

**Biloxi Marsh Lands Corporation**

Financial Statements, Schedule, and President's Report

December 31, 2002 and 2001

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

# **Biloxi Marsh Lands Corporation**

**1605 Airline Drive, Suite 103**

**Metairie, Louisiana 70001**

**Phone: (504) 837-4337**

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February 20, 2003

To the Shareholders of Biloxi Marsh Lands Corporation:

We are pleased to report that 2002 was the seventh consecutive profitable year for your company. Total revenue for the year 2002 was \$5,961,295 compared to total revenue of \$1,502,371 in 2001. The revenue breakdown is as follows: 2002 revenue from oil and gas activity was \$5,804,495 compared to revenue of \$1,103,445 in 2001. Dividend and interest income for 2002 was \$122,800, compared to \$95,411 for 2001. In 2002, net losses from the sale of investment securities were \$1,898 as compared to a net gain of \$279,094 in 2001. Meanwhile, net earnings increased to \$3,426,377 or \$4.98 per share in 2002 from \$780,438 or \$1.13 in 2001.

The year 2002 brought with it significant and positive changes for your company. The approximately 245 net feet of productive sands discovered in the Manti-BLMC Well No. 1 changed the overall business dynamics for St. Bernard Parish, Louisiana. The change in dynamics came to fruition for the company during 2002 in the form of increased recurring revenues from the production of natural gas and increased nonrecurring revenues from seismic permit fees; oil, gas and mineral lease bonuses and delayed rentals.

From the inception of production through December 31, 2002 the Manti-BLMC Well No. 1 and Manti-BLMC Well No. 3 have produced approximately 16.7 billion cubic feet of natural gas from the same reservoir contained within the CRIS I RA SUA unit. Due to advances in engineering the operator, Manti Resources, is able to produce these two wells at extremely high rates. For the year, the company received \$2,519,333 in revenue from the production from these two wells. Based upon the mineral royalty interest retained by the company, from the inception of production through December 31, 2002, approximately \$4,900,000 has been deposited into a suspense account. Depending on the outcome of the litigation initiated to resolve adverse and competing title claims covering part of the CRIS I RA SUA unit and pending in Louisiana, Thirty-fourth Judicial Court, the company may be entitled to the funds being deposited and held in the suspense account. While the company is vigorously prosecuting the suits and defending its title, we offer no guidance as to the outcome of the litigation.

The company also received royalty payments from two wells located in entirely different geographic areas from the two wells referred to above. For the year, the YUMA SL15959 Well No. 1 and the AROC SL16158 Well No. 1 paid royalties in the amounts of \$26,106 and \$8,039 respectively.

It should be noted, that while the revenues resulting from each producing well presently creates a significant recurring revenue stream, the production is a depleting asset and will cease over time unless additional reserves are discovered.

During 2002, the company received \$2,960,071 in oil, gas and mineral lease bonus payments. Our primary Lessee is The Meridian Resource Corporation (NYSE:TMR). We received a large one time bonus payment in January of 2002 as the result of the execution of lease agreements between the company and TMR. Related to the TMR agreements, the company paid consultants a one time cash fee for their assistance in putting together the agreements. As provided for under the agreements, TMR designated acreage tracts and subsequently drilled two wells during 2002; the TMR-BLM Well No. 1 and the TMR-BLM Well No. 6-1. The TMR-BLM Well No. 1 was drilled as a corner shot attempting to access the reservoir being produced from the CRIS I RA SUA unit. This attempt was unsuccessful and the TMR-BLM Well No. 1 was plugged and abandoned. The company transferred the mineral royalty interest subject to the tract designation on which the TMR-BLM Well No. 6-1 was drilled to the Biloxi Marsh Lands 1 Royalty, LLC. The company subsequently distributed the ownership units in the LLC to shareholders of record as of the close of business on November 29, 2002. We are awaiting final logging and flow test results on the TMR-BLM Well No. 6-1 and hope to be able

to release news on this well in the middle of March, 2003. The abandonment of the TMR-BLM Well No. 1 has no effect on the Biloxi Marsh Lands 1 Royalty, LLC.

