

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:)	
FAIR FINANCE COMPANY,)	Case No. 10-50494
Debtor.)	
)	Chapter 7
<hr/>)	
BRIAN A. BASH, CHAPTER 7 TRUSTEE,)	Chief Judge Marilyn Shea-Stonum
)	
Plaintiff,)	
)	Adv. Pro. No.
vs.)	
)	
OBSIDIAN ENTERPRISES, INC.)	
)	<u>COMPLAINT FOR SUBSTANTIVE</u>
AND)	<u>CONSOLIDATION</u>
)	
DIAMOND INVESTMENTS, LLC)	
)	
Defendants.)	

Brian A. Bash (the “**Trustee**”), the duly appointed Chapter 7 Trustee for Fair Finance Company (the “**Debtor**”), in the above-captioned case, hereby files this Complaint to substantively consolidate the assets and liabilities of Obsidian Enterprises, Inc. (“**Obsidian**”) and Diamond Investments, LLC (“**Diamond**”) into the Debtor's estate, and for such other and further relief as is appropriate under the circumstances.



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I. PRELIMINARY STATEMENT

1. This Complaint details the inner workings of a fraud with shocking proportions and consequences. The Trustee will establish that Timothy Durham (“**Durham**”) purchased Fair Finance Company so that he could loot it for the benefit of Obsidian and Diamond, entities Durham controlled. At the time Durham purchased Fair Finance Company, Obsidian was effectively bankrupt. Durham “drain[ed]” the Debtor, in the words of Obsidian’s President, by causing the Debtor to make insider loans without regard for whether the loans could be repaid, and without regard for the Debtor’s own interests and the interests of the Debtor’s investment certificate holders, who were a predominantly elderly population.

2. The Trustee will demonstrate how Durham controlled, and unilaterally and indiscriminately transferred assets between, Obsidian, Diamond and the Debtor. Durham exercised his will through subservient directors and key employees – often family members and close friends or business associates – who he kept indebted to him with generous pay packages and insider loans funded by Fair, as well as lucrative “perks.”

3. The Trustee also will establish that, even when it became clear that the Debtor was doomed, Durham did not liquidate the company when creditors could have realized a significant recovery. Instead, Durham fired auditors who became too squeamish and operated the Debtor as a Ponzi scheme, enabling him to loot every last penny. Durham admitted to Fair’s attorney in 2008 that between 89% and 93% of new money brought in from investors was “used to repay” debts to other investors. By the time the Trustee was appointed, the Debtor only had about one-tenth of a cent in liquid assets for every dollar of unsecured debt.

II. PROCEDURAL BACKGROUND

4. On February 8, 2010 (the “**Petition Date**”), creditor-investors (the “**Petitioning Creditors**”) filed a petition for involuntary bankruptcy against the Debtor.

5. On the Petition Date, the creditor-investors also filed an “Emergency Motion to Appoint Interim Trustee” (Docket No. 2) alleging that a trustee was needed to oversee the operations of the Debtor because (i) the Debtor had failed to make timely payments on its debts, including failing to redeem matured certificates and failing to pay interest on unmatured certificates; (ii) the Debtor and several affiliated companies had been raided by the Federal Bureau of Investigation in November of 2009; (iii) the Debtor has not been open to the public since the raid; and (iv) public records revealed that the Debtor had made “unusually large” loans to insiders.

6. On February 19, 2010, this Court entered an order directing the United States Trustee to appoint an interim trustee.

7. On February 24, 2010, the Debtor filed notice that it consented to the entry of an order for relief in this proceeding (Docket No. 35).

8. On March 2, 2010, the Court entered an Order granting the relief sought by the Petitioning Creditors nunc pro tunc as of February 24, 2010 (Docket No. 40).

9. On March 2, 2010, the United States Trustee filed the Notice of Appointment of Interim Chapter 7 Trustee nunc pro tunc effective February 24, 2010 (Docket No. 41). Attorney Bash is the duly appointed, qualified and acting Trustee in the within proceedings.

III. THE PARTIES

10. Obsidian is a holding company founded by Durham and headquartered in Indianapolis, Indiana. Obsidian was controlled by Durham, who also owned and controlled the Debtor and its parent entities. Obsidian conducted no significant business other than to own subsidiaries, borrow money from the Debtor and its parent entities, and to lend those borrowed funds to its subsidiaries and privileged insiders.

11. Diamond, sometimes d/b/a Diamond Auto Sales, is an Indiana limited liability company. Timothy Durham owns at least 99% of Diamond,¹ which operated effectively as Durham's personal investment vehicle.

12. The Debtor was founded in 1940 and operated by the Fair family until its purchase by Durham and James Cochran ("**Cochran**") in 2002. The Debtor was an Akron, Ohio-based factoring company, which borrowed by issuing "investment certificates" to local individuals, and used the proceeds to purchase accounts receivable. The certificates were similar to bank certificates of deposit, except that they were not insured by the Federal Deposit Insurance Corporation. For simplicity, purchasers of investment certificates will be referred to as "investors," however, they held only debt, not equity. After Durham and Cochran purchased Fair in 2002, they shifted the company's primary business to making loans to its parent companies, which would then make further loans to related parties, such as Durham, Cochran, Obsidian, Diamond, and many other failed or failing businesses owned or controlled by Durham. The FBI raided the Debtor on November 24, 2010, suspecting that the company operated as a Ponzi scheme.

¹ Durham has at times stated that his son may have a 1%, non-voting interest in the company.

IV. SIGNIFICANT NON-PARTIES

13. Fair Holdings, Inc. (“**FHI**”) and DC Investments, LLC, (“**DCI**”) (collectively with the Debtor, the “**Fair Entities**”), the Debtor’s parent and grand-parent organizations, respectively, were incorporated by Durham and Cochran shortly before the purchase of the Debtor in January 2002. As more fully discussed in the Trustee’s Motion to Substantively Consolidate Fair Holdings, Inc. and DC Investments, LLC (Docket No. 145), which is hereby incorporated by reference, FHI and DCI primarily served as conduits for Durham to loan the Debtor’s money to friends and privileged insiders.

14. Financial statements provided to the Ohio Division of Securities generally included FHI and the Debtor. The Debtor did not publicly disclose financial statements for DCI, and did not disclose DCI’s existence or importance in its offering circulars for many years after Durham purchased the Debtor. Non-performing loans were often moved to DCI’s books, hiding their negative impact on the Debtor’s financial condition.

15. Since FHI and DCI had no significant business other than to borrow money from the Debtor and re-lend that money, the Debtor’s economic position was almost precisely the same as if it had made FHI and DCI’s loans itself. This Complaint will honor substance over form and refer to all loans of the Debtor’s assets, including loans routed through FHI and DCI, as direct loans from the Debtor to the borrowing entity.

16. Timothy Durham is an individual presently residing in Los Angeles, California and is an owner and CEO of the Debtor. He founded Obsidian, and served as its Chairman and

CEO for effectively all of the company's existence.² He had interests in and controlled or participated in management of dozens of entities, many of which had significant dealings with the Debtor, including Obsidian, Diamond, National Lampoon and CellStar Corporation (now CLST Holdings) ("**CLST**").

17. National Lampoon, Inc. ("**National Lampoon**") is a venerable comedy brand controlled by Timothy Durham, its director and CEO. Durham also controls a majority of the company's stock through a voting agreement with former National Lampoon CEO Daniel Laikin. Laikin is currently in federal prison on securities fraud charges, arising out of a scheme to increase the price of National Lampoon shares by bribing brokers to recommend the stock.

18. Cochran is an individual residing in Indiana and is an owner and Chairman of the Debtor. He had offices on the same floor as Obsidian in Indianapolis.

19. Obsidian's subsidiaries include United Expressline, Inc., d/b/a United Trailers, Southwest Expressline, and Southwest Trailers ("**United**"), U.S. Rubber Reclaiming, Inc. ("**US Rubber**"), Pyramid Coach, Inc. ("**Pyramid**"), Classic Manufacturing ("**Classic**"), and Danzer Industries ("**Danzer**") (collectively, the "**Subsidiaries.**")³ Counsel for Obsidian has represented to this Court that only United still operates.

² As will be discussed *infra* beginning at paragraph VI.70, according to the draft November 24, 2009 offering circular submitted to the Division of Securities, (the "**November 24th Offering Circular**") attached as **Exhibit 1**, Durham nominally stepped down from his position as CEO and Chairman of Obsidian on November 1, 2009. This was a transparent sham, and Durham never gave up power over the company.

³ This list is not exhaustive. The Trustee is uncertain as to whether certain entities are or were subsidiaries of Obsidian, including Parma Acquisition Corp., its subsidiary Obsidian Holdings of Canada d/b/a Custom Cryogenic Grinding, and DW Leasing. It is certainly possible that the line between Obsidian's subsidiaries and Durham's companies was not well-defined, especially after Obsidian stopped filing SEC reports.

V. JURISDICTION AND VENUE

20. The Court has jurisdiction over this proceeding pursuant to 28 U.S.C. §§ 157 and 1334 and Rule 7001 of the Federal Rules of Bankruptcy Procedure. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

VI. FACTS

A. DURHAM PURCHASED THE DEBTOR TO LOOT IT FOR THE BENEFIT OF OBSIDIAN AND DIAMOND

21. Durham purchased the Debtor in January 2002 to fund his failing businesses at Obsidian and to fund his personal investments through Diamond.

22. Upon information and belief, Durham launched Obsidian's predecessor, the holding company Obsidian Capital Partners, L.P., ("**OCP**") in 2000, although he may have already owned some of the companies that would become Obsidian's Subsidiaries. In June 2001, OCP merged with Danzer, a publicly traded company, and Danzer changed its name to Obsidian Enterprises, Inc.

23. Durham had steered Obsidian into dire straits by the time he purchased the Debtor. According to Obsidian's own SEC filings, it lost \$5.8 million in the thirteen months before January 31, 2002.⁴ It never turned a profit thereafter. According to Obsidian's 2001 audit report, the auditors had "substantial doubt" about Obsidian's ability to survive 2002. Obsidian's current liabilities exceeded its current assets by over \$3 million as of October 31, 2001,

⁴ Obsidian's *10-K for the Fiscal Year Ending October 31, 2001* (the "**2001 10-K**"), attached as **Exhibit 2**, at p. 7, showing a \$4.36 million loss for the ten months ending October 31, 2002; Obsidian's *10-Q for the Quarter Ending January 31, 2002* (the "**January 2002 10-Q**"), attached as **Exhibit 3**, at labeled p. 4, showing a net loss of \$1.497 million for the three months ending January 31, 2002.

rendering it cash-flow insolvent.⁵ That working capital deficit grew to over \$9 million as of January 31, 2002.⁶ Obsidian's problems were not only in the short term. By January 2002, Obsidian was also balance-sheet insolvent, with liabilities exceeding assets by over \$300,000.⁷ According to the auditors, Obsidian was "out of compliance" with a number of rules imposed by its lenders, and had weighed itself down with a "significant amount of debt" (approximately \$44 million).⁸ In preparing the fiscal year 2001 audit report, Obsidian's auditors indicated that the company lacked the ability to get a big picture accounting of all its own businesses, and that the "significant number" of insider transactions were not properly documented, disclosed to the public, or accounted for.⁹ By October of 2003, Obsidian's auditors determined that the company's liabilities exceeded its assets on a consolidated basis by more than \$3 million.¹⁰

24. The companies that Obsidian had taken on so much debt to buy were also floundering.¹¹ The fiscal year 2001 audit for Pyramid, a luxury motorcoach leasing company, expressed substantial doubt about the company's ability to continue in business. The auditors cited Pyramid's recent \$500,000 net loss, its breach of loan covenants, and its massive insolvency - Pyramid's current assets were worth only one-fifth of its current liabilities, and

⁵ 2001 10-K, *supra* n. 4, at p. 12 (showing a negative working capital of \$3.484 million).

⁶ January 2002 10-Q, *supra* n. 4, at labeled pp. 2 – 3 (showing total current assets of \$12.377 million and total current liabilities of \$21.401 million.)

⁷ *Id.* at labeled page 3.

⁸ Letter from McGladrey & Pullen, LLP to Obsidian's Audit Committee (the "**McGladrey Letter**"), attached as **Exhibit 4**, at pp. 2 (quotes); 2002 10-Q, *supra* n. 4 at marked p. 3 (showing \$22.228 million in long-term debt, \$14.383 million in long-term debt classed as current because of defaults, \$4.057 million in current accounts payable, and \$3.169 million in long-term related party debt, totaling \$43.837 million.)

⁹ McGladrey Letter, *supra* n. 8, at pp. 1-2.

¹⁰ *McGladrey & Pullen, LLP's Summary of Significant Accounting Policies* for US Rubber (the "**Summary of Significant Accounting Policies**"), attached as **Exhibit 5**, listing a consolidated deficit of stockholder's equity for Obsidian as a whole at \$3,253,000.

¹¹ All references to the financial health of Pyramid are based upon financial statements consolidating Pyramid with one or more affiliated companies.

long-term, the company was under water by over \$2 million. According to the last known audit of Pyramid, in October, 2005, it had generated over five million dollars in taxable losses since its acquisition by Obsidian. By 2006, Pyramid's lender had sued both Durham and Obsidian President Terry Whitesell ("**Whitesell**") on their personal guarantees of the company's debt.

25. After Obsidian acquired US Rubber, a 100 year-old rubber recycling company, from Durham's father-in-law, it never recorded a dime of profit for Obsidian.¹² It lost hundreds of thousands of dollars every year until 2005, when its losses accelerated to approximately \$3 million dollars per year through 2008, the last year for which the Trustee has data.

26. Danzer Industries, Inc., a truck body manufacturer which Obsidian acquired as part of a merger in June 2001, had only narrow losses in the three months included in Obsidian's 2001 10-K. But in fiscal year 2002, millions of dollars in losses wiped out the company's equity and led the company's auditors to question whether the company was a going concern. It closed in July 2006.

27. Of all the Obsidian entities in 2002, only trailer manufacturer United Expressline turned a profit - a modest \$400,000. Upon information and belief, it was the last profit any Obsidian subsidiary generated. United began to lose money in 2003, generating annual losses between \$500,000 and \$1,500,000 through 2006, leading its auditors to question whether it was a going concern beginning in fiscal year 2004.

28. At approximately the time Durham purchased the Debtor, Obsidian was attempting to sell its final division, Champion Trailers, without the approval of Champion's

¹² The Trustee is unsure whether Obsidian purchased US Rubber directly or if there was an intermediate transaction.

lender, which had veto rights over any transaction. Shortly after the lender demanded that its collateral – all of the shares of Champion – be delivered to it for safe keeping, Champion sent notices to its creditors threatening to liquidate in bankruptcy if they did not agree to give Champion a six month reprieve on its debts.¹³ The notices told creditors that Champion’s secured debts were almost three times the value of the company’s assets, and despite Champion’s “obvious insolvency,” Obsidian would continue to fund Champion’s losses if an overwhelming majority of its creditors agreed to forbear for six months. Champion – which Durham and Whitesell had acquired in 1999 – was sold back to them in 2004 or 2005, and liquidated in 2006.¹⁴

29. Obsidian could never cover all these losses from its own operations as it had only about \$600,000 in cash and marketable securities as of January 31, 2002, and was cash flow insolvent.¹⁵ Nor would most sophisticated investors fund Obsidian on an unsecured basis, given its shoddy recordkeeping and results.

30. Durham’s control of the Debtor enabled Obsidian to access cash on extremely lenient terms. These terms were not available in commercial loans under normal circumstances. As Obsidian’s own auditors put it, “In the period since June 2001, Obsidian . . . and its subsidiaries have incurred losses and reductions in equity on a consolidated basis. During this period, losses and certain third-party debt repayments have been financed with [DCI and FHI],

¹³ One example of the letters sent to creditors is attached as **Exhibit 6**.

¹⁴ *Deposition of Terry Whitesell in Shepard v. Diamond Investments, LLC* (“**Whitesell Deposition**”), attached as **Exhibit 7**, at sheet 9 - 10.

¹⁵ January 2002 10-Q, *supra* n. 4, at 7 (showing cash and cash equivalents of \$417,000 and \$194,000 in marketable securities).

entities controlled by the Company's Chairman . . . on terms that may not have been available from other sources.”¹⁶

31. To the Trustee's knowledge, the Debtor's offering circulars did not allude to the Obsidian entities' struggles, and the Debtor's unsophisticated investors were unlikely to independently obtain Obsidian's SEC filings where Obsidian admitted, for instance, that its auditors raised “substantial doubt” about whether the business could survive. Notably, when the Debtor needed more investors to pay its earlier investors and dealers on time, it did not plan to open a new office in a population center like Cleveland or Youngstown, but rather in Millersburg, in the heart of Amish country.

32. Obsidian was able to pay for the unrelenting losses and its later acquisitions only because Timothy Durham, Obsidian's CEO, Chairman of the Board, and dominant shareholder, purchased the Debtor and looted the company for Obsidian's benefit.

33. When investigating whether to purchase the Debtor, Durham was particularly interested in whether there were a significant number of unredeemed investment certificates and whether they could simply be forfeited to him.

34. Durham, Cochran and Obsidian did not have the available funds or collateral to purchase the Debtor, so the Debtor effectively purchased itself. Durham purchased the Debtor through a leveraged buyout, whereby the Debtor's own assets were the collateral for a loan from Textron Financial Corporation (“**Textron**”). The Textron loan was structured to be repaid out of

¹⁶ Summary of Significant Accounting Policies, at 1.

profits from the Debtor, but there were no profits. Instead, the Debtor could only repay the loan by selling its assets.¹⁷

35. At the time Durham's purchase of the Debtor closed, Durham remarked that "this will be like taking candy from a baby."

36. Durham began looting the Debtor at a stupendous pace. Within two days of purchasing the Debtor, Durham caused the Fair Entities to extend a \$3 million line of credit to Obsidian with no payments due for years. Within a year, Obsidian and its Subsidiaries incurred approximately \$7.5 million in debts to the Debtor in addition to the significant purchases and cash investments detailed below. The insider and related-party loans as a whole grew to \$30 million within fifteen months and \$40 million within two years.

37. Obsidian admitted in an SEC filing as of January 31, 2002, that the Fair Entities had made a \$570,000 loan to Obsidian to pay down Champion's senior debt, and were "negotiating to purchase" Champion's senior debt and sell it to Obsidian in exchange for preferred stock that DCI's auditors would later characterize as unmarketable.¹⁸ The latter deal closed in March 2002.

¹⁷ Although Debtor claimed profits, as will be explained *infra*, these profits were based on Debtor overvaluing its loans and accruing fictitious interest income on impaired loans.

¹⁸ January 2002 10-Q (detailing the transaction), *supra* n. 4; *Draft Fiscal Year 2002 Audit Report for DCI and Subsidiaries* (the "**2002 DCI Audit Report**"), attached as **Exhibit 8**, at numbered page 9 (characterizing the preferred shares as unmarketable).

38. By February 2002, the Debtor had largely funded the acquisition of \$2.5 million of US Rubber debt by Obsidian or the Fair Entities.¹⁹ US Rubber's loans were then refinanced so that it did not need to make principal payments for five years.

39. In February 2002, Durham caused the Fair Entities to purchase \$1 million worth of accounts receivable from a Durham-controlled entity, DW Leasing, which used the proceeds to pay debts to Obsidian's largest shareholder, OCP, as well as its "shareholders and other related parties." The shareholders of OCP include Durham, Whitesell, Obsidian Vice President Jeff Osler ("**Osler**"), and Obsidian director Daniel Laikin ("**Laikin**").

40. In March 2003, Obsidian and DW Leasing converted debts owed to DC Investments into approximately \$1.4 million in notes, with no principal due for three years. Obsidian noted in March 2002 that a new subsidiary, Obsidian Leasing Co., Inc., would be assuming certain obligations of DW Leasing, and that it planned to refinance those obligations with the Fair Entities.²⁰ Ultimately, the Fair Entities refinanced at least 20% of DW Leasing and Obsidian Leasing's inventory, and purchased nine trailers that Obsidian Leasing would otherwise have been obligated to buy.²¹

41. In April 2002, the Fair Entities accepted 186,000 of the unmarketable Obsidian preferred shares, and in exchange extinguished \$600,000 worth of debt, and converted an

¹⁹ January 2002 10-Q, *supra* n. 4, at 27 (admitting Obsidian funded the purchase of US Rubber debt with DCI money and 30,000 shares of Obsidian stock.)

²⁰ 2001 10-K and January 2002 10-Q, *supra* n. 4, at 28.

²¹ 2002 DCI Audit Report, *supra* n. 18, at numbered page 6.

additional \$270,000 worth of loans to unmarketable shares in October.²² This violated FHI's loan covenants, which prohibited the purchase of shares in related entities.

42. Durham caused the Fair Entities to incur approximately \$2.4 million dollars in "investment banking fees" to Diamond in 2002, and to take from Obsidian the obligation under a put option to buy up to \$675,000 worth of Obsidian preferred shares.²³

43. Champion Trailers, which had threatened its creditors with bankruptcy only months after Durham purchased the Debtor, because it was "obvious[ly] insolvent" and had assets worth less than one-third of its secured debt, nonetheless received nearly \$8 million in loans from the Debtor, excluding interest. Despite Champion's obvious risks, the Debtor's initial loans to Champion in 2002 were variable rate loans then paying between 4.75% and 5%. The Debtor paid between 5% and 7% to borrow the money it lent to Champion, which it appears would make the loans a guaranteed loss.²⁴

44. Obsidian's 2002 and 2003 performance was terrible, and by the end of fiscal 2004 Obsidian's auditors had stated they had "substantial doubt" as to whether Obsidian, Pyramid, United, US Rubber, Champion and Danzer were going concerns. Classic would receive the same warning in 2005. The entities only survived because of the loans they received from the Debtor.

²² Obsidian's 10-K for the Fiscal Year Ended October 31, 2002, at Item 13, attached as **Exhibit 9**.

²³ 2002 DCI Audit Report, *supra* n. 18, at numbered pp. 19 (investment banking fees) and 28 (put option).

²⁴ *Id.* at 17 (showing a \$1.449 million variable rate note to Champion with interest paid at 4.75%, in addition to a \$628,000 loan with a variable rate at 5%) and at pp. 24 – 26 (showing that Fair's interest rates on its credit facilities ranged from 5% on its 6 month certificates to the greater of \$40,000 a month or a variable interest rate then at 7% on its loan facility with Textron).

45. On April 6, 2005, Whitesell wrote a memorandum to Tim Durham bemoaning the awful state of the Subsidiaries, stating that the outside cash flow to them needed to stop, and the companies needed to “turn around or die.”²⁵

46. The Debtor was having its own problems by 2005. According to a consolidated audit report drafted, but never issued, for fiscal years 2002, the Fair Entities consolidated lost money even in Durham’s first year in charge of the Debtor.²⁶ All future audits excluded DCI’s results. No later than 2003, FHI was in breach of its loan covenants with Textron on numerous counts, including for failing to provide timely audits, taking on unapproved debt, and purchasing stock in related parties. The Debtor’s auditors, BGBC Partners, P.C. (“**BGBC**”), would not sign off on its financial statements after fiscal year 2002, and were fired in 2005 without having completed the 2003 or 2004 audits. Those audits were issued in the summer of 2005 by a different auditor, Somerset CPAs (“**Somerset**”), which would not issue any further audit reports. Afterwards, Durham caused FHI and the Debtor to submit only to “reviews,” which relied on management’s assertions about the condition of the company.

47. In a February 2005 memorandum, BGBC expressed concerns to Obsidian management over whether FHI and the Debtor, on a consolidated basis, was a going concern.

48. On April 5, 2005, BGBC wrote a letter to Durham and Cochran explaining that the firm could not issue an unqualified audit report for the Debtor and FHI in 2003 or 2004, effectively because the Debtor’s conduct indicated it was not being run for its own benefit.²⁷

²⁵ The memorandum is attached as **Exhibit 10**.

²⁶ See 2002 DCI Audit Report, *supra* n. 18, at numbered page 5 (showing a net loss of \$163,597). The actual net loss is significantly higher once certain inappropriate accounting maneuvers have been corrected.

²⁷ The letter is attached as **Exhibit 11**.

The accusations in this letter are particularly impressive because Durham was one of BGBC's five largest clients, producing between \$250,000 and \$300,000 a year for a four-partner practice.

49. The letter stated that the auditors were concerned that the "loans" to related parties such as Diamond and Obsidian were so unlikely to be repaid that they were really "distributions to the shareholders." BGBC's concerns included the "lack of documented procedures to evaluate the loans, lack of follow-up on noncompliance, lack of payment of interest and the absence of other factors normally found in companies engaged in the lending industry." The auditors also criticized "strong indicators of transactions that are not at arm's length," including loans with provisions for no payment until maturity, frequent changes in loan terms, insufficient or non-standard collateral, and a lack of ongoing credit monitoring of loan recipients.

50. In addition, BGBC advised FHI that it should retain legal counsel to examine two issues related to the insolvency of its borrowers: whether there would be any legal consequences if Obsidian was insolvent at the time it received loans, and whether the owners, officers and directors of the Debtor and FHI owed fiduciary obligations to the Debtor's investors.

51. BGBC went on to suggest that FHI adopt a loan loss reserve of at least \$11.5 million, "primarily" because of Obsidian, which "without support from FHI . . . may not have been able to continue in its current form." FHI did not do so. In fact, FHI would go on to more than double Obsidian's credit line, and extended the period where Obsidian could borrow without making any payments for another six years.

52. During a peer review of BGBC's audit work on Fair Finance in 2005, the reviewing auditor told BGBC to "get as far away from [Fair and Obsidian] as possible" because the entities were a train wreck waiting to happen.²⁸

53. Cochran expressed deep concern about the Debtor's health and Durham's use of the Debtor's funds during the discussions with BGBC. Cochran stated in a March 2005 email that "We can't continue to hold our breadth (sic) every year" waiting to see if the Division of Securities would authorize them to issue more investment certificates. He demanded that Durham make a "substantial cash infusion" to FHI and that Durham issue personal guarantees on the Obsidian debt with "drop dead" dates, so that Durham could not simply push loan maturities back to avoid paying them. Cochran also insisted that Durham be disabled from making unilateral transfers of the Debtor's cash, and that any consideration of buying Cochran out be based on the value of the Debtor without any Obsidian deals, since "it was all [Durham's]".²⁹

54. Cochran's attempts to control Durham did not come to fruition.

55. After BGBC was fired, Somerset did issue the audit reports for 2003 and 2004, despite BGBC strenuously recommending that they not even take on the engagement because of the Debtor's serious problems. However, by 2006 even Somerset had serious reservations. In May 2006, Somerset drafted an incomplete audit opinion reaching the conclusion that FHI and the Debtor were not a going concern.

²⁸ See the emails attached as **Exhibit 12**. The redactions and annotations were made before the Trustee obtained the documents.

²⁹ *Id.*

56. Indeed, by the end of 2005, at the latest, the Debtor had become a Ponzi scheme, and was insolvent by at least \$50 million. By that point if not significantly earlier, the Debtor did not have the money to pay its investment certificate holders except by taking proceeds from new investors. Somerset seems to have recognized this, as a handwritten note on forecasts provided to the auditors concluded that it “appears [the Debtor] would not be able to pay [investment certificate interest and debt] from cash inflow on dealer [receivables without] relying on draws on 3rd party lines of credit.”³⁰

57. Despite these serious problems with both entities, the related-party loans did not slow down with time, even as Obsidian’s and the Debtor’s financial conditions deteriorated.

58. Over the course of four credit agreement amendments and just over two years, Obsidian’s initial \$3 million credit limit would be increased fivefold, and the maturity date would be extended to January 2007. In December 2006, with the maturity date quickly approaching, Durham caused the Debtor not only to push the maturity date back another five years to January 2012, but to more than double Obsidian’s credit limit to over \$35,000,000.

59. In April 2005, shortly after the 2004 audits concluding that Obsidian and its Subsidiaries were likely not going concerns, the Debtor gave US Rubber and United significant credit lines of \$3,700,000 and \$3,000,000 respectively. Despite the companies’ precarious financial positions, the Debtor did not require either company to pay back any principal or interest for seven years and voluntarily subordinated its debt to bank loans from PNC Bank, N.A., and LaSalle Business Credit, respectively. In addition, Durham permitted US Rubber to grant a senior lien on all its marketable assets to Webster Business Credit.

³⁰ See the Forecast, attached as **Exhibit 13**.

60. In October 2005, the Debtor extended the maximum balance of US Rubber's loan to \$5,500,000. In January 2006, shortly after Somerset became the second auditing firm to question whether US Rubber was a going concern, FHI increased the maximum balance again to \$7,000,000. In February 2007, the balance was extended to \$10,000,000. US Rubber's assets ultimately were sold by Webster Business Credit, leaving its debt to Fair Finance nearly entirely unpaid.

61. Just six months before Danzer would be shuttered permanently in 2006, Durham amended the company's note to require no principal payments for four years.

62. Diamond's loan agreement, according to documents submitted to the Ohio Division of Securities, provided for an unlimited credit limit from the Fair Entities.³¹ Diamond's debts to the Fair Entities exceed \$9,000,000.

63. Laikin, a director of both the Debtor and Obsidian, signed two notes with DCI for revolving credit with a maximum balance of \$300,000 and \$2,000,000. The latter note provided for no principal payments until maturity. Fair amended that note no fewer than four times to increase the balance to maximum balance to \$15,000,000, and to extend the maturity date until August 2008. Laikin actually owes Fair in excess of \$20,000,000, including interest. DCI did not perfect its mortgage on Laikin's property; Laikin subsequently granted mortgages on the property to banks, who perfected their interests.

64. Durham admitted in a filing with the Ohio Division of Securities that Obsidian, its Subsidiaries, Diamond, and their current and former officers and directors owe the Debtor well

³¹ See the November 24th Offering Circular, *supra* n. 2, at 23.

in excess of \$100 million.³² The full amount owed according to the Debtor's books and records is significantly greater.

65. Durham also used Fair to fund his other businesses, and to finance his own speculation in stocks, primarily in Indianapolis-based Brightpoint.³³

B. DURHAM CONTROLLED OBSIDIAN

66. Timothy Durham controlled Obsidian.

67. Durham served as CEO and Chairman of the Board for Obsidian for nearly all of the entity's existence. Durham represented to the state of Ohio that he stepped down as CEO and Chairman of Obsidian November 1, 2009, to persuade the Ohio Division of Securities he would not have a conflict of interest and that loans to Obsidian were not problematic.³⁴ However, Durham remains the authority behind Obsidian.

68. At all relevant times Durham was a controlling shareholder of Obsidian. According to a Schedule 14A filed with the Securities and Exchange Commission in August 2002, Durham beneficially owned approximately 90% of Obsidian's preferred shares, which had

³² The November 24th Offering Circular and its schedule of DCI's assets assert that, as of September 2009, those entities owed Debtor approximately \$117 million, excluding interest since that time. Obsidian owed \$29.9 million, Obsidian director Daniel Laikin owed \$19.1 million, US Rubber owed \$15.6 million, Champion owed \$11.2 million, Diamond owed \$9.4 million, Danzer owed \$5 million, United owed \$3.6 million, Osler owed \$1.3 million, Whitesell owed \$217,000, Obsidian Vice President Anthony Schlichte owed \$173,000, and Obsidian director Scott McKain owed \$115,000. The November 24th Offering Circular states that Durham personally owed \$14.3 million and guaranteed or assumed the Obsidian, Champion, and Danzer debts in addition to a \$7.1 million loan to a related party that appears to be out of business. The books and records of DCI, however, indicate Durham's personal debts were significantly larger in reality. This list excludes loans made to businesses owned or controlled by Durham unless they were related to Obsidian or he admitted in the filing to assuming or guaranteeing the loan.

³³ Durham's application to purchase his yacht specifically admits that his purchase of Brightpoint shares was made with money borrowed from DCI.

³⁴ November 24th Offering Circular, *supra* n. 2, at 14.

approximately 70% of the company's voting power, and beneficially owned approximately 75% of the company's common shares, which had the remaining 30%.³⁵

69. Obsidian went private in March 2006. At this time Durham or entities he controlled owned approximately 90% of Obsidian's shares. Durham or an entity he controlled was managing partner of Obsidian Capital Partners, which owned nearly 60% of Obsidian's shares. Durham or Diamond Investments, which Durham wholly owned, controlled approximately 22% of Obsidian's shares. And FHI, of which Durham was half-owner and CEO, controlled nearly 8%.³⁶

70. Indeed, Durham's control over Obsidian was so great that even after he allegedly stepped down as Chairman and CEO of Obsidian on November 1, 2009, he still controlled the company. After allegedly resigning, Durham:

(1) approved vacation time requests by bookkeeper Elizabeth McClure and VP Jeff Osler;³⁷

(2) decided which law firm would represent Obsidian in an SEC inquiry;³⁸

(3) ordered the transfer of at least \$10,000 to National Lampoon, another company Durham controls;³⁹

³⁵ The Schedule 14A is attached as **Exhibit 14**.

³⁶ See, e.g., an email from Rick Snow to Timothy Durham, (the "**Obsidian Historical Shareholder Email**") attached as **Exhibit 15**, listing the ownership interests in Obsidian before the squeeze-out going private merger in 2006, and the ownership interests in Black Rock Acquisition Corp. thereafter.

³⁷ Email from Jeff Osler to Timothy Durham attached as **Exhibit 16**; Email from Elizabeth McClure to Timothy Durham attached as **Exhibit 17**.

³⁸ Email from Terry Whitesell to Timothy Durham attached as **Exhibit 18**.

³⁹ See the email chain attached as **Exhibit 19**, where an Obsidian employee tells a National Lampoon employee that Obsidian will wire them \$10,000 "per Tim."

(4) authorized the use of an Obsidian corporate credit card to pay for travel expenses for a National Lampoon employee or consultant;⁴⁰

(5) made policy decisions regarding appropriate use of Obsidian credit cards;⁴¹

(6) ordered Obsidian employees to coordinate the transfer of \$100,000 from the Debtor to his personal bank account,⁴² prepare his personal financial statement, and develop historical shareholder records;⁴³

(7) closely coordinated with Rick Snow and Anthony Schlichte regarding schedules of the assets and liabilities Obsidian's subsidiaries;

(8) received an email from Whitesell, Obsidian's purported CEO and Chairman of the Board, that Whitesell was awaiting "your desires" as to salary cuts that should be implemented upon Obsidian employees and Shannon Frantz, technically a Diamond employee;⁴⁴ and

(9) served as a client contact for Obsidian's counsel, despite having no formal position with the company.⁴⁵

71. During all relevant time periods, Durham controlled a majority of Obsidian's board. The Board submitted to Durham, and a majority of the board had significant indebtedness to Durham and companies he controlled.

