

**Biloxi Marsh Lands Corporation**

Financial Statements, Schedule, and President's Report

December 31, 1999 and 1998

All per share information does not reflect the 4 for 1 stock split effective June 1, 2004.

**BILOXI MARSH LANDS CORPORATION**  
**228 St. Charles Avenue Suite 838**  
**New Orleans, LA 70130**  
**(504) 529-7169**

February 22, 2000

To the Shareholders of Biloxi Marsh Lands Corporation:

We are pleased to report that 1999 was the fourth consecutive profitable year for your company. Total revenue for the year 1999 was \$1,612,203 surpassing 1998 total revenue of \$1,554,751. The revenue breakdown is as follows: 1999 revenue from oil and gas activity was \$1,283,804 compared to 1998 revenue of \$1,078,345. Dividend and interest revenue for 1999 was \$104,360, compared to \$82,647 for 1998. In 1999, gain on the sale of investment securities was \$200,927 as compared to gain of \$67,468 in 1998. Meanwhile, net earnings rose to \$915,019 or \$1.33 per share in 1999 from \$885,560 or \$1.28 per share in 1998.

In 1999 the Company received \$504,000 in lease bonuses from the granting of two oil and gas leases to Elm Oil & Gas, Ltd. The leases, each for 2,240 acres, were executed on June 22 and November 15 of 1999. Income from lease options totaled \$222,059 resulted from two oil and gas lease options in favor of Elm Oil & Gas, Ltd. covering a total of 11,102.97 acres.

Contributing to revenue in 1999 was \$549,411 received for a 3-D seismic permit with Western Geophysical, who permitted an additional 18,359 acres of company property. Currently, 44,282 acres are under 3-D seismic permits with Western Geophysical.

The Board of Directors at its December 9<sup>th</sup>, 1999 meeting was pleased to declare a dividend of \$1.10 per outstanding share of common stock payable on January 18, 2000 to shareholders of record on December 31, 1999. The Board of Directors, from time to time, may consider buying back shares of the Company's common stock. In 1998, the Company did purchase 3,164 shares of its common stock, which are now held in the Company's treasury. There were no shares purchased in 1999.

Though management is encouraged by the recent surge in oil and gas prices, continued caution by the oil and gas industry to a supply side oil and gas market has not translated into a surge in oil and gas activity on the property. While there is no current drilling activity on company lands, the Company has recently been advised by its lessee that they expect to spud a well in April of this year. Western Geophysical has recommenced a 3-D seismic study in Lake Borgne and has advised the Company that it expects to shoot previously permitted company lands east of the lake later in the year. The year 2000 will again prove to be a challenging year for the Company.

Sincerely,



William B. Rudolf  
President

BILOXI MARSH LANDS CORPORATION  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
YEARS ENDED DECEMBER 31, 1999 AND 1998

# BILOXI MARSH LANDS CORPORATION

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of assets, liabilities and stockholders' equity	2
Statements of revenues and expenses and retained earnings	3
Statements of cash flows	4
Notes to financial statements	5
Additional Information	
Schedule of marketable securities	10



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Board of Directors  
Biloxi Marsh Lands Corporation  
New Orleans, Louisiana

Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 1999 and 1998, and the related statements of revenues and expenses and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

As described in the Notes to Financial Statements, the Corporation's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 1999 and 1998, and its revenues and expenses and retained earnings, and cash flows for the years then ended, on the basis of accounting described in the Notes to Financial Statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Additional Information - Schedule of Marketable Securities is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DOODY AND DOODY

By: 

Metairie, Louisiana  
February 11, 2000

BILOXI MARSH LANDS CORPORATION  
 STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY  
 DECEMBER 31, 1999 AND 1998  
 (See Independent Auditors' Report)