During the second and third quarters of 2002, TMR completed its 3-D seismic survey covering approximately 40 square miles, including approximately 25 square miles of newly surveyed acreage owned by the company. The TMR-BLM Well No. 6-1 Well was drilled based upon seismic amplitudes seen on TMR's new 3D seismic data set. According to TMR, due to a contractual dispute between TMR and its seismic contractor, seismic operations ceased during the third quarter of 2002. TMR advises that it is very close to reaching an agreement with a new seismic contractor and should recommence seismic operations in March of 2003.

Historically the company has paid a dividend once each year. While we have not formally changed our dividend policy, due to the company's strong financial performance, during 2002 we paid the following dividends:

<u>Date Paid</u>	<u>Type</u>	<u>\$ per share</u>
January 14, 2002	Cash	.75
March 8, 2003	Cash	1.00
November 8, 2002	Cash	1.00
November 29, 2002	Royalty LLC	.02
December 23, 2002	Cash	1.00
<b>Total Paid:</b>		<b>3.77</b>

Management is considering restructuring plans that will reduce the effects of double taxation and enable more after tax dollars to accrue to you, our shareholder. The Bush Administration's recent proposal to eliminate taxes on corporate dividends is of keen interest to the company and its shareholders. Management supports the Bush Administration's proposed elimination of taxes on dividends and we are hopeful that the proposal will pass through Congress. We will reevaluate our corporate structure after Congress acts on the President's proposal.

As all of you should be aware, we moved our corporate office to 1605 Airline Drive, Suite 103, Metairie, Louisiana, 70001. Due to increased level of business activity, the Board of Directors has retained my services to manage the company on a daily basis. I resigned my position as Vice President of a regional marine transportation company in September of 2002 to assume my responsibilities with the company. I am extremely excited about the opportunity to serve each of you and will do my best to ensure our company performs at its best relative to the prevailing business environment.

The Board of Directors believes that it has taken positive steps to position your company in a manner that will allow the company to take advantage of extremely strong oil and gas markets. These strong markets combined with Manti's significant discoveries have created a dynamic change in the development of oil and gas interests in St. Bernard Parish, Louisiana. Our long term goal was, and is, to have 3-D seismic surveys completed over the entirety of our property. To date, 3-D seismic surveys have been completed over approximately one third of the company's acreage. Based upon TMR's current schedule, the balance of our acreage should be surveyed during 2003. We have a management team in place that will enable the company to take advantage of business opportunities as they arise. 2003 represents an exiting year for your company and should prove to be the eighth consecutive profitable year. We will continue our commitment to work diligently to make the most of our opportunities.

Sincerely;



William B. Rudolf  
President and Chief Executive Officer  
Metairie, Louisiana  
Email: wrbiloxi@bellsouth.net

# **BILOXI MARSH LANDS CORPORATION**

## **FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

**YEARS ENDED DECEMBER 31, 2002 AND 2001**

# BILOXI MARSH LANDS CORPORATION

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Board of Directors  
Biloxi Marsh Lands Corporation  
New Orleans, Louisiana

Auditors' Report

We have audited the accompanying statements of assets, liabilities and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 2002 and 2001, 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, 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 7, 2003

**BILOXI MARSH LANDS CORPORATION**  
**STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY**  
**DECEMBER 31, 2002 AND 2001**  
**(See Auditors' Report)**