⁴⁰ See the email attached as **Exhibit 20**, containing a colloquy between Durham and his personal assistant regarding what type of travel expenses a National Lampoon employee should be able to charge to the Obsidian corporate card.

⁴¹ See the email attached as **Exhibit 21**, where Shannon Frantz tells an employee that "Per Tim" the company corporate credit card was not to be used for personal expenses.

⁴² See the email attached as **Exhibit 22**.

⁴³ See the Obsidian Historical Shareholder Email and **Exhibit 23** (Osler creating Durham's personal financial statement).

⁴⁴ See the email attached as **Exhibit 24**.

⁴⁵ See the *Transcript of Proceedings Before the Honorable Marilyn Shea-Stonum, United States Bankruptcy Judge, Commencing At 9:37 A.M., October 19, 2010*, (the "**October 19 Transcript**") attached as **Exhibit 25**, at p. 4.

72. Durham controls Terry Whitesell, Durham's replacement as CEO and Chairman of Obsidian's Board, who has served on the Board at all relevant times. Upon information and belief, Whitesell owes the Debtor and Durham personally a total of approximately \$400,000.

73. Whitesell sought Durham's "desires" as to payroll issues, even though Durham allegedly was not an Obsidian Officer or Director. When Durham asked Whitesell to take his position as managing member of Obsidian Capital Partners so that "we have formal separation" to report to the Ohio Division of Securities, with the clear implication that Durham would retain his power, Whitesell responded "I will do anything you feel best so proceed as needed."⁴⁶ Similarly, in February 2009, Whitesell asked Durham to assume the title of President of Obsidian "on paper" while "I would . . . continue doing what I presently do unless you feel otherwise," as part of a scheme to defraud the Subsidiaries' banks and shift his salary to the Subsidiaries.⁴⁷

74. Whitesell acted as Durham's personal employee. Whitesell and Durham have testified that Whitesell did significant work on behalf of Durham's affiliated entities such as Diamond, Speedster Motorcars, Inc., and Car Collector Magazine,⁴⁸ even though Obsidian did not own those entities. Whitesell also has stated that he "may have assisted in some of the operations" of DC Investments, LLC, or its subsidiaries, because he didn't know which companies it held. Upon information and belief, to the extent Whitesell received compensation for this work, it was from Obsidian or its Subsidiaries.

⁴⁶ Email from Durham to Whitesell, attached as **Exhibit 26**.

⁴⁷ See the email chain between Durham, Whitesell and Schlichte, and Whitesell's letters resigning from Obsidian and "applying" to DCI, attached as **Exhibit 27**.

⁴⁸ See the Whitesell Deposition, *supra* note 14, at sheets 9-10, and **Exhibit 28**, Deposition of Timothy Durham in *Shepard v. Diamond Investments, LLC et. al.*, 5:06-cv-00721-IPJ (the "**Durham Deposition**") at sheet 8.

75. Whitesell helped negotiate an agreement between United, Diamond, and a United customer in a transaction where Diamond lent money to the customer to pay its debt to United. When asked as to which entity he was negotiating for, Whitesell testified “I was just doing a job” and, when pressed, that he was working on behalf of both Diamond and United.⁴⁹

76. Durham’s brother-in-law, Obsidian Director Jeff Osler, was indebted to Durham and his companies. Osler owes in excess of \$1,000,000 to the Debtor, and in excess of \$200,000 to Durham personally. The struggling and defunct businesses owned by Osler and his wife owe Durham or Diamond in excess of \$500,000. In addition, upon information and belief, Osler is or has been living in one of Durham’s homes in Indiana.

77. Osler relied upon Durham for his high salary. As Whitesell put it to Durham: “Jeff’s function could be handled by some one at much lower cost but I recognize the family issue[.]”⁵⁰

78. Durham controlled Osler.

79. Like Whitesell, Osler often did personal tasks for Durham, such as preparing his personal financial statement (preposterously claiming that Durham had a net worth of \$90,000,000 shortly before the FBI raid) and keeping the books of Diamond Investments.⁵¹ Obsidian President Terry Whitesell warned against firing Osler and Obsidian bookkeeper

⁴⁹ See the Whitesell Deposition at sheet 12.

⁵⁰ Email between Whitesell and Durham attached as **Exhibit 29**.

⁵¹ See the Durham Deposition, *supra* n. 48, at sheet 7.

Elizabeth McClure, saying “Elizabeth and Jeff are involved with handling a vast amount of your and Jim [Cochran’s] business thus they need continued[.]”⁵²

80. Obsidian Director Daniel Laikin also relied on a steady stream of money from Fair. Laikin owes the Debtor in excess of \$20,000,000 in loans.

81. Durham and Laikin had a deeply intertwined business relationship, including a joint venture. Each man also served as a board member and significant part of the control group of the other’s company – Laikin at Obsidian, Durham at National Lampoon.

82. Laikin also invested in Brightpoint, where Laikin’s brother was CEO, through Durham’s “investment group.”

C. DURHAM CONTROLLED FAIR

83. Fair was controlled by Tim Durham, its CEO and a board member.

84. Durham repeatedly and unilaterally ordered the transfer of significant sums of money from the Debtor to, among others, Obsidian, Diamond, and himself. For instance, at least forty requests to wire money from the Debtor to a related party or insider in 2008 or 2009 state that they were authorized by Durham.⁵³ When Fair's bookkeeper consulted Fair's President or another officer not affiliated with Obsidian about whether to transfer money from Fair, Durham called her and angrily told her that the wires carried his authority and were not to be questioned.

⁵² Email between Whitesell and Durham, *supra* n. 50.

⁵³ See the emails attached as **Exhibit 30**.

85. Even Cochran, Fair's co-owner, repeatedly requested Durham's permission to use Fair Finance to pay for his country club membership, golfing expenses, mortgages, pool maintenance, yard work and housekeepers.⁵⁴

86. Although Cochran raised concerns about Durham's use of Fair's money in 2005, and strongly implied that Durham had been making loans behind his back, afterwards Cochran appears to have become complacent until he fell behind on his bills. Only then did Cochran begin asking questions about where the "money pulled from FFC"⁵⁵ is going and complain that he had nothing to gain from many of the insider loans except his share of the interest.⁵⁶ Cochran's main concern, however, was that some of the money should be used to pay him a \$1 million annual salary from Fair.⁵⁷

87. Cochran took in excess of \$10,000,000 in effectively unsecured loans from Fair Finance, and Durham allowed Fair to pay Cochran's personal expenses – such as mortgages Cochran could not afford.⁵⁸

88. Upon information and belief, Durham kept Cochran compliant with promises of inside information for stock trading. Cochran, for instance, asked Durham's when he could purchase "bargain basement" shares in CLST, a company at which Durham was a director.

⁵⁴ See, e.g., the emails attached as **Exhibits 31** (golfing), **32** (three mortgages, property taxes, and \$12,000 for housekeepers, and pool and lawn maintenance), **33** (mortgage), and **34** (country club).

⁵⁵ Email from Cochran to Durham attached as **Exhibit 35**.

⁵⁶ See, e.g., email from Cochran to Durham attached as **Exhibit 36**.

⁵⁷ Email from Cochran to Durham, *supra* n. 56.

⁵⁸ *Id.* (Durham offering to have "DCI buy your excess homes and make those payments.)

89. Cochran also was part of Durham's Brightpoint investment group, where a number of people related to Durham and Obsidian invested large amounts of money in Brightpoint, a publicly traded Indianapolis company, shortly before it underwent a significant rise in price. Brightpoint's CEO is the brother of Daniel Laikin, Durham's good friend and a director of the Debtor, FHI, and Obsidian. Laikin is currently in prison for securities fraud relating to his tenure as CEO of National Lampoon.

90. Among the largest buyers of Brightpoint stock during time periods the Trustee has examined were Durham and the family of Obsidian Vice President Anthony Schlichte, which purchased in excess of \$25M worth of shares. The largest traders in Brightpoint during the times of Durham's most active trading also include Bernie Madoff (on his personal account).

D. Obsidian, the Debtor and Diamond Shared Employees and Professionals

91. Durham commingled business functions by staffing the same employees and lawyers in high-level positions across Obsidian, Diamond and the Fair Entities.

92. The Debtor or one of its parent entities employed every officer of Obsidian, with the possible exception of President Terry Whitesell.

93. The Debtor and Obsidian both employed Durham as their CEO and as a member of their board. Durham owns at least 99% of Diamond.

94. Rick Snow ("**Snow**") effectively served as CFO for all of Durham's companies. Snow was the CFO of the Debtor, FHI and Obsidian. In addition, Snow serves as the CFO of National Lampoon, a company controlled by Durham which has received money from the Debtor, and did significant negotiations on behalf of CLST, a company Durham chairs.

95. Obsidian Senior Vice President Jeff Osler is an officer of FHI.

96. The Trustee is unaware of what position Obsidian VP for Corporate Finance Anthony Schlichte had with FHI, but employee records indicate part of Schlichte's salary was charged to FHI.

97. At various times Obsidian board members Durham, Laikin and Scott McKain served on Fair's board.

98. In 2007, Terry Whitesell surveyed employees of Obsidian, the Fair Entities, and a number of Durham's companies to determine which employees were working for which entities. Whitesell "understood where the ultimate funds presently come from" – i.e., the Debtor – but thought that determining which entities the employees worked for might be useful for accounting purposes.

99. According to Whitesell's survey, Obsidian employees performed significant duties at the Fair Entities and Diamond. Snow attributed 70% of his time to the Fair Entities and 25% to Obsidian. Osler attributed 50% of his time to DCI and FHI, and 20% of his time to Diamond. Obsidian bookkeeper Erin Beesley attributed a majority of her time to the Fair Entities and DCI's subsidiary, DC Investments Leasing, and approximately a quarter of her time to Obsidian and its subsidiaries. Bookkeeper Elizabeth McClure attributed half her time to Obsidian, 35% to the Fair Entities, and 15% to "Tim's other holdings."

100. In sworn deposition testimony, Whitesell admitted doing work on behalf of Diamond Investments and was unable to say whether he had worked for DCI.⁵⁹

101. Durham testified that Diamond's bookkeeping is handled by Osler of Obsidian, and Elizabeth McClure, who he believed, but was not sure, was an Obsidian employee.⁶⁰ Neither was an employee of Diamond.

102. Whitesell and Anthony Schlichte discussed a scheme to defraud the Subsidiaries' banks by taking money from the Subsidiaries to pay themselves, in violation of the Subsidiaries' loan covenants.⁶¹ Whitesell, who did not even work for a Fair Entity, suggested using DCI, after Schlichte commented that "I would use United as I doubt Mark would catch on to what we were doing . . . we could get away with it." Durham ultimately approved Whitesell's proposal to resign "on paper" from Obsidian, perform the same duties, and "apply" to work as a consultant for DCI and the Subsidiaries. To make his intent unmistakable, Whitesell even placed quotation marks around the word "apply." Whitesell ultimately "resigned," sent out copies of his resume to the Subsidiaries and Durham, and appears to have been paid from the Subsidiaries.⁶²

103. The attorneys representing Durham personally, Obsidian and the Fair Entities overlap. Historically, all three sets of entities have been represented by Neil Lucas, Gary Sallee, and Jackson Walker, LP. In addition, in the Debtor's bankruptcy and related adversary

⁵⁹ Whitesell Deposition, *supra* n. 14, at sheet 9.

⁶⁰ Durham Deposition, *supra* n. 48, at Sheet 7.

⁶¹ See email between Durham and Whitesell and associated memoranda, *supra* n. 47

⁶² *Id.*

proceedings, the firm Carlile, Patchen and Murphy LLP represents Durham, Cochran, DCI, and Obsidian, and the firm Bingham McHale LLP represents Obsidian and DCI.⁶³

104. Obsidian's General Counsel, Sallee, is particularly notable because he regularly engaged in transactions that harmed the Fair Entities, despite being their counsel. Sallee's duties included helping Durham identify ways to replace non-performing assets so that the Debtor could survive its audit in 2005. Sallee was charged with perfecting liens in favor of Fair Entities, including liens against Obsidian, United and four Obsidian officers and directors. The Trustee, however, has found no evidence that these liens were ever filed, yet the Fair Entities appear to have regularly recorded their liens against non-insiders.

105. Sallee represented US Rubber in a transaction where a new lender was given a lien that primed the Debtor's unperfected lien without consideration. Sallee also represented the Debtor in the sale of a significant portion of its receivables portfolio. This sale did not benefit the Debtor, but rather paid off the debt incurred by FHI, Durham, and Cochran in purchasing the Debtor.

106. Sallee presently represents Durham personally in negotiations with the Trustee.

107. Sallee had an Obsidian email address and his office was located at Obsidian's offices. Sallee or his company, Playa Del Racing, received loans from the Debtor in excess of \$700,000. Upon information and belief, Sallee resided at Durham's homes for significant amounts of time.

⁶³ In the October 19 Transcript, *supra n.* 45, at page 2, Mr. Carl Aveni of Carlile, Patchen and Murphy appears on behalf of Durham, Cochran and DCI and Mr. John McCauley of Bingham McHale appears on behalf of Obsidian and DCI. At the December 14, 2010 status conference in the main case of this bankruptcy, attorney Leon Friedburg of Carlile, Patchen and Murphy, asserted that he represented DCI and Obsidian, as well as Durham and Cochran personally.

108. The accounting professionals employed by Obsidian, Durham and the Debtor also overlapped. Durham retained BGBC to do due diligence prior to the acquisitions of the Debtor and Classic, to audit the Fair Entities, and to do SEC compliance work for Obsidian. Durham retained Somerset to do audit and tax work on behalf of the Fair Entities, Obsidian and the Subsidiaries.

109. As noted earlier, the Fair Entities and Obsidian shared the same CFO. In addition, Jeff Osler and Elizabeth McClure, both of Obsidian, did Diamond's bookkeeping.

110. The owner and employees of Diamond overlapped with those of Obsidian. Terry Whitesell used the terms "Durham" and "Diamond" interchangeably and has testified that "Tim is Diamond."⁶⁴ Durham is the 100% owner of Diamond.

111. Upon information and belief, Diamond's only employee was Shannon Frantz, Durham's personal assistant, who was not on Obsidian's payroll but had an Obsidian email address and handled issues for Obsidian.

E. Durham Operated Fair Solely for the Purpose of Funding Obsidian, Diamond and other Insiders, to the Detriment of Fair and its Parent Entities.

112. The Fair Entities' decisions to lend money to Obsidian, Diamond, the Subsidiaries and their officers and directors were made without regard for the Fair Entities' own well being.

113. DCI and FHI accrued interest income significantly smaller than the interest income Fair accrued from them. This indicates that the aggregate interest rate offered by FHI and DCI to their predominantly insider borrowers was cheaper than their cost of funding from

⁶⁴ Whitesell Deposition at sheet 30.

the Debtor. Since neither entity had any significant business other than acting as a middleman on the insider loans, it would be impossible for either of them to pay back their loans. Since each company was insolvent, it could not possibly have been in Fair's best interest to lend to them.

114. The interest rate on Fair Finance's initial loan to Durham was a variable rate equal to Fair Finance's cheapest cost of funding – its six month investment certificates. Fair could not make any money off the loan, but bore the risk that Durham would default, as he has.

115. Fair Finance loaned money to Obsidian on terms that nearly guaranteed non-payment. Fair Finance consistently made significant loans to insolvent insiders that required no principal repayment until the loan matured, sometimes as long as seven years - and simply extended the maturity date when it did come due. In several cases – such as with Obsidian itself – Fair allowed the borrower to suspend even interest payments until maturity. As entities racked up ever increasing revolving loan balances because they were failing, Durham caused Fair to simply increase the borrowers' credit limits. Fair failed to demand adequate collateral for its loans, and to prevent the entities from giving other lenders senior liens. Durham also caused Fair to passively stand by while Diamond sold its collateral to fund legal fees for Obsidian.

116. Insiders, including Obsidian and Diamond, rarely made significant genuine payments on their debts to the Debtor. Durham sometimes tried to create the illusion that the

entities were paying their debts by causing them to borrow their monthly payments from Fair Finance itself, only to immediately send the money back.⁶⁵

1. Fair's Corporate Independence Was Ignored.

117. Durham ordered Obsidian employees to request transfers from Fair without regard for Fair Finance's financial condition. Obsidian's needs were prioritized over Fair's in loan transactions.

118. In February 2009, Obsidian President and board member Terry Whitesell wrote to Durham that if Obsidian continues to "drain Fair" it is "going to kill" Fair, but nonetheless recommended transferring all of Snow's salary as Obsidian's CEO to Fair because of Obsidian's cash crunch.

119. Similarly, on December 15, 2008, an Obsidian employee prefaced a demand for a cash transfer by observing: "Cash is sooo bad and I know I am killing you with the request!!!!!" but the demand was "directly from the boss man" and so Fair had to comply.

120. On September 24, 2008, an employee at Obsidian requested approximately \$175,000 in wire transfers to various entities, editorializing that: "I hate to ASK!!!! (you know I do – right???) Just following orders---- Can you confirm you have recvd the funding today and if so wire to me 177,000 today. . . ." An employee of the Debtor responded "You're killing us!!! Don't shoot the messenger...right ☺"

⁶⁵ These transactions could be considerably more complicated, but had the same effect. For instance, the money might be laundered through several other entities prior to being repaid to Fair Finance.

121. On April 14, 2008, an Obsidian employee sent a request stating “WOW-when will it get better on the investment???? I hate to even request [a wire transfer] but I must....”

122. On November 19, 2008, Obsidian’s wire request stated that “I know it is tight for you today.....BUT....Tim requested I get a wire to Obsidian Enterprises from you today for 50,000----let me know-Thanks!!!”

123. When Doug DeRose, a Vice President and Controller of the Debtor, suggested that the Debtor use excess cash to pay off a \$120,000 investment certificate which had come due, Durham instructed him to “hold the bank check till next week,” because “we need 85 [thousand dollars] at [Obsidian] today.”

124. After one of the Debtor’s employees complained that the Debtor should not wire \$12,000 out because money would be tight in the next week, Obsidian executive Jeff Osler responded that “Tim has been watching the cash and asked me to have you send the entire 12. He stated you have 225k in invests and drew 1M and you could spare the 12. Just passing the message along. Let me know when you have sent it.”

125. Durham treated Fair differently than he did independent lenders. Obsidian and its subsidiaries were allowed to continue to borrow from Fair without paying down their balances, and indeed, when their debts came due, Durham had Fair extend the maturity dates. By contrast, in December of 2008, Durham told Cochran that they should stop using their private jet service, as “it isnt good to keep racking up debt when we arent paying.”

126. An accountant at Obsidian typically reconciled insider loan balances with the maximum permitted under the notes at the end of each month. In addition to the irregularity of

allowing the borrower to keep track of whether it was complying with its own loan covenants, the notes were amended after the fact to justify any loans in excess of the maximum balances, rather than subjected to a prospective inquiry into whether increasing the loan maximum was for the Debtor's benefit.

2. The Debtor Failed to Manage Its Risks, For The Benefit of Obsidian and Diamond and to Its Own Detriment

127. The Debtor failed to manage significant business risks to maximize the benefit of its loans to Obsidian, Diamond, and other insiders.

128. The Debtor exposed itself to the risk of a maturity mismatch.⁶⁶ It offered millions upon millions of dollars in insider loans that required no payments for five or seven years, but financed those loans predominantly by borrowing for periods between six months and two years. The Debtor therefore did not have nearly enough cash to redeem all the certificates as they matured. The scheme therefore depended upon investors re-investing upon maturity rather than redeeming their certificates.⁶⁷ The income from the Debtor's factoring business was completely inadequate to repay the investors as their debts came due.

129. Even taking Fair's final tally of its equity at its face value of \$22,000,000 in October 2009, Fair's debt-to-equity ratio had more than doubled from 4:1 to 10:1 over Durham's

⁶⁶ This is similar to what is colloquially called a "bank run," where a bank that is solvent according to its balance sheet can nonetheless fail if depositors withdraw their funds at the same time. This is because the bank cannot call its long-term obligations, like mortgage loans that are not yet due. The Debtor, of course, did not take any of the myriad precautions that an actual bank would have taken, such as requiring interest and principal payments from borrowers before maturity to limit losses, holding a significant capital reserve and limiting the concentrations of its loans.

⁶⁷ For instance, of the \$207 million outstanding as of September 2009, approximately \$100 million was in certificates no longer than 18 months, and an additional \$85 million was in 24 month certificates.

tenure with Fair. In reality, Fair's ratio was infinite, as it was borrowing despite having been insolvent for years.

130. It was detrimental to Fair to continue to borrow money to fund additional failing loans. Yet Fair continued to do so for the benefit of Obsidian and Diamond.

131. The Debtor routinely violated its own stated criteria for determining whether to make the insider loans.

132. The Debtor continued to make insider loans despite being completely illiquid cash itself. Durham's bleeding of the Debtor was so extreme that at the time of the Trustee's appointment, the Debtor had approximately one-tenth of one cent in liquid assets for every dollar in unsecured debt.

3. The Debtor Risked Criminal Liability in Order to Benefit Obsidian/Diamond

133. The Debtor misled investors and the Division of Securities in order to secure a steady stream of income for Obsidian and Diamond. Risking criminal liability was not in the Debtor's best interest.

134. Ohio law prohibits the sale of securities in an insolvent entity, based on whether the fair market value of its assets is larger than its debts, without specifically notifying investors that the entity is insolvent.⁶⁸ No later than 2005, the Debtor was insolvent and its principals knew this.

⁶⁸ See O.R.C. 1707.41(D); O.R.C. 1707.41.

135. In 2005, Somerset had determined that the Debtor needed to increase its loan loss reserve by \$22 million because the insider loans it made were not performing and had insufficient collateral. If the Debtor's books and records are adjusted to remove fictitious income created by improperly accruing interest on nonperforming loans, by the end of 2005, FHI and the Debtor were insolvent on a combined basis by at least \$50 million.

136. The Debtor may have been insolvent from the time it was purchased by Timothy Durham, because the leveraged buyout cost the Debtor in excess of \$20 million.⁶⁹

137. The Debtor never represented to investors that it was insolvent.

138. Ohio law prohibits soliciting the sale of securities through offering circulars that mislead either by including false information or failing to include material information. Offerors are required to immediately amend their offering circulars to ensure they are not misleading if there is a change in circumstance. Durham failed to disclose material information, including the following:

- (1) Durham operated the Debtor as part of a Ponzi scheme. Durham admitted to Fair's attorney in 2008 that between 89% and 93% of new investor funds were "used to repay expiring certificates[.]" Fair's attorney replied that "I am not comfortable characterizing the sales as selling certificates to pay off old certificates. Such a characterization would not be much different than a pyramid scheme."⁷⁰
- (2) The Debtor's insider loans were unlikely to be paid;

⁶⁹ Debtor's tangible assets were smaller than its liabilities after the company was purchased in a leveraged buyout., and it was insolvent if not given credit for goodwill. Given that Durham did not intend to operate the company for profit, but intended to completely loot it, it is unclear to what extent Debtor should have been permitted to treat goodwill as an asset.

⁷⁰ See the email attached as **Exhibit 37**, at pp. 1.

- (3) Many of the Debtor's borrowers had received letters from their auditors questioning their ability to continue as going concerns;
- (4) The Debtor's auditors had questioned whether the Debtor's conduct would comport with fiduciary duties owed to its creditors;
- (5) The Debtor's auditors had concerns that the Debtor may have been making loans to entities that were already insolvent;
- (6) The Debtor's insider loans were dramatically under-collateralized;
- (7) The Debtor's financial statements assumed Timothy Durham could pay for millions of dollars in personal, assumed, and guaranteed loans, even though he was behind on his house payments, defaulted on at least one guarantee in early 2009 because he was "illiquid," and stated that his credit score was probably lower than Cochran's 510;
- (8) Maturities on insider loans had been repeatedly extended, and would be extended further when it became clear the entity could not repay the loan;
- (9) Credit maximums on insider loans had been repeatedly increased after the borrower exceeded them;
- (10) The Debtor's loan loss reserve was dramatically smaller than that recommended by its auditors;
- (11) The Debtor's auditors had determined in 2006 that the Debtor's method of presenting its financial statements was materially misleading,
- (12) The Debtor's own auditors had determined it was not a going concern in 2006,
- (13) The allegedly non-related party loan to Daniel Laikin, listed as in excess of \$20 million, was to an Obsidian and former Fair Finance director.

139. The Debtor's financial statements were manipulated to be misleading. The worst performing, and most suspicious, loans were held at DCI, and not included in the Debtor's disclosures unless and until the Debtor needed additional assets for its application to the Ohio Division of Securities. For instance, loans to individual insiders were often made through DCI – including debts in excess of \$10 million each to Durham, Cochran, and Laikin. Debtor's disclosures were misleading without the consolidation of DCI and Obsidian under applicable Financial Accounting Standards Board rules.

140. The Fair Entities' income was drastically overstated by improperly accruing interest income.

141. Despite having been warned by the Debtor's auditors no later than 2005 to stop accruing interest on the related party loans, in an email in 2008, Rick Snow suggests increasing the interest rates on various insider loans to increase the amount of fictitious income the Debtor could report because "we need additional interest income in Fair to offset our increase (sic) borrowing rates."

142. The Debtor's books were misleading because they did not create a large enough reserve for underperforming loans (a "**Loan Loss Reserve.**") The Debtor's inadequate Loan Loss Reserve overvalued the Debtor by overestimating how much its loans were worth.

143. During Somerset's attempted fiscal year 2005 audit of the Debtor and FHI, the auditors found that FHI's Loan Loss Reserve was \$22 million too small. Erin Beesley at Obsidian did an analysis more favorable to FHI, showing that the reserve was short by \$9 million. FHI's consolidated balance sheet for September 30, 2005, included a total loan loss reserve of only \$4.7 million against related party loans of approximately \$80 million. After four years of Obsidian and other insiders continuing to flounder, Durham submitted documents to the Ohio Division of Securities in 2009 claiming a Loan Loss Reserve of only \$2.2 million, despite the related-party loans having ballooned to in excess of \$220 million.

144. It was not in the Debtor's own interest to risk liability for misleading information in its offering circulars in order to make investments that were all but guaranteed to be unprofitable. It was, however, in the interest of Diamond, Obsidian, the Subsidiaries, Durham

and other insiders to have the Debtor risk liability and to provide as much cash to them as possible.

VII. COUNT ONE – SUBSTANTIVE CONSOLIDATION
OBSIDIAN AND DIAMOND

145. The facts set forth in the preceding paragraphs are hereby incorporated by reference.

146. The Debtor, Obsidian, and Diamond all were participants in a unified financial fraud.

147. It would be difficult, or nearly impossible, to disentangle the assets and liabilities of the Debtor, Obsidian and Diamond.

148. The Debtor, Obsidian and Diamond did not issue consolidated financial statements to outsiders even though it was mandated by generally accepted accounting principals.

149. Consolidating the administration of the assets of Obsidian, Diamond and the Debtor in one location would be beneficial to creditors of all three entities.

150. The assets of the Debtor, Diamond and Obsidian were commingled and treated as a single pool of assets that Durham moved around at will.

151. The business functions of the Debtor, Diamond and Obsidian were commingled.

152. Employees of Obsidian handled the accounting for related-party loans among the Debtor, Diamond and Obsidian.

153. The Debtor, Diamond and Obsidian had largely united interests and ownership.

154. The Fair Entities guaranteed loans to Obsidian's Subsidiaries, effectively guaranteed loans to Obsidian, the Subsidiaries, and Diamond by providing the money to pay those entities' debts, and otherwise placed their assets at risk for the benefit of Obsidian and Diamond.

155. The officers, directors and owners of the Fair Entities, Diamond and Obsidian overlapped.

156. Assets were transferred between Fair Entities, Diamond, and Obsidian and its Subsidiaries without regard for corporate formalities.

157. The Fair Entities, Diamond, and Obsidian mutually disregarded their legal separateness.

158. Creditors of the Fair Entities, Diamond, and Obsidian did not rely on their corporate separateness in extending credit.

159. Neither Obsidian nor Diamond could have operated without relying upon the Debtor's assets.

160. The creditors of Obsidian and Diamond were paid with money misappropriated from the Debtor.

161. The Debtor was dominated and controlled for the benefit of Obsidian and Diamond.

162. There is a substantial identity between the Debtor, Diamond and Obsidian.

163. Substantive consolidation of both Defendants would benefit the creditors of both the Debtor and of Defendants.

164. The Debtor is by far the largest creditor of Diamond and Obsidian, and is secured as to essentially all the assets of both entities.

165. Upon information and belief, the balance due on loans to each Defendant greatly exceeds the value of Defendant's assets.

166. Assets were transferred from the Debtor to Obsidian and Diamond, without regard for corporate formalities.

167. The insider loans to Obsidian, Diamond and the Subsidiaries were made on terms that no prudent lender would offer, leading the Debtor's auditors to believe the loans were really distributions to Durham.

168. Consolidation of Obsidian and the Debtor would allow assets to be efficiently administered by minimizing litigation over the multitudinous inter-corporate liabilities.

169. Creditors of the Debtor, Diamond, and Obsidian relied upon the assets of all three entities in extending credit to any of those entities

170. The benefits of consolidation to the creditors of both entities outweigh the harms.

171. Obsidian is effectively defunct. It left its offices at 111 Monument Circle in Indianapolis because it could not pay its rent. Counsel for Obsidian has admitted to this Court that only one of Obsidian's subsidiaries is operating.

172. Substantive consolidation would not prejudice creditors of either the Debtor or Defendants. The Debtor's creditors will not be significantly diluted, as they hold in excess of \$200M in unsecured claims and Obsidian and Diamond do not appear to have debts of more than approximately \$2 million to entities other than the Debtor, and much of that is to insiders, whose claims would be subject to offset. The Defendants' creditors likewise would suffer no harm, because Obsidian has no assets available for recovery by any creditor other than the Debtor. In fact, they will likely benefit by sharing in any possible distribution from the Debtor.

173. Creditors of the Debtor and both defendants would benefit from substantive consolidation.

174. Consolidation would save administrative costs by enabling the Trustee to directly pursue transfers made by Obsidian or Diamond in this court.

175. In addition, substantive consolidation would eliminate the need to continue against Obsidian in pending litigation and centralize any state court claims against Obsidian in this proceeding.

176. Substantive consolidation also would prevent expensive and time consuming document-by-document determinations of privilege, and facilitate Trustee's review and investigation.

177. The Trustee can conceive of no valid purpose for Obsidian or its creditors to oppose this Complaint. Obsidian is a defunct company which is subject to Plaintiff's secured liens worth many times the fair value of its assets.

VIII. COUNT TWO – ANTICIPATORY REPUDIATION OF CONTRACT

OBSIDIAN

178. The facts set forth in the preceding paragraphs are hereby incorporated by reference.

179. Obsidian and FHI entered into a contract dated January 9, 2002, most recently amended December 30, 2006, whereby FHI provided Obsidian with a loan (the “**Obsidian Loan**”) which comes due in January 2012.⁷¹

180. Under this Court’s *Order Approving Compromise Between the Trustee, Fair Holdings, Inc., and DC Investments, LLC* (Docket No. 188), the Debtor succeeded to all of FHI’s right, title and interest in the Obsidian Loan.

181. FHI fully performed under the Obsidian Loan. Obsidian’s CEO admitted in a sworn filing to the Ohio Division of Securities that the outstanding balance of the loan was \$29,861,710 as of September 30, 2009.

182. Upon information and belief, due to events occurring since the last amendment to the Obsidian Loan, Obsidian does not and will not have the money to repay the Obsidian Loan when it comes due.

183. Upon information and belief, all of Obsidian’s Subsidiaries except for United have closed.

⁷¹ The Obsidian Loan and its most recent amendment are attached as **Exhibit 38**.

184. Due to United's long history of losses and meager profits, it will be unable to produce the funds Obsidian owes to the Trustee by the maturity date.

185. Obsidian vacated its headquarters because it could not pay its rent.

186. Obsidian has been raided by the Federal Bureau of Investigation regarding potential violations of federal law.

187. On January 26, 2011, the Trustee demanded that Obsidian provide adequate assurance that it is able, or will be able, to pay its obligation to the Trustee. Obsidian did not reply to the demand letter.

188. Obsidian repudiated its loan agreement with the Trustee by failing to provide the Trustee with adequate assurance of its ability to meet its contractual obligations.

189. Obsidian's repudiation constitutes a breach of the Obsidian Loan agreement.

190. Obsidian's breach damaged the Trustee in an amount to be proven at trial, but no less than \$29,861,710, plus interest from September 2009.

IX. COUNT THREE – BREACH OF CONTRACT

DIAMOND

191. The facts set forth in the preceding paragraphs are hereby incorporated by reference.

192. Diamond entered into a Floor Plan and Security Agreement with FHI, dated December 15, 2004. Under the Floor Plan and Security Agreement, FHI would lend funds to

Diamond to purchase a vehicle, and Diamond would issue FHI a promissory note and a lien upon the vehicle (taken as a whole, the “**Diamond Loan**”).⁷²

193. The Diamond Loan agreements were assigned to the Debtor prior to the Petition Date.

194. Diamond’s sole shareholder filed documents with the Ohio Division of Securities admitting under oath that Diamond owed the Debtor \$9,369,733 under the Diamond Loan.

195. FHI and the Debtor fully performed under the Diamond Loan.

196. Diamond has breached the Diamond Loan agreements by, among other things, failing to repay the promissory notes as they came due.

197. Diamond sold vehicles that were subject to the Debtor’s liens without remitting the proceeds to the Debtor and without otherwise satisfying its obligations for the purchase of those vehicles. Diamond used these funds, despite the Debtor’s continuing lien on the proceeds of the sales, to pay legal fees for Obsidian, Durham personally, Cochran personally and various Subsidiaries.

198. Diamond sold vehicles for less than the debt on those vehicles without the prior written consent of the Debtor.

199. The promissory notes from Diamond to FHI contain cross-default and acceleration clauses. Therefore, the entire amount owing to the Trustee is immediately due and payable.

