

Biloxi Marsh Lands Corporation

Financial Statements, Schedule, and President's Report

December 31, 2000 and 1999

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 16, 2001

To the Shareholders of Biloxi Marsh Lands Corporation:

While net earnings were down significantly, we are pleased to report that 2000 was the fifth consecutive profitable year for your company. Total revenue for the year 2000 was \$581,202 compared to total revenue of \$1,612,203 in 1999. The revenue breakdown is as follows: 2000 revenue from oil and gas activity was \$352,381 compared to 1999 revenue of \$1,283,804. Dividend and interest revenue for 2000 was \$119,511, compared to \$104,360 for 1999. In 2000, net gains on the sale of investment securities were \$22,505 as compared to gains of \$200,927 in 1999. Meanwhile, net earnings declined to \$282,749 or \$.41 per share in 2000 from \$915,019 or \$1.33 per share in 1999.

In 2000, the Company received \$234,350 in lease bonuses from the granting of five oil, gas and mineral leases to various operators on 1,497 total acres. The company received \$51,200 for granting an option to take down an oil and gas mineral lease on 2,560 acres. In June of this year, Reef Exploration, Inc., as operator under the 2,240-acre oil, gas and mineral lease dated June 22, 1999 granted to Elm Oil & Gas Ltd., spudded the Biloxi Marsh Lands No. 1-35 well. The well, located in Section 35, T13S, R16E, was drilled to a depth of 15,500 feet, then plugged and abandoned as a dry hole. After the dry hole, Elm Oil elected not pay the delay rental due in December 2000, which terminated the lease. Elm Oil's second mineral lease, dated November 15, 1999 on another 2,240-acre tract of Company property, was amended to provide for quarterly delay rentals in lieu of annual payments. In November 2000, the Company received its first quarterly delay rental payment of \$56,000. As of the date of this letter there is no drilling activity on Company property.

The Board of Directors at its December 7th, 2000 meeting was pleased to declare a dividend of \$.30 per outstanding share of common stock payable on January 19, 2001 to shareholders of record on December 31, 2000.

On a non-business matter, we deeply regret that in January of this year of Mr. Charlton B. Ogden, II passed away. Until 1995, Mr. Ogden served the company as Secretary, Manager and Legal Counsel. Those who knew him and had the pleasure of working with him will miss him.

As reported in last year's letter to the shareholders, Western Geophysical completed its 3-D seismic study of Lake Borgne. Unfortunately, the study did not continue eastward over any significant amount of company acreage. Management is acutely aware of the challenges ahead in 2001 and is committed to work diligently to maximize the company's profitability and its shareholder value. Though there are no guarantees, we hope that the continued strength in the price of natural gas will translate into increased interest in our property.

Sincerely,



William B. Rudolf
President

BILOXI MARSH LANDS CORPORATION

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEARS ENDED DECEMBER 31, 2000 AND 1999

BILOXI MARSH LANDS CORPORATION

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DOODY AND DOODY
CERTIFIED PUBLIC ACCOUNTANTS
2525 LAKEWAY III
3838 NORTH CAUSEWAY BOULEVARD
METAIRIE, LOUISIANA
70002-1767

LOUIS C. DOODY, SR., C.P.A. (1904-1983)
LOUIS C. DOODY, JR., C.P.A.
EDMOND H. FITZMAURICE, III, J.D., C.P.A.

TELEPHONE 504-833-8800
FAX 504-833-0700

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, 2000 and 1999, 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, 2000 and 1999, 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.

Metairie, Louisiana
January 30, 2001

DOODY AND DOODY
By: 

BILOXI MARSH LANDS CORPORATION
 STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY
 DECEMBER 31, 2000 AND 1999
 (See Independent Auditors' Report)

	Assets	
	2000	1999
Current assets		
Cash and cash equivalents (Note A)	\$ 326,749	\$ 487,430
Refundable income taxes (Note D)	<u>27,022</u>	<u>8,677</u>
Total current assets	<u>353,771</u>	<u>496,107</u>
Investments		
Marketable debt and equity securities (Note C)	2,023,123	2,410,252
Land - at cost	<u>234,939</u>	<u>234,939</u>
	<u>2,258,062</u>	<u>2,645,191</u>
Property (Note A)		
Levees (net of accumulated depreciation of \$124,402 for 2000 and \$118,882 for 1999)	<u>12,479</u>	<u>17,999</u>
Total assets	<u>\$ 2,624,312</u>	<u>\$3,159,297</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accrued dividends payable (Notes A and G)	<u>\$ 206,982</u>	<u>\$ 758,934</u>
Commitments and contingencies (Note E)	-	-
Stockholders' equity		
Common stock, no par value - 720,000 shares authorized, 712,799 shares issued, 689,940 shares outstanding	47,520	47,520
Retained earnings	<u>2,433,961</u>	<u>2,416,994</u>
	2,481,481	2,464,514
Less cost of treasury stock - 22,859 shares	<u>(64,151)</u>	<u>(64,151)</u>
	<u>2,417,330</u>	<u>2,400,363</u>
Total liabilities and stockholders' equity	<u>\$ 2,624,312</u>	<u>\$3,159,297</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, 2000 AND 1999
(See Independent Auditors' Report)