Assets	<u>2002</u>	<u>2001</u>
<b>Current assets</b>		
Cash and cash equivalents (Notes A and I)	\$ 1,196,561	\$ 942,609
Refundable income taxes (Note D)	<u>11,267</u>	<u>-</u>
Total current assets	<u>1,207,828</u>	<u>942,609</u>
<b>Investments</b>		
Marketable debt and equity securities (Note C)	2,617,255	2,053,746
Land - at cost	<u>234,939</u>	<u>234,939</u>
	<u>2,852,194</u>	<u>2,288,685</u>
<b>Property (Note A)</b>		
Levees and office furniture and equipment (net of accumulated depreciation of \$142,688 for 2002 and \$129,922 for 2001)	<u>2,589</u>	<u>6,959</u>
Total assets	<u><u>\$4,062,611</u></u>	<u><u>\$3,238,253</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Income taxes payable (Note D)	\$ 42,857	\$ 51,149
Payroll taxes payable	2,321	-
Accrued dividends payable (Notes A and G)	<u>-</u>	<u>516,455</u>
Total current liabilities	<u>45,178</u>	<u>567,604</u>
<b>Commitments and contingencies (Notes E and H)</b>	-	-
<b>Stockholders' equity</b>		
Common stock, no par value - 720,000 shares authorized, 712,799 shares issued, 688,607 shares outstanding	47,520	47,520
Retained earnings	<u>4,044,728</u>	<u>2,697,944</u>
	4,092,248	2,745,464
Less cost of treasury stock - 24,192 shares	<u>(74,815)</u>	<u>(74,815)</u>
	<u>4,017,433</u>	<u>2,670,649</u>
Total liabilities and stockholders' equity	<u><u>\$ 4,062,611</u></u>	<u><u>\$3,238,253</u></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, 2002 AND 2001**  
(See Auditors' Report)

	<u>2002</u>	<u>2001</u>
<b>Revenues</b>		
Oil and gas		
Lease bonuses and delay rentals	\$ 3,233,546	\$ 734,366
Sale of royalty interest	-	300,000
Royalties (net of production taxes)	2,553,449	11,804
Seismic permit fees	<u>17,500</u>	<u>57,275</u>
Total oil and gas revenues	<u>5,804,495</u>	<u>1,103,445</u>
Other		
Dividends and interest	122,800	95,411
Gain (loss) on sale of securities	(1,898)	279,094
Gain on royalty distribution	12,773	-
Surface rentals and other	<u>23,125</u>	<u>24,420</u>
Total other revenues	<u>156,800</u>	<u>398,925</u>
Total revenues	<u>5,961,295</u>	<u>1,502,370</u>
<b>Expenses</b>		
Salary	30,000	-
Payroll taxes	3,690	-
Association dues	6,450	-
Accounting and auditing	39,120	8,713
Administrative management	26,150	30,000
Clerical	6,000	8,000
Consultants (Note F)	298,530	12,765
Depreciation (Note A)	12,766	5,520
Directors' fees	17,750	11,500
Franchise taxes	11,223	10,464
Insurance	52,526	26,434
Land management fees and expenses	12,978	9,014
Legal fees (Note F)	175,826	102,538
Other	16,646	7,222
Portfolio services	13,188	12,963
Property taxes	18,792	18,697
Rent	<u>6,268</u>	<u>1,285</u>
	<u>747,903</u>	<u>265,115</u>
Income (before income taxes)	5,213,392	1,237,255
Provision for income taxes (Note D)	<u>1,787,015</u>	<u>456,817</u>
Net income	3,426,377	780,438
 Retained earnings - beginning of year	 <u>2,697,944</u>	 <u>2,433,961</u>
	6,124,321	3,214,399
Dividends (Note G)	<u>2,079,593</u>	<u>516,455</u>
Retained earnings - end of year	<u>4,044,728</u>	<u>\$ 2,697,944</u>
Net income per share	<u>\$ 4.98</u>	<u>\$ 1.13</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, 2002 AND 2001**  
**(See Auditors' Report)**