⁷² The Diamond Loan Floor Plan Agreement, Trust Receipt Forms and Promissory Notes are attached as **Exhibit 39**.

200. The Trustee has mitigated his damages by auctioning the vehicles which had not yet been sold.

201. The Trustee has been damaged in an amount to be proven at trial, but no less than \$9,369,733, plus interest, court costs and attorneys fees, less any appropriate reduction of proceeds of the sale of the remaining vehicles.

X. COUNT FOUR - UNJUST ENRICHMENT
OBSIDIAN AND DIAMOND

202. The facts set forth in the preceding paragraphs are hereby incorporated by reference.

203. Durham misappropriated the Debtor's funds and provided them to entities he owned or controlled, including Obsidian and Diamond.

204. Obsidian and Diamond were aware that they received the Debtor's funds and benefitted from those funds.

205. Obsidian and Diamond were aware that Durham had misappropriated the Debtor's funds.

206. It would be unjust for Obsidian and Diamond to retain the benefit of the Debtor's misappropriated funds.

207. Diamond and Obsidian have therefore damaged the Trustee in an amount to be proven at trial, but no less than the outstanding balance of funds they received from the Debtor, plus interest, court costs and attorneys' fees.

WHEREFORE, the Trustee respectfully requests the entry of an order:

- (a) Substantively consolidating the assets and liabilities of Obsidian and Diamond into the Debtor's bankruptcy estate;
- (b) Conditioning substantive consolidation as appropriate to maximize the value and promote the efficient administration of the consolidated estate;
- (c) Granting the Trustee judgment on his claim against Obsidian for anticipatory repudiation in an amount to be proven at trial, but no less than \$29,861,710.00;
- (d) Granting the Trustee judgment on his claim for breach of contract against Diamond in an amount to be proven at trial, but no less than \$9,369,733.00;
- (e) Granting the Trustee judgment on his claims for unjust enrichment against Obsidian and Diamond in an amount to be proven at trial, but no less than the outstanding balance of the funds that each Defendant received from the Debtor;
- (f) Granting the Trustee pre-judgment and post-judgment interest as permitted by law, and the Trustee's attorneys' fees and the costs of this action; and
- (g) Granting such other and further relief as is appropriate under the circumstances.

Date: February 14, 2011

Respectfully submitted,

/s/ Joseph M. Esmont

Brian A. Bash, Trustee (0000134)

Kelly S. Burgan (0073649)

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Counsel for the Trustee

EXHIBIT 1

**Offering Circular
Clean Copy
Filed 11/24/2009
File #493422**



FAIR FINANCIAL
Since 1934

OFFERING CIRCULAR

RECEIVED

NOV 24 2009

OHIO DIVISION
SECURITIES

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OFFERING CIRCULAR
FAIR FINANCIAL SERVICES
815 East Market Street
Akron, Ohio 44305

State of Incorporation – Ohio
Date of Incorporation – 01/31/40

Offering:

An Aggregate of \$250,000,000

Series V-6 Variable Rate 6-Month Subordinated Investment Certificates
Series V-12 Variable Rate 12-Month Subordinated Investment Certificates
Series V-18 Variable Rate 18-Month Subordinated Investment Certificates
Series V-24 Variable Rate 24-Month Subordinated Investment Certificates

THIS OFFERING IS MADE ONLY BY OFFERING CIRCULAR TO BONA FIDE RESIDENTS OF OHIO WHO AGREE TO PURCHASE THE SECURITIES OFFERED HEREBY NOT WITH A VIEW TO RESALE OR OTHER TRANSFER TO NON-RESIDENTS OF OHIO.

THESE CERTIFICATES ARE SUBORDINATED IN RIGHT OF PAYMENT TO ALL PRESENT AND FUTURE SENIOR INDEBTEDNESS. SUCH SENIOR INDEBTEDNESS, IF ANY, AS OF SEPTEMBER 30, 2009 IS SHOWN IN THE EXHIBIT CAPTIONED "SENIOR DEBT" ON PAGE 18 OF THIS CIRCULAR.

THE OHIO DIVISION OF SECURITIES BY ACCEPTING THIS REGISTRATION DOES NEITHER APPROVE NOR DISAPPROVE THESE OR ANY OTHER SECURITIES FOR INVESTMENT NOR DOES IT PASS UPON THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING CIRCULAR. THIS OFFERING HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) BECAUSE IT IS DEEMED THAT THIS ISSUE IS EXEMPT PURSUANT TO EXEMPTION FROM REGISTRATION WITH THE SEC, UNDER SECTION 3(a)(11) OF THE SECURITIES ACT OF 1933.

SEE "RISK FACTORS" ON PAGE 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE CERTIFICATES OFFERED HEREBY.

	PRICE TO PUBLIC	UNDER- WRITING DISCOUNTS OR COMMISSIONS	PROCEEDS TO COMPANY
Per Certificate	(3) \$0.01	(1) None	(2) 100%

- (1) Certificates will be sold directly by officers of the Company without services of an underwriter at no commission.
- (2) Less expenses incurred in connection with the offering not to exceed 3% of total Certificates actually sold.
- (3) Certificates will be sold for a minimum initial investment of \$1,000. The Company has established a maximum investment that it will accept as set forth on page 15.

The date of this Offering Circular is _____

THIS OFFERING IS BEING CONDUCTED BY THE ISSUER

OFFERING CIRCULAR

**FAIR FINANCE COMPANY dba FAIR FINANCIAL SERVICES
AN OHIO CORPORATION**

\$250,000,000

AGGREGATE AMOUNT

SERIES V-6 VARIABLE RATE SIX-MONTH SUBORDINATED INVESTMENT CERTIFICATE DUE SIX MONTHS FROM THE DATE OF PURCHASE. AVAILABLE IN MULTIPLES OF \$0.01 WITH A MINIMUM OF \$1,000 REQUIRED. THE APPLICABLE INTEREST RATE SHALL BE ESTABLISHED ON THE DATE OF SALE, AND SHALL BE BASED UPON THE ADVERTISED RATE AS DETERMINED BY AND UPON APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS.

SERIES V-12 VARIABLE RATE TWELVE-MONTH SUBORDINATED INVESTMENT CERTIFICATE DUE TWELVE MONTHS FROM THE DATE OF PURCHASE. AVAILABLE IN MULTIPLES OF \$0.01 WITH A MINIMUM OF \$1,000 REQUIRED. THE APPLICABLE INTEREST RATE SHALL BE ESTABLISHED ON THE DATE OF SALE, AND SHALL BE BASED UPON THE ADVERTISED RATE AS DETERMINED BY AND UPON APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS.

Page 2

SERIES V-18 VARIABLE RATE EIGHTEEN-MONTH SUBORDINATED INVESTMENT CERTIFICATE DUE EIGHTEEN MONTHS FROM THE DATE OF PURCHASE. AVAILABLE IN MULTIPLES OF \$0.01 WITH A MINIMUM OF \$1,000 REQUIRED. THE APPLICABLE INTEREST RATE SHALL BE ESTABLISHED ON THE DATE OF SALE, AND SHALL BE BASED UPON THE ADVERTISED RATE AS DETERMINED BY AND UPON APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS.

SERIES V-24 VARIABLE RATE TWENTY-FOUR MONTH SUBORDINATED INVESTMENT CERTIFICATE DUE TWENTY-FOUR MONTHS FROM THE DATE OF PURCHASE. AVAILABLE IN MULTIPLES OF \$0.01 WITH A MINIMUM OF \$1,000 REQUIRED. THE APPLICABLE INTEREST RATE SHALL BE ESTABLISHED ON THE DATE OF SALE, AND SHALL BE BASED UPON THE ADVERTISED RATE AS DETERMINED BY AND UPON APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS.

THE COMPANY RESERVES THE RIGHT TO REFUSE ANY SUBSCRIPTION THAT WOULD RESULT IN ANY INDIVIDUAL (AS DEFINED BY THIS OFFERING) HOLDING IN EXCESS OF \$200,000 OF ANY SERIES OF THE COMPANY'S VARIABLE RATE CERTIFICATES. MANAGEMENT MUST SPECIFICALLY APPROVE ANY INVESTMENT BY AN INDIVIDUAL THAT EXCEEDS A TOTAL OF \$200,000.

REDEMPTION SHALL BE MADE AT MATURITY EXCEPT IN THE EVENT OF DEATH OF THE OWNER. FAIR RESERVES THE RIGHT TO PERMIT REDEMPTION PRIOR TO MATURITY FOR OTHER REASONS; HOWEVER, SUCH REDEMPTIONS MAY BE SUBJECT TO AN ADJUSTMENT TO THE INTEREST EARNED TO THE DATE OF THE REDEMPTION.

IN THE EVENT OF THE DEATH OF THE REGISTERED OWNER OR ANY JOINT OWNER, AT THE WRITTEN REQUEST OF THE DECEASED'S FIDUCIARY OR OF THE PARTY ENTITLED TO RECEIVE THE PROCEEDS OF THIS CERTIFICATE, WHICH REQUEST IS MADE NOT LATER THAN 120 DAYS AFTER THE DATE OF DEATH OF THE REGISTERED OWNER OF THIS CERTIFICATE OR ANY JOINT OWNER, FAIR SHALL PAY THE PRINCIPAL AMOUNT OF THE CERTIFICATE TOGETHER WITH INTEREST TO DATE OF PAYMENT.

FAIR SHALL HAVE THE RIGHT TO LIMIT THE AMOUNT OF AGGREGATE PAYMENTS TO INVESTORS ON ITS INVESTMENT CERTIFICATES IN ANY ONE CALENDAR MONTH TO AN AMOUNT NOT EXCEEDING 10% OF ITS NET CASH COLLECTIONS OF THE PREVIOUS CALENDAR MONTH, AND ALL SUBJECT, MOREOVER, TO THE PRIOR PAYMENT OF SENIOR INDEBTEDNESS. IN THE EVENT THAT ANY SUCH LIMITATIONS ARE APPLIED OR INVOKED BY FAIR, FULL PAYMENT OF ANY MATURED CERTIFICATE, NOT MADE BY VIRTUE OF SUCH LIMITATIONS, SHALL BE MADE NOT LATER THAN 60 DAYS FROM THE DATE OF MATURITY OF THE CERTIFICATE IN THE ORDER THAT WRITTEN REQUEST FOR PAYMENT SHALL HAVE BEEN RECEIVED BY FAIR.

The date of this Offering Circular is _____.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of the Securities and Exchange Act of 1934. These statements are based upon Management's belief and assumptions and on information currently available to Management. Forward-looking statements include the information concerning possible or assumed future results of operation of Fair. Forward-looking statements include statements in which the words such as "expect", "anticipate", "intend", "plan", "believe", "estimate", "consider", or similar expressions are used. Forward-looking statements are not guarantees of future performance. They involve risk, uncertainties and assumptions. Fair's future results may differ materially from those expressed in the forward-looking statements. Readers are cautioned not to put undo reliance on any forward-looking statement.

The forward-looking statements contained in this Offering Circular specifically relate to the intention of Fair Finance Company to expand its current portfolio and the pending plans of Fair Finance Company to establish a new division, known as Fair Communications.

FAIR FINANCIAL SERVICES

Fair Financial Services, a registered trade name of Fair Finance Company ("Fair"), is headquartered in Akron, Ohio, and has nine branch offices located in Akron, Canton, Cuyahoga Falls, Medina, Wooster, Wadsworth, Ashland and Millersburg, Ohio. It was founded in 1934 by Arthur Ray Fair. Originally, Fair specialized in providing dealers and merchants with sales financing services thus, enabling them to provide a time payment plan for their customers. Later, Fair also engaged in making personal and second mortgage loans to customers who would arrange for their loans directly in one of Fair's branch offices. By 1980, increased competition from many sources, together with restrictive government regulations and a changing economy, caused management to cease the personal and second mortgage loan activity and to concentrate on increasing the sales finance activity of the Company.

Today, Fair continues to engage in providing consumer financing services through purchasing and servicing of customer contracts from a variety of businesses wishing to provide financing for their customers. Additionally, Fair now engages in providing business and personal financing through the purchasing of loans from its parent company, Fair Holdings, Inc. and other business and personal loan origination companies.

In its consumer receivable division, through the purchase of modest balance, short-term contracts, with an average balance of \$1,740 averaging approximately 18 months to maturity, Fair's portfolio consists of approximately 17,948 accounts. The majority of Fair's consumer finance receivable portfolio has been sold to its wholly owned subsidiary, Fair Facility One, LLC in conjunction with a loan agreement with Fortress Credit Corp., as more fully set forth below. Fair's portfolio has reduced significantly over the past 21 months. A portion of this reduction is related to a bulk sale of 3,092 accounts to CLST Asset III, LLC. The reduction in the number of accounts held by Fair is the result of Management's desire to slow the purchase of additional accounts, during the latest economic downturn and to conserve available cash for redemptions and payment of interest on Fair's investment certificates. Fair intends to resume the purchase of accounts, on an accelerated basis as quickly as economic conditions permit.

Fair focuses its purchases on moderate amount, short term obligations in order to minimize the effect of defaults

on its portfolio. Over the years, Fair has developed its own criteria to evaluate the creditworthiness of potential customers in order to determine eligibility for the purchase of their contract. Prior to purchasing a contract, Fair's employees review the customer credit application, do employment verifications and obtain personal credit bureau reports of the customer. This information is utilized to determine the probability of the individual customer repaying the installment obligation in full. In some instances, if the individual's credit worthiness is not deemed to be sufficient, Fair will agree to provide collection services to its dealer for that customer and reconsider the purchase of the contract at a future date, based upon the customer's actual payment history with Fair. The criteria established by Fair to evaluate the credit worthiness of an individual customer is also based upon the nature of the purchase made by the customer. Fair's management has, through experience, established specific guidelines with regard to the various industries that it services and utilizes these guidelines in making its purchasing decisions.

In order to expedite the processing of contracts, Fair has developed proprietary software that can be accessed by its dealers, in order for the dealer to have a preliminary indication as to the credit worthiness of the specific customer. This prescreening procedure eliminates individuals who would not meet minimum standards for Fair to consider and reduces the number of contracts that must be manually reviewed. Thereafter, Fair's employees commence the review process based upon its predetermined standards. The entities providing the goods or services being financed sign a Dealer Agreement with Fair. These Agreements vary in terms regarding the dealer's obligations when a customer contract becomes delinquent. Many Agreements provide that any funds advanced to a dealer on a contract must be refunded by the dealer in the event that the customer fails to make the first payment or, in some cases, the first three payments on the contract.

The Dealer Agreement varies among industries and may specify loss reserve percentages to be held from each contract purchased. In the event that the Dealer Agreement provides for a loss reserve, the Dealer agrees to repay Fair for any defaulted contract from the loss reserve proceeds and Fair will return the contract to that dealer. As of September 30, 2009, Fair holds a dealer loss reserve of \$1,094,000. In situations where the contract does not provide for a dealer loss reserve, Fair maintains internal loss reserves for all other contracts. Through its years of experience, Fair has identified the expected percentage

of defaults it will experience with respect to the 18 different industries that it services. Based upon these figures, Fair maintains its internal loss reserve for defaulted contracts in each of the industries. The Officers of the Company review the financial figures on a monthly basis and determine the adequacy of the loss reserves each month.

Fair also offers servicing for accounts the dealer does not wish to sell. The servicing plan provides Fair with additional revenue by retaining a percentage of collected amounts as a fee. In addition, when Fair purchases contracts from a dealer, Fair may elect to maintain a security interest in contracts being serviced as additional collateral for the repayment of delinquent contracts that have been purchased from a dealer. The servicing plan provides additional revenue to Fair without the need to expend additional capital. Management plans continued expansion in this highly specialized niche of the consumer credit market and to remain a leader in providing short-term consumer financing of goods and services.

In addition to providing consumer financing services, Fair also provides funding to its parent Company, Fair Holdings, Inc., an Ohio Corporation, under the terms of a certain Promissory Note as amended dated January 8, 2002 (the "Line of Credit"). The Line of Credit allows Fair Holdings, Inc. to obtain periodic loans from Fair, not to exceed a total outstanding principal amount at any time of more than \$130,000,000. The maximum amount available on this note is being reduced to \$80,000,000. The majority of these funds were loaned to affiliates of Fair Holdings, Inc. As of October 31, 2009, the net principal balance including unpaid interest of the loans made by Fair to Fair Holdings, Inc. was approximately \$74,653,433. Loans made by Fair to Fair Holdings, Inc. under the Line of Credit accrue interest at a rate equal to the rate paid by Fair on the V-24 Certificates, plus one percent (1%). The Line of Credit expires on January 8, 2012 at which time the entire balance of principal and interest is then required to be paid by Fair Holdings, Inc. to Fair. Over the past several years, Fair Holdings, Inc. has reduced the outstanding balance on the line of credit. This reduction in the line of credit was accomplished by Fair Holdings, Inc. selling certain business and personal loans receivables held by it to Fair. As part of the sale, Fair received an assignment of the security agreements that collateralized these loans. The collateral backing these loans are the operating assets of the debtor. Some of the loans are guaranteed by the shareholders

of the debtor. The interest rate on the loans assigned to Fair by Fair Holdings, Inc. vary with each loan (see the notes accompanying the financial statements attached).

The loans made by Fair Holdings, Inc. have been used to finance commercial loans for equipment, working capital lines of credit, real estate and other small equipment capital leases. These loans are directed at markets not serviced by Fair and create additional opportunities for growth. Over the past several years, Fair Holdings has been engaged in the personal and business loan origination business. Fair has purchased several of these business loans from Fair Holdings. Fair is continuing to purchase these business loans from Fair Holdings and potentially other personal and business loan origination companies.

Fair Holdings has utilized the guidelines set forth below to make its investment decisions. Fair also uses the same guidelines in determining to purchase any loans from Fair Holdings or any outside loan originator.

The following guidelines represent the factors that Fair uses to determine whether to make or purchase a loan to any particular customer. In order to underwrite a loan to any particular customer, Fair would complete the following analysis:

1. Conduct a review of the historical financial statements to determine the likelihood that past cash flows (Earnings before interest, taxes and depreciation/amortization (EBITDA)) will be continuing and whether they would be sufficient to service the interest payments due on the loan. In the event the loan is a term loan, Fair would determine whether the EBITDA would be sufficient to amortize the principal over a set period of time and service the interest due at the same time. If the term loan is for the purchase of new equipment, Fair would determine if projections of future cash flows from such new equipment would be sufficient to satisfy the principal repayment and interest.
2. Conduct a collateral analysis which may include an independent appraisal of the fair market value of the assets to insure proper collateral coverage (normally a minimum of 120% of the loan amount). The assets Fair analyze include the inventory, the accounts receivables, the fixed assets, including land, buildings and equipment, and any other assets the entity may have.
3. Review the balance sheet for potential liabilities that could affect or supersede Fair's position. These may include unpaid taxes, accrued wages, unfunded pension or 401K matches, extended trade payables. Fair also searches for any potential, pending or finalized litigation and/or judgments.
4. Review the account receivable aging to determine potential bad debts. Fair also determines customer concentration issues to evaluate whether the entity has too much risk dependence upon any particular customers.
5. Conduct an inventory analysis to determine if there are adequate inventory turns to identify any potential obsolescence.
6. When possible, compare the entity's financial metrics to industry's normal to determine if they are better or worse performing than their peers.
7. Perform an industry analysis to determine potential threats to the entity's business including identified and potential competitors, technology that may obsolete the business, market conditions that could erode the marketplace, competitive advantages the entity may or may not have, whether there are any real or perceived barriers of entry to the business, and whether the location of the entity provides any benefits or hardships to the business, such as location to customers, vendors and climate conditions that may affect output.
8. Conduct interviews with ownership and/or management to evaluate the experience of the management team at that business and with other business before they may have joined that entity. Fair analyzes whether the team has the adequate skills to perform the operations of the business and the competence to survive challenging situations. Fair examines the succession plans that may be in place and, if not in place, determine if an acceptable plan can be developed. In this regard Fair makes a determination whether it would require any "Key Man" life insurance.
9. Review the entity prepared financial projections (if completed) and prepare our own projections to determine if future performance may be at a minimum consistent with past performance. In the event of a non mature business, Fair would analyze and stress test several scenarios of best and worst case financial modeling possibilities to determine financial problems that may arise.

10. Determine strength of any guarantors (these are criteria we also use in determining personal loans) including personal financial statements and credit checks. Fair analyzes the personal assets of the guarantor and conduct appraisals where needed of tangible assets. Fair may also perform an evaluation of the potential value of the guarantor's investments and any potential earnings stream from such assets and/or investments. Fair also performs interviews of relatives and friends of the guarantor to determine their integrity.

The criteria outlined herein are similar in nature to the analysis that a standard bank may use, except that Fair relies more heavily on the asset value of the borrower in deciding whether to lend. In a scenario when Fair would be forced to foreclose on the loan, Fair desires a secured position on all the assets to minimize our potential downside. In this regard Fair is more similar to a traditional asset based lender. However Fair also does consider enterprise valuation as an indicator of sufficient loan coverage in some circumstances.

Additionally, Fair has made loans to entities that it or its owners may have either ownership or effective control of the entity through voting arrangements. Under these scenarios, Fair then has effective control over strategic direction, capital expenditures, acquisition of additional companies by the entity, expansion or contraction plans, use of capital, and, among other items, disposition of any assets, including the direction of the potential complete liquidation of assets. In these circumstances, Fair seeks the approval of majority of the disinterested members of its Board of Directors.

Currently, the majority of business loans owned and managed by Fair are concentrated in long standing basic industry businesses such as cargo trailer construction, butyl rubber reclaim, motion picture and television, magazine publishing, transportation, automotive retail sales, and a variety of other similar industries.

Fair Holdings, Inc. has made loans to its parent Company, DC Investments, LLC, an Indiana limited liability company, and to other entities owned by DC Investments, LLC. Similarly, DC Investments, LLC has used the proceeds of the loans made to it by Fair Holdings, Inc. to make loans to unrelated and related businesses and entities of DC Investments, LLC. A portion of the loans made to DC Investments, LLC (being reduced to a combined maximum of \$25,000,000) are made to Mr. Timothy Durham and Mr. James Cochran, who are officers and directors of Fair under lines of credit agreements through January 1, 2010 respectively. The proceeds of these loans are utilized to provide funds to certain related and non-related entities that may not have sufficient collateral to maintain a loan in its own name or assumed personally to bolster the collateral which has resulted in higher personal loan balances. The loans were made to the aforementioned members to provide greater security to Fair than if they were made to the individual entities. Further, Mr. Durham and Cochran have assumed certain related and non-related loans that had become nonperforming. These loans are secured through publicly and privately traded securities, equipment, real estate and other personally held assets of Durham and Cochran. Upon renewal, in 2010 this loan will require monthly reductions of principal.

As of October 1, 2009, Fair purchased certain the loan from Fair Holdings which had been purchased from DC Investments eliminating the inter-company balance between Fair Holdings and DC Investments and reducing the balance between Fair Holdings and Fair by approximately \$85,879,768 bringing the current balance of the inter-company loan between Fair and Fair Holdings to approximately \$74,653,433. Fair anticipates that this outstanding balance between Fair and Fair Holdings will be further reduced by approximately another \$30,000,000 in the coming year as certain remaining loans are liquidated at Fair Holdings.

These purchases will provide potential investors in Fair with greater clarity of the underlying loans that have previously been made by Fair, Fair Holdings, and DC Investments. Furthermore, Fair will obtain, through these transactions, greater control and access to the cash flows and collateral of these loans.

Fair is currently planning, within the next 60 days, to establish a new division. It will be known as Fair Communications; will be a call center, representing third-party companies. Initially, Fair intends to utilize excess space and equipment already utilized by Fair in its business for collecting accounts. Fair has already secured contracts with two companies who will utilize the call center. In the event Fair is able to secure a large vender, it will take steps to expand into a space suitable to meet its contractual obligations. One contract will commence in December, 2009 and the other contract is scheduled to begin in April, 2010.

In 2002, Fair Finance Company was purchased from the Fair family by Fair Holdings, Inc., an Ohio corporation. In conjunction with this transaction, Fair Holdings, Inc. executed a promissory note in favor of Mr. Donald R. Fair and established a line of credit with Textron Financial Corp ("Textron"). This line of credit was refinanced in January 2004, at which time the maturity date was extended until January 2006. After January 2006, the line of credit was extended by a series of agreements until July, 2007, when Fair sold a portion of its finance receivables to Summit Consumer Receivables Fund, LLC ("Summit"). Fair utilized a portion of the proceeds from the sale of the finance receivables to satisfy the Textron obligation and the remainder to satisfy the outstanding balance owed to Mr. Fair. Under the terms of the agreement with Summit, Fair

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will continue to earn income from the sold finance receivables through a servicing agreement with Summit.

In February, 2008, Fair entered into a new loan agreement with Fortress Credit Corp. The loan agreement enabled Fair to obtain a maximum of \$50,000,000 in funds to be utilized to purchase additional finance receivables. The loan was secured by existing finance receivables. This loan agreement was amended on June 17, 2009 and reduced the total maximum amount to \$35,000,000, with a current outstanding balance of approximately \$18,126,700. This reduction, in the maximum availability, which was requested by Fortress Credit Corp. benefited Fair in that, under the credit arrangement it was required to pay a fee for the unused portion of the loan. The reduction in the maximum amount of the loan reduced the unused funds fee owed by Fair to Fortress Credit Corp. Fair has determined that this loan facility will reduce the Company's reliance on its investment certificates and provide the Company with a more predictable cash flow. In order to accomplish this loan facility, Fair was required to establish a wholly owned Ohio Limited Liability Company. This LLC is known as Fair Facility I, LLC. Under the terms of the loan facility, Fair will sell the finance receivables to Fair Facility I, LLC. Fair Facility I, LLC will utilize the funds it receives from the credit facility to pay Fair for the finance receivables. The credit facility will be paid through the collection of the finance receivables. Fair will also receive a stream of income as the servicer of the finance receivables that it sells to Fair Facility I, LLC. Fair remains responsible as Guarantor of the loan between Fair Facility One, LLC and Fortress Credit Corp., for any funds remaining due to Fortress Credit Corp. after all finance receivables have been paid or written off.

The location of Fair's offices are listed below:

815 East Market Street	Akron, Ohio
1500 Canton Road, Suite #208	Akron, Ohio
4675 Dressler Road, NW	Canton, Ohio
1753 State Road	Cuyahoga Falls, Ohio
849 N. Court Street	Medina, Ohio
136 South Market Street	Wooster, Ohio
191 Great Oaks Trail	Wadsworth, Ohio
25 Amberwood Parkway	Ashland, Ohio
1639 S. Washington Street	Millersburg, Ohio

TRANSACTION WITH CLST ASSET III, LLC

At the beginning of 2009, management of Fair Finance Company was concerned about the affect that the country's economic downturn may have upon Fair's ability to obtain sufficient capital to repay investment certificates as they become due. Furthermore, Fair had certain consumer finance receivables that were unable to be leveraged under its wholly owned subsidiary and loan with Fortress Credit Corp. As a result of this concern, and Fair's inability to leverage the returns of these receivables, on February 13, 2009, Fair Finance Company entered into an agreement to sell \$3,594,354 worth of finance receivables to CLST Asset III, LLC, a Delaware Limited Liability Company.

Both Timothy S. Durham and James F. Cochran are affiliated with CLST Asset III, LLC, through its parent company CLST Holdings, Inc., of which both are shareholders. Mr. Durham is the the chairman, a director, and a member of the control group of CLST Holdings, Inc., the parent company of CLST Asset III, LLC.

The terms of the Purchase Agreement provided that CLST Asset III, LLC was to pay for the finance receivables with a portion to be paid in cash, a portion to be seller financed through an installment promissory note and a portion to be satisfied with the issuance of 2,496,077 shares of common stock of CLST Holdings, Inc. at a deemed sale price of \$0.36 per share. Because this purchase agreement could not be deemed an arms length transaction, due to the conflict of interest existent involving Mr. Durham and Mr. Cochran, an independent valuation was made of the value of the finance receivable portfolio and the fair market value of the CLST Holdings, Inc. securities. Both valuations were conducted by an unrelated professional evaluator without input from either party.

During the pendency of this agreement, CLST Holdings, Inc. realized that the transaction as originally contemplated may have resulted in a potential adverse tax consequence to CLST Holdings. The tax consequence resulted from the fact that Mr. Cochran would be deemed a beneficial owner of one-half of the shares of CLST Holdings, Inc. that would be issued to Fair Finance Company. In order to avoid this unwanted result, the agreement was restructured so that prior to the sale of the finance receivables, Mr. Durham and Mr. Cochran purchased a portion of the finance receivables from Fair Finance, in exchange for a Promissory Note. The finance receivables sold to Mr. Durham and Mr. Cochran were valued at the appraised amount for the underlying transaction. Upon the closing of the transaction, the cash payment and notes were distributed proportionate to the

value of the receivables, but the shares of stock were distributed differently with Mr. Cochran receiving less shares. All cash received by Mr. Cochran and Mr. Durham was paid to Fair Finance, to reduce the outstanding balance of their notes. The balance on the notes are being paid through the portion of the promissory note issued by CLST Asset III, LLC to Mr. Cochran and Mr. Durham, for their portion of the finance receivables purchased. This transaction, in its entirety, was approved by the disinterested director of Fair Finance Company.

INTER-COMPANY LOAN TO FAIR HOLDINGS, INC.

Since 2002, Fair has advanced to Fair Holdings, Inc., its parent corporation, funds which were subsequently lent to various entities, some of whom were related entities to Fair Holdings, Inc.'s parent DC Investments, LLC. At present, the total outstanding amount of these related party transactions total \$74,653,433 of principal and accumulated interest, through October 31, 2009. Prior to 2006, all of these transactions were approved by a Board of Directors, some of whom would be considered to be personally interested in the transactions. Commencing in 2006, all related party loans were ratified by the Company's disinterested Directors. Most of those related party loans remain current. During 2008, Fair received approximately \$6,765,000 in paid interest from the related party loans. Year-to-date 2009, Fair has received \$4,159,650 in paid interest. Fair anticipates that the related party loans will begin making regular interest payments as the economy continues to improve and the underlying businesses return to normal operating levels.

Certain of the loans between Fair and Obsidian Enterprises ("Obsidian") and its subsidiaries are considered to be "related party loans" under the Ohio statutes that essentially follow the United States Securities and Exchange definitions which determine that a party is related if there is greater than 5% ownership. Therefore, under this definition, the loans to Obsidian and its subsidiaries are considered "related-party loans," even though Mr. Durham owns a minority interest in Obsidian, in an effort to separate his role at Fair and Obsidian and to mitigate any appearance of a conflict, he has resigned as the Chairman and CEO of Obsidian effective November 1, 2009 and has been replaced by Mr. Terry Whitesell, Obsidian's current President.

COMPETITION

The consumer finance and personal and business lending business is highly competitive. Fair experiences noticeable competition in all communities in which it operates. Such competition comes from other licensed consumer finance companies, sales finance companies owned by manufacturers, banks, savings and loan companies, credit unions and retail merchants.

RISK FACTORS

1. *The ownership of the Company changed in January, 2002 and the emphasis of the Company has shifted.* The investor should be aware that all of the common shares of Fair were purchased in January 2002 by Fair Holdings, Inc., an Ohio Corporation which was formed for the purpose of purchasing all of the common shares of Fair. After the stock purchase occurred, Fair Holdings, Inc. commenced to borrow funds from Fair in order to make loans to finance artwork, real estate and equipment under capital leases. The loans made by Fair Holdings, Inc. are directed at markets not serviced by Fair and create additional opportunities for growth. Fair Holdings, Inc. also makes loans to its own parent Company D.C. Investments. Fair Holdings obtains its funds through a line of credit established with Fair. Since 2002, the amount of these loans has increased and the commercial loan balance in Fair's portfolio is much greater than the balance of finance receivables held by Fair. Fair's traditional practices regarding the purchase and sales of finance receivables have not changed since 2002 and the new owners of the Company have retained most of the former management team to operate the business. However, at the present time, the commercial loans are not evaluated by Fair's management. Instead, commercial loans have been evaluated by the management of its parent, Fair Holdings, Inc., based upon practices and procedures established to evaluate these types of loans.

2. *The largest single debtor of Fair is Fair Holdings, Inc. and an investor should consider the financial status of Fair Holdings, Inc. and its ability to repay loans made by Fair.* In 2002, Fair created a line of credit to its parent, Fair Holdings, Inc, this line of credit had an initial balance of \$50,000,000. All of the proceeds from the line of credit have been utilized by Fair Holdings, Inc. to provide loans to other entities, some of which are related to Fair Holdings, Inc. (see risk factor number ____). The line of credit has been extended on occasion, both as to limits and maturity date. The line is being decreased from a limit of \$130,000,000 to \$80,000,000. The present principal balance including unpaid interest was approximately \$74,653,433 as of October 31, 2009. The Line of Credit had imposed no restrictions on the use of the proceeds of these loans by Fair Holdings, Inc., nor did it contain any covenants restricting the business or financial affairs of Fair Holdings, Inc. The Line of Credit did not require the payment by Fair Holdings, Inc. of interest or principal or unpaid interest until the maturity date of

the Line of Credit on January 8, 2012. This line is being amended to provide that Fair Holdings will continue to follow the guidelines adhered to by Fair in making any future loans. Additionally, the line will be amended to require monthly interest payments to be made by Fair Holdings to Fair. While the lack of a requirement to make payments may have create a greater credit risk to Fair than if interim payments were required, this issue will be resolved on a go-forward basis. Any payments made are first applied to accrued interest and any remaining funds are applied to reduce principal. Similarly, the amount of the loans that have been made to Fair Holdings, Inc., and the fact that the proceeds of those loans have been re-loaned to other related parties, may create a greater credit risk for Fair than if Fair had used those funds to make loans to a larger and more widely diversified group of unrelated borrowers.

When evaluating this investment, an investor should review the standards by which Fair Holdings, Inc. has utilized in loaning funds to other entities. These standards are set forth on page _ of this Offering Circular. The investor should also the amounts of the loans made and the adequacy of the security for these loans. A schedule of these loans are included in this Offering Circular at page [redacted]

3. *Fair's tradition risk avoidance policies have been altered over the past eight years.* Prior to 2002, Fair had established a policy to purchase finance receivables with moderate balances that were payable within approximately two years or less. Fair had determined that this policy spread the risk of non payment over a greater number of accounts, for a limited time period. Although this policy remains for the purchase of finance receivables, it does not apply to loans made to commercial entities either directly or through Fair Holdings, Inc. loans made through Fair Holdings, Inc. are generally made for much higher balances, with due dates in several years. In addition, certain of the commercial loans have not required that payments of principal and interest be paid at regular intervals, unlike the finance receivables which are paid back in monthly installments. These loans are being amended to require the monthly payment of interest and principal, where the loan is a term loan rather than a revolver.

