. (See Page 4 and Schedule 6) Income taxes actually paid amount to \$39,882 and \$23,000 for the years ended March 2003 and 2002 respectively.

Non Cash Activities for the year ended March 31, 2003:

Estimated Value of Asset Acquired in Exchange	\$519,826
Less: Value of Asset Surrendered	<u>340,000</u>
Amount needed to Fund Acquisition	179,826
Debt Acquired in Exchange	<u>306,122</u>
Loan Proceeds from Exchange	<u>\$126,296</u>

Non Cash Activities for the year ended March 31, 2002:

Acquisition of Real Property	\$124,790
Less: Financing	<u>124,790</u>
Total Cash Paid	<u>\$ -0-</u>

NOTE 13 - FINANCIAL INSTRUMENTS--CONCENTRATION OF CREDIT RISK AND LENDING
ACTIVITIES

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of long-term notes receivable secured by deeds of trusts and trade accounts receivable.

The Company routinely assesses the financial strength of its customers, and as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

Mr. Lanza has over 20 years experience in extending credit on mortgages through 1st and 2nd deeds of trusts. He has always acted as an equity lender and rarely has foreclosures or loan losses.

During the twelve months ending March 31, 2003 and 2002, the Company advanced \$125,981 and \$137,073 on mortgage notes receivable, respectively.

HUST BROTHERS, INC.
SUPPLEMENTAL SCHEDULES
INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
SCHEDULE 1 - NET SALES		
Cash sales	\$ 2,814,325	\$ 2,186,429
Charge sales	2,596,296	2,637,573
Cylinders	3,189	1,633
Butte Auto Supply	914,012	959,960
Goslin Auto Supply	246,474	227,975
Gridley Auto Supply	522,845	544,534
Finance charges	<u>26,305</u>	<u>23,228</u>
Total Sales	7,123,446	6,581,332
Less: Sales discounts	<u>49,578</u>	<u>50,945</u>
Net Sales	\$ <u><u>7,073,867</u></u>	\$ <u><u>6,530,387</u></u>

SCHEDULE 2 - COST OF SALES

Inventory, beginning of year	\$ 3,435,266	\$ 2,810,819
Purchases	3,745,768	3,869,875
Less: Purchase discounts	(36,255)	(52,132)
Freight	<u>41,989</u>	<u>42,505</u>
	7,186,767	6,671,067
Inventory, end of year	<u>3,407,589</u>	<u>3,435,266</u>
Cost of Sales	\$ <u><u>3,779,178</u></u>	\$ <u><u>3,235,801</u></u>

See independent accountant's compilation report.
20

HUST BROTHERS, INC.
SUPPLEMENTAL SCHEDULES
INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002
(Continued)

	<u>2003</u>	<u>2002</u>
SCHEDULE #3 - SELLING, SHOP AND DELIVERY		
Salaries	\$ 949,578	\$ 941,622
Rent	188,756	175,462
Light, heat and water	112,267	108,958
Meals - statutory	39,193	36,661
Telephone	76,345	90,134
Office supplies and expenses	103,447	113,413
Shop supplies and expenses	35,704	30,639
Repairs - auto	28,421	34,604
Repairs - store	39,877	83,415
Advertising and promotion	30,126	17,253
Auto and travel	76,675	89,796
Payroll taxes	80,982	79,012
Insurance - general and workers' comp.	308,344	261,086
Insurance - health and dental	163,371	181,273
Contract shop labor	316,689	343,618
Bad debts - net of recoveries	5,608	15,383
Depreciation and amortization	98,312	73,116
	<u>2,653,694</u>	<u>2,675,445</u>
Total		

SCHEDULE #4 - ADMINISTRATIVE AND GENERAL

Officers' salaries	\$ 292,196	\$ 90,438
Office salaries	238,058	292,214
Taxes and licenses	34,527	36,787
Travel and promotion	38,844	27,575
Donations	10,436	8,900
Postage and stationery	22,415	10,767
Dues and subscriptions	1,622	2,027
Janitor and security	16,510	16,032
Payroll taxes	36,249	24,007
Professional fees	98,035	73,912
Bank payroll fees	19,367	7,706
Miscellaneous	1,512	4,326
Pension admin. fee & settlement fees	16,172	16,742
Policy adjustments	740	4,047
	<u>826,683</u>	<u>615,480</u>
Total	\$	\$

See independent accountant's compilation report.