	<u>2002</u>	<u>2001</u>
Cash flows provided (used) by operating activities (Note B)		
Oil and gas revenues received	\$ 5,804,495	\$1,103,445
Interest and dividends received	122,800	95,411
Other	23,125	24,420
Cash paid for expenses	(732,815)	(230,434)
Cash paid for income and other taxes	<u>(1,806,574)</u>	<u>(407,807)</u>
Net cash provided by operating activities	<u>3,411,031</u>	<u>585,035</u>
Cash flows provided (used) by investing activities		
Proceeds from maturing investments	1,765,961	958,901
Proceeds from the sale of securities	701,939	916,164
Purchase of securities	(3,033,307)	(1,626,594)
Purchase of office furniture and equipment	<u>(8,396)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(573,803)</u>	<u>248,471</u>
Cash flows provided (used) by financing activities		
Dividends paid	(2,583,276)	(206,982)
Purchase of treasury stock	<u>-</u>	<u>(10,664)</u>
Net cash provided (used) by financing activities	<u>(2,583,276)</u>	<u>(217,646)</u>
Net increase (decrease) in cash and cash equivalents	253,952	615,860
Cash and cash equivalents at beginning of year	<u>942,609</u>	<u>326,749</u>
Cash and cash equivalents at end of year	<u>\$ 1,196,561</u>	<u>\$ 942,609</u>

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

BILOXI MARSH LANDS CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

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 \$4,370 for 2002 and \$5,520 for 2001. In addition, assets totaling \$8,396 were expensed in accordance with Section 179 of the I.R.C. for 2002.

BILOXI MARSH LANDS CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Net income	\$ 3,426,377	\$ 780,438
Adjustments - cash provided (used) by operations		
Depreciation	12,766	5,520
Gain (loss) on sale of securities	1,898	(279,094)
Gain on royalty distribution	(12,772)	-
(Increase) decrease in refundable income taxes	(11,267)	27,022
Increase (decrease) in income taxes payable	(8,292)	51,149
Increase in payroll taxes payable	<u>2,321</u>	<u>-</u>
Cash provided by operating activities	<u>\$ 3,411,031</u>	<u>\$ 585,035</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, 2002 and 2001 are as follows:

	<u>2002</u>		
	<u>Cost</u>	<u>Value</u>	<u>Gains (Losses)</u>
	<u>Amortized</u>	<u>Fair Market</u>	<u>Unrealized</u>
Equity securities	\$ 1,321,348	\$ 2,474,312	\$ 1,152,964
Debt securities			
Corporate bonds	199,886	205,891	6,005
U.S. Government Agencies	<u>1,096,021</u>	<u>1,116,981</u>	<u>20,960</u>
	<u>\$ 2,617,255</u>	<u>\$ 3,797,184</u>	<u>\$ 1,179,929</u>

  

	<u>2001</u>		
	<u>Cost</u>	<u>Value</u>	<u>Gains (Losses)</u>
	<u>Amortized</u>	<u>Fair Market</u>	<u>Unrealized</u>
Equity securities	\$ 928,140	\$ 2,472,471	\$ 1,544,331
Debt securities			
Corporate bonds	299,591	306,906	7,315
Municipal bond	119,885	119,999	114
U.S. Government Agencies	<u>706,130</u>	<u>715,724</u>	<u>9,594</u>
	<u>\$ 2,053,746</u>	<u>\$ 3,615,100</u>	<u>\$ 1,561,354</u>

**BILOXI MARSH LANDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**  
(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>2002</u>	<u>2001</u>
Tax expense (based on federal statutory rate of 34%)	\$ 1,772,553	\$ 420,667
Income tax effect of:		
Dividend exclusion	(5,240)	(6,013)
Depletion on royalty income	(136,812)	(667)
State income tax (net of federal income tax benefit)	<u>156,514</u>	<u>42,830</u>
Provision for income taxes	<u>\$ 1,787,015</u>	<u>\$ 456,817</u>

Refundable (payable) income taxes at December 31, consist of:

	<u>2002</u>	<u>2001</u>
Total estimated tax payments		
Federal	\$1,504,779	\$ 348,668
State	<u>250,646</u>	<u>57,000</u>
	1,755,425	405,668
Provision for income taxes	1,787,015	456,817
Refundable income taxes - state	<u>11,267</u>	<u>-</u>
Income taxes payable - federal	<u>\$ (42,857)</u>	<u>\$ (51,149)</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, 2002 AND 2001**  
**(Continued)**

**NOTE F - RELATED PARTY TRANSACTIONS**

A member of the Board of Directors/officer is a partner in the law firm which represents the Company. Payments to this related party for the years ended December 31, 2002 and 2001 were \$20,326 and \$43,003, respectively. In addition, for the year ended December 31, 2002 a member of the Board of Directors/officer received a \$75,000.00 one time payment for his part in the negotiation of an oil and gas mineral lease between the company and the Meridian Resource Corporation (NYSE:TMR).