4. *Fair's ability to repay the Certificates offered through this Circular is based upon its ability to collect account balances due to it from its portfolio .* Fair recognizes the risk of possible non-payment on certain account balances due to it. Non-payment by customers of Fair could result from temporary loss of employment, illness, excessive family debt or adverse economic conditions. Fair maintains a reserve for losses by direct charges to operations at 1.5% of the

outstanding retail receivable balances. An investor should also consider the financial status of Fair Holdings, Inc. and its affiliates as it relates to the ability of Fair Holdings, Inc, to repay the loans made by Fair under its Line of Credit.

A tabulation of past due accounts as of September 30, 2009 with no collection of principal, interest, or charges classified as to the period (one month) during which the last collection was made is as follows:

<u>Retail</u> <u>Installment Notes</u>	<u>Gross</u> <u>Unpaid Balance</u>
60 - 89 days	\$ 9,589
90 - 179 days	3,196
180 - 269 days	834
270 or more days	277
Total	<u>\$ 13,897</u>
Estimated Gross Charge Offs (Retail Notes)	\$ 4,898
Add: Additional Defunct Receivables (YTD 9/30/09)	\$ 354,474
Total Estimated Gross Charge Offs	\$ 359,372
Total Estimated Charge Offs Net Of Unearned Finance Charge	\$ 305,466
Reserve for Losses 9/30/09	\$ 6,553,580*

* Includes \$1,094,298 in reserves provided by dealers

The above tabulation differs significantly from previously disclosed tabulations, based upon December 31, 2007 statements. The significant decrease in gross unpaid balance is largely due to the reduced portfolio currently owned by Fair and its subsidiary. The increase in charge offs is due chiefly to the fact that the portfolio retained by Fair, after selling the better performing portion of its portfolio results in higher charge offs. Additionally, the increase in reserve for losses is occasioned by the \$2,000,000 addition to the loss reserve instituted by the Company on December 31, 2008.

5. *Fair has agreed to guarantee a credit facility entered into by Fair Facility I, LLC.* In February, 2008, Fair Facility I, LLC, a wholly owned subsidiary of Fair, entered into a credit facility with Fortress Credit Corp. Under this arrangement, Fair sells finance receivables to Fair Facility I, LLC. Fair Facility I, LLC uses the finance receivables to collateralize a loan from Fortress Credit Corp. The loan proceeds are then paid to Fair, as payment for the receivables. The proceeds from the sale were intended to be utilized to purchase additional finance receivables. This credit facility was established to borrow a maximum of \$50,000,000. The initial credit facility was reduced on June 17, 2009 to \$35,000,000. This balance has been repaid from a high of approximately \$33,000,000 to its September 30, 2009 balance of approximately \$18,126,700. Both Fair Facility I, LLC and Fair are guaranteeing the repayment of this credit facility. Although Fortress Credit Corp. is only secured to the finance receivables that form the collateral for the credit facility, Fair's guarantee must be considered by the investor when determining the suitability of this investment.

6. *There are no financial or managerial covenants made in conjunction with this investment.* The investor is not receiving any financial or managerial covenants in conjunction with this investment. Fair's sole obligation to the investor, is to repay the amounts borrowed through the subordinated Investment Certificates, along with appropriate interest.

7. *Recent payments made to retire debt has created a significant reduction in finance receivables.* In 2008, Fair sold a significant number of its finance receivable and used the proceeds to retire a line of credit and a promissory note that was utilized by Fair Holdings, Inc. to purchase the shares of Fair in 2002. When making an investment decision, the investor must consider the effect that this transaction has had on Fair's balance sheet and its ability to repay funds invested through this offering.

8. *The investor's right to receive repayment of the certificate is subordinated to senior indebtedness.* The investor should be aware that its right to receive repayment for the Certificate is subordinated to certain senior indebtedness which has been or will be incurred by Fair. The Subordinated Investment Certificates described by this Circular are subordinated to any senior indebtedness or any other security interest issued by any bank, trust company, insurance company, institution or lending agency of Fair's or Fair's parent Company, Fair Holdings, Inc. The Subordinated Investment Certificates described by this Circular will maintain an equal seniority with all other Subordinated Investment Certificates offered by Fair which may vary in maturity dates from the Certificate purchased by the investor. In the event of a dissolution of Fair or Fair Holdings, Inc., obligations to senior debt or security holders mentioned above, if any, would be paid prior to the payment of Subordinated Certificate debt. After the payment of all senior and subordinated debt, remaining funds would be paid to the Common Shareholders.

9. *Fair's ability to repay the Investment Certificates may be adversely affected by the future*

enactment of state or federal regulation. Changes in legislative regulations may adversely affect Fair's ability to repay the Investment Certificates in accordance with their terms. The finance charges and rates of interest charged by Fair and certain operating procedures followed by Fair are subject to legislative regulation. Fair currently purchases customer accounts throughout the U.S. Each state legislature regulates various practices which may be followed by Fair and the maximum amount of finance charges or the rate of interest which Fair may charge on the purchased consumer contracts. In the event state legislators or the Federal government impose additional restrictions upon Fair or reduce the rate of interest or finance charges which Fair may charge to its customers, Fair's ability to continue to repay the subordinated debt may be adversely affected.

10. **The Investment Certificates are not insured by any governmental or private agency.** The Investment Certificates offered through this Circular are not insured against loss or default by any governmental or private agency. The investor must consider Fair's ability to repay the Investment Certificates from the information contained in this Circular, when making an investment decision.

11. **The investor must be prepared to hold the Investment Certificate for its stated term.** There is no market for the sale of these Investment Certificates prior to maturity. Except in instances where the holder of the security dies, prior to maturity, there are no provisions that would enable the investor to obtain any funds in exchange for the Investment Certificates.

12. **Prospective investors should be aware that it may not be advisable to concentrate excessive portions of their net worth in a single investment vehicle.** The investor may wish to consider diversification strategies for investment purposes or, may wish to consult with an investment professional to assist the investor in determining the suitability of this investment for his portfolio and the amount of this investment which is suitable for the investor, based upon investor's net worth and the relative risks involved in this investment.

13. **Fair reserves the right to redeem the certificates prior to the redemption date.** While an investor must wait until the maturity of the Investment Certificate to receive funds from Fair, Fair has the right to redeem (call) the Certificates prior to the redemption date. The Subordinated Investment Certificates contain a provision which permits Fair to redeem (call) the

Investment Certificates at any time at the Company's discretion. The sole requirement to redeem the Certificates is that Fair provide the investor with thirty (30) days advance notice, (see Redemption, page 17).

14. ***Fair is not limited in the amount of senior indebtedness that it may incur.*** The investor should review the amount of senior indebtedness set forth in Fair's financial statements when evaluating Fair's ability to repay the Investment Certificates in accordance with their terms.

15. ***Investors are not able to review actual purchase contracts and are solely dependent upon management's review and selection of such contracts based on the general criteria listed in Fair Financial Services section on page 4.***

16. ***An Investor is not purchasing an ownership interest in the Corporation.*** The holders of the Investment Certificates have the status of a creditor of Fair. They have no rights to vote for members of the Board of Directors, nor do they have any rights to appoint or change Fair's management of the Company.

17. ***An investor should also consider the reduction in finance receivable portfolio held by Fair when making an investment decision.*** Over the past two years, Fair's finance receivable portfolio has been reduced significantly. Due to the recent economic downturn, Fair has felt it necessary to liquidate a large portion of its finance receivable portfolio in order to provide sufficient funds to pay investor interest and to redeem certificates as they become due. Although Fair deemed this to be a prudent business practice, the investor should review the financials to evaluate whether the reduced level of finance receivables can generate sufficient income to satisfy Fair's obligations created by the investment certificates.

18. *There are no financial or managerial covenants upon Fair Holdings, Inc.* As sole shareholder of Fair, Fair Holdings, Inc. has the ability to encumber the assets of Fair, at its discretion. There are no agreements between Fair Holdings, Inc. and Fair that would restrict Fair Holdings, Inc. from entering into agreements which will affect the assets of Fair.

19. *The amount of interest that Fair will be required to pay upon redemption of a security may increase in amount, based upon the maturity length of the certificates purchased by investors.* The Certificates being offered have various stated maturities. The interest rate set for each maturity will increase as the length of the Certificate increases. Therefore, when evaluating this investment, the

Investor should understand that Fair's obligation to pay interest upon redemption will increase in amount, should other investors choose to purchase Certificates with longer maturities.

20. ***When reviewing the financial statements of the Company, an investor should be aware that in the past, Fair has entered into transactions with related parties, including Shareholders, Officers and Directors.*** In addition to the related party loans between Fair, its parent, Fair Holdings, Inc. and between Fair and related companies, the Investor should be aware that over the past year, Directors of Fair participated in the sale of finance receivables owned by Fair which were sold to a company which is affiliated with CLST Holdings, Inc. These Directors are also shareholders of CLST Holdings, Inc. This agreement was structured so that a portion of the finance receivable portfolio was first purchased by the Directors and immediately resold to the ultimate purchaser as part of a larger sale of finance receivables from Fair to the buyer. The Directors involved in the transaction received no monetary benefit from the transaction and all funds received by them were paid into Fair to reduce the Directors indebtedness to Fair with respect to the purchase finance receivables. The investor should understand that the entire transaction created a conflict of interest on the part of the Directors even though the Directors took every precaution, including independent evaluations of the portfolio, to assure that the transaction was equitable to both sides. This transaction was approved by the disinterested director of Fair Finance.

21. ***An investor shall be aware that loans and lines of credit made by Fair to its Shareholder, Officers and Directors prior to June, 2006 were approved by Directors who had a direct or indirect interest in the loans or lines of credit.*** All loans and lines of credit made available to the shareholder, officers and directors of Fair have been made with the approval of the Board of Directors. Prior to June 2006, the Board of Directors' approval was not made by a majority of disinterested directors. The Board of Directors was increased in June 2006 to include two disinterested directors. The other three directors are major shareholders of Fair Holdings, Inc. and one individual who is related by marriage to one of the shareholders. Subsequent to the date of election of the disinterested directors, there have been additional extensions of credit to Fair Holdings, Inc. These extensions of credit have been approved by the disinterested directors based upon a bona fide business purpose. The directors who could be considered as having an interest in the extension of credit to Fair Holdings, Inc. abstained from the directors' actions regarding the additional extensions of credit.

22. ***The Company incurred a substantial increase in Finance Receivable Reserves in 2008.*** The Company's income statement for the year ending December 31, 2008 shows an operating profit of \$2,433,251. Management re-evaluated its Finance Receivable Reserves and increased its loss reserve account by \$2,000,000 in December, 2008. Without the increase of loss reserves, the Company would have shown a profit of \$4,433,251. Management is of the opinion that the country's economic climate created the potential for a larger number of defaults in finance receivables and its business loans. As a result, it was not possible to calculate the magnitude of the rate of default over the level of defaults that the Company has historically experienced.

Therefore, management determined that it would be prudent to increase the Finance Receivable Reserves, effective December 31, 2008. **It must be noted, however, that to date, Fair has not experienced any notable increase in defaults and it is increasing its Finance Receivable Reserves as a precautionary measure.** As of September 30, 2009, the Company has not experienced any significant change in the level of defaults and intends to reexamine its loss reserve policy at the end of this calendar year.

USE OF PROCEEDS

A portion of the net proceeds from the sale of the Subordinated Investment Certificates will be utilized to replace maturing Variable Rate Certificates that are expected to be redeemed within the next 12 months. A portion of these proceeds has also been and will continue to be used to make loans to the parent Company of Fair, Fair Holdings, Inc., as previously discussed in this Offering Circular. Finally, a portion of these proceeds will also be used for expenses of Fair and to expand the working capital to be used for future growth purposes.

At the present time, Fair has not yet identified a sufficient number of accounts to purchase, or other suitable investments, should investors elect to subscribe to all of the Certificates offered through this Offering. Fair reserves the right to reject any subscription for its Certificates at any time that Fair determines that it will be unable to profitably invest the subscription amount within a reasonable time.

PLAN OF DISTRIBUTION

The Variable Rate Subordinated Investment Certificates which are offered through this Circular will be sold in multiples of \$0.01 with a minimum purchase of \$1,000.00. The Company has established a policy to limit subscriptions to \$200,000 per individual in the aggregate, without specific approval of management. This policy is based upon Fair's belief that an investor should not concentrate excessive portions of his net worth in a single investment vehicle. In the event an investor wishes to purchase more than \$200,000, in the aggregate, Fair's ownership reserves the right to request that the investor demonstrate to Fair Finance that an investment in excess of \$200,000 will not create an excessive concentration of available funds in Fair Finance.

The maximum amount of the subscription for this offering will be reduced by the amount of outstanding Variable Rate Subordinated Certificates that were purchased by an investor in a prior offering. The Company defines an "individual" as an Ohio resident and any grantor trust established for the benefit of that Ohio resident. The Variable Rate Subordinated Investment Certificates are available only to Ohio residents.

PAYMENT OF INTEREST

The rate of interest payable for each of the Variable Rate Subordinated Investment Certificates offered through this Offering is determined by the directors of Fair Finance Company. Rates are subject to change at the discretion of Fair Finance Company dba Fair Financial Services.

PAYMENT AT MATURITY

Certificates shall mature and become due on the date stated on the face of each Certificate. No Certificate can automatically renew. If any Certificate is not redeemed within five days after the stated maturity date Fair shall mail a check to the registered owner for all interest earned through the date of maturity. The Certificate shall then commence to bear interest at the rate of interest payable for Fair's V-6 Six Month Variable Rate Investment Certificate. Interest shall continue to be calculated on the original face value of the Certificate. The revised rate shall be in effect as of the maturity date and shall continue in effect until the earlier of the date that the holder redeems the Certificate or six months after the original maturity date. The rate of interest shall be revised every six months thereafter until the Certificate is redeemed. The revised rate of interest shall be the rate then offered by Fair for its V-6 Variable Rate Investment Certificate.

Fair shall have the right to limit the amount of aggregate payments to investors on its Investment Certificates in any one calendar month to an amount not exceeding 10% of its net cash collections of the previous calendar month, and all subject, moreover, to the prior payment of senior indebtedness. In the event that any such limitations are applied or invoked by Fair, full payment of any matured Certificate (including interest calculated to the date of payment at the Certificate's rate of interest), not made by virtue of such limitations, shall be made not later than 60 days from the date of maturity of the Certificate in the order that written request for payment shall have been received by Fair.

The investor should be aware that over the past year, Fair has, at times, exercised its right to delay the repayment of principal on matured certificates for a period of 60 days. Fair cannot predict when this policy of delaying payment at maturity will be modified and the investor should understand that it may have to wait an additional 60 days, to receive its investment together with interest to date of payment.

PAYMENT PRIOR TO MATURITY

Except in situations in which an owner or co-owner of an Investment Certificate dies, there are no specific provisions that would enable an owner to receive back the principal amount of the Investment Certificate prior to its maturity date. However, Fair reserves the right to permit an owner to redeem a Certificate prior to its maturity date. In the event that Fair permits an early redemption of an Investment Certificate, Fair will reduce the amount of interest paid to the owner based upon the early redemption penalty schedule below. Fair shall reduce the number of days of interest earned for the Investment Certificate by the appropriate number of interest penalty days upon redemption. If the owner has elected to redeem prior to

the date of maturity, Fair shall pay to the owner, upon early redemption, the face value of the Investment Certificate plus interest earned at the initial rate for the actual number of days invested, less the appropriate penalty days of interest. In the event that the number of days of interest is equal to or less than the interest penalty days, the owner will receive the face value of the Investment Certificate only.

Early Redemption Penalty Schedule

<u>Subordinated Investment Certificate</u>	<u>Interest Penalty</u>
Series V-6 Variable Rate	30 Days Interest
Series V-12 Variable Rate	90 Days Interest
Series V-18 Variable Rate	120 Days Interest
Series V-24 Variable Rate	180 Days Interest

If Fair has been paying interest to the owner prior to maturity, Fair will reduce the remaining interest due to the owner by an amount equal to the difference in the amount of interest earned based upon the stated rate of the Investment Certificate and the applicable number of interest penalty days. Should it be determined by Fair that the amount of interest already paid out to the owner exceeds the remaining amount of interest to which the owner was entitled (based upon the early redemption penalty schedule) Fair shall reduce the principal amount payable to the owner of the redeemed Certificate by the amount equal to the unearned interest payments made to the owner since the date of purchase of the Certificate.

REDEMPTION

Fair may, at its option, redeem all or part of any Variable Rate Investment Certificate at par, together with interest thereon to the redemption date. The Board of Directors of Fair may redeem, at its discretion, any outstanding Variable Rate Certificates prior to their maturity date. Fair shall give written notice of the calling of each Certificate for redemption at least thirty (30) days prior to the date set for redemption of said Certificate. Any notice so given shall stop the further running of interest on the Certificate beyond the next succeeding interest date. The investor shall have no redemption privileges on any Variable Rate Subordinated Investment Certificate prior to its maturity date, except in the event of death of the registered owner or any joint owner of the Variable Rate Subordinated Investment Certificate. Fair shall pay the principal amount of any Variable Rate Subordinated Investment Certificate, together with accrued interest to the date of redemption to the personal representative of any deceased owner or to the

Party entitled to receive the proceeds of the Certificate in the event of the death of the registered owner or any joint owner. Any request for early redemption of a Variable Rate Subordinated Investment Certificate based upon the death of an owner or any joint owner shall be made not later than one hundred twenty (120) days after the date of death of the registered owner or joint owner.

Assets As Of September 30, 2009		Pro forma After October 2009 Loan Restructuring for September 30, 2009
Cash	\$ 1,794,254	\$ 1,794,254
Finance Receivable	23,963,056	23,963,056
Loans Receivable, Related Parties *	67,045,739	93,866,694
Loans Receivable, Non-Related Parties *	20,382,744	61,034,190
Inter-Company Note Receivable *	160,533,201	74,653,433
Reserve for Credit Losses	(2,186,535)	(2,186,535)
Loan Servicing Rights	<u>5,385,986</u>	<u>5,385,986</u>
Finance and Loan Receivable, net	<u>\$ 275,124,192</u>	<u>\$250,171,330</u>
Prepaid expenses & other assets	2,923,336	2,923,336
Property and Equipment, net	1,461,534	1,461,534
Goodwill & Intangible Assets	-	-
Total Assets	\$281,303,316	\$ 256,350,454

• See page for September 30, 2009 Loan Details. See page for December 31, 2008 Loan Detail.

Capitalization As Of September 30, 2009		Pro forma After October 2009 Loan Restructuring for September 30, 2009
Senior Debt		
NP Banks	18,126,700	18,126,700
NP Other	-	-
Total Senior Debt	18,126,700	18,126,700
Subordinated Investment Certificates		
V6	61,264,626	61,264,626
V12	20,959,887	20,959,887
V18	18,589,225	18,589,225
V24	84,640,275	84,640,275
V36	1,824,083	1,824,083
V48	3,113,262	3,113,262
V60	<u>16,854,972</u>	<u>16,854,972</u>
Total Subordinated Investment Certificates	<u>207,246,329</u>	<u>207,246,329</u>
Total Senior and Sub Debt	225,373,029	225,373,029
Shareholder's Equity	44,265,682	22,583,567
Debt: Equity	2.2:1	6.3:1
Ratio at 9/30/09	<i>(LT portion of sub-debt ÷ LT sr debt/Equity)</i>	

Summary Income Statement						
	2004	2005	2006	2007	2008	9 Months 9/30/2009
Finance charge revenue	\$16,904,654	\$19,839,811	\$25,053,913	\$30,194,491	\$34,100,632	\$25,156,468
Interest Expense:						
Bank debt	-	-	(2,927)	(2,809,593)	(6,324,432)	(3,082,726)
Subordinated debt	(5,400,226)	(7,583,498)	(10,492,193)	(14,127,814)	(15,919,777)	(12,744,386)
Net finance revenues,						
Before provision for finance credit losses	11,504,428	12,256,313	14,558,792	13,257,084	11,856,423	9,329,356
Reserves	(691,045)	(728,392)	(358,723)	(127,470)	(2,237,684) ⁽¹⁾	70,383
Net revenues,						
After provision for finance credit losses	10,813,384	11,527,921	14,200,069	13,129,615	9,618,739	9,399,738
Nonfinance income:						
Investment and other income	111,811	101,023	102,993	126,208	103,341	538,130
Nonfinance expenses:						
Operating expenses	(6,954,812)	(7,182,675)	(7,276,341)	(7,001,225)	(7,288,828)	(4,839,559)
Net income (loss)	\$3,970,382	\$4,446,249	\$7,026,721	\$6,254,597	\$2,433,251	\$5,098,310
⁽¹⁾ - Additional \$2,000,000 reserve taken due to unstable nature of US economy.						

MANAGEMENT

Following is a list of officers and directors of FAIR FINANCIAL:

Mr. James F. Cochran, Chairman/Director. Mr. Cochran purchased the Company with Mr. Durham in 2002 and is responsible for Company policy and direction. Mr. Cochran is also an officer and director of Fair Holdings, Inc., the parent of the Company. Mr. Cochran has 27 years in the finance industry, including positions with US Leasing Corporation, GE Credit and Carpenter Financial, Inc. His experience includes financial sales, credit analysis, investment tax leases, corporate direction and policy. Mr. Cochran holds a Bachelor of Science in Business Administration from Southwest University.

Mr. Timothy S. Durham, Chief Executive Officer/Director, purchased the Company with Mr. Cochran in 2002. Mr. Durham is also an officer and director of Fair Holdings, Inc., the parent of the Company. Timothy S. Durham attended college at both DePauw University and Indiana University, where he graduated in 1984 with a B.A. degree in mathematics. He then attended Indiana University School of Law where he graduated in 1987 summa cum laude. In 1987, Mr. Durham accepted a position as an attorney with Ice Miller Donadio and Ryan in Indianapolis. In 1990 he accepted a position with Carpenter Manufacturing, a school bus maker in Mitchell, IN, where under his leadership as President, the company grew from \$47 million in revenues in 1991 to over \$85 million in 1997. In 2000, Mr. Durham organized Obsidian Enterprises, where he served as Chairman and Chief Executive Officer until November 1, 2009. Obsidian is known both nationally and internationally as a company that invests in diverse businesses ranging from manufacturing to transportation. It acquires various companies and employs investment strategies to maximize profits. Obsidian presently operates through four subsidiaries. In addition, Mr. Durham also has major interests in Fair Financial, Car Collector Magazine and several other entities around the world.

Mr. Durham is an active participant in the Indianapolis community and is a supporter of many organizations and events including: Indianapolis 500 Festival, Oak's Academy, Brooke's Place, Jewish Community Center, Cystic Fibrosis Foundation, and the Leukemia and Lymphoma Association. In 2002, Mr. Durham was recognized by the Leukemia and Lymphoma Society of Kentucky as its "Person of the Year." In 2006, Mr. Durham gave back to his hometown by becoming one of the active supporters of the new building program for Girls, Inc. Mr. Durham is a member of the Board of Directors of the Auburn Cord Duesenberg Museum. He has served on the Boards of the Indianapolis Symphony as well as the Indiana Historical Society. Recently, Mr. Durham became interim President and CEO of National Lampoon as of December 2008.

Mr. D. Scott McKain, Director, was elected Director in 2009. Mr. McKain is not affiliated in any other manner with Fair Financial. Mr. McKain has served as Vice Chairman of Obsidian Enterprises since 2001. Mr. McKain has received no remuneration for his services rendered at Obsidian. Mr. McKain is currently a well known business author and speaker and Co-Founder and Principal of the Value Added Institute, a think-tank that examines the role of the customer experience in creating significant advances in the level of client loyalty. He has been inducted into the "professional Speakers Hall of Fame" and a member of its Speakers Roundtable, a group of 20 business speakers considered to be among the best in the world. Mr. McKain has authored 3 best selling business books, "All Business is Show Business," "What Customers Really Want" and "Collapse of Distinction." Mr. McKain has appeared several times on FOX News Network as a business analyst and commentator. Mr. McKain is a graduate of Franklin University and resides in Indianapolis, Indiana with his wife Tammy and their two sons.

Mr. William L. McCrary, III, Director was elected Director in 2009. Mr. McCrary is not affiliated in any other manner with Fair Financial. Mr. McCrary was the former Chairman and C.E.O. of Phoenix Oil Company, Augusta, Georgia, founded in 1919 and sold in 1986. Mr. McCrary is now retired and living in Augusta, Georgia.

Mr. Keith E. Schaffter, President, joined the Company in 1973 and is active in the management of the Company.

Mr. Rick D. Snow, Chief Financial Officer, joined the Company in 2002 and is active in the management of the Company.

Mr. Douglas F. DeRose, Vice President/Controller and Assistant Secretary, joined the Company in 2003 and is active in the management of the Company.

Mr. Robert Letham, Vice President/Director of Operations and Assistant Secretary, joined the Company in 1996 and is active in the management of the Company.

Ms. Maria Yankovich, Secretary and Administrative Assistant, joined the Company in 1981.

Mr. Keith A. Kuczma-Assistant Secretary and Investor Relations Manager at our 815 E. Market St., Akron, Ohio office, joined the Company in 2008.

Ms. Lauren Futo-Assistant Secretary at our 815 East Market St., Akron, Ohio office, joined the Company in 1977

Ms. Stephanie Brogan – Assistant Secretary at our 815 East Market St., Akron, Ohio office joined the Company in 2008.

Mrs. Deborah Morton – Assistant Secretary at our 1500 Canton Rd. Akron, Ohio branch office, joined the Company in 2001

Mrs. Rona Morehead – Assistant Secretary at our 1500 Canton Rd., Akron, Ohio branch office, joined the Company in 1985

Mr. Eric McCoy – Assistant Secretary at our 1500 Canton Rd, Akron, Ohio branch office, joined the Company in 2001

Mrs. Kelly Nellis – Assistant Secretary at the 1753 State Road, Cuyahoga Falls, Ohio branch office, joined the Company in 1996

Ms. Laura Capron – Assistant Secretary at our 1753 State Rd, Cuyahoga Falls, Ohio branch office, joined the Company in 1995

Mrs. Cynthia Glunt – Assistant Secretary at our 1753 State Rd, Cuyahoga Falls, Ohio branch office, joined the Company in 1981

Ms. Janice Lutz –Assistant Secretary at our 1753 State Rd, Cuyahoga Falls, Ohio branch office, joined the Company in 1997

Ms. Dawn Hunt – Assistant Secretary at our 1753 State Rd., Cuyahoga Falls, Ohio branch office, joined the Company in 1998

Mrs. Tiffany Oldaker – Assistant Secretary at our 136 S. Market St, Wooster, Ohio branch office joined the Company in 1989

Mr. Matthew Ogden – Assistant Secretary at our 136 S. Market St., Wooster, Ohio branch office, joined the Company in 2008

Ms. Melissa Fath – Assistant Secretary at our 136 S. Market St, Wooster, Ohio branch office, joined the Company in 2007

Mrs. Judith Schulte – Assistant Secretary at our 849 N. Court St., Medina, Ohio branch office, joined the Company in 1993

Ms. Freda Ingle – Assistant Secretary at our 849 N. Court St., Medina, Ohio branch office, joined the Company in 1994.

Mr. Donald Clifford – Assistant Secretary at our 4675 Dressler Rd NW, Canton, Ohio branch office, joined the Company in 2003.

Mrs. Kimberly Schweyer – Assistant Secretary at our 25 Amberwood Pkwy., Ashland, Ohio branch office, joined the Company in 1996.

Ms. Rachel Morgan – Assistant Secretary at our 191 Great Oaks Trail, Wadsworth, Ohio branch office, joined the Company in 2009.

The Company gives extra attention to the sharing of management responsibilities such that in the event of the untimely loss of key personnel, operations will continue profitably and without interruption.

REMUNERATION AND PRINCIPAL HOLDERS
OF SECURITIES

The common stock ownership of the Company is detailed below:

	<u>Shares Owned</u>
Class A (Non-Voting)	
Fair Holdings, Inc.	1,333
Class B (Voting)	
Fair Holdings, Inc.	29

Aggregate annual remuneration of all directors and Officers is \$1,648,353 The three highest remunerated officers of the Company are:

John Head	\$ 272,776	*(1)
Rick Snow	\$ 202,329	*
Keith Schaffter	\$ 141,588	

*These individuals receive additional compensation From Fair Holdings, Inc.

(1) Former President

LITIGATION

In the normal course of business, the Company becomes involved in legal matters, most of which involve consumer complaints filed by individuals who owe money to Fair for the finance receivables. All of these cases have been resolved, prior to trial. Over the past 16 months, the Company has been a party to two lawsuits which require disclosure.

On July 16, 2007, the Company was sued by FCS Advisers, Inc. dba Brevet Capital Advisors (hereinafter referred to as "Brevet"). Brevet alleged that it entered into a contract with Fair for the purpose of securing a secured loan facility, for which Fair would pay a commission to Brevet. The Complaint alleged that Fair violated this agreement and was subject to liquidated damages of \$1,500,000. Although Fair Finance denies that it defaulted under this agreement, the United States District Court for the Southern District of New York disagreed and awarded Brevet the amount requested plus interest. Fair has posted a bond with the court for approximately two million dollars (\$2,000,000) while this matter is currently under appeal in the United States Court of Appeals for the Second Circuit.

On March 2, 2009 a lawsuit was filed in the District Court of Dallas County, Texas. Although Fair was not named as a Defendant, one of the causes of action contained in the lawsuit, which was in the nature of a Shareholder's derivative action was an attempt to overturn the sale of finance receivables entered into on February 13, 2009 between Fair, and CLST Asset III, LLC. A hearing was recently held on this matter, resulting in the Court ruling in favor of CLST Asset III, LLC and dismissing the derivative causes of action which may have affected the sale.

LEGAL OPINIONS

I have reviewed the details provided to me by Fair with regard to the Offering of its Series V-6 Variable Rate Six-Month Subordinated Investment Certificates, Series V-12 Variable Rate Twelve-Month Subordinated Investment Certificates, Series V-18 Variable Rate Eighteen-Month Subordinated Investment Certificates, Series V-24 Variable Rate Twenty-Four-Month Subordinated Investment Certificates.

I have also reviewed the minutes and proceedings of the Corporation to date. Based upon this information, it is my opinion that assuming all Certificates are offered in the manner set forth in accordance with their intended purpose, the securities offered with respect to this Offering, when issued, shall be valid and binding indebtedness of the Corporation. In addition, all such securities are exempt from registration and filing requirements of the U. S. Securities and Exchange Commission by virtue of Section 3(a) (11) of the Securities Act of 1933.

Ronald O. Kaffen
Attorney at Law
Kaffen, Zimmerman, DiCaudo & Yoder

EXPERTS

Legal services are provided to the Company by Kaffen, Zimmerman, DiCaudo & Yoder, Attorneys-at-Law, 520 South Main Street, Akron, Ohio. The Company utilizes the services of other law firms for specialized matters and the collection of defaulted consumer contracts.

The financial statements included herein so far as they pertain to each of the years ended December 31, 2008 have been included in the Offering Circular in reliance upon the report and with the consent of Wagner and Company, CPA, LLC, independent certified public accountants, Akron, Ohio. All other financial statements (un-audited) included herein were prepared by the management of Fair.

SOURCES OF FUNDS

SENIOR DEBT

	Authorized Line of Credit	Drawn at 9/30/09	Interest Rate
Fortress Credit Corp. (1)	\$35,000,000	\$18,041,814	1 Mo LIBOR + 6.25%
Other Notes		<u>84,886</u>	Various
Total Senior Debt		\$18,126,700	

SUBORDINATED DEBT

	Current Authorization	Amount* Outstanding 9/30/09	Amount Available for Sale at 9/30/09
V6		61,264,626	
V12		20,959,887	
V18		18,589,225	
V24		84,640,275	
V36		1,824,083	
V48		3,113,262	
V60		16,854,972	
	<u>\$ 250,000,000</u>	<u>\$ 207,246,329</u>	<u>\$ 24,110,553</u>

Senior and
Subordinated Debt \$ 225,373,029

(1) On February 11, 2008, Fair Facility I, LLC, a wholly owned subsidiary of Fair Finance Company, entered into a credit facility with Fortress Credit Corp., for the purpose of obtaining additional working capital. Fair is a guarantor of this credit facility. Total amount available under the credit facility is \$50,000,000. The total amount of the credit facility has been reduced, by agreement of the parties, to \$35,000,000. The current amount withdrawn by Fair Facility I, LLC as of September 30, 2009 is \$18,041,814.

A copy of the credit facility, any collateral agreements and any term sheet for the credit facility are available for review at any office of Fair upon request. Any investor may also review the current and past financial statements of Fair Holdings, Inc. at any office of Fair.

*-Includes amounts sold through prior authorizations

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LOAN DETAIL
September 30, 2009

(1) LOANS RECEIVABLE, RELATED PARTIES:

Car Collector Magazine, advances under a line of credit with aggregate borrowings not to exceed \$650,000, requiring monthly interest payments at prime plus 2.5%, matures October 2012. Collateralized by all assets of the borrower. (ii) \$ 678,017

Diamond Auto Sales, LLC, advances under a line of credit with no limit, requiring payment immediately upon sale of vehicle. Promissory notes are issued for each automobile purchased and require principal and interest to be paid in full within five years. Interest accrues at 2% above the Fair Finance V-12 certificate rate annually. Collateralized by all automobiles of the borrower. (ii) 9,369,733

Obsidian Enterprises, Inc., advances under a line of credit with aggregate borrowing not to exceed \$35,000,000, interest accrues at 12% annually, principal and interest due January 2012. Collateralized by all assets of borrower and guaranteed by a stockholder of the borrower. (iii) 29,861,710

Parma Acquisition Corp., advances under a line of credit with aggregate borrowings not to exceed \$1,600,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, due October 2012. Collateralized by all assets of borrower. (ii) 1,542,834

Classic Manufacturing, Inc. advances under a line of credit with aggregate borrowings not to exceed \$1,000,000, requiring monthly interest at 10%, due October 2014. Collateralized by all assets of borrower. (ii) 703,140

Pointe Leasing, LLC advances under a line of credit with aggregate borrowings not to exceed \$900,000, requiring monthly interest payments at 10%, matures October 2011. Collateralized by all assets of borrower. (ii) 303,139

US Rubber Reclaiming note receivable,
requires monthly payment of interest at 15%,
principal due December 2010. Collateralized
by second lien on all assets.