HUST BROTHERS, INC.
SUPPLEMENTAL SCHEDULES
INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002
(Continued)

	<u>2003</u>	<u>2002</u>
SCHEDULE 5 - TOMATO STATION - RENTAL INCOME		
Income - rent	\$ <u>66,011</u>	\$ <u>66,130</u>
Expenses:		
Operating expenses	<u>9,252</u>	<u>7,789</u>
Operating Income (Loss)	\$ <u><u>56,759</u></u>	\$ <u><u>58,341</u></u>

See independent accountant's compilation report.

HUST BROTHERS INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED MARCH 31, 2003
(Continued)

SCHEDULE 6 - RENTAL INCOME AND EXPENSE - INCOME TAX BASIS

	Rental Income	Operating Expense	Interest	Depre- ciation	Net Rental Income (Loss)
ANNEKA LANE	\$ 61,411	\$ 58,085	\$ 10,318	\$ 536	(7,527)
D STREET	4,400	787			3,613
LAKESHORE	7,150	10,631	4,269		(7,750)
13TH STREET	29,808	12,941			16,867
1722 LINDA	32,808	16,404			16,404
COLONIAL GARDENS	267,620	180,591	11,967		75,061
YUBA GARDENS	178,060	127,219	73,873	9,112	(32,143)
N. BEALE MINI STORAGE	7,307	2,609	3,472		1,226
CHICO APARTMENTS	301,612	164,108	54,936	53,485	29,084
850 COLUSA - SUB SHOP	50,978	9,445		6,160	35,373
OROVILLE	8,080		2,965		5,115
MAUI WAY		1,628			(1,628)
BIRCH APTS	41,565	30,037			11,528
204 "C" ST	18,000	2,581	6,562		8,857
1525 C STREET	12,000				12,000
866 PLUMAS	146,472	22,327	132	19,297	104,716
LIVE OAK STORE	7,400				7,400
2382 BUTTE HOUSE RD	4,068		314	1,023	2,730
720 YUBA ST-CAL TRANS	212,732	25,585	45,610	37,990	103,548
1645 Butte House-Subway				42	(42)
329 B STREET		3,750			(3,750)
	<u>\$ 1,391,471</u>	<u>\$ 668,727</u>	<u>\$ 214,417</u>	<u>\$ 127,645</u>	<u>\$ 380,682</u>

See independent accountant's compilation report.

HUST BROTHERS, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED MARCH 31, 2002
(Continued)

SCHEDULE 6 - RENTAL INCOME AND EXPENSE - INCOME TAX BASIS

	Rental Income	Operating Expense	Interest	Depre- ciation	Net Rental Income (Loss)
1444 CLARK AVE	\$ 2,950	\$ 3,793		\$	\$ (843)
ANNEKA LANE	60,388	63,910	12,591	536	(16,648)
D STREET	4,800	884			3,916
LAKESHORE	7,150	13,607	4,333		(10,790)
13TH STREET	18,700	6,674			12,026
1722 LINDA	25,690	17,174			8,516
COLONIAL GARDENS	305,320	167,885	16,350		121,084
YUBA GARDENS	184,133	134,839	65,601	9,112	(25,418)
2870 AURORA		19,000		672	(19,672)
N. BEALE MINI STORAGE	12,072	12,737			(665)
CHICO APARTMENTS	270,862	176,334	61,178	53,485	(20,135)
850 COLUSA - SUB SHOP	48,515	12,594		6,160	29,761
OROVILLE	6,804				6,804
BIRCH APTS	54,981	28,101			26,880
OLIVE GROVE CONDO	890	1,765			(875)
5312 MAUI WY	6,000	968			5,032
7790 SUNRISE	1,450	9,710			(8,260)
204 "C" ST	18,000	1,637	6,562		9,801
1130 CIVIC CENTER	43,305	17,805	21,639	7,791	(3,930)
1450 WHYLER		2,504		598	(3,102)
866 PLUMAS	146,472	14,236	6,508	19,303	106,425
LIVE OAK STORE	7,200		582		6,618
2382 BUTTE HOUSE RD	6,430	1,178	3,768	1,023	460
1877 ALLEN	3,200	6,514		3,479	(6,793)
720 YUBA ST-CAL TRANS				7,914	(7,914)
	<u>\$ 1,235,313</u>	<u>\$ 713,849</u>	<u>\$ 199,112</u>	<u>\$ 110,073</u>	<u>\$ 212,278</u>