**NOTE G - DIVIDENDS DECLARED**

At a meeting of the Board of Directors of Biloxi Marsh Lands Corporation on December 20, 2001, cash dividend of \$.75 per share was declared payable on January 14, 2002, to shareholders of record on December 31, 2001. For the year ended December 31, 2002, all dividends were declared and paid prior to December 31.

**NOTE H - COMMITMENTS & CONTINGENCIES**

On May 24, 2001, the Company sold five percent of the Company's 23 percent royalty under two leases dated October 26, 2000 and February 6, 2001 to Manti Operating Company for \$300,000. Title examination by Manti discovered adverse and competing title claims with other landowners and the State of Louisiana. The Company granted a limited warranty for the return of royalty sale proceeds related to the acreage under dispute (approximately \$92,000) if a final non-appealable judgment is obtained determining that the Company does not have valid title to the disputed acreage.

Subject to resolution of the adverse and competing title claims, approximately 57% of the royalties from the CRIS I RA SUA Unit was deposited into a suspense account pending the resolution of the litigation over the disputed acreage.

On advice of counsels, on November 2, 2001, a Petition for Possessory Action was filed in the Thirty-Fourth Judicial District Court for St. Bernard Parish, Louisiana seeking, among other relief, a Judgment that Biloxi Marsh Lands Corporation is in possession of the lands, and ultimately, dismissing the claims by the adverse parties to the balance of the royalties under the unit plan. Management is unable to determine the most likely outcome at the present time, however, the Company intends to vigorously defend its title to all lands in question.



**BILOXI MARSH LANDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**  
**(Continued)**

**NOTE I - UNINSURED CASH BALANCES**

The Company maintains cash and cash equivalents with local highly rated financial institutions. The cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. The Company had uninsured cash balances at December 31, 2002 and 2001 of \$159,972 and \$186,960 respectively. In addition to the above the company maintains two brokerage accounts and it had uninsured cash balances totaling \$806,216 as of December 31, 2002.

**BILOXI MARSH LANDS CORPORATION**  
**ADDITIONAL INFORMATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 2002 AND 2001**

**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 2002 AND 2001**

Company / Description	Shares / Face Value	2002			Shares / Face Value	2001		
		Cost	Market Value	Unrealized Gains (Losses)		Cost	Market Value	Unrealized Gains (Losses)
<u>Marketable Equity Securities</u>								
<u>Common Stocks</u>								
Advancepcs	1,000	\$ 29,804	\$ 22,210	\$ (7,594)	-	\$ -	\$ -	\$ -
Block H&R, Inc.	3,000	64,635	120,600	55,965	4,000	86,180	178,800	92,620
Bristol Myers Squibb Co.	3,000	30,299	69,450	39,151	3,000	30,299	153,000	122,701
Cerner Corp	2,400	44,111	75,024	30,913	2,400	44,111	119,832	75,721
Cooper Companies Inc.	6,400	133,559	160,128	26,569	-	-	-	-
EPIQ Systems Inc.	8,700	126,584	133,284	6,700	-	-	-	-
Exxon Mobil Corp.	3,000	5,523	104,820	99,297	3,000	5,523	117,900	112,377
First State Bancorporation	4,800	115,166	119,040	3,874	-	-	-	-
Garmin LTD	7,500	143,275	219,750	76,475	-	-	-	-
Hancock Holding Co.	-	-	-	-	3,105	49,325	133,639	84,314
Intercontinental Telecom	-	-	-	-	7,000	-	7,000	7,000
Warrants, expiring 4/30/02	-	-	-	-	14,000	68,444	305,760	237,316
Jack Henry & Associates	14,000	68,442	168,560	100,118	6,400	81,856	147,200	65,344
Leggett & Platt Inc.	-	-	-	-	8,400	67,900	155,484	87,584
O'Charleys Inc.	8,400	67,900	172,452	104,552	5,500	146,569	194,975	48,406
Optimal Robotics	-	-	-	-	6,500	125,150	130,000	4,850
Petroleum Helicopters VTG	7,200	139,770	213,408	73,638	6,000	916	239,100	238,184
Pfizer, Inc.	6,000	916	183,420	182,504	12,750	52,590	349,988	297,398
SCP Pool Corp	12,750	52,590	372,300	319,710	-	-	-	-
Stewart Enterprises Inc.	23,000	129,497	128,133	(1,364)	3,500	98,852	138,250	39,398
Stone Energy Corp	3,500	98,852	116,760	17,908	2,250	70,425	101,543	31,118
Union Planters Corp	3,375	70,425	94,973	24,548				
		1,321,348	2,474,312	1,152,964		928,140	2,472,471	1,544,331