	<u>1999</u>	<u>1998</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note A)	\$ 487,430	\$ 382,273
Refundable income taxes (Note D)	<u>8,677</u>	<u>2,231</u>
Total current assets	<u>496,107</u>	<u>384,504</u>
<b>Investments</b>		
Marketable debt and equity securities (Note C)	2,410,252	2,153,689
Land - at cost	<u>234,939</u>	<u>234,939</u>
	<u>2,645,191</u>	<u>2,388,628</u>
<b>Property (Note A)</b>		
Levees (net of accumulated depreciation of \$118,882 for 1999 and \$113,362 for 1998)	<u>17,999</u>	<u>23,519</u>
Total assets	<u>\$ 3,159,297</u>	<u>\$ 2,796,651</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accrued dividends payable (Notes A and H)	\$ 758,934	\$ 551,952
Option payment due payor	<u>-</u>	<u>421</u>
Total current liabilities	<u>758,934</u>	<u>552,373</u>
<b>Commitments and contingencies (Note E)</b>	-	-
<b>Stockholders' equity</b>		
Common stock, no par value - 720,000 shares authorized, 712,799 shares issued, 689,940 shares outstanding	47,520	47,520
Retained earnings	<u>2,416,994</u>	<u>2,260,909</u>
	2,464,514	2,308,429
Less cost of treasury stock - 22,859 shares (Note G)	<u>(64,151)</u>	<u>(64,151)</u>
	<u>2,400,363</u>	<u>2,244,278</u>
Total liabilities and stockholders' equity	<u>\$ 3,159,297</u>	<u>\$ 2,796,651</u>

The accompanying notes are an integral part of these financial statements.



BILOXI MARSH LANDS CORPORATION  
 STATEMENTS OF REVENUES AND EXPENSES AND RETAINED EARNINGS  
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
 (See Independent Auditors' Report)

	<u>1999</u>	<u>1998</u>
Revenues		
Oil and gas		
Lease bonuses and delay rentals	\$ 504,000	\$ 200,000
Lease options	222,059	129,799
Royalties (net of production taxes)	8,334	26,560
Seismic permit fees	<u>549,411</u>	<u>721,986</u>
Total oil and gas revenues	<u>1,283,804</u>	<u>1,078,345</u>
Other		
TIPCO Concursus Settlement	-	302,973
Dividends and interest	104,360	82,647
Gain on sale of securities	200,927	67,468
Surface rentals and other	<u>23,112</u>	<u>23,318</u>
Total other revenues	<u>328,399</u>	<u>476,406</u>
Total revenues	<u>1,612,203</u>	<u>1,554,751</u>
Expenses		
Accounting and auditing	7,101	6,095
Administrative management	33,600	25,000
Clerical	8,200	6,500
Consultants (Note F)	5,000	5,241
Depreciation (Note A)	5,520	5,520
Directors' fees	5,750	6,000
Franchise taxes	9,940	9,638
Insurance	17,270	17,319
Land management fees and expenses	7,762	6,360
Legal fees (Note F)	7,368	26,322
Other	22,713	3,768
Portfolio services	14,690	16,416
Property taxes	15,295	15,982
Rent	<u>600</u>	<u>600</u>
Income (before income taxes)	<u>1,451,394</u>	<u>1,403,990</u>
Provision for income taxes (Note D)	<u>536,375</u>	<u>518,430</u>
Net income	915,019	885,560
Retained earnings - beginning of year	<u>2,260,909</u>	<u>2,135,232</u>
Dividends (Note H)	3,175,928	3,020,792
Retained earnings - end of year	<u>758,934</u>	<u>759,883</u>
	<u>\$2,416,994</u>	<u>\$2,260,909</u>
Net income per share	<u>\$ 1.33</u>	<u>\$ 1.28</u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
 (See Independent Auditors' Report)