700,000

LOAN DETAIL
September 30, 2009

(1) LOANS RECEIVABLE, RELATED PARTIES: (continued)

OHC/CCG note receivable, requires monthly payment of interest at 2.5% above Fair Finance V-6 investment certificate rate, principal due December 2010. Collateralized by all assets of the borrower.

1,354,192

SpeedsterMotorCarSales, Inc, Interest accrues monthly at 8% with installments of \$5,000 per month April 2008 through July 2008 with final balloon payment due March 2009. Secured by substantially all assets of the Company.

47,910

United Expressline, Inc., advances under a line of credit with aggregate borrowings not to exceed \$4,000,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, matures April 2012. Collateralized by all assets of the borrower, collateral position second to that of borrower's senior lenders. (iv)

3,550,967

U.S. Rubber Reclaiming, Inc., advances under a line of credit with aggregate borrowings not to exceed \$20,000,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, matures April 2012. Collateralized by all assets of the borrower, collateral position second to that of borrower's senior lenders. (iv)

14,879,846

Timothy Durham, shareholder and officer of Fair Finance Co., two notes receivable requiring equal quarterly principal payments plus all accrued interest at 5% plus LIBOR. Loans mature in April 2011 and February 2014. Notes are secured by finance receivables.

461,855

James Cochran, shareholder and officer of Fair Finance Co., two notes requiring equal quarterly principal payments plus all accrued interest at 5% plus LIBOR. Loans mature in April 2011 and February 2014. Notes are secured by finance receivables.

76,635

LOAN DETAIL
September 30, 2009

(1) LOANS RECEIVABLE, RELATED PARTIES: (continued)

CLST Asset III, LLC, two notes receivable requiring equal quarterly principal payments plus all accrued interest at 5% plus LIBOR L. Loans mature in April 2011 and February 2014. Notes are secured by finance receivables.	611,001
Other Receivables	2,904,756
	<u>\$ 67,045,740</u>

- (i) Parent of the Company
- (ii) An entity controlled by a member of DC Investments
- (iii) Private entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board
- (iv) Subsidiary of Obsidian Enterprises, Inc. (entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board)
- (v) Member of DC Investments

(2) LOANS RECEIVABLE – NON-RELATED PARTIES:

Speedster Dealer Floor Plans, notes receivable ranging from \$23,000 to \$75,000, requires monthly payments of principal and interest at 9% and generally mature a year from the date of the note. Notes are secured by the vehicles.	\$ 274,352
Note receivable not to exceed \$73,000, requires monthly payment of \$1,500 including interest of 11%, . Collateralized by Auburn Speedster Replica VIN 1S9SR31T062879072.	66,394
Note receivable not to exceed \$68,750, requires monthly payment of \$1,095 including interest of 9.3%, principal due December 2010. Collateralized by Auburn Speedster Replica VIN 1S9SR31T043879052.	62,706
Note receivable not to exceed \$65,000, requires monthly payment of interest at 6.0%, principal due September 2012. Collateralized by company assets.	63,110

LOAN DETAIL
September 30, 2009

(2) LOANS RECEIVABLE – NON-RELATED PARTIES: (continued)

Note receivable, requires annual payment of interest at 5.25%, principal due August 2019. Personally guaranteed by a member of DC Investments, LLC.	156,026
Note receivable not to exceed \$19,000,000, requires monthly interest at 12%, principal and interest due August 31, 2011. Collateralized by real estate.	19,134,567
Note receivable, requires monthly interest at 10%, principal due July 2010. Collateralized by company stock.	257,667
Note receivable, requires monthly interest at 8%, principal due November 2010. Secured by a second mortgage.	353,333
Superline Lucky Trailer, notes receivable ranging from \$13,000 to \$35,000, requires monthly payments of interest at 9% with principle reductions quarterly and generally mature a year from the date of the note. Notes are secured by the trailers.	14,590
	<u>\$ 20,382,744</u>

(3) FAIR HOLDINGS, INC., NOTE RECEIVABLE – BREAKDOWN:

Fair Holdings, Inc. – Investment in Fair Finance	\$ 51,319,380
DC Investments, advances under a line of credit aggregate borrowings not to exceed \$85,000,000, interest accrues at 1% above the Fair Finance V-6 Certificate rate annually, matures January 2012. Collateralized by all assets of borrower.	85,879,770
Timothy S. Durham assumed the line of credit and note receivable of Champion Trailer Acquisition Company, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010.	11,209,496

LOAN DETAIL
September 30, 2009

(3) FAIR HOLDINGS, INC., NOTE RECEIVABLE – BREAKDOWN: (continued)

Timothy S. Durham assumed the line of credit of Danzer Industries, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010. \$ 5,033,653

Timothy S. Durham assumed the line of credit and note receivable of Speedster Motor Cars, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010. 7,090,902

\$ 160,533,201

LOAN DETAIL

December 31, 2008

(1) LOANS RECEIVABLE, RELATED-PARTIES:

Car Collector Magazine, advances under a line of credit with aggregate borrowings not to exceed \$650,000, requiring monthly interest payments at prime plus 2.5%, matures October 2012. Collateralized by all assets of the borrower. (iii)	\$ 603,620
Diamond Auto Sales, LLC, advances under a line of credit with no limit, requiring payment immediately upon sale of vehicle. Promissory notes are issued for each automobile purchased and require principal and interest to be paid in full within five years. Interest accrues at 2% above the Fair Finance V-12 certificate rate annually. Collateralized by all automobiles of the borrower. (iii)	8,868,197
Obsidian Enterprises, Inc., advances under a line of credit with aggregate borrowing not to exceed \$35,000,000, interest accrues at 12% annually, principal and interest due January 2012. Collateralized by all assets of borrower and guaranteed by a stockholder of the borrower. (iv)	26,469,751
Parma Acquisition Corp., advances under a line of credit with aggregate borrowings not to exceed \$1,600,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, due October 2012. Collateralized by all assets of borrower. (iii)	1,466,721
Classic Manufacturing, Inc. advances under a line of credit with aggregate borrowings not to exceed \$1,000,000, requiring monthly interest at 10%, due October 2014. Collateralized by all assets of borrower. (iii)	654,893
Pointe Leasing, LLC advances under a line of credit with aggregate borrowings not to exceed \$900,000, requiring monthly interest payments at 10%, matures October 2011. Collateralized by all assets of borrower. (iii)	327,243
US Rubber Reclaiming note receivable, requires monthly payment of interest at 15%, principal due December 2010. Collateralized by second lien on all assets.	700,000

LOAN DETAIL

December 31, 2008

(1) LOANS RECEIVABLE, RELATED-PARTIES: (continued)

OHC/CCG note receivable, requires monthly payment of interest at 2.5% above Fair Finance V-6 investment certificate rate, principal due December 2010. Collateralized by all assets of the borrower.

1,254,132

Speedster Motorcars of Central Florida, Inc., advances under a line of credit not to exceed \$4,500,000 in principal plus accrued interest. Collateralized by all assets of borrower with principal and interest at prime plus 2% due September 2011. (iii)

1,719,819

SpeedsterMotorCarSales, Inc, Interest accrues monthly at 8% with installments of \$5,000 per month April 2008 through July 2008 with final balloon payment due March 2009. Secured by substantially all assets of the Company.

45,511

United Expressline, Inc., advances under a line of credit with aggregate borrowings not to exceed \$4,000,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, matures April 2012. Collateralized by all assets of the borrower, collateral position second to that of borrower's senior lenders. (v)

3,339,447

U.S. Rubber Reclaiming, Inc., advances under a line of credit with aggregate borrowings not to exceed \$20,000,000, requiring monthly interest payments at 2% above the Fair Finance V-12 certificate rate, matures April 2012. Collateralized by all assets of the borrower, collateral position second to that of borrower's senior lenders. (v)

13,858,104

Fair Holdings, Inc. Note Receivable (3)

146,555,259

\$ 205,862,702

- (i) Parent of the Company
- (ii) Subsidiary of DC Investments

- (iii) An entity controlled by a member of DC Investments
- (iv) Private entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board
- (v) Subsidiary of Obsidian Enterprises, Inc. (entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board)
- (vi) Member of DC Investments

LOAN DETAIL
December 31, 2008

(2) LOANS RECEIVABLE – NON-RELATED PARTIES:

Speedster Dealer Floor Plans, notes receivable ranging from \$23,000 to \$75,000, requires monthly payments of principal and interest at 9% and generally mature a year from the date of the note. Notes are secured by the vehicles. \$ 274,352

Lucky Trailer Dealer Floor Plan, notes receivable ranging from \$13,000 to \$35,000, requires monthly payments of interest at 9% with principle reductions quarterly and generally mature a year from the date of the note. Notes are secured by the trailers. 2,522

Note receivable not to exceed \$73,000, requires monthly payment of \$1,500 including interest of 11%, . Collateralized by Auburn Speedster Replica VIN 1S9SR31T062879072. 64,458

Note receivable not to exceed \$68,750, requires monthly payment of \$1,095 including interest of 9.3%, principal due December 2010. Collateralized by Auburn Speedster Replica VIN 1S9SR31T043879052. 59,542

Note receivable not to exceed \$800,000, requires monthly payment of interest at 12%, Collateralized by company assets. 326,878

Note receivable not to exceed \$65,000, requires monthly payment of interest at 6.0%, principal due September 2012. Collateralized by company assets. 60,442

Note receivable, requires annual payment of interest at 5.25%, principal due August 2019. Personally guaranteed by a member of DC Investments, LLC. 175,011

Note receivable not to exceed \$19,000,000, requires monthly interest at 12%, principal and interest due August 2009. Collateralized by real estate. 20,307,327

Note receivable, requires monthly interest at 10%, principal due July 2010. Collateralized by company stock.

257,667

LOAN DETAIL
December 31, 2008

(2) LOANS RECEIVABLE – NON-RELATED PARTIES: (continued)

Note receivable, requires monthly interest at 8%, principal due November 2010. Secured by a second mortgage. 341,666

Note receivable, requires monthly interest at 2.5% above the Fair Finance V-6 investment certificate rate,. Secured by real estate. 350,407

Superline Lucky Trailer, notes receivable ranging from \$13,000 to \$35,000, requires monthly payments of interest at 9% with principle reductions quarterly and generally matures a year from the date of the note. Notes are secured by the trailers. 27,000

\$ 22,247,270

(3) FAIR HOLDINGS, INC. NOTE RECEIVABLE – BREAKDOWN:

Fair Holdings, Inc. – Investment in Fair Finance \$ 47,474,933

DC Investments, advances under a line of credit aggregate borrowings not to exceed \$85,000,000, interest accrues at 1% above the Fair Finance V-6 Certificate rate annually, matures January 2012. Collateralized by all assets of borrower. 77,701,113

Timothy S. Durham assumed the line of credit and note receivable of Champion Trailer Acquisition Company, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010. 10,239,029

Timothy S. Durham assumed the line of credit of Danzer Industries, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010. 4,572,349

Timothy S. Durham assumed the line of credit and note receivable of Speedster Motor Cars, Inc. Interest accrues at the Fair Finance V-6 Certificate rate, matures December 2010. 6,567,835

\$ 146,555,259



815 E. Market Street
Akron, OH 44305
P: 330.376.8171
F: 330.376.2527
www.fairfinance.com


November 10, 2009

I, Timothy S. Durham, CEO of Fair Finance Company hereby certify that the accompanying consolidated balance sheet, income statement, stockholders' equity and cash flows for the twelve months ended December 31, 2008 are, to the best of my knowledge, information and belief, true and correct.

As disclosed in Note 16 to the financial statements, a new standard was issued by the FASB and accounting principles generally accepted in the United States of America require the primary beneficiary of a variable interest entity to present consolidated financial statements. The complete effect on the consolidated financial statements has not been determined. Management believes we may not be required to perform additional consolidation and furthermore, due to the extensive work necessary to accumulate this information and extraordinarily large expense therewith, we have prepared these statements as we have historically. This treatment may or may not be in compliance with generally accepted accounting principles under newly adopted FIN 46(R). However, we believe these statements more clearly reflect the performance and operations of Fair Finance Company.

In addition, accounting principles generally accepted in the United States requires consideration of impairment of notes receivable other loans and good will. Interest income on impaired loans can be accrued to the extent projected future cash flows or collateral indicates the amounts will be collectible it is believed that its allowance for losses and collateral is adequate at the present time. If significant changes occur in the future financial position, this could give rise to partial or potentially complete impairment.

Sincerely,



Timothy S. Durham
CEO

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

WAGNER & COMPANY CPA, LLC
1655 WEST MARKET STREET
AKRON, OHIO 44313

Wagner & Company CPA, LLC

1655 West Market Street • Suite 525 • Akron, Ohio 44313

To the Board of Directors
Fair Finance Company and Subsidiary
A Wholly-Owned Subsidiary of Fair Holdings, Inc.

We have reviewed the accompanying balance sheets of Fair Finance Company and Subsidiary (a corporation), as of December 31, 2008 and the related statements of income, stockholders' equity, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Fair Finance Company.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, Fair Finance Company and Subsidiary is a wholly-owned subsidiary of Fair Holdings, Inc. The financial statements referred to above include only the financial position and results of operations of Fair Finance Company. Generally accepted accounting principles recommend the financial statements of a qualifying subsidiary be consolidated with those of the parent company.

Wagner & Company CPA, LLC

May 28, 2009
Akron, Ohio

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OHIO DIVISION
SECURITIES

Ph: (330) 864-1550 • Fax: (330) 864-1579 • E-mail: Steve@SJWFinancial.com

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Consolidated Balance Sheet
December 31, 2008

Assets

Cash and cash equivalents	\$	4,317,083
Finance, loan and service receivables:		
Finance receivables		49,113,772
Unearned charges		(3,933,471)
Loan receivable, related party		205,862,702
Reserve for credit losses		(7,044,937)
Other loans receivable		22,247,270
Loan servicing rights		10,054,845
Purchase discount on sold finance receivables		784,161
		277,084,342
Other receivables		396,673
Prepays and other assets		1,537,023
Property and equipment, net		1,652,952
Total Assets	\$	284,988,073

Liabilities and Stockholders' Equity

Trade accounts payable and accrued expenses	\$	38,212,062
Dealers' reserves and holdbacks		4,505,636
Notes payable		103,918
Subordinated debt		192,471,985
Servicing liability		10,054,845
Total Liabilities		245,348,446
Stockholders' Equity		39,639,627
Total Liabilities and Stockholders' Equity	\$	284,988,073

See independent accountant's report and notes to financial statements.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Consolidated Statement of Income
For the Year Ended December 31, 2008

Finance charge revenue	\$	22,985,169
Interest expense:		
Subordinated debt, including costs associated with issuance		16,377,019
Other interest and associated costs		6,244,944
		22,621,963
Net finance revenues, before provisions for finance credit losses		363,206
Provision for finance credit losses, net of collections of prior charge-offs		2,237,684
		(1,874,478)
Net revenues, after provision for finance credit losses		(1,874,478)
Nonfinance income:		
Investment and other income		11,218,804
Nonfinance expenses:		
Operating expenses		6,911,075
		6,911,075
Net income	\$	2,433,251

See independent accountant's report and notes to financial statements.

FAIR FINANCE COMPANY AND SUBSIDIARY
 A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Consolidated Statement of Stockholders' Equity
For the Year Ended December 31, 2008

	<u>Common Stock</u>		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares Outstanding	Amount			
December 31, 2007	1,000	136,200	370,099	36,700,077	\$ 37,206,376
Net Income				2,433,251	2,433,251
Total Comprehensive Income				<u>\$ 2,433,251</u>	
December 31, 2008	<u>1,000</u>	<u>\$ 136,200</u>	<u>\$ 370,099</u>	<u>\$ 39,133,328</u>	<u>\$ 39,639,627</u>

See independent accountant's report and notes to financial statements.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash flows from operating activities	
Net income	\$ 2,433,251
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for credit losses on finance receivables	270,212
Depreciation and amortization	871,647
Change in:	
Prepays and other assets	52,508
Trade accounts payable and accrued expenses	1,693,188
Dealer reserves and holdbacks	<u>(200,670)</u>
Net cash used by operating activities	5,120,136
Cash flows from investing activities	
Capital expenditures	(437,790)
Finance receivables originated or purchased	(84,161,264)
Finance receivables repaid	72,657,416
Net advances on related party loans	<u>(31,985,523)</u>
Net cash provided by investing activities	(43,927,161)
Cash flows from financing activities	
Net borrowing on line of credit	32,466,396
Debt issuance costs	(1,091,159)
Principal payments on capital lease	(36,565)
Proceeds from issuance of subordinated debt	46,678,714
Repayment of subordinated debt	<u>(36,984,572)</u>
Net cash provided by financing activities	<u>41,032,814</u>
Net increase in cash and cash equivalents	2,225,789
Cash and cash equivalents at beginning of year	<u>2,091,294</u>
Cash and cash equivalents at end of year	<u>\$ 4,317,083</u>
Supplemental cash flow information:	
Cash paid for interest	<u>\$ 21,896,655</u>

Supplemental disclosure of non-cash investing information:

During the year, fully depreciated assets having an original cost of \$1,051,569 were written off.

See independent accountant's report and notes to financial statements.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 1 – Summary of Significant Accounting Policies:

Nature of Operation

Fair Finance Company its wholly-owned subsidiary, Fair Facility I, LLC (collectively, the "Company" or Fair Finance) engage in providing consumer financing services through purchasing and servicing of consumer contracts from a variety of businesses wishing to provide financing for their customers. The Company also provides commercial financing through lines of credit and interest lease loans, finances real estate, and equipment under capital leases including for related and third parties, as discussed in Note 6. The Company is a wholly-owned subsidiary of Fair Holdings, Inc. ("Fair Holdings") which is a wholly-owned subsidiary of DC Investments, LLC ("DC Investments"). The consolidated financial statements include the operations of the Company for the year ended December 31, 2008.

Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined. Significant estimates used in preparing these financial statements include those assumed in computing the reserve for finance credit losses, depreciation, amortization of intangible assets, and collateral on loans to related parties. Actual results could differ from those estimates.

Revenue Recognition

Net finance charges on third-party retail installment notes are credited to unearned finance charge accounts and transferred to income on an individual account basis in order to arrive at periodic interest income, including amortization, that represents a constant effective rate on the net of the face amount of the finance receivable, unamortized costs, and unamortized discount or premium at the beginning of the period. Finance income is recognized on related-party finance receivables on the interest method applied to the outstanding balance of each loan, see below and Notes 4 and 5. Premiums and discounts on purchased receivables are considered as yield adjustments. The unamortized balance is included in finance receivables and the associated amortization is included in finance charge revenue. Receivables for nonrefundable origination and commitment fees, if charged to the customer, generally are deferred and amortized as interest income over the life of the related loan as an adjustment of the yield. Also see Notes 4 and 5, for discussion regarding the nonaccrual status of contractually delinquent assets.

Accounting for Transfers and Servicing of Financial Assets and Liabilities

The Company has service-only contracts on installment finance receivables as a service to, and related to, its dealer agreements. The Company also has service contracts relating to a sale of various contracts, more fully described in Note 3 and 4. As the Company has retained some benefits and risks associated with the transaction, it has recognized a servicing asset and servicing liability in an amount equal to the principal amount of the contracts sold. Income from these contracts is recognized under the amortization method as it is received. It is expected this amortization will be recognized into income over the next 18 to 24 months. It is the belief of management this best estimates the potential future benefits and risks under the agreement.

Loan servicing fee income represents fees earned for servicing loans owned by the dealers and sold to third parties. The fees are calculated on the outstanding principal balance of loans serviced. Fees are recorded as income when the service is performed and, therefore, earned.

Property, Equipment, and Depreciation

Property and equipment are carried at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Depreciation expense for 2008 was approximately \$672,000.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued):

Fair Value of Financial Investments

The carrying amounts of cash and cash equivalents, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying amounts of finance and loans receivables approximate fair value, as the effective rates for these instruments are comparable to market rates at year end. The carrying amount of subordinated debt approximates fair value, as a result of the current interest rates paid on the Company's borrowings being at market. None of the financial instruments are held for trading purposes.

Income Taxes

Fair Holdings' parent company, DC Investments, elected at inception to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under such provisions and similar provisions of state law, the parent company does not pay corporate income taxes on its taxable income. Instead, the shareholders are liable for individual income taxes on the Company's taxable income. Fair Holdings and its subsidiary are consolidated into the filings of DC Investments, and as such, no provision for income taxes is included in these financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Advertising costs

The Company's policy is to expense all advertising costs in the current period. Advertising expense was approximately \$133,000 in 2008.

Principles of Consolidation

The accompanying financial statements include the accounts of Fair Finance Company and its wholly owned subsidiary, Fair Facility I, LLC. All intercompany transactions have been eliminated.

The Company is a wholly owned subsidiary of Fair Holdings, Inc. which is a wholly owned subsidiary of DC Investments, Inc. The financial statements do not present the financial position and results of operations of Fair Holdings, Inc. or DC Investments, Inc.

Capitalized Debt Issuance Costs

Capitalized debt issuance costs in the amount of \$1,091,159 are associated with establishing the Company's line of credit. Debt issuance costs are being amortized over the life of the line of credit which is five years under the straight-line method.

Note 2: Change in Accounting Principles:

During 2008, the Company began to recognize revenue from all finance receivables under the interest method which provides for a constant effective rate of interest on the contract by recording a purchase discount or premium and amortizing that discount or premium over the life of the receivable. Prior to 2008, revenue from third party finance receivables was recognized as collections were made in diminishing monthly amounts proportionate to the decreasing balances of the receivables. The change was not applied retrospectively as management feels that it is both immaterial and it is not practicable without unreasonable efforts.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 3 -- Finance and Service Receivables:

Contractual maturities of retail installment notes as required by the industry audit guide for finance companies are presented in the following table, which estimates the maturities on a weighted average basis considering the prepayments discussed below. In the event of the portfolio being liquidated, Fair Finance would receive 125% of the portfolios' carrying value as of December 31, 2008. The above data should not be regarded as a forecast of future repayments.

The finance receivables include interest-bearing assets of \$31,002,500 in 2008 and do not include unearned charges. Interest-bearing assets have an average annual yield of 18.2% in 2008.

The Company also has service-only contracts, which it services for dealers, with outstanding balances of \$10,358,700 as of December 31, 2008. These accounts are not recorded in the Company's balance sheet. Fee revenue is recognized on these accounts as services are performed and earned.

The Company has service contracts arising from sold contracts which are recorded on the balance sheet in the amount of \$10,839,000 under the caption of loan servicing rights. Interest is recognized based upon an amount greater than the stated contract amount pursuant to the third party agreement. In addition, fee revenue is recognized monthly based upon a flat rate times the number of contracts open on the 15th of each month.

The Company maintains a line of credit for one of its dealers. The principal balance on the line of credit shall not exceed 50% of the outstanding balance of its current accounts being serviced by Fair Finance with a maximum of \$2,500,000. Fair Finance's advances on the credit line carry an interest rate of 1.0% over prime and are due November 2011. Fair Finance's collateral for the outstanding advances included the dealer receivables and any amounts owed by Fair Finance to the dealer. The outstanding advances totaled approximately \$375,000 at December 31, 2008.

The following table describes third-party finance and service receivables, including maximum terms and estimated maturities as of December 31, 2008. As the Company continues to hold certain benefits and risks of those finance and service receivables which have been sold, those amounts are included in the table.

Maximum Terms In Months	0-1 Years	1-3 Years	3-5 Years	5-10 Years	Amount
Third-party retail installment notes:					
36	\$5,508,000	\$16,120,247	-	\$ 1,865	\$21,630,112
48	-	-	\$ 16,826	-	16,826
60	6,566,907	6,274,629	5,686,699	3,196	18,531,431
84	1,242,057	4,338,503	7,954,502	1,226,264	14,761,326
108	612,743	2,527,851	532,881	555,446	4,228,921
Subtotal	<u>13,929,707</u>	<u>29,261,230</u>	<u>14,190,908</u>	<u>1,786,771</u>	<u>59,168,616</u>
Dealer notes (1)	<u>396,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,673</u>
Subtotal	<u>14,326,380</u>	<u>29,261,230</u>	<u>14,190,908</u>	<u>1,786,771</u>	<u>59,565,289</u>
Less discounts and unearned charges (2)	<u>(525,052)</u>	<u>(3,836,890)</u>	<u>(538,149)</u>	<u>(8,999)</u>	<u>(4,909,090)</u>
Total third-party finance receivables	<u>\$13,801,328</u>	<u>\$25,424,340</u>	<u>\$13,652,759</u>	<u>\$1,777,772</u>	<u>\$54,656,199</u>

(1) Dealer notes for the period ended December 31, 2008 were \$375,079 and are included in the balance sheet under the caption "Other receivables".

(2) Discounts for the period ended December 31, 2008 were \$975,619 and are included in the balance sheet under the caption "Dealers' reserves and holdbacks".

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 4 – Allowance for Losses on Finance and Service Receivables:

The Company is exposed to the risk that borrowers or counterparties may default on their obligations to the Company. These transactions create credit exposure that is reported on-balance sheet. On-balance sheet credit exposure includes such items as third-party finance receivables, loans and related-party loans. The Company has no off-balance sheet credit risk with regard to its servicing-only contracts. In addition, the Company has arrangements with certain dealers to exchange performing service-only contracts for on-balance sheet contractually delinquent contracts. The Company uses this concept to partially manage its overall credit risk as discussed above.

The Company's Risk Committee has developed policies to manage the level and composition of risk in its credit portfolio and reviews the Company's performance relative to those policies. The objective of this credit risk management process is to quantify and manage credit risk on an aggregate portfolio basis for the third-party finance receivables, as well as to reduce the risk of loss resulting from an individual customer or dealer default. Corporate Risk Management works with lending officers and line of business personnel involved in credit decision-making and is involved in the implementation, refinement, and monitoring of the Company's credit policies and procedures. Credit limits are subject to varying levels of approval by senior line of business management and Corporate Risk Management.

The Company maintains an allowance for losses on third-party finance receivables at an amount that it believes is sufficient to provide adequate protection against losses in the portfolios.

The allowance is determined principally on the basis of historical loss experience and reflects management's judgment of additional loss potential considering future economic conditions, future expected payments, credit grading, and the nature and characteristics of the underlying finance receivables. The allowance is managed on an aggregate basis considering the relationship of the allowance to net finance receivables and net credit losses. Allowances on related-party notes and loans receivable are evaluated on a loan-by-loan basis. Additions to the allowance are generally charged to the provision for finance credit losses while charge offs decrease the allowance.

Finance charge accruals are suspended (placed on nonaccrual status) on third-party accounts when they become 60 days contractually delinquent and reach 100 days recency. The accrual is resumed when the loan becomes contractually current. Accrual is suspended on related party loans when collection of all contractual principal and interest is deemed doubtful and is not adequately collateralized. Interest on interest-bearing finance receivables, extension fees, and late charges is credited directly to income when collected.

Finance and service receivables are charged to the allowance for losses generally when they are deemed to be uncollectible. Additionally, the company's policy provides for charge-offs of various types of accounts on a contractual basis. Consumer direct and other installment receivables are charged to the allowance for losses when collection efforts and the dealer holdback and reserve have expired. All other finance receivables are charged to the allowance for losses when any of the following conditions occur: (i) the related security has been converted or destroyed; (ii) the related security has been repossessed and sold; or (iii) the related security has not been repossessed and the receivable has become significantly delinquent. A contractually delinquent account is one on which the customer has not made payments as contractually agreed.

Extensions are granted on receivables from customers with satisfactory credit and with prior approval of management. Recoveries on losses previously charged to the allowance are credited to the allowance at the time the recovery is collected.

At December 31, 2008, net third-party finance and service receivables on which revenue was not accrued approximated \$1,979,500. The interest income that would have been recorded in 2008, if these nonaccruing receivables had been current, was approximately \$172,700. During 2008, the average recorded investment in contractually delinquent loans was approximately \$1,000,000.

As of December 31, 2008, the Company had established reserves for credit losses of approximately \$7,045,000 for finance and service receivables.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 4 – Allowance for Losses on Finance and Service Receivables (Continued):

An analysis of the transactions in the reserve for finance credit losses is as follows:

Balance, December 31, 2007	\$5,583,842
Add provision charged to operations	2,341,979
Deduct losses on accounts charged off	(200,299)
Adjustments to funded loss reserves	<u>(680,585)</u>
 Balance, December 31, 2008	 <u>\$7,044,937</u>

The ending reserve for finance credit losses represents additional reserves above the amounts withheld from dealers for "dealer reserves and holdbacks." The dealers' reserves and holdbacks represent reductions of the original amounts advanced to dealers on loans acquired. Such amounts are recorded as liabilities on the balance sheet as they are contractually payable to the dealers in the event portfolio credit risk criteria are met.

Although the allowance for losses on finance, service and loans receivable reflected in the Company's balance sheet at December 31, 2008 is considered adequate by the Company's management, there can be no assurance that this allowance will prove to be adequate over time to cover ultimate losses in connection with the Company's finance and loan receivables. This allowance may prove to be inadequate due to unanticipated adverse changes in the economy or discrete events adversely affecting specific customers or industries. The Company's results of operations and financial condition could be materially adversely affected to the extent that the Company's allowance is insufficient to cover such changes or events.

In addition, a portion of the related-party loans have been classified as collateral-dependent. Such loans are collateralized by assets under the control of related parties and affiliated companies. In addition, stockholders of the Company have guaranteed and pledged assets against significant amounts of these receivables. Certain guarantees and pledges are in turn collateralized by various assets, including stock of publicly traded companies.

Note 5 – Sale of Finance Receivables:

During 2007, the Company entered into a contract whereby certain finance receivable contracts were sold to a third party at a discounted rate of 92.25% of the balance of the receivable. The Company has retained an interest in various fees and rate increases, as well as a contingent liability for contract defaults. In addition, the Company continues to service those contracts for a fixed monthly fee per contract. As the Company has transferred the contracts, it has recognized a servicing asset and liability equal to the principal amount of the contracts transferred. As collections occur, the Company recognizes income based upon the amortized value of the payments received, reduced by the discount on sold contracts. There were no contracts sold under this arrangement during 2008. Servicing fees earned under this agreement totaled \$643,000 during 2008.

Note 6 – Related-Party Transactions:

The Company makes advances and conducts other business transactions with Fair Holdings, the parent company. In January 2002, the Company entered into a Promissory Note with Fair Holdings. Under this note the Company can advance funds not to exceed \$115,000,000 in principal. Interest accrues monthly at a rate equal to that of the Company's rate on its V-24 certificates + 1% and matures in January 2012. As of December 31, 2008, the principal balance outstanding on this loan was \$146,555,259 which is included in "Loan receivable, related party" on the Company's balance sheet. The interest earned on this loan for the year ended December 31, 2008 was \$11,194,400 and is included in "Investment and other income" on the Company's statement of operations.

The Company has assumed loans to other entities related to Fair Holdings. These loans bear interest ranging from 10% to 12%. The principal and accrued interest balance on those loans was \$59,307,440 at December 31, 2008. The interest earned for the year ended December 31, 2008 was \$9,843,190 and is included in "Investment and other income" on the Company's statement of operations.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 7 – Property, Equipment, and Depreciation:

Property and equipment consist of the following as of December 31, 2008:

Buildings and land	\$150,000
Leaschold improvements	623,594
Office equipment	<u>3,965,196</u>
	4,738,790
Less: Accumulated depreciation and amortization	<u>3,085,838</u>
	<u>\$1,652,952</u>

Note 8 – Prepaid Items:

Included in "Prepays and other assets" are intangible assets with net unamortized cost of \$30,400 which relate to items such as new web site development costs, an enhanced company logo and marketing costs in an attempt to expand Company operations geographically. The company is amortizing the costs over a 30 month period.

Also included in "Prepays and other assets" are debt issuance costs with an original cost of \$1,091,159 and accumulated amortization of \$200,046. The costs are being amortized over the five year life of the line of credit to which they relate. Amortization expense during 2008 of \$200,046 is included in operating expenses.

Note 9 – Notes Payable:

Notes payable at December 31, 2008 consists of two capital leases, both payable to GE Capital and collateralized by the equipment purchased under the leases. One bears interest at 7.552% and is due in quarterly principal and interest payments of \$10,056 until April 2011. Another bears interest at 5.77% and is due in quarterly principal and interest payments of \$1,412 until April 2011. Annual principal payments due under both arrangements total \$37,115 for 2009, \$40,039 for 2010, and \$21,190 in 2011.

Note 10- Line of Credit:

The Company has a \$50,000,000 Warehouse line of credit, bearing a variable rate of interest at LIBOR + 6.75%, 8.18125% at December 31, 2008. The line of credit is secured by all the assets of the consolidated subsidiary of the company which consist of finance receivables meeting defined criteria under the terms of the agreement. The outstanding balance of the line of credit was approximately \$32,466,000 at December 31, 2008. Interest incurred under this agreement totaled approximately \$1,831,000 in 2008.

Note 11 – Significant Concentrations:

The Company is primarily engaged in purchasing uncollateralized retail sales contracts through independent dealers. The Company performs ongoing credit evaluations of its customers' financial condition. As of December 31, 2008, the Company's net receivables from these customers totaled approximately \$45,180,000. In addition, the Company sold certain finance receivables to a third party retaining the risks of nonpayment on those contracts. The balance of those contracts was \$10,054,840 at December 31, 2008.

As described in Note 6, the Company makes advances and conducts other business transactions with Fair Holdings, the parent company. At December 31, 2008, the principal and accrued interest on the promissory note receivable from Fair Holdings represented approximately 72% of the assets of the Company.

The Company maintains cash and cash equivalents in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 11 – Significant Concentrations (Continued):

The Company receives a significant amount of funding for the purchase of sales contracts and granting of loans through the issuance of variable rate investment certificates as discussed in Note 12. The issuance of these certificates is subject to the authorization and oversight of the State of Ohio Securities Department. Accordingly, a change in securities laws or regulations or failure of the Company to satisfy current requirements could result in a reduction of the Company's ability to issue such certificates. Inability to raise additional funds to replace certificates that become due would have a materially adverse impact on the Company's future operations.