**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 2002 AND 2001**

Company / Description	Shares / Face Value	2002			Shares / Face Value	2001		
		Cost	Market Value	Unrealized Gains (Losses)		Cost	Market Value	Unrealized Gains (Losses)
Marketable Debt Securities								
Corporate Bonds								
Dupont EI Notes								
6.50%, Due 9/1/02	-	-	-	-	100,000	99,705	103,000	3,295
Ford Motor Credit								
7.740%, Due 7/16/04	100,000	99,861	101,891	2,030	100,000	99,861	101,156	1,295
Stone Energy Corp. Note								
8.75%, Due 9/15/07	100,000	100,025	104,000	3,975	100,000	100,025	102,750	2,725
		199,886	205,891	6,005		299,591	306,906	7,315
Municipal Bonds								
St. Tammany Parish, LA								
Hospital Service District # 1								
6.5%, Due 7/1/22	-	-	-	-	115,000	119,885	119,999	114

**BILOXI MARSH LANDS CORPORATION**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**DECEMBER 31, 2002 AND 2001**

Company / Description	Shares / Face Value	2002			Shares / Face Value	2001		
		Cost	Market Value	Unrealized Gains (Losses)		Cost	Market Value	Unrealized Gains (Losses)
<b>Marketable Debt Securities (Continued)</b>								
<b>U.S. Government Agencies</b>								
<b>Federal National Mortgage</b>								
Assoc.Disc.Note, Due 1/11/02	-	-	-	-	140,000	134,208	139,930	5,722
<b>Federal Home Loan Bank Note</b>								
Due 1/22/02	-	-	-	-	300,000	301,922	300,469	(1,453)
<b>Federal Home Loan Bank Note</b>								
Due 10/26/04	-	-	-	-	120,000	120,000	121,200	1,200
<b>Federal Home Loan Bank Note</b>								
Due 4/4/05	150,000	150,000	151,590	1,590	150,000	150,000	154,125	4,125
<b>Federal National Mortgage</b>								
Assoc.Disc.Note, Due 1/10/03	200,000	196,021	199,931	3,910	-	-	-	-
<b>Federal Home Loan Bank Note</b>								
Due 4/22/04	200,000	200,000	201,620	1,620	-	-	-	-
<b>Federal Home Loan Bank Note</b>								
Due 4/12/06	200,000	200,000	207,820	7,820	-	-	-	-
<b>Federal Home Loan Bank Note</b>								
Due 6/20/07	350,000	350,000	356,020	6,020	-	-	-	-
		1,096,021	1,116,981	20,960		706,130	715,724	9,594
<b>Total Investments - December 31</b>		<b>\$ 2,617,255</b>	<b>\$ 3,797,184</b>	<b>\$ 1,179,929</b>		<b>\$ 2,053,746</b>	<b>\$ 3,615,100</b>	<b>\$ 1,561,354</b>