	<u>1999</u>	<u>1998</u>
Cash flows provided (used) by operating activities (Note B)		
Oil and gas revenues received	\$ 1,283,804	\$ 1,078,345
TIPCO Concursus Settlement received	-	302,973
Interest and dividends received	104,360	82,297
Other	22,691	23,318
Cash paid for expenses	(130,054)	(119,621)
Cash paid for income and other taxes	( 568,056)	( 532,892)
Net cash provided by operating activities	<u>712,745</u>	<u>834,420</u>
Cash flows provided (used) by investing activities		
Proceeds from maturing investments	1,260,800	943,220
Proceeds from the sale of securities	430,130	427,349
Purchase of securities	(1,746,566)	(1,742,817)
Net cash provided (used) by investing activities	<u>( 55,636)</u>	<u>( 372,248)</u>
Cash flows provided (used) by financing activities		
Purchase of treasury stock	-	(23,829)
Dividends paid	( 551,952)	( 623,793)
Net cash provided (used) by financing activities	<u>( 551,952)</u>	<u>( 647,622)</u>
Net increase (decrease) in cash	105,157	(185,450)
Cash and cash equivalents at beginning of year	<u>382,273</u>	<u>567,723</u>
Cash and cash equivalents at end of year	<u>\$ 487,430</u>	<u>\$ 382,273</u>

The accompanying notes are an integral part of these financial statements.



BILOXI MARSH LANDS CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Corporation's principal source of income consists of rents, mineral royalties and other income related to its real estate ownership. In addition, the Corporation has significant revenues from the investment of funds in marketable securities.

Cash Basis

It is the policy of the Corporation to prepare its financial statements on the cash basis of accounting, where revenues and the related assets are recognized when received and expenses are recognized when paid, rather than when the obligation is incurred. However, income taxes are accrued on cash basis revenue in excess of cash basis expenses, and dividends declared by the Board of Directors are recorded on the date they are declared.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash Equivalents

Management of the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Depreciation

Depreciation of property is provided for in amounts sufficient to relate their cost over their estimated service lives using the Accelerated Cost Recovery System (ACRS) rates as indicated for federal income tax purposes. Depreciation expense under generally accepted accounting principles is spread over the estimated useful lives of the assets using straight-line and some accelerated methods. Accordingly, the accompanying financial statements are not intended to present financial position, results of operations and cash flows in accordance with generally accepted accounting principles.

Depreciation, using 18-19 ACRS lives, reflected in the accompanying financial statements totaled \$5,520 for 1999 and 1998.

BILOXI MARSH LANDS CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)

NOTE B - SUPPLEMENTARY CASH FLOW DISCLOSURES

A reconciliation of net income to net cash provided by operating activities for the years ended December 31, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Net income	\$ 915,019	\$ 885,560
Adjustments - cash provided (used) by operations		
(Increase) decrease in marketable securities due to amortization of premium/(accretion of discount)	-	(350)
Depreciation	5,520	5,520
Gain on sale of securities	(200,927)	(67,468)
(Increase) decrease in refundable income taxes	(6,446)	11,158
Increase (decrease) in option payment due payor	(421)	-
Cash provided by operating activities	<u>\$ 712,745</u>	<u>\$ 834,420</u>

NOTE C - MARKETABLE SECURITIES

Marketable securities consist of investments in debt and equity securities which are carried at their amortized cost. Cost and fair market value of investment in marketable securities at December 31, 1999 and 1998 are as follows:

	1999		
	Amortized Cost	Fair Market Value	Unrealized Gains (Losses)
Equity securities	\$ 921,112	\$2,146,814	\$1,225,702
Debt securities			
Corporate bonds	424,216	418,698	(5,518)
U.S. Government Agencies	<u>1,064,924</u>	<u>1,069,913</u>	<u>4,989</u>
	<u>\$2,410,252</u>	<u>\$3,635,425</u>	<u>\$1,225,173</u>
	1998		
	Amortized Cost	Fair Market Value	Unrealized Gains (Losses)
Equity securities	\$ 971,174	\$2,624,636	\$1,653,462
Debt securities			
Corporate bonds	374,542	390,593	16,051
U.S. Government Agencies	<u>807,973</u>	<u>823,968</u>	<u>15,995</u>
	<u>\$2,153,689</u>	<u>\$3,839,197</u>	<u>\$1,685,508</u>

BILOXI MARSH LANDS CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 1999 AND 1998  
 (Continued)

NOTE D - INCOME TAXES

The provision for income taxes differs from the amounts computed by applying the federal statutory tax rate to earnings before income tax for the following reasons:

	<u>Years ended December 31,</u>	
	<u>1999</u>	<u>1998</u>
Tax expense (based on federal statutory rate of 34%)	\$ 493,474	\$ 477,357
Income tax effect of:		
Dividend exclusion	(7,677)	(8,106)
Depletion on royalty income	(445)	(1,366)
Municipal bond interest	(1,377)	(1,209)
Expenses attributable to tax exempt income	69	163
State income tax (net of federal income tax benefit)	<u>52,331</u>	<u>51,591</u>
Provision for income taxes	<u>\$ 536,375</u>	<u>\$ 518,430</u>
Refundable income taxes at December 31, consist of:		
	<u>1999</u>	<u>1998</u>
Total estimated tax payments		
Federal	\$ 468,052	\$ 447,361
State	<u>77,000</u>	<u>73,300</u>
	545,052	520,661
Provision for income taxes	<u>536,375</u>	<u>518,430</u>
Refundable income taxes	<u>\$ 8,677</u>	<u>\$ 2,231</u>

NOTE E - CONTINGENCY

The Lake Borgne Levee District recorded an assessment of approximately \$45,000 in 1966 against the Corporation's lands in St. Bernard Parish. The Corporation's legal counsel suggests that there is the possibility that this assessment is unconstitutional and, accordingly, the assessment has not been paid.



BILOXI MARSH LANDS CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)

NOTE F - RELATED PARTY TRANSACTIONS

A member of the Board of Directors is a partner in the law firm which represents the Company. Payments to this related party for the years ended December 31, 1999 and 1998 were \$6,101 and \$26,322 respectively.

In addition, the Board approved a \$5,000 payment to the President of the Company for his services during 1999 and 1998 as a consultant.

NOTE G - TREASURY STOCK

On April 21, 1998, the Company acquired 3,164 shares of its stock at a cost of \$23,829.

NOTE H - DIVIDENDS DECLARED

At a meeting of the Board of Directors of Biloxi Marsh Lands Corporation on December 9, 1999, a dividend of \$1.10 per share was declared payable on January 18, 2000, to shareholders of record on December 31, 1999.

**BILOXI MARSH LANDS CORPORATION  
ADDITIONAL INFORMATION  
SCHEDULE OF MARKETABLE SECURITIES  
DECEMBER 31, 1999 AND 1998**

**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 1999 AND 1998**

<u>Company / Description</u>	<u>1999</u>				<u>1998</u>			
	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)
<u>Marketable Equity Securities</u>								
<u>Common Stocks</u>								
Bank One Corp	5,000	\$ 61,641	\$ 160,000	\$ 98,359	10,039	\$ 97,996	\$ 512,616	\$ 414,620
Bristol Myers Squibb Co.	3,000	31,834	192,562	160,728	1,500	31,834	200,719	168,885
Cerner Corp	5,500	101,087	108,281	7,194	-	-	-	-
Exxon Mobil Corp.	1,500	5,523	120,844	115,321	1,500	5,523	109,687	104,164
Hancock Holding Co.	3,105	49,325	120,319	70,994	3,105	49,325	141,277	91,952
Harmon Industries Inc.	5,250	62,360	63,656	1,296	5,250	62,360	121,078	58,718
Intercontinental Telecom								
Warrants, expiring 4/30/02	7,000	-	7,000	7,000	-	-	-	-
Jack Henry & Associates	4,300	84,090	230,856	146,766	4,300	84,090	213,925	129,835
Leggett & Platt Inc.	6,400	81,856	137,200	55,344	6,400	81,856	140,800	58,944
MCI Worldcom, Inc.	1,500	78,055	79,594	1,539	-	-	-	-
O'Charleys Inc.	8,400	67,900	110,250	42,350	8,400	67,900	118,650	50,750
Penton Media, Inc.	-	-	-	-	1,950	14,520	39,487	24,967
Pfizer, Inc.	6,000	916	194,625	193,709	2,000	916	250,000	249,084
Pittway Corp Class A	3,900	43,723	174,769	131,046	3,900	43,723	128,944	85,221
SCP Pool Corp	9,000	83,525	233,437	149,912	9,000	83,525	136,125	52,600
Stewart Enterprises Inc. CL A	-	-	-	-	9,000	54,550	200,250	145,700
Stone Energy Corp	3,500	98,852	124,687	25,835	3,500	98,852	100,625	1,773
Union Planters Corp	2,250	70,425	88,734	18,309	2,250	70,425	101,953	31,528
Vitech America, Inc.	-	-	-	-	7,000	123,779	108,500	(15,279)
		<u>921,112</u>	<u>2,146,814</u>	<u>1,225,702</u>		<u>971,174</u>	<u>2,624,636</u>	<u>1,653,462</u>