Note 12 – Subordinated Investment Certificates:

The subordinated debt is registered with the Ohio Division of Securities ("the Division"). The Division acknowledges, through the issuance of a Certificate of Acknowledgement, an aggregate amount of \$250,000,000 of Subordinated Investment Certificates covering a period expiring November 2009. The Certificate of Acknowledgement neither approves nor disapproves the certificates for investment nor does it pass upon the accuracy of the information presented in the Offering Circular of the certificates. Under the Ohio Securities Act, the Division has continuous jurisdiction over the registration.

The debt is subordinated to any superior indebtedness issued to any bank, trust company, insurance company, institution or lending agency. With the consent of all holders of superior indebtedness, the Company may redeem the subordinated debt in whole or in part at any time prior to maturity at par with accrued interest thereon. In addition, the Company retains the right to limit redemption of the certificates based on cash flow.

The investment certificates are due 6, 12, 18 and 24 months from the date of issue and carry a rate of interest which is fixed on the date of purchase. Unless redemption is requested within five days after the maturity date, are adjusted automatically to the current six-month rate. The variable rate investment certificates outstanding, excluding accrued interest, and rates offered as of December 31, 2008 are in the following table. The 36, 48 and 60 month certificates are no longer offered, therefore, no rate information is given, however, there are still outstanding certificates for those series.

	<u>Amount</u>	<u>Rate</u>
Series V-6	\$ 54,076,407	8.25%
Series V-12	34,748,946	8.50%
Series V-18	12,439,703	9.00%
Series V-24	65,778,209	9.25%
Series V-36	4,981,486	
Series V-48	3,113,262	
Series V-60	17,333,972	
	<u>\$ 192,471,985</u>	

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 13 – Description of Leasing Arrangements:

The Company's operations are conducted at various facilities, some of which are under noncancelable leases expiring on various dates through 2010 with renewal options thereafter. Minimum rentals, exclusive of renewal options and taxes, insurance, and maintenance expense for leases with initial terms in excess of one year at December 31, 2008 as follows:

<u>Year Ending December 31,</u>	
2009	\$ 141,729
2010	124,116
2011	95,282
2012	22,665
2011	<u>19,500</u>
	<u>\$ 403,292</u>

Rental expense on noncancelable leases totaled \$114,315 in 2008.

The Company has automobile leases which are classified as operating leases. Minimum lease payments due under these arrangements are \$18,456 for 2009, \$10,606 for 2010 and \$7,071 for 2011. Rental expense under these leases was \$23,583 in 2008.

Note 14 – Pension and 401(k) Plan:

The Company has a 401(k) Participating Retirement Plan. Under the plan, all employees who have completed one year of service and are over 18 years of age may participate. The Company's matching contributions are discretionary and may not exceed 5% of the participants' salary. In addition to the matching contributions, the Company can make a discretionary profit sharing contribution. Participants may make voluntary contributions to the plan up to 15% of their compensation but may not exceed an amount determined by the Internal Revenue Service. Employer contributions to this plan and administrative expenses paid by the company totaled \$180,322 in 2008.

Note 15 – Commitments and Contingencies:

In the normal course of business, the Company has been involved in legal matters that management has aggressively defended. Management believes the likelihood of any material adverse outcome to be remote.

The Company guarantees certain debt instruments entered into by its parent company, Fair Holdings, totaling \$62,468 as of December 31, 2008.

Note 16 – Implementation of Financial Accounting Standards Board Interpretation No. 46(R):

In December 2003, the FASB issued FIN 46(R), *Consolidation of Variable Interest Entities*. This interpretation explains the concept of a variable interest entity and requires consolidation by the primary beneficiary where the variable interest entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. This interpretation applies immediately to variable interest entities created after December 31, 2003, and applies to the first reporting period beginning after December 15, 2004, to variable interest entities created before December 31, 2003.

The Company qualifies as a variable interest entity under the interpretation and therefore, these financial statements are not intended to present the financial position and results of operations of the consolidated company under generally accepted accounting principles and do not do so.

FAIR FINANCE COMPANY AND SUBSIDIARY
A Wholly-Owned Subsidiary of Fair Holdings, Inc.
Notes to Consolidated Financial Statements
For the Year ended December 31, 2008

Note 17 – Subsequent Event

Subsequent to the balance sheet date, the Company entered into a contract whereby certain finance receivable contracts were sold to a third party for cash, notes receivables, and shares of stock of the third party. None of the finance receivables sold were included in the collateral associated with the line of credit described in Note 10. The Company did not retain any interest in the assets sold, nor does it carry any contingent liability in association with those sold finance receivables.

ADMINISTRATIVE OFFICE

AKRON, OHIO

815 E. Market Street, 44305
1-800-228-8009

1500 Canton Road, 44312
1-800-228-8009

CANTON, OHIO

4675 Dressler Road, NW, 44718
1-800-228-8009

CUYAHOGA FALLS, OHIO

1753 State Road, 44223
1-800-228-8009

MEDINA, OHIO

849 N. Court Street, 44256
1-800-228-8009

WOOSTER, OHIO

136 S. Market Street, 44691
1-800-228-8009

WADSWORTH, OHIO

191 Great Oaks Trail 44281
1-800-228-8009

ASHLAND, OHIO

25 Amberwood Parkway, 44805
1-800-228-8009

MILLERSBURG, OHIO

1639 S. Washington St., 44654
1-800-228-8009

DC Investments Loan Receivables

DC Investments Loan Receivables/Investments
October 1 2009

Final Net Balance

Debtor/Investment

ABC Corporation	365,000.00
Advanced Medical	501,078.45
Barone Finance	115,341.47
Basi (Beeson Surgery Center)	1,934,589.43
Black Rock Stock Purch	1,192,433.44
BV/OCCC	102,067.91
Car Collector	195,000.00
CB World Events Video (Investment)	230,000.00
CCG	452,834.00
C Landeen	284,095.44
DHW ,LLC	139,704.51
Diamond Tech Acq	280,458.22
DN Restaurant Holdings, Inc	501,225.63
DW Leasing	240,034.73
DWA ,LLC	616,398.96
FHI DW Trailers	265,871.33
Ft Lauderdale Investment Rental Property	953,357.97
GD Pharmaceuticals	157,500.00
GE Deposit United Repurchase Agrmnt	200,000.00
Geist Sports Academy	491,137.76
H Najem	547,618.31
H Najem Purchase of Rest interest	435,180.94
Inet Now Software (Investment)	238,100.00
Investment in OCP	1,259,401.18
Investment In OEI	445,921.41
J Blanton	334,124.00
J Osler	1,324,101.90
Curtis Publishing	1,045,101.52
Medical Collections Group	151,379.00
MyGhetto.com	170,260.18
ND Rest Holdings NorthCarolina	203,994.92
Najem Enterprises	247,697.09
National Lampoon,Inc.	2,152,916.00
N Lucas	145,079.00
New Castle Rest Holdings Investment	357,828.39
New Castle Rest Holdings Building	924,695.25
OCCC	206,114.00
OCC Partners Loan (Secured by Stock)	1,110,588.64
S Frantz	338,162.57
DS McKain	115,001.50
Square One Graphics	770,439.12

T Whitesell	216,677.59
T Schlichte	173,265.78
Cumulative Loans under \$100,000	2,063,244.21
DCI Investment in FHI	6,097,398.00
Cochran loan	10,379,095.00
Durham loan	13,872,475.00
Misc Accounts Receivable and other Investments	3,922,349.50
Fixed Assets and Property	5,733,314.19
Previously Reserved Loans	21,680,114.56
Total Loans Transferred	<u>85,879,768.00</u>
Net balance Remaining at Fair Finance	<u>64,199,653.44</u>

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**OHIO DIVISION
SECURITIES**

EXHIBIT 2

<DOCUMENT>
<TYPE>10-K
<SEQUENCE>1
<FILENAME>obsidian10k.txt
<DESCRIPTION>10-K FOR FISCAL YEAR ENDED OCTOBER 31, 2001
<TEXT>

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-17430

OBSIDIAN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware 35-2154335

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

111 Monument Circle, Suite 3680 46204

Indianapolis, Indiana (Zip Code)

(Address of principal executive offices)

(317) 237-4122

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section
12(g) of the Act:

Common Stock (\$0.0001 par value)
(Title of Class)

<PAGE>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _____ NO X

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of February 11, 2002, the aggregate market value of the Company's common stock held by non-affiliates of the registrant, based on the average bid and ask price on such date, was approximately \$2,951,000.

As of February 11, 2002, the registrant had 36,007,855 shares of common stock and 3,739,169 shares of Series C Preferred Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in Part II and Part III has not been incorporated by reference.

<PAGE>

PART I

ITEM 1. BUSINESS.

HISTORY AND DEVELOPMENT OF BUSINESS

A change in control and reorganization of the Registrant occurred on June 21, 2001. On that date, Timothy S. Durham was elected Chief Executive Officer and Chairman of the Board of the Registrant and the Registrant acquired from Obsidian Capital Partners, L.P. (the "Partnership"), Mr. Durham and certain other shareholders all of the shares of the following companies: Pyramid Coach, Inc., a Tennessee corporation ("Pyramid"); Champion Trailer, Inc., an Indiana corporation ("Champion"); and U.S. Rubber Reclaiming, Inc., an Indiana corporation ("U.S. Rubber"). On July 31, 2001, the Registrant acquired from the Partnership and Mr. Durham substantially all of the assets of United Acquisition, Inc., an Indiana corporation ("UAI"), which the Registrant now operates as United Expressline, Inc. ("United"). All of the acquisitions were made in exchange for shares of the Registrant's Series C Preferred Stock ("Series C Preferred Stock") and were pursuant to an Acquisition Agreement and Plan of Reorganization by and among the Registrant, Danzer Industries, Inc. ("DII"), Pyramid, Champion, UAI, U.S. Rubber, the Partnership, Timothy S. Durham and other related parties, dated as of June 21, 2001. Prior to the reorganization, the Registrant had engaged through its wholly owned subsidiary, DII, in the fabrication of metal parts and truck bodies for the service and utility markets.

In October 2001, the Registrant's state of incorporation was changed from New York to Delaware and the Registrant's name was changed from Danzer Corporation to Obsidian Enterprises, Inc. The Registrant was originally incorporated in New York in 1987 under the name Affiliated National, Inc. and subsequently changed its name to Global Environmental Corp. and then to Danzer Corporation.

As used in this report, the term "Company" refers to Obsidian Enterprises, Inc. together with its consolidated subsidiaries.

DESCRIPTION OF THE BUSINESS

OVERVIEW

The Company is a holding company headquartered in Indianapolis, Indiana. The Company conducts business through five subsidiaries: U.S. Rubber, a butyl-rubber reclaiming operation; Pyramid a provider of short and long-term luxury coach leases for corporations and the entertainment industry; Champion, a manufacturer of customized racecar transporters, specialty exhibit trailers and mobile hospitality units; United, a manufacturer of steel-framed cargo, racing and specialty trailers; and DII, a manufacturer of service and utility truck bodies and accessories.

The Company operates in three industry segments comprised of butyl-rubber processing; trailer and related transportation equipment manufacturing; and leasing of transportation. All sales are in the Western Hemisphere, primarily in the United States. For quantitative segment information see Note 11 to the Consolidated Financial Statements.

<PAGE>

BUTYL RUBBER PROCESSING

The Company's butyl rubber processing facilities are located in two adjacent plants in Vicksburg, Mississippi. The Company is the sole manufacturer of reclaimed butyl rubber in the domestic tire, tape and tube business in the Western Hemisphere. The Company collects various used and scrap butyl rubber products, primarily inner tubes from tires, which are then reprocessed into reclaimed butyl rubber sheets. Customers mix the product with virgin butyl rubber and use the product predominately as the inner liner of tubeless tires, and also as inner tubes for tires and for tapes and mastics for pipelines.

Reclaimed butyl rubber used in combination with virgin butyl rubber has properties that facilitate some manufacturing processes. However, the primary reason manufacturers use reclaimed butyl rubber is the cost savings offered compared to virgin butyl rubber.

The Company distributes its reclaimed butyl rubber products through an internal sales force.

The Company is the sole supplier of reclaimed butyl rubber to most of the tire industry in the United States and has tire manufacturer customers in Canada and Brazil.

There are three other enterprises engaged in reclaiming butyl rubber worldwide:

- o The Gujarat Company in India;
- o Han Cook in Korea; and

- o Vrederstein N.V. in the Netherlands.

Due to the cost of transporting reclaimed butyl rubber, these enterprises are not major competitors with the Company in the Western Hemisphere. The primary competitive factor is price.

Two enterprises manufacture virgin butyl rubber for sale in the United States:

- o Exxon Corporation; and
- o Bayer AG.

Both these enterprises are much larger than the Company, well capitalized and have larger sales staffs. The prices charged by these enterprises places an upper limit on the prices that may be set for reclaimed butyl rubber.

The Company obtains its supply of scrap inner tubes from approximately 1000 scrap merchants worldwide. The Company's ability to produce reclaimed butyl rubber is potentially restrained by the limited supply of scrap butyl rubber products. Since the introduction of tubeless tires for automobiles in the 1970s, the number of scrap inner tubes from sources in the United States has declined substantially. In the United States, inner tubes are now primarily limited to the agricultural and large truck tire market. In 2001, the Company began to experiment with reclaiming scrap butyl rubber pads from the manufacturers of other butyl rubber products. This scrap is created as a result of the manufacturing process for molded butyl rubber products and is available at approximately 60% of the cost of scrap inner tubes. The Company's work to date suggests that pad scrap may be a partial substitute for inner tubes as raw material for the Company's reclaimed butyl rubber product.

Although the Company has had a long-term relationship with its primary customers, it does not have long-term contracts with them. Two of its reclaimed butyl rubber customers account for a substantial portion of the sales of this segment. Uniroyal-Goodrich and Kelley Springfield accounted for the sales of 38% and 22% of the sales of this segment in 2001. The loss of either of these customers would materially and adversely affect the Company. The Company's reclaimed butyl rubber products are generally ordered by customers monthly and shipped promptly after the order. Accounts are generally paid on 30 to 60 day terms.
<PAGE>

TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING

The Company manufactures service truck bodies at its facility in Hagerstown, Maryland where the Company produces truck bodies for sale under the Morrison trademark as well as bodies built to order for other original equipment truck manufacturers. The finished bodies are shipped to the customer for installation on truck body chassis. The Company markets truck bodies through an internal sales force. It sells its private label products directly to its private label customers and markets its proprietary "Morrison" products through a network of approximately 300 dealers who, in turn, sell to municipalities, utility companies, cable companies, phone companies and contractors. Most truck body customers are in the East and Southeast United States. Slightly more than one half of the Company's truck body revenue is accounted for by sales to one installer. Although the Company's relationship with this manufacturer has been long term it does not have a supply contract and is not the sole supplier of truck bodies to that enterprise. The loss of the Company's relationship with the truck manufacturer could have a material adverse effect on the Company. There are a significant number of companies engaged in the manufacture of service truck bodies in the United States. While many of these companies are relatively small and do not possess the Company's technical capacity, a number of its competitors are much larger and possess equal or greater technical and financial resources. Four such competitors are: Knapheide Manufacturing Co., Omaha Standard, Inc., Reading Body Works, Inc., and Stahl, a Scott Fetzer Co., which is a wholly owned subsidiary of Berkshire Hathaway, Inc. The Company competes with others for truck body sales through price and service, with price being the most important factor, and offers truck bodies made to the individually specified requirements of its customers.

The Company manufactures specialty racing, cargo and ATV trailers at a facility owned by the Company in Bristol, Indiana and at another facility owned by the Company in White Pigeon, Michigan. The business is somewhat seasonal with fewer orders during the months from November through January. The trailers are marketed under two names "United Expressline" and "Southwest Expressline." While the Company markets some trailers under these brands at prices up to \$75,000, the average price for these trailers is approximately \$3,900. The Company sells the "United Expressline" and "Southwest Expressline" trailers through two dealer networks comprised of an aggregate of approximately 300 dealers in the United States and Canada, most of whom are located in the Midwest United States. The Company's sales activities are conducted through an internal sales force. While the Company has formal agreements with a few of the dealers, most of the dealership arrangements are informal and are nonexclusive. The trailers are built to order to dealer specifications. The terms of sale for the "United Expressline" and "Southwest Expressline" trailers are FOB the plant with payment generally due upon the dealer taking delivery of the trailer. A few dealers have 30 or 60 day terms. There are a significant number of companies engaged in the

manufacture of specialty racing, cargo and ATV carriers in the United States. While many of these companies are relatively small and do not possess the Company's technical capability, a number of its competitors are much larger and possess equal or greater technical and financial resources. Three such competitors are: Haulmark Industries, Pace American, U.S. Cargo and Wells Cargo. The Company competes with others for specialty racing, cargo and ATV trailer sales through price, quality and availability, with price an important factor.

The Company manufactures custom, high-end racecar transporters and specialty trailers at a 58,500 square foot manufacturing facility in three adjacent buildings leased by the Company in Lewisville, Texas, 15 miles north of Dallas. At that facility it builds a variety of aluminum trailers, from 15 foot bumper-pull units to full-size 53 foot semi models. The end uses include product transportation, corporate display, hospitality units, and competitive racecar transports. Among the Company's customers for these trailers are Daimler-Chrysler, Mobil, Skoal Tobacco, Mopar, US Filter, Tenneco, Amato Racing, Mike Gunderson, Skuza Motorsports, and Vincent Motorsports. The Company competes with others for sales of these high-end, custom trailers on quality and price. Its largest competitor in this respect is Featherlite Trailers.

The Company purchases its raw materials for the trailer and related transportation equipment segment from numerous suppliers and has not had any difficulty in obtaining components or raw materials.

The Company generally warrants its product to be free from defects in material and workmanship and performance under normal use and service for a period of twelve months after shipment. The obligation of the Company is generally limited to the repair or replacement of the defective product.

At October 31, 2001, the backlog of the trailer and related transportation segment was approximately \$4,100,000 composed of approximately \$200,000 for truck bodies, \$1,900,000 for specialty racing, cargo and ATV trailers and \$2,000,000 for high end customer trailers. The October 31, 2001 backlog is expected to be filled within the 2002 fiscal year.

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COACH LEASING

The Company leases high-end luxury entertainment coaches from its facility located in Joelton, Tennessee. The leases are for both short-term (weekly or monthly) and long-term periods. At October 31, 2001, the Company had 34 coaches in its fleet under management. In addition, the Company subleases coaches from other coach owners on a short-term basis, from time to time. All of the coaches under management at October 31, 2001, were owned by DW Leasing, a company controlled by Messrs. Durham and Whitesell. Twenty-seven of these coaches were transferred to the Company on November 1, 2001, and the remainder continue to be owned by DW Leasing and managed by the Company. The Company leases the coaches through an internal sales force. The coaches are leased primarily to the country, rock-n-roll, pop and traveling Broadway show entertainment industries. The coaches are also leased to various corporations. The leases are generally on a net basis, with the customer responsible for fuel and drivers and other personnel. During the year ended October 31, 2001, the Company leased coaches to a number of touring groups in connection with their tours including Ozzie Osborn, Brad Paisley and the Broadway Show "Stomp." The Company's corporate customers include the Golf Channel. There are several other companies that lease luxury coaches. Some of the larger competitors include Entertainer Coaches of America, Florida Coach, Senators Coach and Hemphill Brothers. The Company believes that amenities are an important factor in leasing coaches to its target market and equips its coaches with a full complement of amenities. The Company competes with other luxury coach providers based on a combination of quality, amenities, availability and price.

GOVERNMENT REGULATION

The Company is subject to regulation by federal, state, and local agencies that have jurisdiction over areas such as environmental and fire hazard control issues and regulate the work place to insure safe working conditions for the Company's employees. The trailers and truck bodies manufactured by the Company must meet standards set by state and federal transportation authorities and the coaches leased by the Company must comply with those standards and regulations. These regulatory bodies could take actions that would have a material adverse affect upon the Company's ability to do business. The business of the Company does not subject it to any special regulatory authority.

EMPLOYEES

As of October 31, 2001, the Company had 469 employees. The Company has a labor contract through January 2003 with United Brotherhood of Carpenters and Joiners of America for the approximately 60 production workers at its truck body manufacturing facility in Hagerstown, Maryland. None of the employees at the other facilities of the Company is represented by a labor union. The Company believes its employee relations are satisfactory.

PATENTS AND PROPRIETARY TECHNOLOGY

The Company does not rely on any patents, registered trademarks, or special licenses to give it a competitive advantage. The "Morrison," "Danzer," "Pyramid," "Champion," "United Expressline" and "Southwest Expressline" brand names have brand recognition in the relevant market.

RESEARCH AND DEVELOPMENT

The Company did not incur, during any of its last three fiscal years, and does not contemplate incurring, any material research and development expenses.
<PAGE>

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers should carefully review the risks described in this and other documents that the Company files from time to time with the Securities and Exchange Commission, including the quarterly reports on Form 10-Q to be filed by the Company in 2002. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only to the date of this Annual Report on Form 10-K. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

ITEM 2. PROPERTIES

The following describes the Company's properties:

<S> Identification	<C> Location	<C> Ownership/Description	<C> Segment
Headquarters	111 Monument Circle, Suite 3680, Indianapolis, IN 46204	2,800 square feet leased commercial office space	N/A
Butyl Rubber Processing Plants	Vicksburg, Mississippi	Two adjacent plants aggregating 87,000 square feet, each owned by the Company and encumbered by a mortgage to Bank One, Indiana NA	Butyl Rubber Processing
Truck Body Plant	Hagerstown, Maryland	75,000 square foot plant owned by the Company and encumbered by a mortgage to Bank of America Commercial Finance	Trailer and related transportation equipment manufacturing
United Expressline Plant	Bristol, Indiana	Several buildings aggregating 49,000 square feet owned by the Company and encumbered by a mortgage to First Indiana Bank NA	Trailer and related transportation equipment manufacturing
Southwest		Expressline Plant White Pigeon, Michigan 47,000 square foot plant owned Trailer and related by the Company and encumbered transportation by a mortgage to First Indiana equipment manufacturing Bank NA	
Champion Facility	Lewisville, Texas	58,000 square feet located in three adjacent buildings leased by the Company	Trailer and related transportation equipment manufacturing
Pyramid Coach Office	Joelton, Tennessee	12,000 square feet of office space and other facilities leased by the Company	Coach Leasing

The Company believes that its property, plant and equipment are well maintained and adequate for its requirements. The Company also believes that all of its assets are adequately covered by insurance.
<PAGE>

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The Company's Annual Meeting of Stockholders was held on October 5, 2001.
- (b) The following individuals were elected to the Company's Board of Directors to hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified:

<TABLE>

<S>	<C>	<C>	<C>	<C>
Nominee	For	Against or Withhold	Abstain	Broker Non-Votes
	---	-----	-----	-----
Timothy S. Durham	111,727,239	0	610	0
Terry G. Whitesell	111,727,239	0	610	0
Jeffrey W. Osler	111,727,239	0	610	0
Goodhue W. Smith, III	111,727,239	0	610	0
John A. Schmit	111,727,239	0	610	0
D. Scott McKain	111,727,239	0	610	0
Daniel S. Laikin	111,727,239	0	610	0

</TABLE>

- (c) In addition to the election of Directors described in (b) above, the following matters were voted upon:

<TABLE>

<S>	<C>	<C>	<C>	<C>
	For	Against	Abstain	Broker Non-Votes
1. Change of Company's State of Incorporation from New York to Delaware	108,668,362	2,069	824	0
2. Change of Company's Name to "Obsidian Enterprises, Inc."	111,596,269	130,219	1,361	0
3. Authorization of 2001 Long-Term Incentive Plan	111,600,270	64,543	63,036	0

</TABLE>

<PAGE>

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is currently traded on the Over-the-Counter Electronic Bulletin Board and on October 17, 2001, the symbol was changed from "DNZR" to "OBSD." The following table sets forth the high and low bid quotations for the common stock for the fiscal quarters indicated.

Fiscal 2001	High	Low
	----	----
First Quarter	\$0.30	\$0.09
Second Quarter	\$0.20	\$0.063
Third Quarter	\$0.30	\$0.14
Fourth Quarter	\$0.41	\$0.09
Fiscal 2000	High	Low
	----	----
First Quarter	\$0.25	\$0.031
Second Quarter	\$1.25	\$0.09
Third Quarter	\$0.125	\$0.09
Fourth Quarter	\$0.45	\$0.047

The above quotations reflect inter-dealer prices, and may not include retail mark-up, mark down or commissions and may not necessarily represent actual transactions. At October 31, 2001, there were approximately 900 holders of record of the Company's common stock. Most of the shares of the common stock are held in street name for an unknown number of beneficial owners. To date the Company has not paid a cash dividend on its common stock. The payment and amount of any future cash dividends would be restricted by the Company's lenders and will necessarily depend upon conditions such as the Company's earnings, financial condition, working capital requirements and other factors.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain selected consolidated financial information concerning the Company. This information is not covered by the independent auditor's report. For further information, see the accompanying Consolidated Financial Statements of Obsidian Enterprises, Inc. (formerly Danzer Corporation) and subsidiaries for the ten-month period ended October 31, 2001 and the years ended December 31, 2000, 1999, 1998, and 1997, and the information set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Item 8, "Financial Statements and Supplementary Data" below.

The following information is a summary of the consolidated financial statements of the Company included elsewhere and should be read in conjunction with such consolidated financial statements. The information for the years ended December 31, 2000, 1999, 1998, and 1997 are for that of U.S. Rubber Reclaiming only, the accounting acquirer in the reverse merger further described in the financial statements referenced above.

<PAGE>

OPERATING DATA:

(Amounts in thousands, except per share data)

<TABLE>

	Ten Months Ended October 31,		Year Ended December 31,		
	<C> 2001	<C> 2000	<C> 1999	<C> 1998	<C> 1997
Net sales	\$ 28,055	\$ 12,583	\$ 11,439	\$ 12,575	\$ 13,728
Income (loss) from operations	(2,149)	184	413	107	819
Net income (loss)	(4,360)	48	216	74	525
Net income (loss) per common share, basic and diluted	(.07)	--	.01	--	.01

</TABLE>

BALANCE SHEET DATA:

<TABLE>

	October 31,		December 31,		
	<C> 2001	<C> 2000	<C> 1999	<C> 1998	<C> 1997
Working capital (deficit)	\$ (3,484)	\$ 864	\$ 1,896	\$ 2,864	\$ 2,261
Total assets	48,850	9,633	11,633	11,914	8,745
Long-term debt, including current portion	36,779	3,846	5,914	6,365	3,085
Stockholders' equity	1,296	4,939	4,890	4,674	4,600

</TABLE>

No dividends have been declared or paid in any period presented.

<PAGE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

The transactions in June and July 2001 (see "Item 1. Business--History and Development of Business") were treated for accounting purposes as an acquisition by U. S. Rubber. For this reason, the fiscal 2000 and 1999 financial information represents only the financial results of U. S. Rubber and does not include the rest of the operations which are now part of the Company. For this reason, comparisons to prior periods are of limited utility.

The results of operations for 2001 include the operations of U. S. Rubber, Champion and Pyramid and a related entity (D. W. Leasing) for the ten months ended October 31, 2001, the operations of DII for the period from June 21, 2001 through October 31, 2001 and the operations of United from July 31, 2001 through October 31, 2001. See "Principles of Consolidation" in Note 2 to the Consolidated Financial Statements.

RESULTS OF OPERATIONS - 2001 COMPARED WITH 2000

PERCENTAGE OF SALES

The following table details the Company's results of operations as a percentage of sales:

	<C> Ten Months Ended October 31, 2001	<C> Year Ended December 31, 2000
Net sales	100.0%	100.0%
Cost of sales, other than depreciation	73.3	86.1
Cost of sales, depreciation	7.8	4.4
Selling, general and administrative expenses	18.3	8.0
Loss on asset impairment	8.2	--
Interest expense	9.1	3.5
Interest income	--	(2.8)
Other expense	.1	--

SEGMENT SALES

The following table shows net sales by segment:

	<C> Ten Months Ended October 31, 2001	<C> Year Ended December 31, 2000
Trailer and related transportation equipment manufacturing	\$ 14,016	\$ --
Butyl rubber reclaiming	9,874	12,583
Coach leasing	4,165	--
Total	\$ 28,055	\$ 12,583

The Company's revenue was less than expected for each of its segments in 2001. This is primarily due to interruptions in production in reclaimed butyl rubber, softer than expected sales of reclaimed butyl rubber, transport specialty trailers and truck bodies and the overall slowing of economic activity during the third quarter ended July 31, 2001 and the fourth quarter ended October 31, 2001. The Company's revenue in 2001 from its "United Expressline" and "Southwest Expressline" trailer manufacturing operations and from its coach leasing operations were generally in line with management's budgets.

TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING

The gross profit and gross profit percentage for the ten months ended October 31, 2001, for the trailer and related transportation equipment manufacturing segment were \$1,740,320 and 12.4%. The Company had no sales in this segment in 2000.

The depressed conditions in the telecommunications industry were the primary factor that led to lower than expected truck body sales during 2001. A majority of the Company's truck bodies are used in the telecommunications industry. Sales were further affected by the recession and the consequent reduction in the overall level of capital spending. The Company reduced costs in 2001, primarily by reducing the number of personnel employed (a 35% reduction in August 2001) and by changing vendors for blank materials (an annualized reduction in costs of \$56,000), but the reduction in costs was not sufficient to offset the effect of the reduced revenue. The Company anticipates that overall economic conditions and the economic state of the telecommunications industry will continue to adversely impact sales of truck bodies into 2002.

The Company's transport specialty trailer revenues were substantially below expectations in 2001. When this operation was acquired, management anticipated that it would continue to generate repair revenue at historic levels. This did not occur. Management believes this was because the relationships with repair customers were personal to the former owner and, for that reason, the Company was unable to maintain those relationships. In addition, the Company was unable to maintain trailer sales at anticipated levels, in part, because of the overall reduction in the level of capital expenditures throughout the economy. Finally, the Company was unable to efficiently complete the trailers that were in process at the time of acquisition. As a result of operating losses, the Company has made additional capital contributions to the operating subsidiary during fiscal 2001 of approximately \$1,222,000 and the operating subsidiary was in default of certain loan covenants. The Company is in discussions to divest this operation. Given these facts, the Company concluded that the goodwill in the amount of \$2,304,682, in connection with this operation, had been impaired and recorded a

charge against income to reflect that impairment. (See "Loss on Asset Impairment.")

The Company's results of operations in its "United Expressline" and "Southwest Expressline" trailer manufacturing operations were in line with management's expectations for 2001.

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BUTYL RUBBER RECLAIMING

Net sales for the periods reported in this segment are as follows:

	Ten Months Ended October 31,		Twelve Months Ended December 31,
	2001	2000	2000
Rubber net sales	\$ 9,875,813	\$ 10,499,610	\$ 12,583,017

Net sales in this segment for the ten months ended October 31, 2001 as compared to the comparable ten-month period ended October 31, 2000 decreased 5.9% in the amount of \$623,797. Net sales in this segment for the twelve months ended December 31, 2000 as compared to an annualized sales for all of 2001 decreased approximately 5.8%.

Because of the widespread tire recalls at Bridgestone/Firestone and Goodyear, demand for the Company's reclaimed butyl products increased significantly during June, July and August 2001 over prior similar periods. However, the Company was not able to take advantage of this demand since the Company had scheduled a complete renovation of its 12" extruder (a key element of its manufacturing process) that began in June 2001. During 2001, the Company expended over \$850,000 in this and other major renovations and the 12" extruder was not fully operational until late October 2001 after the increased demand had subsided. After Company's customers built up large inventories in anticipation of demand under the recalls, the number of tires submitted by consumers to be replaced was lower than anticipated and, as a result, tire manufacturers accumulated a large inventory of tires. Tire manufacturers reduced production in response to the inventory problem and this caused a substantial decrease in reclaimed butyl demand starting in September 2001. The Company anticipates that more normal inventory levels at its tire manufacturer customers will result in a return to historic levels of demand for reclaimed butyl rubber by tire manufacturers in calendar 2002.

The decline in the price of crude oil in September and October 2001 caused a decline in new oil exploration. As a result, the demand for pipeline mastic wraps produced with reclaim butyl rubber supplied by the Company also fell dramatically beginning in October 2001. As the price of crude oil begins to climb again, management believes the demand for those uses will return to historic levels in calendar 2002.

Cost of goods sold in this segment were as follows:

<TABLE>

<S>	Ten Months Ended October 31,		Twelve Months Ended December 31,
	<C> 2001	<C> 2000	<C> 2000
Rubber cost of goods sold	\$ 8,883,969	\$ 8,845,338	\$ 11,389,820
Less nonrecurring settlement termination cost	--	--	(407,000)
Adjusted rubber cost of goods sold	\$ 8,883,969	\$ 8,845,338	\$ 10,982,820
% of sales	89.9%	84.2%	87.3%

</TABLE>

Manufacturing costs increased in 2001 from the prior year for the ten-month period ended October 31, 2001 due to the 12" extruder renovation, the Company's inefficiencies in mixing poor raw material with quality raw material and butyl raw material buying competition. With the 12" extruder renovation completed in September 2001 and the increased use of butyl rubber pad scrap, management anticipates that the cost of goods sold percentage should decline in 2002 from that experienced in 2001.

<PAGE>

Gross profit and gross profit percentage for the ten months ended October 31, 2001 and the twelve months ended December 31, 2000 were as follows:

<TABLE>

<S>	Ten Months Ended	Twelve Months Ended	
	October 31,	December 31,	
	<C>	<C>	<C>
	2001	2000	1999
Rubber gross profit	\$ 991,845	\$ 1,193,197	\$ 1,355,435
Add back nonrecurring settlement termination cost	--	407,000	--
Adjusted Rubber gross profit	\$ 991,845	\$ 1,600,197	\$ 1,355,435
Rubber gross percentage	10.0%	12.7%	11.8%

This reduction in gross profit percentage was due to lower sales and higher cost of sales, associated with the extruder renovation project and the lack of, and higher cost of, raw materials.

The Company obtains its raw material inventory through an extensive collection system consisting of small rubber collectors and large scrap tire recyclers. During 2001 the Company has experienced competition for its raw material inventory from Korean buyers and other overseas buyers. This resulted in higher raw material costs in 2001 and, to a lesser extent, limited sales because of the limited supply of raw materials.