See independent accountant's compilation report.

HUST BROTHERS, INC.
SUPPLEMENTAL SCHEDULES
INCOME TAX BASIS
MARCH 31, 2003

SCHEDULE 7 - REAL ESTATE

The estimated current value of real estate, percentage of ownership and the related deeds of trust payable are summarized as follows:

PROPERTY LOCATION	% OWNED	COST	ACCUM. DEPREC.	NET BOOK VALUE	DEBT	ESTIMATED MARKET VALUE
1513 ANNEKA LANE	100.00%	\$ 118,697	\$ 104,384	\$ 14,313	\$ 55,702	120,000
1523 ANNEKA LANE	100.00%	125,923	110,733	15,190	55,360	120,000
1533 ANNEKA LANE	100.00%	125,858	110,681	15,177	55,702	120,000
D STREET	100.00%	40,259	35,428	4,831		50,000
LAKESHORE	100.00%	216,253	190,303	25,950	50,982	400,000
13TH STREET	100.00%	114,719	100,953	13,766		120,000
1722 LINDA	90.00%	100,044	90,044	10,000		100,000
COLONIAL GARDENS	50.00%	1,271,912	1,121,912	150,000	196,885	1,660,000
YUBA GARDENS	25.00%	651,000	516,586	134,414	204,800	600,000
N. BEALE MINI STORAGE	25.00%	54,283	47,770	6,513		55,000
CHICO APARTMENTS	100.00%	1,591,830	1,065,886	525,944	715,852	1,600,000
850 COLUSA - SUB SHOP	100.00%	300,278	45,954	254,324		400,000
OROVILLE	100.00%	83,832	41,610	42,222		100,000
BIRCH APTS	33.33%	113,328	98,741	14,587		200,000
204 "C" ST	100.00%	43,023	37,860	5,163	69,073	100,000
866 PLUMAS	100.00%	891,662	128,833	762,829	132	1,200,000
LIVE OAK STORE	100.00%	187,065	24,534	162,531		200,000
ROBBINS LOADING STATION	100.00%	1,118,696	1,037,947	80,749		300,000
LOT/HANGAR-YUBA CO AIRPORT	100.00%	16,409		16,409		100,000
WAREHOUSE #3, 3RD STREET	100.00%	128,013	128,013	0		150,000
1525 C STREET - MI-5	100.00%	150,000	13,315	136,685		750,000
BUTTE AUTO	100.00%	222,459	185,637	36,822		220,000
TENCO-710 3rd STREET	33.33%	245,311	207,027	38,284		200,000
1645 BUTTE HOUSE RD-SUBWAY	100.00%	120,564	42	120,522		375,000
LOT @ HICKORY TREE	100.00%	26,990		26,990		30,000
80 ACRES BUTTE CO, ONSTOTT	100.00%	370,031		370,031		531,945
CHICO RANCH	50.00%	518,356		518,356	306,122	600,000
720 YUBA ST-CAL TRANS	40.00%	1,681,523	45,904	1,635,619	1,988,418	2,000,000
GRAY AVE LOT	100.00%	13,428		13,428		150,000
DONATELLO	100.00%	17,500		17,500		17,000
TOTALS		\$ 10,659,246	\$ 5,490,097	\$ 5,169,149	\$ 3,699,027	\$ 12,568,945

Estimated values were provided by Roy Lanza based on his knowledge of market conditions and based on capitalization analysis of income generated from the various properties.