	<u>2000</u>	<u>1999</u>
Revenues		
Oil and gas		
Lease bonuses and delay rentals	\$ 290,350	\$ 504,000
Lease options	51,200	222,059
Royalties (net of production taxes)	10,831	8,334
Seismic permit fees	-	549,411
Total oil and gas revenues	<u>352,381</u>	<u>1,283,804</u>
Other		
Dividends and interest	119,511	104,360
Gain on sale of securities	22,505	200,927
Gain on royalty distribution	58,800	-
Surface rentals and other	28,005	23,112
Total other revenues	<u>228,821</u>	<u>328,399</u>
Total revenues	<u>581,202</u>	<u>1,612,203</u>
Expenses		
Accounting and auditing	7,315	7,101
Administrative management	29,000	33,600
Clerical	7,000	8,200
Consultants (Note F)	329	5,000
Depreciation (Note A)	5,520	5,520
Directors' fees	4,000	5,750
Franchise taxes	10,410	9,940
Insurance	23,644	17,270
Land management fees and expenses	8,207	7,762
Legal fees (Note F)	12,447	7,368
Other	5,989	22,713
Portfolio services	12,447	14,690
Property taxes	18,000	15,295
Rent	750	600
	<u>145,058</u>	<u>160,809</u>
Income (before income taxes)	436,144	1,451,394
Provision for income taxes (Note D)	153,395	536,375
Net income	282,749	915,019
Retained earnings - beginning of year	<u>2,416,994</u>	<u>2,260,909</u>
	2,699,743	3,175,928
Dividends (Note H)	265,782	758,934
Retained earnings - end of year	<u>\$ 2,433,961</u>	<u>\$ 2,416,994</u>
Net income per share	<u>\$.41</u>	<u>\$ 1.33</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, 2000 AND 1999
 (See Independent Auditors' Report)

	<u>2000</u>	<u>1999</u>
Cash flows provided (used) by operating activities (Note B)		
Oil and gas revenues received	\$ 352,381	\$1,283,804
Interest and dividends received	119,511	104,360
Other	28,005	22,691
Cash paid for expenses	(111,128)	(130,054)
Cash paid for income and other taxes	<u>(200,150)</u>	<u>(568,056)</u>
Net cash provided by operating activities	<u>188,619</u>	<u>712,745</u>
Cash flows provided (used) by investing activities		
Proceeds from maturing investments	899,651	1,260,800
Proceeds from the sale of securities	512,822	430,130
Purchase of securities	<u>(1,002,839)</u>	<u>(1,746,566)</u>
Net cash provided (used) by investing activities	<u>409,634</u>	<u>(55,636)</u>
Cash flows provided (used) by financing activities		
Dividends paid	<u>(758,934)</u>	<u>(551,952)</u>
Net cash provided (used) by financing activities	<u>(758,934)</u>	<u>(551,952)</u>
Net increase (decrease) in cash	(160,681)	105,157
Cash and cash equivalents at beginning of year	<u>487,430</u>	<u>382,273</u>
Cash and cash equivalents at end of year	<u>\$ 326,749</u>	<u>\$ 487,430</u>

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

BILOXI MARSH LANDS CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

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 2000 and 1999.

BILOXI MARSH LANDS CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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, 2000 and 1999 is as follows:

	2000	1999
Net income	\$ 282,749	\$ 915,019
Adjustments - cash provided (used) by operations		
Depreciation	5,520	5,520
Gain on sale of securities	(22,505)	(200,927)
Gain on royalty distribution	(58,800)	-
(Increase) decrease in refundable income taxes	(18,345)	(6,446)
Increase (decrease) in option payment due payor	-	(421)
Cash provided by operating activities	\$ 188,619	\$ 712,745

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, 2000 and 1999 are as follows:

	2000		
	Amortized Cost	Fair Market Value	Unrealized Gains (Losses)
Equity securities	\$ 960,646	\$ 2,829,884	\$ 1,869,238
Debt securities			
Corporate bonds	374,591	376,828	2,237
U.S. Government Agencies	687,886	689,340	1,454
	\$ 2,023,123	\$ 3,896,052	\$ 1,872,929
	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	1,064,924	1,069,913	4,989
	\$ 2,410,252	\$ 3,635,425	\$ 1,225,173