Management believes that the use of butyl rubber pad scrap will help control the cost of raw materials in 2002 and that the Company has the ability to raise prices in 2002.

COACH LEASING

The revenue from the Company's coach leasing operations in 2001 exceeded management's expectations because of increased utilization of the coaches and an increase in the size of the fleet that the Company manages. Management believes that the increased utilization reflects the emphasis of its marketing efforts on rock and roll, pop, touring Broadway show and corporate customers. The financial statements for this segment in 2001 include income and expenses of D.W. Leasing, LLC ("DW Leasing"). DW Leasing is controlled by Messrs. Durham and Whitesell, the Chairman and President of the Company. At the time of the closing of the acquisition in June 2001, the Company and DW Leasing conducted cooperative operations through a management agreement, cross-guarantees of debt and shared management. On November 1, 2001, a transfer of a substantial part of DW Leasing's assets and liabilities was made to Obsidian Leasing Company, Inc., a Mississippi corporation ("Obsidian Leasing"), wholly owned by the Company.

For the ten months ended October 31, 2001, the coach leasing segment had gross profit and gross profit percentage of \$2,547,065 and 61.1%. The Company had no sales in this segment in 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are higher for the ten months ended October 31, 2001, versus the twelve-month period ended December 31, 2000, due to the operations added in 2001 as discussed previously.

Selling, general and administrative expenses for the ten-month period are higher than would be expected on an on-going basis because of the administrative costs that were necessary to start a process of creating better subsidiary reporting, the use of outside professionals for services to assist in the post-acquisition activities, the cost to obtain prior year audits to meet regulatory filing requirements, and the cost of providing services to management normally performed by Company personnel.

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INTEREST EXPENSE

The Company's interest expense is a high percentage when calculated as a percentage of net sales since all acquisitions were highly leveraged. Interest cost by business segment and subsidiary company for the reported periods is as follows:

<TABLE>

<S>	<C>	Ten Months Ended	Twelve Months Ended
		October 31, 2001	December 31, 2000
		% of	% of
		Subsidiary	Subsidiary
		<C>	<C>

	Expense	Sales	Expense	Sales
Trailer and related transportation equipment manufacturing:				
DII	\$ 34,090	2.4%	\$ --	--
United	299,460	3.2%	--	--
Champion	287,887	8.6%	--	--
Butyl rubber reclaiming:				
U.S. Rubber	657,589	6.7%	441,698	3.5%
Coach leasing:				
Pyramid	1,266,292	27.4%	--	--
Corporate	19,564	--	--	--
Total Company	\$ 2,564,882	9.3%	\$ 441,698	3.5%

</TABLE>

LOSS ON ASSET IMPAIRMENT

During 2001, the Company evaluated the recoverability of Champion's long-lived assets, including goodwill, as required by generally accepted accounting principles. Champion has experienced significant operating losses and cash flow deficiencies. Champion determined the estimated future undiscounted cash flows were below the carrying value of certain long-lived assets. Champion wrote off the goodwill remaining on its balance sheet for these assets and recorded a charge of \$2,304,682 in other income and expense as loss on asset impairment.

INCOME TAX PROVISION

The income tax provision for the twelve-month period ended October 31, 2000 decreased by \$422,000 to a benefit for the ten-month period ended October 31, 2001. The income tax benefit is created primarily through the net operating losses of Obsidian Enterprises, Inc. and Danzer.

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RESULTS OF OPERATIONS - 2000 COMPARED WITH 1999

The only operations for the Company reflected in 2000 and 1999 are those of its butyl rubber reclaiming segment.

Net sales for the periods reported in this segment are as follows:

	Twelve Months Ended	
	December 31, 2000	December 31, 1999
Rubber net sales	\$ 12,583,017	\$ 11,438,542

Net sales in this segment for the twelve months ended December 31, 2000 as compared to December 31, 1999 increased 10% in the amount of \$1,144,475. This increase was based on the Company's increased sales for 2000 to tire manufacturers and to manufacturers of pipeline mastic wraps.

Cost of goods sold for the years ended December 31, 2000 and 1999 are as follows:

<TABLE>

	Twelve Months Ended	
	<C> December 31, 2000	<C> December 31, 1999
Rubber cost of sales	\$11,389,820	\$10,083,107
Less nonrecurring settlement termination cost	(407,000)	---
Adjusted rubber cost of goods sold	\$10,982,820	\$10,083,107
% of Sales	87.3%	88.2%

</TABLE>

Cost of goods sold decreased from 1999, if nonrecurring settlement termination cost is eliminated for comparative purposes. The Company was more efficient in

mixing lower grade raw material with quality raw material and improved productivity with certain key pieces of equipment from 1999 to 2000. The settlement termination cost was paid to a broker who facilitated customer and vendor relationships. All the relationships obtained through that broker have been preserved after termination of the broker's contract.

Gross profit and gross profit percentage for the twelve months ended December 31, 2000 as compared to December 31, 1999, decreased \$162,238 and 12.0%, respectively. After adjustment for the nonrecurring settlement termination cost, gross profit and gross profit percentage would have increased \$244,762 and 18.1% for the twelve months ended December 31, 2000 as compared to December 31, 1999.

Selling, general and administrative expenses are higher for the twelve months ended December 31, 2000 versus the twelve month period ended December 31, 1999 due to higher cost of labor. Increase is also due to general increase in selling expenses due to higher sales, and increases in selected expenses related to sales, insurance and the costs associated with selling the business to Obsidian Capital Partners, LP.

Interest income is down for the twelve months ended December 31, 2000 as compared to December 31, 1999 by \$68,326. The interest income is being earned due to loans made to the previous owner, recorded as notes receivable related party. The previous owner paid off all notes due U.S. Rubber prior to December 29, 2000, the date Obsidian Capital Partners, LP purchased U.S. Rubber. Interest income from these notes receivable was lower for the 2000 year due to the previous owner paying down a substantial balance owed during the fall of 2000.

Interest expense decreased \$55,325 for the year ended December 31, 2000 as compared to the year ended December 31, 1999. Interest expense is lower due to U.S. Rubber reducing the long-term debt by paying down the debt from proceeds received from the previous owner.

Income before income taxes decreased for the twelve months ended December 31, 2000 as compared to December 31, 1999 by \$242,000. The decrease, if adjusted for the nonrecurring settlement termination cost in the amount of \$407,000 would have been an increase of \$165,000.

Income tax provision for the twelve-month period ended December 31, 2000 decreased by \$74,000. The decrease is attributable to lower income before taxes. The tax provision is based on the estimated effective tax rate for the full fiscal year.

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LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Each of the subsidiaries of the Company have separate revolving credit agreements and term loan borrowings through which the subsidiary finances its operations together with cash generated from operations. The high principal balances of some of these loans reflect the fact that Obsidian Capital Partners, LP, from whom four of the five subsidiaries were purchased, entered into highly leveraged acquisitions of Champion, U.S. Rubber, Pyramid, and United.

This high level of debt creates liquidity issues for the Company and the stringent financial covenants that are common for this type of debt increase the probability that the Company's subsidiaries will be in technical default under the loans. These risks are mitigated, in part, for the Company's United and U. S. Rubber subsidiaries by the right described below under "Guarantees of OCP."

The Company was unable to obtain audited financial statements for the Company and each of its subsidiaries within 90 days of the end of its fiscal year. This created a technical default under most of the loans to the Company and its subsidiaries. These technical defaults have been waived by each of the lenders. In addition to these technical defaults, the Company and most of its subsidiaries have violated certain requirements and covenants in their debt agreements relating to maintenance of certain minimum ratios and levels of earnings to funded debt and fixed charge coverage rate. Management has brought these violations to the attention of its lenders and, except for the Champion debt and one DW Leasing note agreement, the lenders have waived these violations as described below under "Financial Covenant Waivers."

The Company's working capital position (current assets over current liabilities) was negative at October 31, 2001 by \$3,484,000 in part because nearly 25% of the Company's debt is classified as a current liability.

The Company is addressing these liquidity and working capital issues in a variety of ways. Management anticipates that these steps will improve the Company's working capital position, strengthen its equity position and place the Company in a position to successfully address its liquidity issues. These steps include:

- o The transactions described below under "U. S. Rubber Transaction" which would increase the Company's equity by \$1,412,000 and improve its working capital position by approximately \$570,000.
- o The transactions described below under "Partners Equity Transactions" which

would convert more than \$2,170,000 of long-term liabilities to equity.

- o The divestiture of Champion described below under "Champion Transaction" which would improve the Company's working capital position by approximately \$1,700,000.
- o The transactions described below under "Refinancing Activities" which management anticipates will reduce the Company's interest costs and decrease the proportion of debt which is treated as a current liability.

There can be no assurance that any or all of these transactions will occur.

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FINANCIAL COVENANT WAIVERS

The Company has reached agreements with certain of its lenders to waive financial covenant defaults under the following loans:

- o Management has completed discussions with Bank One in respect of the violations by U.S. Rubber of the negative covenants of (i) fixed charge coverage ratio and (ii) funded debt to EBITDA ratio. Management has received a waiver of these violations and an amendment of the Credit Agreement which extends it through November 1, 2002 when the entire debt is due.
- o Pyramid is a guarantor of DW Leasing's debt to Regions Bank, Nashville, Tennessee. DW Leasing and Pyramid have been in violation of the Funded Debt to EBITDA ratio in the Regions Bank Credit Facility since the inception of the loan. This is due to the fact that DW Leasing acquired eight additional new luxury coaches, which coaches are highly leveraged. At the time of the Acquisition, Regions Bank granted a waiver of this violation. To date, the covenant has not been rewritten. Regions Bank has waived the violation as of October 31, 2001. However, since the Company continues to be in violation of this covenant, \$639,000 of long-term debt due Regions Bank has been reclassified as a current liability.
- o United was in violation of two negative loan covenants with First Indiana Bank. United had borrowed approximately \$200,000 more than was allowed under the borrowing base at October 31, 2001 which was cured on January 31, 2001 and waived by the bank. In addition, United made advances to the Company that were not pre-approved by First Indiana Bank. This covenant violation has also been cured and the default waived through December 31, 2001. United is in compliance with these negative covenants after the date of the waivers.
- o The Company was in violation of three negative covenants and failed to submit audited financial statements within 90 days of year-end with Renaissance US Growth & Income Trust PLC and FBSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company has received a waiver of all of these violations through November 1, 2002.
- o Various subsidiary companies were in violation of requirements to provide year-end financial statements to their respective lenders within ninety days of the close of the year-end. Management has received waivers on all of these violations.
- o U.S. Rubber was in violation of a covenant with SerVaas, Inc. at October 31, 2001. SerVaas, Inc. agreed to waive through November 1, 2002, all its rights to accelerate the due date of amounts outstanding under the debt Agreement and the Subordinated Secured Promissory Note as a default created by U.S. Rubber's failure to make certain payments. In addition, SerVaas, Inc. also agreed to defer payment of all amounts due under the debt Agreement through November 1, 2001.
- o Pyramid was in technical default of a loan covenant with Old National Bank of Evansville, Indiana. Pyramid was required to provide various financial information on a quarterly and annual basis. Through October 31, 2001, Pyramid had not provided all requested financial information, on a timely basis. Old National Bank agreed to waive its right to accelerate the due date of payments under its loan through November 1, 2002.

Champion remains in default of both the senior and the subordinated debt agreements, which have been classified as a current liability due to the default, and is operating under a forbearance agreement through March 15, 2002.

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FUNDS AVAILABILITY

On a consolidated basis, as of October 31, 2001, the Company had approximately \$529,000 of cash and cash equivalents. U.S. Rubber has available approximately \$60,000 from its revolving line of credit with Bank One, Indiana, N.A., and Danzer Industries has available approximately \$925,000 from its revolving line of credit with Bank of America Commercial Finance Corporation ("BOACFC"), the proceeds of which are available for the operations of that subsidiary. U.S. Rubber may increase the availability under its existing revolving credit

facilities in order to meet any of its expanded inventory requirements.

United, Danzer, U.S. Rubber and Pyramid have generated net cash flow from operations. The Company has funded Champion through inter-company advances which were converted to capital, and related party finished goods financing through DW Leasing through December 31, 2001, and through DC Investments, LLC controlled by the chairman of the Company since January of 2002.

REFINANCING ACTIVITIES

In August 15, 2001, Danzer Industries negotiated and closed a new Credit Agreement with Bank of America Commercial Finance Corporation ("BOACFC") whereby BOACFC agreed to lend Danzer Industries \$1,000,000 in a mortgage loan secured by a lien on Danzer Industries' facility and a \$1,000,000 Revolving Credit Facility which will provide Danzer Industries with increased liquidity for an expected increase in inventories. This new credit facility replaces the Wells Fargo credit facility for the period reported.

Management is refinancing some of the currently outstanding debt:

- o Negotiations have been ongoing with a new lender to refinance the primary lender of U.S. Rubber at more favorable terms than the current terms. Management anticipates the refinancing will be concluded by the third fiscal quarter.
- o The Company expects in the ordinary course of business to obtain an extension or annual renewal of the term of the First Indiana Bank revolving line of credit.
- o The Company is undertaking to refinance the coaches transferred from DW Leasing to a new wholly owned subsidiary of the Company (Obsidian Leasing Company, Inc.) with DC Investments and its various existing lenders. Management anticipates that this will be concluded by the third fiscal quarter.

PARTNERS EQUITY TRANSACTIONS

Obsidian Capital Partners, LP, the major shareholder of the Company, is required under the Plan of Reorganization to fund through the purchase of additional preferred stock certain ongoing administrative expenses of the Company to complete the Plan of Reorganization, complete all required current and prior year audits to meet the regulatory filing requirements, and ensure all annual and quarterly SEC filings are completed to enable the registration of the preferred stock issued to Obsidian Capital Partners, LP. The amounts through January 31, 2002 were approximately \$645,000. Management anticipates this and any additional items incurred will be converted to equity by May 15, 2002.

Obsidian Capital Partners, LP has indicated that it is willing to convert to Series C Preferred Stock of the Company \$1,222,000 of advances from Partners to the Company. Management anticipates this transaction will be concluded by May 15, 2002.

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GUARANTEES OF OCP

The Company has an agreement with Obsidian Capital Partners, LP that gives it the right to mandate a capital contribution from Obsidian Capital Partners, LP if the lenders to U.S. Rubber or United were to declare a default. In either of those events, the Company has the right to enforce a capital contribution agreement with Obsidian Capital Partners, LP up to \$1,620,000 on U.S. Rubber and \$1,000,000 on United to fund the respective subsidiary's shortfall. Those payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

U. S. RUBBER TRANSACTION

Management has reached agreement in principle with SerVaas, Inc. to terminate the Company's obligations under the Agreement with SerVaas, Inc. for \$700,000 in cash and 30,000 shares of Series C Convertible Preferred Stock. DC Investments, Inc., an entity controlled by Mr. Durham, has agreed in principle to loan \$700,000 to the Company and to purchase from SerVaas, Inc. the \$1,750,000 principal amount Subordinated Note due SerVaas, Inc. which bears interest at 20% per annum and to exchange that note for a \$700,000 principal amount note of U.S. Rubber bearing interest at 15% per annum paid currently and due, as to the principal, in one installment in five years. The net effect of this will be to reduce U.S. Rubber's liabilities by approximately \$1,300,000. Management anticipates this will be concluded in late February, 2002. The effect of this transaction would be to increase the Company's equity and to improve its working capital position.

CHAMPION TRANSACTION

The Board of Directors has agreed in principle to divest Champion to a group

consisting of Champion's management and Messrs. Durham and Whitesell pursuant to the terms of a non-binding Letter of Intent, subject to an independent review of fair value by the independent Board members of the Company. DC Investments, LLC has agreed to contribute \$660,000 to the Company in exchange for Series C Preferred Stock. The Company will use those funds to purchase the loan of Bank One to Champion in that amount and would contribute that note to Champion as additional capital. In exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company, the management group would purchase the assets and assume substantially all liabilities of Champion.

As of October 31, 2001, Champion is in violation of its financial statement covenant under its Senior Credit facility with Bank One. Champion is working under a forbearance agreement through March 15, 2002. After October 31, 2001, Champion paid down the Bank One debt by \$570,000 as consideration for this agreement. Champion is also indebted to Markpoint Equity Fund IV under a subordinated credit facility in the amount of \$1,250,000. Champion has been in violation of the funded debt to EBITDA negative covenant of the Markpoint Credit Agreement since the inception of the loan. Management brought this violation to Markpoint's attention prior to the close of the Acquisition and has obtained a waiver of the violation each quarter. Markpoint has informed Champion it may not grant waiver of this violation in the future. The Bank One debt and the Markpoint debt have been reclassified as current liability due to these violations.

The Company has taken actions to improve Champion's profitability subsequent to year end including:

- o Champion is renegotiating the lease on the facility where the manufacture of trailers is conducted, reducing its rental space, rent expense, utility expense, and related property costs significantly.
- o Champion is completing four trailers for sale to racing teams competing in the "NASCAR racing circuit", and one trailer for sale to a racing team in the "IRL" circuit, the initial trailers sold by the Company in these new markets. Champion believes new orders from this market will be forthcoming in the next fiscal year. In addition, Champion backlog of trailer sales is higher at October 31, 2001 than at any date since the purchase of Champion.
- o Champion reduced the work force beginning February 1, 2002 by an annualized amount of approximately \$100,000.
- o The payment of the debt due Bank One will result in an approximate annual interest cost savings of \$80,000.

In spite of these steps, the Board of Directors believes it is in the best interests of the Company to divest Champion.

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CASH FLOWS (EBITDA)

The Company's net cash provided by operations, for the ten months ended October 31, 2001 was \$818,000. This is comprised of the non-cash depreciation and amortization of \$2,296,000, impairment loss of \$2,305,000, and increases in accounts payable of \$934,000 offset by the net loss of \$(4,360,000) and decrease in Champion's customer deposits of \$1,104,000.

Cash flow provided from financing activities, for the ten months ended October 31, 2001 was \$17,196,000. This is comprised of borrowings of long-term debt of \$11,220,000, borrowings of short-term debt of \$5,251,000, proceeds from capital contributions and sale of stock of \$2,473,000, offset by principal repayments of long-term debt of \$2,627,000.

Cash flow was used in investing activities for the ten months ended October 31, 2001 of \$17,702,000. This is comprised of payments to purchase United Expressline for \$12,040,000, purchase of U.S. Rubber for \$5,730,000, purchase of property and equipment of \$1,185,000 offset by the proceeds received from the sale and leaseback of equipment at U.S. Rubber of \$1,321,000.

The total increase in cash is summarized as follows:

	Ten Months Ended October 31, 2001
Net cash provided by operations	\$ 818,000
Net cash used in investing activities	(17,702,000)
Net cash provided by financing activities	17,196,000
Increase in Cash	\$ 312,000

EBITDA is a measure of the Company's ability to generate cash flow and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America.

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EBITDA by business segment and reconciliation to net income or loss under

accounting principles generally accepted in the United States of America by subsidiary for the applicable periods is as follows:

<TABLE>

Ten-month Period Ended October 31, 2001 (in thousands)					
<S>	<C> EBITDA	<C> Interest Expense	<C> Income Taxes	<C> Impairments Depreciation & Amortization	<C> Net Income (Loss)
Trailer and related transportation equipment manufacturing:					
United (3 months' operations)	\$695	\$299	\$98	\$ 202	\$ 96
Danzer (4 months' operations)	187	33	--	164	(10)
Champion (10 months' operations)	(542)	288	--	2,546	(3,376)
Total	340	620	98	2,912	(3,290)
Consolidating			(335)		335
Butyl rubber reclaiming:					
U.S. Rubber (10 months' operations)	1,133	658	(135)	905	(295)
Coach leasing:					
Pyramid/DW Leasing (10 months' operations)	1,576	1,266	--	785	(475)
Corporate	(615)	20	--	--	(635)
Total Company	\$2,434	\$ 2,564	\$ (372)	\$ 4,602	\$ (4,360)

</TABLE>

<TABLE>

Year Ended December 31, 2000 (in thousands)					
<S>	<C> EBITDA	<C> Interest Expense	<C> Income Taxes	<C> Impairments Depreciation & Amortization	<C> Net Income (Loss)
Trailer and related transportation equipment manufacturing:					
United	\$ --	\$ --	\$ --	\$ --	\$ --
Danzer	--	--	--	--	--
Champion	--	--	--	--	--
Total	--	--	--	--	--
Butyl rubber reclaiming:					
U.S. Rubber (10 months' operations)	1,094	442	50	554	48
Coach leasing:					
Pyramid/DW Leasing	--	--	--	--	--
Corporate	--	--	--	--	--
Total Company	\$ 1,094	\$ 442	\$ 50	\$ 554	\$ 48

</TABLE>

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RISK FACTORS

There are a number of risk factors related to the future results of the Company, including those discussed in the following paragraphs.

LIQUIDITY

The Company cannot be certain that it will have sufficient liquidity available under existing lines of credit. Four of the Company's subsidiaries were acquired during the last fiscal year in highly leveraged transactions. Also, four of the Company's subsidiaries have been in violation of certain requirements and covenants in their debt agreements relating to maintenance of specified minimum ratios and levels of earnings to funded debt and fixed charge coverage. The Company cannot be certain whether it will be able to meet covenant requirements contained in debt agreements. Although the Company has been able to obtain waivers of previous violations, the Company cannot be certain that it will be able to obtain waivers of such covenants if waivers are needed in the future. One lender, Markpoint, has informed the Company that it may not grant any additional waivers of certain covenant violations.

There is no assurance that lenders will continue to lend to the Company. Lenders' criteria for loans change and, if there is a further general tightening of credit standards, the Company may not qualify for credit. Further, if the Company's financial performance deteriorates from the manner in which its various operations have historically performed, the Company's lenders may declare defaults and refuse to advance funds under revolving credit lines. Under

these circumstances the Company may not be able to obtain credit on any terms.

INTEGRATION OF OPERATIONS

The Company now consists of a business combination of Obsidian Enterprises, Inc. and various recently purchased manufacturing entities of Obsidian Capital Partners, L.P. The management resources to date have been spent on purchasing, continuing operations at pre-acquisition capability after the purchase, and integrating subsidiary operations with the Obsidian management. The date of purchase of each entity by the current management is:

Operating Entity	Date of Purchase
U.S. Rubber Reclaiming, Inc.	December 29, 2000
Pyramid Coach, Inc.	December 20, 1999
Champion Trailer, Inc.	May 2, 2000
Danzer Industries, Inc.	June 21, 2001
United Expressline, Inc.	July 31, 2001

The Company is still in the process of resolving issues relating to the integration of the operations of these entities. The Company may not be successful in integrating these businesses or the integration may take longer or be more costly than currently anticipated.

MARKET RISK

The Company is exposed to market risk related to changes in interest rates on its debt. Approximately 36% of the Company's primary debt bears interest at a variable rate. An interest rate increase of one percentage point would increase the Company's interest expense over a one-year period by approximately \$134,000 at current debt levels.

ABILITY TO ATTRACT AND RETAIN KEY MANAGERS AND EMPLOYEES

The Company's ability to retain key subsidiary management and employees will be a significant factor in the Company's success. The recent acquisitions of the four subsidiary entities and the changes in the Company's management have made it even more important for the Company to focus on retaining former managers and employees. In addition, the Company must attract a chief financial officer and continue to seek to obtain skilled managers and employees and to provide effective incentives for all of the managers and employees of its subsidiary companies.

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COMPETITION

The Company faces strong competitors in its coach leasing segment and trailer and related transportation equipment manufacturing segment. The Company's coach leasing business competes with a number of other companies that lease luxury coaches. The Company's success in the coach leasing segment is dependent upon its ability to meet demand and match the quality and amenities sought after by its target market at competitive prices. The Company's trailer and related transportation equipment manufacturing segment competes with a number of companies, including a number who are much larger than the Company and have equal or greater technical and financial resources.

BUTYL RUBBER RECLAIMING SEGMENT

The Company's butyl rubber reclaiming segment is highly dependent upon the availability of raw materials. The Company is facing increased competition for raw materials from foreign manufacturers as the supply of the scrap butyl rubber from inner tubes continues to decline. The success of this segment will depend in large measure upon the Company's ability to successfully develop alternative sources of raw materials. The demand for butyl rubber by some of the Company's customers also is closely tied to the price of crude oil, with demand falling as the price of crude oil falls.

COACH LEASING SEGMENT

The Company's coach leasing segment leases luxury coaches primarily to performers in the entertainment industry. This segment is highly dependent upon the state of the general economy and its effect on entertainment spending. Consumer spending on entertainment tends to decline during recessionary periods when disposable income is low. The availability of quality contract drivers is another factor that affects the success of the coach leasing segment. Although customers are responsible for engaging their own drivers, the Company assists customers by suggesting drivers with whom the Company has had experience.

TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING SEGMENT

A majority of the truck bodies manufactured by the Company are used in the

telecommunications industry. The success of the Company's trailer and related transportation equipment manufacturing segment is dependent upon overall economic conditions and in particular on the state of the telecommunications industry. Slightly more than one half of the Company's revenue from the manufacture of service truck bodies, which is part of the Company's trailer and related transportation equipment manufacturing segment, is derived from a single customer. The Company's success in this segment is dependent to a large degree upon the continued financial health of this one customer and the continued strength of the Company's relationship with this customer. The loss of this or another significant customer could have a material adverse effect on this segment of the Company's business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to interest rate changes on its debt. The disclosures in Item 7 above are incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Obsidian Enterprises, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of Obsidian Enterprises, Inc. and Subsidiaries as of October 31, 2001 and December 31, 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period ended October 31, 2001 and the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Obsidian Enterprises, Inc. and Subsidiaries as of October 31, 2001 and December 31, 2000, and the results of their operations and their cash flows for the period ended October 31, 2001 and the years ended December 31, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

Our audit of the consolidated financial statements of Obsidian Enterprises, Inc. and Subsidiaries included Schedule II, contained herein, for the period ended October 31, 2001 and the years ended December 31, 2000 and 1999. In our opinion, such schedule presents fairly the information required to be set forth therein, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered losses from operations in 2001, its current liabilities exceed its current assets, and it is in violation of certain of its loan covenants. This raises substantial doubt about the Company's ability to continue as a going concern. Realization of assets and satisfaction of liabilities in the ordinary course of business is dependent upon the Company's ability to generate sufficient cash flow to meet its obligations on a timely basis. The Company also must comply with the terms of its debt financing agreements and continue to receive capital contributions from its owners. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Elkhart, Indiana
February 13, 2002

McGladrey & Pullen, LLP

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE> <S>	<C> October 31, 2001	<C> December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 529	\$ 217
Marketable securities	223	--
Accounts receivable, net of allowance for doubtful accounts of \$90 for 2001 and \$0 for 2000 (Note 7)	3,744	1,746
Accounts receivable, related parties (Notes 2 and 14)	217	--
Notes receivable, related party, current portion (Notes 4 and 14)	--	1,098
Inventories, net (Notes 5 and 7)	6,694	747
Prepaid expenses and other assets	602	336
Deferred income tax assets (Note 12)	673	532
<hr/>		
Total current assets	12,682	4,676
Property, plant and equipment, net (Notes 6 and 7)	24,232	3,182
Other assets:		
Notes receivable, related party, net of current portion (Notes 4 and 14)	--	1,770
Intangible assets (Notes 2 and 3):		
Goodwill not subject to amortization	5,829	--
Goodwill, less accumulated amortization of \$76	3,381	--
Noncompete agreements, less accumulated amortization of \$74	912	--
Trade name and customer relations, less accumulated amortization of \$125	802	--
Deferred debt costs, less accumulated amortization of \$71 in 2001 and \$70 in 2000	433	5
Other (Notes 3 and 8)	579	--
<hr/>		
	\$ 48,850	\$ 9,633
<hr/>		

</TABLE>
The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE> <S>	<C> October 31, 2001	<C> December 31, 2000
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt (Note 7)	\$ 9,233	\$ 3,135
Accounts payable, trade	3,620	509
Accounts payable, related parties (Note 14)	925	--
Accrued expenses	1,709	168
Customer deposits	679	--
<hr/>		
Total current liabilities	16,166	3,812
Long-term debt, net of current portion (Note 7)	27,546	711
Deferred income tax liabilities (Note 12)	1,672	171
Accounts payable, related parties (Note 14)	2,170	--
Commitments and Contingencies (Note 15)		
Stockholders' equity (Note 10):		
Common stock, par value \$.0001 per share; 40,000,000 shares authorized in 2001; 20,000,000 in 2000; 36,007,855 shares outstanding in 2001 and 17,760,015 shares outstanding in 2000	3	1

Preferred stock, 5,000,000 shares authorized; Class of Series C convertible preferred stock, par value \$.001, 4,600,000 authorized and 3,739,169 shares issued and outstanding in 2001, no shares issued and outstanding in 2000, 400,000 shares of undesignated Preferred Stock authorized

Additional paid-in capital	4	--
Accumulated other comprehensive income	5,612	--
Retained earnings (deficit)	37	--
	(4,360)	4,938
<hr/>		
Total stockholders' equity	1,296	4,939
<hr/>		
	\$ 48,850	\$ 9,633
<hr/>		

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share and share data)

<TABLE>

	Ten Months Ended October 31,	Year Ended December 31,	
	<C> 2001	<C> 2000	<C> 1999
Net sales	\$ 28,055	\$ 12,583	\$ 11,439
Cost of sales	22,778	11,390	10,084
<hr/>			
GROSS PROFIT	5,277	1,193	1,355
Selling, general and administrative expenses	(5,121)	(1,009)	(942)
Loss on asset impairment (Notes 2 and 13)	(2,305)	--	--
<hr/>			
Income (loss) from operations	(2,149)	184	413
Other income (expense):			
Interest expense (Note 7)	(2,565)	(442)	(497)
Interest income (Note 14)	--	356	424
Other expense	(18)	--	--
<hr/>			
Income (loss) before income taxes	(4,732)	98	340
Income tax (expense) benefit (Note 12)	372	(50)	(124)
<hr/>			
Net income (loss)	\$ (4,360)	\$ 48	\$ 216
<hr/>			
Basic and diluted earnings (loss) per share	\$ (.07)	\$ --	\$.01
<hr/>			
Weighted average common and common equivalent shares outstanding basic and diluted:	63,367,140	39,419,240	39,419,240
<hr/>			

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

Comprehensive	Common Stock	Preferred Stock	Additional	Accumulated Other	Retained
---------------	--------------	-----------------	------------	----------------------	----------

<S>	-----					Paid-in <C> Capital	Comprehensive Earnings		
	<C> Income (Loss)	<C> Shares	<C> Amount	<C> Shares	<C> Amount		<C> Income	<C> (Deficit)	<C> Total
Balance at December 31, 1998, adjusted for Danzer Corporation registered common shares	\$ --	15,870,272	\$ 1	--	\$--	--	\$--	\$4,674	\$ 4,675
Issuance of stock under incentive plan and Parent note conversion	--	141,797	--	--	--	--	--	--	--
1999 net income	--	--	--	--	--	--	--	216	216
Balance at December 31, 1999	--	17,588,348	1	--	--	--	--	4,890	4,891
Issuance of stock under incentive plan and Parent note conversion	--	1,747,946	--	--	--	--	--	--	--
2000 net income	--	--	--	--	--	--	--	48	48
Balance at December 31, 2000	--	17,760,015	1	--	--	--	--	4,938	4,939
Conversion of debt to common stock	--	1,750,000	--	--	--	355	--	--	355
To record the effect of the reverse merger June 21, 2001 (Note 3)	--	--	1	1,970,962	2	3,760	(103)	(4,938)	(1,278)
Conversion of Series C Preferred Stock to common stock	--	16,497,840	1	(824,892)	(1)	--	--	--	--
Issuance of 2,593,099 shares of Series C Convertible Preferred Stock associated with the acquisition of United and capital contribution (Note 3)	--	--	--	2,593,099	3	1,497	--	--	1,500
Unrealized gain on available-for-sale marketable securities	140	--	--	--	--	--	140	--	140
2001 net loss	(4,360)	--	--	--	--	--	--	(4,360)	(4,360)
Total comprehensive loss	\$ (4,220)								
Balance at October 31, 2001		36,007,855	\$3	\$3,739,169	\$ 4	\$ 5,612	\$ 37	\$(4,360)	\$ 1,296

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

<S>	Ten Months Ended		
	<C> 2001	<C> 2000	<C> 1999
Cash flow from operating activities:			
Net income (loss)	\$ (4,360)	\$ 48	\$ 216
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,296	554	612
(Gain) on sale of equipment	(4)	--	--
Impairment loss	2,305	--	--
Loss on sale of marketable securities	81	--	--
Deferred income taxes	(408)	216	--
Changes in operating assets and liabilities net of effect of acquisitions:			
Accounts receivable, net	643	(414)	139
Inventories	129	641	(96)
Other assets	4	(284)	223
Accounts payable, trade	934	--	(57)
Accrued expenses	302	1	8
Customer deposits	(1,104)	--	--

Net cash provided by operating activities	818	762	1,045

Cash flows from investing activities:			
Capital expenditures	(1,185)	(1,052)	(398)
Proceeds from sale of equipment	1,321	--	--
Repayment of affiliated company payable	--	2,208	224
Acquisition-related closing costs	(148)	--	--
Purchase of marketable equity securities	(213)	--	--
Cash received in reverse merger and other acquisitions	98	--	--
Cash payments in connection with the purchase of U.S. Rubber, net of cash acquired	(5,730)	--	--
Cash payments in connection with the purchase of assets of United, net of cash acquired	(12,040)	--	--
Proceeds from sale of marketable equity securities	195	--	--

Net cash provided by (used in) investing activities	(17,702)	1,156	(174)

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

	Ten Months Ended October 31,	Year Ended December 31,	
	<C> 2001	<C> 2000	<C> 1999

Cash flows from financing activities:			
Borrowings from related parties	984	--	--
Net borrowings on lines of credit	5,251	--	--
Borrowings on long-term debt	11,220	--	--
Principal repayments on long-term debt	(2,627)	(2,186)	(458)
Proceeds from capital contributions and sale of common stock	2,473	--	--
Debt issuance costs	(105)	--	--

Net cash provided by (used in) financing activities	17,196	(2,186)	(458)

Increase (decrease) in cash	312	(268)	(413)
Cash and cash equivalents, beginning of year	217	485	72

Cash and cash equivalents, end of year	\$ 529	\$ 217	\$ 485
=====			
Interest paid	\$ 2,241	\$ 485	\$ 459
=====			
Interest received	\$ --	\$ 356	\$ 460
=====			
Taxes paid	\$ 44	\$ 8	\$ 86
=====			
Noncash:			
Equipment purchased with debt or capital lease	\$ 1,059	\$ 95	\$ 27
Conversion of contributed amounts to equity	\$ 355	\$ --	\$ --
Seller note on acquisition of United Expressline	\$ 1,500	\$ --	\$ --
Seller note on acquisition of U.S. Rubber	\$ 2,573	\$ --	\$ --

</TABLE>

1. DESCRIPTION OF BUSINESS AND CHANGE OF NAME

Danzer Corporation, formerly named Global Environmental Corp., was incorporated on October 6, 1987. Effective August 1, 1988, the Company acquired all of the issued and outstanding common shares of Global Environmental Holdings, Inc.