**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 1999 AND 1998**

<u>Company / Description</u>	<u>Shares / Face Value</u>	<u>1999</u>			<u>Shares / Face Value</u>	<u>1998</u>		
		<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains (Losses)</u>		<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains (Losses)</u>
<b>Marketable Debt Securities</b>								
<b>Corporate Bonds</b>								
Burlington Northern 6.680%, Due 7/14/99	-	-	-	-	50,000	\$ 50,187	\$ 51,838	\$ 1,651
Walt Disney Global N/Call 6.375%, Due 3/30/01	75,000	75,000	74,693	(307)	75,000	75,000	78,310	3,310
Dupont EI Notes 6.50%, Due 9/1/02	100,000	99,705	99,090	(615)	100,000	99,705	106,807	7,102
Ford Motor Credit 7.740%, Due 7/16/04	100,000	99,861	97,810	(2,051)	-	-	-	-
International Shipholding Corp. Senior Notes, 9%, Due 7/1/03	50,000	49,625	49,965	340	50,000	49,625	52,812	3,187
Stone Energy Corp. Note 8.75%, Due 9/15/07	100,000	100,025	97,140	(2,885)	100,000	100,025	100,826	801
		<u>424,216</u>	<u>418,698</u>	<u>(5,518)</u>		<u>374,542</u>	<u>390,593</u>	<u>16,051</u>

**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 1999 AND 1998**

<u>Company / Description</u>	1999				1998			
	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)
<b>U.S. Government Agencies</b>								
Federal Home Loan Bank Discount Note, Due 1/8/99	-	-	-	-	225,000	220,880	224,765	3,885
Federal National Mortgage Assoc. Disc. Note, Due 1/11/99	-	-	-	-	350,000	339,485	349,497	10,012
Federal National Mortgage Assoc. Disc. Note, Due 1/15/99	-	-	-	-	150,000	147,608	149,706	2,098
Federal Home Loan Bank Note Due 10/14/99	-	-	-	-	100,000	100,000	100,000	-
Federal Home Loan Bank Note Due 1/14/00	200,000	200,094	199,938	(156)	-	-	-	-
Federal Home Loan Bank Discount Note, Due 1/14/00	350,000	340,309	349,347	9,038	-	-	-	-
Federal Home Loan Mortgage Corp. Disc. Note, Due 1/14/00	76,000	74,646	75,858	1,212	-	-	-	-
Federal Home Loan Bank Note Due 12/1/00	100,000	99,875	99,620	(255)	-	-	-	-
Federal Home Loan Mortgage Corp. Note, Due 1/19/01	250,000	250,000	247,070	(2,930)	-	-	-	-
Federal Home Loan Bank Note Due 11/19/01	100,000	100,000	98,080	(1,920)	-	-	-	-
		<u>1,064,924</u>	<u>1,069,913</u>	<u>4,989</u>		<u>807,973</u>	<u>823,968</u>	<u>15,995</u>
<b>Total Investments - December 31</b>		<u><u>\$ 2,410,252</u></u>	<u><u>\$ 3,635,425</u></u>	<u><u>\$ 1,225,173</u></u>		<u><u>\$ 2,153,689</u></u>	<u><u>\$ 3,839,197</u></u>	<u><u>\$ 1,685,508</u></u>