BILOXI MARSH LANDS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2000 AND 1999
 (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>2000</u>	<u>1999</u>
Tax expense (based on federal statutory rate of 34%)	\$ 148,289	\$ 493,474
Income tax effect of:		
Dividend exclusion	(7,053)	(7,677)
Depletion on royalty income	(567)	(445)
Municipal bond interest	-	(1,377)
Expenses attributable to tax exempt income	-	69
State income tax (net of federal income tax benefit)	<u>12,726</u>	<u>52,331</u>
Provision for income taxes	<u>\$ 153,395</u>	<u>\$ 536,375</u>

Refundable income taxes at December 31, consist of:

	<u>2000</u>	<u>1999</u>
Total estimated tax payments		
Federal	\$ 159,417	\$ 468,052
State	<u>21,000</u>	<u>77,000</u>
	180,417	545,052
Provision for income taxes	<u>153,395</u>	<u>536,375</u>
Refundable income taxes	<u>\$ 27,022</u>	<u>\$ 8,677</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
ADDITIONAL INFORMATION
SCHEDULE OF MARKETABLE SECURITIES
DECEMBER 31, 2000 AND 1999

BILOXI MARSH LANDS CORPORATION
SCHEDULE OF MARKETABLE SECURITIES
DECEMBER 31, 2000 AND 1999

<u>Company / Description</u>	<u>2000</u>				<u>1999</u>			
	<u>Shares / Face Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains (Losses)</u>	<u>Shares / Face Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains (Losses)</u>
<u>Marketable Equity Securities</u>								
<u>Common Stocks</u>								
Bank One Corp	-	\$ -	\$ -	\$ -	5,000	\$ 61,641	\$ 160,000	\$ 98,359
Block H&R, Inc.	2,500	107,725	103,437	(4,288)	-	-	-	-
Bristol Myers Squibb Co.	3,000	31,834	221,812	189,978	3,000	31,834	192,562	160,728
Cerner Corp	5,500	101,087	254,375	153,288	5,500	101,087	108,281	7,194
Exxon Mobil Corp.	1,500	5,523	130,406	124,883	1,500	5,523	120,844	115,321
General Electric Co.	2,766	62,343	132,595	70,252	-	-	-	-
Hancock Holding Co.	3,105	49,325	118,766	69,441	3,105	49,325	120,319	70,994
Harmon Industries Inc.	-	-	-	-	5,250	62,360	63,656	1,296
Intercontinental Telecom								
Warrants, expiring 4/30/02	7,000	-	7,000	7,000	7,000	-	7,000	7,000
Jack Henry & Associates	7,600	74,310	472,150	397,840	4,300	84,090	230,856	146,766
Leggett & Platt Inc.	6,400	81,856	121,200	39,344	6,400	81,856	137,200	55,344
Luminex Corp.	5,000	125,025	130,312	5,287	-	-	-	-
MCI Wordcom, Inc.	-	-	-	-	1,500	78,055	79,594	1,539
O'Charleys Inc.	8,400	67,900	149,625	81,725	8,400	67,900	110,250	42,350
Pfizer, Inc.	6,000	916	276,000	275,084	6,000	916	194,625	193,709
Pittway Corp Class A	-	-	-	-	3,900	43,723	174,769	131,046
SCP Pool Corp	13,500	83,525	405,844	322,319	9,000	83,525	233,437	149,912
Stone Energy Corp	3,500	98,852	225,925	127,073	3,500	98,852	124,687	25,835
Union Planters Corp	2,250	70,425	80,437	10,012	2,250	70,425	88,734	18,309
		<u>960,646</u>	<u>2,829,884</u>	<u>1,869,238</u>		<u>921,112</u>	<u>2,146,814</u>	<u>1,225,702</u>

BILOXI MARSH LANDS CORPORATION
SCHEDULE OF MARKETABLE SECURITIES
DECEMBER 31, 2000 AND 1999

<u>Company / Description</u>	<u>2000</u>				<u>1999</u>			
	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)	Shares / Face Value	Cost	Market Value	Unrealized Gains (Losses)
<u>Marketable Debt Securities</u>								
<u>Corporate Bonds</u>								
Walt Disney Global N/Call 6.375%, Due 3/30/01	75,000	75,000	74,953	(47)	75,000	75,000	74,693	(307)
Dupont EI Notes 6.50%, Due 9/1/02	100,000	99,705	100,938	1,233	100,000	99,705	99,090	(615)
Ford Motor Credit 7.740%, Due 7/16/04	100,000	99,861	100,437	576	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
Stone Energy Corp. Note 8.75%, Due 9/15/07	100,000	100,025	100,500	475	100,000	100,025	97,140	(2,885)
		<u>374,591</u>	<u>376,828</u>	<u>2,237</u>		<u>424,216</u>	<u>418,698</u>	<u>(5,518)</u>