("Global Holdings"). On October 7, 1999, the Company changed its name from Global Environmental Corp. to Danzer Corporation.

Danzer Corporation was reorganized through an Acquisition and Plan of Reorganization with U.S. Rubber Reclaiming, Inc. and Related Entities ("U.S. Rubber Companies"), which was consummated on June 21, 2001 (the "Effective Date"). In addition, Danzer Corporation changed its name to Obsidian Enterprises, Inc. However, the operating company, Danzer Industries, Inc.,

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

1. DESCRIPTION OF BUSINESS AND CHANGE OF NAME, CONTINUED

retained its name. Hereafter, the names Danzer, Danzer Corporation, and Obsidian Enterprises, Inc. are used interchangeably. The operating company will continue to be referred to as Danzer Industries, Inc. The Acquisition and Plan of Reorganization of Danzer Corporation with U.S. Rubber Companies (see Note 3, the "Acquisition and Plan of Reorganization") was accounted for as a reverse acquisition as the shareholders of the U.S. Rubber Companies owned a majority of the outstanding stock of Danzer subsequent to the Acquisition and Plan of Reorganization.

For accounting purposes, U.S. Rubber Reclaiming, Inc. is deemed to have acquired Danzer. Accordingly, the fiscal 2000 and 1999 financial information presented herein represents only the financial results of U.S. Rubber Reclaiming, Inc.

Pursuant to the Plan of Acquisition and Reorganization described further in Note 3, United Expressline, Inc. was acquired July 31, 2001.

The resulting entities, considered accounting subsidiaries of U.S. Rubber Reclaiming, Inc. (the accounting acquirer) and legal subsidiaries of Obsidian Enterprises, Inc. (formerly Danzer) after the Acquisition and Plan of Reorganization, are as follows:

U.S. Rubber Reclaiming, Inc. ("U.S. Rubber", the accounting acquirer), which is engaged in reclaiming scrap butyl rubber into butyl reclaim for resale to manufacturers of rubber products.

Obsidian Enterprises, Inc. (formerly Danzer, the legal acquirer), a holding company.

Danzer Industries, Inc. ("Danzer Industries"), which is principally engaged in the design, manufacture and sale of truck bodies.

Pyramid Coach, Inc. ("Pyramid"), which is engaged in the leasing of coaches, designed and fitted out for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases. The financial statements of Pyramid are presented on a combined basis. The combined financial statements of Pyramid also include the assets, liabilities, equity and results of operations of DW Leasing, LLC ("DW Leasing"). DW Leasing is controlled by individuals which are also controlling shareholders of Obsidian Enterprises, Inc. and, accordingly, Pyramid. DW Leasing also owns all coaches operated by Pyramid. All intercompany transactions are eliminated in combination of this entity.

Champion Trailer, Inc. ("Champion"), which manufactures and sells transport trailers to be used primarily in the auto racing industry.

United Expressline, Inc. ("United") manufactures and sells general use cargo trailers and specialty trailers used in the racing industry and for other special purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements present the accounts of Obsidian Enterprises, Inc. and its wholly owned subsidiaries described in Note 1, all of which are treated for accounting purposes as purchases in a reverse merger more fully described in Note 3. The entities are collectively referred to herein as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation. The accompanying financial statements include the operations of U.S. Rubber, Champion, Pyramid and a related entity (DW Leasing) for the ten-month period ended October 31, 2001. January 1, 2001 is the beginning of the calendar year of the accounting acquirer U.S. Rubber. U.S. Rubber changed its fiscal year

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

end to adopt Danzer's (legal acquirer and previous registrant) year end. The financial statements include the operating results of Obsidian Enterprises, Inc. (formerly Danzer Corporation) and Danzer Industries, its wholly owned subsidiary, from June 21, 2001 (date of acquisition) through October 31, 2001. In addition, they include the results of United from July 31, 2001 (date of acquisition) through October 31, 2001.

BASIS OF PRESENTATION:

The Company's October 31, 2001 consolidated financial statements have been presented on the basis that it is a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred a loss from operations in 2001 of \$2,149,000 and a net loss of \$4,360,000, which included an asset impairment charge of \$2,305,000. The loss has weakened the Company's financial condition and contributed to its failure to meet certain financial covenants required by the lenders. As a result of these covenant violations, \$2,570,000 of long-term debt has been reclassified as a current liability as of October 31, 2001. A significant portion of the Company's assets is pledged as collateral on these loans and foreclosure by the bank would seriously impair the Company's existence. In addition, these losses and the reclassification of long-term debt have contributed to a total deficit in working capital of \$3,484,000 at October 31, 2001.

In view of these matters, realization of the assets and satisfaction of the liabilities in the ordinary course of business is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, comply with the terms of its debt financing agreements, obtain refinancing of certain obligations, and continue to receive capital contributions from its majority shareholder.

Management, as a part of its plan towards resolving these issues and generating revenue and cash flow, has taken the actions subsequent to year end as described below. Although management believes these actions will improve operations and liquidity, there can be no assurance that such actions will sufficiently improve operations or liquidity, or occur on terms acceptable to the Company.

- o The Company, with Board of Directors approval, has agreed in principle to divest Champion to a group consisting of the Chairman of the Board of the Company, the President and the management group of Champion. The terms of the nonbinding Letter of Intent are subject to an independent review of fair value by the independent Board members of the Company. DC Investments, LLC has agreed to contribute \$660,000 to the Company in exchange for Series C Preferred Stock. The Company will use those funds to purchase the loan of Bank One to Champion in that amount and would contribute that note to Champion as additional capital. In exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company, the management group would purchase the assets and assume substantially all liabilities of Champion. This proposed sale will result in the Company disposing of a subsidiary that comprised 77% of the Company's net loss for the ten-month period ended October 31, 2001.
- o DC Investments, controlled by the Chairman of the Board, as approved by the Company Board of Directors, has made a loan in the amount of \$570,000 to pay down a portion of the Champion debt that will be converted to equity after final review by the Board.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- o Obsidian Capital Partners, LP ("OCP"), majority owner of the Company, is negotiating with the Board of Directors to convert to capital \$1,222,000 of loans made at the date of the Acquisition and Plan of Reorganization.
- o Negotiations have been ongoing with a new lender to refinance the primary lender of U.S. Rubber at more favorable terms than the current terms. Management anticipates the refinancing will be concluded by the third fiscal quarter. Management and an affiliated entity subsequent to year end have negotiated with the subordinated debt holder of U.S. Rubber to pay off the debt and reduce debt amounts by approximately \$1,300,000. Such agreement is scheduled to close in early 2002.

- o The Company is undertaking to refinance the coaches transferred from DW Leasing to a new wholly owned subsidiary of the Company (Obsidian Leasing Company, Inc.) subsequent to year end with existing lenders and a related party (DC Investments, LLC) controlled by the Chairman of the Company. Management anticipates that this will be concluded by the third fiscal quarter. See Note 16.
- o OCP has entered into agreements related to the debt of U.S. Rubber and United. Specifically, in the event of and in accordance with the default provisions, Obsidian is obligated to make capital contributions to these subsidiaries of \$1,000,000 and \$1,600,000, respectively. In addition, Partners has committed to fund through the purchase of additional preferred stock the costs of all legal, accounting and related costs to complete the Plan of Reorganization and the costs to meet all regulatory requirements to allow continued trading of Company stock by shareholders.

REVENUE RECOGNITION:

Sales are recorded when title passes to the customer (FOB shipping point) or when services are performed in accordance with agreements with customers. The Company accumulates costs of trailers in work-in-process inventory until completion. The Company recognizes repair revenue when services are provided to the customer. Shipping and handling charges billed to the customers are included in net sales. Shipping and handling costs incurred by the Company are included in cost of sales.

The Company also engages in used trailer sales transactions, in which the Company collects a commission for brokering activities. The Company does not take title to these trailers. Accordingly, commission revenues are recorded as cash is received by the Company.

For operating leases, income is recognized on a straight-line basis over the lease term. Recognition of income is suspended when management determines that collection of future income is not probable (generally after 90 days past due). Recognition is resumed if the receivable becomes contractually current and the collection of amounts is again considered probable. Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the lease term or projected economic life of the asset.

In the fourth quarter of 2000, effective as of January 1, 2000, the Company adopted Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements (SAB 101). The adoption of SAB 101 did not have a significant impact upon adoption at January 1, 2000, any quarterly reporting period during 2000, or at December 31, 2000.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE OF FINANCIAL INVESTMENTS:

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximates fair value as the effective rates for these instruments are comparable to market rates at year end. The carrying amount of investments approximates fair market value. The carrying amount of debt at October 31, 2001 approximates fair value, as a result of the current interest rates paid on the Company's borrowings being at market.

MARKETABLE SECURITIES:

The Company classifies its marketable securities as available for sale. The securities consist of equity securities, which are stated at fair value, with net unrealized gains or losses on the securities recorded as accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of the securities.

PROPERTY, PLANT AND EQUIPMENT:

Building, equipment, furniture and fixtures are recorded at historical cost with depreciation taken using primarily the straight-line method over their estimated useful lives. Vehicles under capital lease of \$291,290 are stated at the lower of fair market value or net present value of the minimum lease payments at the date of lease. Amortization of equipment under capital lease is included in depreciation expense. Life ranges for property and equipment are as follows:

Buildings and improvements 30 - 39 years

Plant, machinery and equipment 5 - 7 years
Furniture and fixtures 5 - 7 years
Coach fleet and vehicles 5 - 15 years

CONCENTRATION OF CREDIT RISK:

The Company maintains cash balances at a bank, which at various times throughout the year exceeded the Federal Deposit Insurance Corporation (FDIC) limit.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's customers are not concentrated in any one specific geographic region. The credit risk associated with trade receivables within this specific industry may be affected by changes in economic or other conditions and may, accordingly, impact the Company's overall credit risk. The Company reviews a customer's credit history before extending credit. Allowances for doubtful accounts are established based on specific customer risk, historical trends and other information. Also see major customers described below.

Certain of the Company's employees are currently represented by the United Brotherhood of Carpenters and Joiners of America, Local Union No. 340, whose contract is in effect to February 2003. The contract contains provisions that affect compensation to be paid to employees included in the union.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

GOODWILL, INTANGIBLE ASSETS AND DEFERRED COSTS:

Goodwill, net was \$9,210 thousand at October 31, 2001. Accumulated amortization amounted to \$76 thousand at October 31, 2001. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, goodwill associated with acquisitions consummated after June 30, 2001 in the amount of \$5,829 is not being amortized. All other goodwill is being amortized on a straight-line basis over 15 years through October 31, 2001. See Accounting Pronouncements within Note 2 for more information on SFAS No. 142.

Other intangible assets, net were \$1,714 thousand at October 31, 2001. These amounts include trade names, customer relations and backlogs and other items, which are being amortized on a straight-line basis over lives ranging from 3 months to 15 years. At October 31, 2001, accumulated amortization amounted to \$199 thousand.

Deferred debt issuance costs are amortized over the term of the related debt, primarily four to five years.

Goodwill and other intangible amortization expense for the ten months ended October 31, 2001 was \$216 and \$231 thousand, respectively. Accumulated amortization on goodwill and other intangible assets of Champion in the amount of \$172 thousand was written off with the impairment discussed in Note 13.

INCOME TAXES:

The Company accounts for income taxes in accordance with Statement of Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109), as required. Under SFAS 109, deferred tax assets and liabilities are recorded for any temporary differences between the financial statement and tax bases of assets and liabilities, using the enacted tax rates and laws expected to be in effect when the taxes are actually paid or received. (See Note 12.)

USE OF ESTIMATES:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

CASH EQUIVALENTS:

For purposes of the statement of cash flows presentation, cash equivalents are unrestricted, highly liquid short-term cash investments generally with a maturity of three months or less.

IMPAIRMENT OF LONG-LIVED ASSETS:

The Company evaluates the carrying value of long-lived assets whenever significant events or changes in circumstances indicate the carrying value of these assets may be impaired. The Company evaluates potential impairment of

long-lived assets by comparing the carrying value of the assets to the expected future cash flows resulting from the use of the assets. (See Note 13.)

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

MAJOR CUSTOMERS:

The following is a list of the Company's customers that represent 10% or more of consolidated net sales:

	Ten Months Ended October 31,	Year Ended December 31,	
	2001	2000	1999
Butyl rubber sales:			
Customer (1)	13%	34%	34%
Customer (2)	8%	22%	21%

EARNINGS PER SHARE:

Basic per-share amounts are computed, generally, by dividing net income or loss by the weighted-average number of common shares outstanding. Diluted per-share amounts are computed similar to basic per-share amounts except that the weighted-average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

In arriving at the weighted average number of common shares outstanding for basic income (loss) per share, the Company's Series C Convertible Preferred Stock, which has all the rights and privileges of the Company's common stock, has been reflected as equivalent common shares. The weighted average common shares outstanding for the years ended December 31, 2000 and 1999 reflect the 1,970,962 shares of Series C Convertible Preferred Stock issued to the former stockholders of the companies acquired in the reverse merger, see Note 3, as if such shares had been converted into their equivalent number of common shares of 39,419,240. Furthermore, because no other common equivalents were issued to the former stockholders of the acquired companies, the basic and diluted weighted average common shares outstanding for 2000 and 1999 are the same.

As described in Note 7, at October 31, 2001, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share at October 31, 2001. In addition, and as described in Note 10, the Company has options and warrants outstanding to purchase a total of 1,047,500 and 200,000 shares of common stock, respectively, at a weighted average exercise price of \$0.09 and \$0.25, respectively. However, because the Company incurred a loss for the period ended October 31, 2001, the inclusion of those potential common shares in the calculation of diluted loss per share would have an antidilutive effect.

COMPREHENSIVE INCOME:

SFAS No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income and its components in financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income consists of net earnings, the

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

net unrealized gains or losses on available-for-sale marketable securities and is presented in the consolidated statement of stockholders' equity.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting and Reporting for Derivative Instruments. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives), and for

hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. This statement was amended by SFAS No. 137 in June 1999. The adoption of these statements did not materially impact the Company.

In June 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No. 142, goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company implemented the remaining provisions of SFAS No. 142 on November 1, 2001. Since adoption, existing goodwill is no longer amortized but instead will be assessed for impairment at least annually. The adoption of this pronouncement will result in \$5,829,000 of goodwill not being amortized and the elimination of approximately \$225,000 of amortization annually on another \$3,381,000 of goodwill previously being amortized.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provide a single accounting model for impairment of long-lived assets. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

3. ACQUISITIONS AND PLAN OF REORGANIZATION

On June 21, 2001 ("Acquisition Date"), a change of control of the Registrant occurred through an Acquisition Agreement and Plan of Reorganization dated June 21, 2001 (the "Reorganization Agreement") by and among Danzer, Danzer Industries, Inc., a wholly owned subsidiary of Danzer, and OCP, Timothy S. Durham (the newly elected Chairman of the Board of Danzer), and other individual owners of Pyramid and Champion. On the Acquisition Date, Danzer acquired: all of the outstanding capital stock of Pyramid in exchange for 810,099 shares of Danzer Series C Convertible Preferred Stock ("Danzer Preferred"); all of the outstanding capital

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

3. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

stock of Champion for 135,712 shares of Danzer Preferred and all of the outstanding capital stock of U.S. Rubber for 1,025,151 shares of Danzer Preferred. On July 31, 2001, Danzer acquired all of the outstanding capital stock of United Acquisition, Inc. ("UAI"), the holding company formed to acquire assets of United, from OCP for 2,593,099 shares of Danzer Preferred.

Pursuant to the Reorganization Agreement, Danzer issued 4,564,061 shares of its preferred stock to OCP, Timothy Durham, and other individual owners of Pyramid and Champion ("OCP Partners"). The Preferred Shares exchanged are Series C Convertible Preferred Stock, designated \$.001 par value per share, with voting rights equal to common shareholders based upon the Preferred Shares conversion rights of exchange of 20 common shares for each 1 preferred share owned. The holders of the Danzer Preferred vote as a single class with the holders of Danzer's common stock. After the series of transactions were completed on July 31, 2001, the OCP Partners owned 75.42% of the total voting, convertible capital stock (Preferred) of Danzer. The preacquisition Danzer shareholders and their successors own the remaining capital stock representing 24.58% of the total voting capital stock (Common). Since the U.S. Rubber Companies are so much larger than Danzer, and the existing U.S. Rubber shareholders obtained a majority interest in the stock of Danzer, they have been treated, for accounting purposes, as the acquirer in the Reorganization (reverse merger). Although for accounting purposes, U.S. Rubber has become the registrant, for all other purposes, U.S. Rubber, Pyramid and Champion legally became subsidiaries of Danzer on June 21, 2001. For purposes of this filing, the registrant's name continues to be Danzer, subsequently changed to Obsidian Enterprises, Inc., and the U.S. Rubber Companies will change their fiscal year to the fiscal year (October 31) used by Danzer prior to the Reorganization. Therefore, the name Obsidian Enterprises and Danzer Corporation are one and the same as used in this filing and the financial statements attached as exhibits.

Pursuant to the Acquisition Agreement and Plan of Reorganization (the "Acquisition Agreement") discussed above, UAI was created. On July 31, 2001,

OCP, through UAI, acquired substantially all of the assets of United, an Indiana-based manufacturer of enclosed cargo and specialty trailers, for approximately \$15,358,000. The purchase price and purchase accounting has been allocated to the assets and liabilities of United based on their fair values. OCP exchanged 100% of its shares of UAI for shares of Series C Convertible Preferred Stock of Danzer ("Series C Preferred Stock"). The consideration was negotiated in arm's length discussions between the parties. As a result, UAI is now a wholly owned subsidiary of Danzer. Danzer intends to continue the operations of UAI under the name of "United Expressline, Inc."

In connection with the Acquisition Agreement described above, on June 21, 2001, the parties completed the first closing whereby OCP and affiliates exchanged all of the shares of Champion, Pyramid, and U.S. Rubber to Danzer for 1,970,962 shares of Series C Preferred Stock with voting rights, which is a controlling interest in Danzer. At the second closing on July 31, 2001, Danzer issued an additional 2,593,099 shares of Series C Preferred Stock to OCP in exchange for 100% of the shares of UAI.

The Reorganization (reverse merger) with Danzer, and subsequent acquisition of United, were accounted for under the purchase method of accounting. U.S. Rubber, the largest company owned by OCP Partners, was considered the acquirer for accounting purposes and recorded

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

3. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

Danzer's assets and liabilities based upon their estimated fair values, under the purchase method of accounting for business combinations. The operating results of Danzer have been included in the accompanying consolidated financial statements from the date of acquisition. Under the purchase method of accounting, the acquired assets and assumed liabilities have been recorded at their estimated fair values at the date of the acquisition.

The acquisition of Champion and Pyramid were also accounted for under the purchase method of accounting; however, due to the related-party relationships of the previous owners to the Company, the assets were recorded at net book value similar to pooling-of-interest accounting, referred to as reorganization of entities under common control. Accordingly, no additional goodwill was recognized beyond that recorded during the original acquisition from unrelated third parties.

Champion and Pyramid, originally acquired January 1, 2001 and part of the Plan of Reorganization of June 21, 2001 as discussed above, were previously owned by individuals who are also the members and managing directors of Obsidian Capital Company, LLC ("OCC"), the General Partner of OCP. Purchase accounting and a goodwill allocation of \$2.6 million were recorded on Champion when the managing members of the OCC and others acquired those entities from unrelated third parties.

ACQUISITION OF DANZER CORPORATION AND SUBSIDIARY:

The purchase price and purchase accounting was allocated to the assets and liabilities of Danzer based on their fair values. The purchase price was based on the value of Danzer's equity determined by a third-party appraisal company of \$3,257,539 plus acquisition costs of \$963,919.

An independent third-party appraisal company conducted a valuation of Danzer's stock. The valuation allocation to tangible assets included \$2,300,000 and \$1,536,000 of net liabilities assumed. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets of \$3,456,539 was allocated to goodwill.

The following schedule is a description of acquisition costs of Danzer and Danzer Industries and the purchase price allocation (in thousands):

Purchase price:	
Preferred stock	\$ 3,257
Acquisition costs, including amounts to related parties (see Note 15)	964

Total purchase price	\$ 4,221
	=====
Purchase price allocations:	
Tangible net assets acquired	\$ 764
Goodwill acquired	3,457

Total allocation of purchase price	\$ 4,221
	=====

ACQUISITION OF UNITED EXPRESSLINE, INC.:

An independent third-party appraisal company conducted a valuation of United's intangible assets. These intangibles include existing brand name, noncompete, and the customer base.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

3. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

The valuation of intangibles included \$821,592 for brand name, \$886,058 for noncompete, and \$104,958 for the customer base. The excess of the purchase price of \$15,358,000 over the fair value of the identifiable tangible and intangible net assets of \$5,820,972 has been allocated to goodwill. The value assigned to tangible assets totaled \$7,563,000.

The following schedule is a description of acquisition costs of United and the purchase price allocation (in thousands):

Purchase Price:	
Cash to seller	\$ 11,050
Seller note	1,500
Liabilities assumed	1,670
Acquisition costs, including amounts to related parties (see Note 15)	1,138

Total Purchase Price	\$ 15,358
	=====
Purchase Price Allocation:	
Current assets, including accounts receivable and inventory	\$ 5,559
Land, property and equipment	2,004
Goodwill	5,821
Intangible assets	1,813
Other assets	161

Total Purchase Price Allocation	\$ 15,358
	=====

PRO FORMA INFORMATION:

The unaudited condensed consolidated results of operations on a pro forma basis as if the reorganization had occurred as of the beginning of the periods projected are as follows (in thousands, except per share data):

The unaudited condensed consolidated results of operations shown below are presented on a pro forma basis and represent the results of Danzer, Danzer Industries, U.S. Rubber, Champion, Pyramid and DW Leasing on a combined basis. In addition, United is treated as if the business combinations of these entities occurred at the beginning of the periods presented. The schedule below includes all depreciation, amortization and nonrecurring charges for all entities for the periods shown.

	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
	-----	-----
Net sales	\$ 53,195	\$ 63,228
Net loss	\$ (3,867)	\$ (537)
Net loss per share - basic and diluted	\$ (.03)	\$ (.01)

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

3. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

The pro forma financial information is presented for informational purposes only and is not indicative of the operating results that would have occurred had the Reorganization been consummated as of the above dates, nor are they necessarily indicative of future operating results.

4. NOTES RECEIVABLE

U.S. Rubber had notes receivable amounting to \$2,868 thousand from its former owner and the owner's affiliates. These notes were repaid in conjunction with the Acquisition and Reorganization of Danzer and U.S. Rubber. Also see Note 14.

5. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out method) or market and are comprised of the following components (in thousands):

	October 31, 2001	December 31, 2000
Raw materials	\$ 3,734	\$ 1,649
Work-in-process	1,471	-
Finished goods	2,322	435
Valuation reserve	(833)	(1,338)
Total	\$ 6,694	\$ 747

The Company provides valuation reserves for inventory considered obsolete or not currently available for use in production. Inventory reserves at U.S. Rubber are related to excess scrap butyl rubber not currently available for use without further processing; therefore, it has minimal value. Changes in the valuation reserve are as follows (in thousands):

<TABLE> <S>	<C> U.S. Rubber	<C> United	<C> Total
Balance at January 1, 2000	\$ (1,818)	\$ --	\$ (1,818)
Provision for losses, 2000	(120)	--	(120)
Write-off of inventory, 2000	600	--	600
Balance at December 31, 2000	\$ (1,338)	\$ --	\$ (1,338)
Provision for losses, 2001	(60)	(13)	(73)
Write-off of inventory, 2001	578	--	578
Balance at October 31, 2001	\$ (820)	\$ (13)	\$ (833)

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized by major classification as follows (in thousands):

	October 31, 2001	December 31, 2000
Land and improvements	\$ 488	\$ 37
Buildings and improvements	3,701	1,076
Plant machinery and equipment	8,756	7,297
Furniture and fixtures	376	48
Coach fleet and vehicles	13,407	--
Total	26,728	8,459
Less accumulated depreciation	2,496	5,276
Net property, plant and equipment	\$ 24,232	\$ 3,182

Depreciation expense of property, plant and equipment for the ten months ended October 31, 2001 and the years ended December 31, 2000 and 1999 included in continuing operations was \$1,844,000, \$547,739, and \$604,759, respectively.

7. FINANCING ARRANGEMENTS

In connection with the Acquisitions described in Notes 1 and 2 and to provide working capital, the Company has incurred the following debt as of October 31,

2001 and December 31, 2000:

<TABLE>

<S>

Debt Amount (in thousands)	
<C> October 31, 2001	<C> December 31, 2000**

U.S. Rubber

Line of credit due, bearing interest at the prime rate plus .75% (6.25% at October 31, 2001), borrowings not to exceed the greater of \$3,000,000 or the borrowing base (80% of eligible accounts receivable and 50% of eligible inventories), collateralized by substantially all assets of U.S. Rubber*	\$ 1,732	\$ 2,740
Note payable to a bank, interest payable monthly at prime rate plus 1% (6.5% at October 31, 2001), monthly principal payments of \$2,395 beginning January 2002, collateralized by substantially all assets of U.S. Rubber	200	200
Note payable to a bank, due November 30, 2005, monthly principal payments of \$34,725, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (6.5% at October 31, 2001), to be used to finance the acquisition and capital expenditures, collateralized by substantially all assets of U.S. Rubber*	2,187	--

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

<S>

Debt Amount (in thousands)	
<C> October 31, 2001	<C> December 31, 2000**

As part of the original acquisition described in Note 3, the Company issued a note payable to former owner (SerVaas, Inc.) in the amount of \$1,750,000. The note requires interest payable monthly at fourteen percent (14%) from the date of this note until March 31, 2001 and at a rate of twenty percent (20%) thereafter. The former owner agreed to defer interest and principal payments through May of 2001. The amounts accrued during this period will become part of the balloon payment due December 28, 2005. The note is collateralized by a Stock Pledge Agreement given by OCP. In addition, this note is subordinated to the lines of credit and note payable described above.*	1,750	--
Note payable to former owner, total payments of \$929,600, with interest imputed at 12%. Due in monthly installments of \$38,733. Subordinate to bank debt and collateralized by inventory. Matures December 2001.	730	--
Note payable to a bank, due November 30, 2005, monthly principal payments of \$2,778, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (6.5% at October 31, 2001), to be used to finance the acquisition, collateralized by substantially all assets of U.S. Rubber*	474	806
Other	88	100
Subtotal U.S. Rubber	7,161	3,846

</TABLE>

* U.S. Rubber was in technical default of various loan covenants with its primary and subordinated lender at October 31, 2001. The Company has entered into an amendment to the credit agreement with the primary which includes waiver of the covenant violations. The amendment is further described in Note 16. The Company also obtained a waiver through November 2002 from the subordinated lender.

** The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> October 31, 2001	<C> December 31, 2000**
Champion		
Bank One, N.A. Facility 1---Line of Credit, maximum borrowing equal to \$200,000, interest payable monthly at prime plus 1/2% (6% at October 31, 2001) due March 15, 2002, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell*	\$ 200	\$ --
Bank One, N.A. Facility 2---term loan, note payable \$650,000, requires monthly principal installments of \$7,738 plus interest at prime plus 3/4% (6 1/4% at October 31, 2001), matures June 2005, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell*	526	--
Bank One, N.A. Facility 3 - term loan, note payable \$1,118,000, requires monthly principal installments of \$31,056 plus interest at prime matures 1 1/2% (7% at October 31, 2000), matures June 2003, paid off on January 8, 2002, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell*	621	--
Note payable to The Markpoint Company, \$1,250,000, interest payable monthly at 13 1/2%, commencing June 1, 2000, balloon payment of outstanding principal balance due May 2005, collateralized by substantially all assets of Champion and subordinate to senior bank debt described above*	1,250	--
Other	15	--
Subtotal Champion	2,612	--

</TABLE>

* Champion was in technical default of all of its debt. The Company has not been able to obtain waivers from the lenders. Accordingly, all debt has been classified as current.

** The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> October 31, 2001	<C> December 31, 2000**
Pyramid and DW Leasing		
Ford Motor Credit installment loan, \$39,104 repayable in monthly installments of \$667 including interest at .9% through October 2005, first lien on asset (purchase asset)	\$ 31	\$ --
Various installment loans, \$15,483,033 repayable in monthly installments totaling \$203,402 including interest ranging from 8.5% to 13.1% through November 2007 and applicable balloon payments thereafter through December 2007, first lien on assets financed (finance acquisition and asset purchases). Substantially all borrowings guaranteed by the members of DW Leasing.*	12,929	--

Former shareholders of Pyramid and related companies installment loans, \$927,500 repayable in monthly installments of interest at 9% through December 2003 with a balloon payment in January 2004, collateralized by Security Agreements for Pyramid, DW Leasing and the members of DW Leasing (finance acquisition)	928	--
Subtotal Pyramid and DW Leasing	13,888	--

</TABLE>

* Pyramid was in technical defaults of several loan covenants with two of its primary lenders. Debt totaling \$6,000,000 was subject to these defaults. The Company has obtained bank waivers through November 2002 for a portion of this amount. Amounts classified as current due to defaults that have not been waived are \$639 thousand.

** The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> October 31, 2001	<C> December 31, 2000**
Danzer Industries		
Bank of America line of credit, maximum borrowing equal to \$1,000,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at the LIBOR Daily Floating Rate plus 3.2% (5.5% at October 31, 2001), due March 31, 2002, collateralized by substantially all assets of Danzer Industries and guaranteed by Obsidian Enterprises, Inc.*	\$ 75	\$ --
Bank of America loan--note payable \$1,000,000, requires monthly principal installments of \$5,555 plus interest at the LIBOR Daily Floating Rate plus 3.2% (5.5% at October 31, 2001), due August 15, 2006. Collateralized by substantially all assets of Danzer Industries and guaranteed by Obsidian Enterprises, Inc.*	983	--
Equipment loans payable--monthly payments currently aggregating \$2,443 including interest of 8.90% to 11.25% through September 2006. Collateralized by equipment financed.	53	--
Term loans payable to US Amada, Ltd. Monthly payments currently aggregating \$12,668 including interest at 10%, loans due January 2003, collateralized by equipment financed	285	--
Other	10	--
Subtotal Danzer Industries	1,406	--

</TABLE>

* Danzer Industries was in default of its credit agreement for failure to provide audited financial statements within 90 days of fiscal year end. The Company has obtained an additional 45-day extension from the lender and anticipates providing audited statements within the extension period.

** The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> October 31, 2001	<C> December 31, 2000**
United		
First Indiana Bank Revolving Line of Credit, maximum borrowing equal to \$3,500,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at prime plus .75% (6.25% at October 31, 2001) due July 1, 2002, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	\$ 3,111	\$ --
First Indiana Term Loan I--note payable \$291,000, requires monthly principal installments of \$4,850 plus interest at prime plus 1% (6.50% at October 31, 2001), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	281	--
First Indiana Term Loan II--note payable \$1,116,000, requires monthly principal installments of \$6,200 plus interest at prime plus 1% (6.50% at October 31, 2001), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	1,104	--
First Indiana Term Loan III--note payable \$1,750,000, requires monthly principal installments of \$72,917 plus interest at prime plus 2% (7.50% at October 31, 2001), due July 1, 2003, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	1,604	--
Subordinated note payable to Huntington Capital Investment Company, \$3,500,000, interest payable quarterly at 14% per annum, balloon payment of outstanding principal balance due July 26, 2006. Unsecured and subordinate to First Indiana debt.	3,500	--
Note payable to former shareholder \$1,500,000, interest payable monthly at 9% per annum, balloon payment of outstanding principal balance due July 27, 2006. Unsecured and subordinate to First Indiana and Huntington debt.	1,500	--

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> October 31, 2001	<C> December 31, 2000**
United, Continued		
Note payable to Renaissance (formerly parent Danzer Corporation), interest payable monthly at 8% per annum, with monthly principal payments beginning July 2004 at a rate of \$10 for each \$1,000 of outstanding principal, due July 2008. Convertible at the option of the holder to common stock of Obsidian Enterprises at a conversion price of \$.10 per share. The loan agreement also restricts dividend payments without the prior consent of the lender.	500	--
Other	112	--
Subtotal United	11,712	--

*United Expressline is in technical default of loan covenants with one of its primary lenders. The Company has obtained bank waivers from the lender through

January 2002, at which time, the defaults were cured.

Total all companies	36,779	3,846
Less current portion	9,233	3,135
	\$ 27,546	\$ 711

</TABLE>

** The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

The Company was in violation of three negative covenants and failure of the Company to submit audited financial statements within 90 days of year end with Renaissance US Growth & Income Trust PLC and FBSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company has received a waiver of all of these violations through November 1, 2002.

Various subsidiary companies were in violation of requirements to provide year-end financial statements to various lenders within 90 days of the close of the year end. Management has received waivers on all of these covenants.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

7. FINANCING ARRANGMENTS, CONTINUED

The Company has an agreement with OCP that gives it the right to mandate a capital contribution from OCP if the lenders to U.S. Rubber and United were to declare a default. In that event, the Company has the right to enforce a capital contribution agreement with OCP up to \$1,620,000 on U.S. Rubber and \$1,000,000 on United to fund the respective subsidiary's shortfall. Those payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

Following are the maturities of long-term debt for each of the next five years and thereafter (in thousands):

2002	\$ 9,233***
2003	8,495
2004	1,370
2005	3,140
2006	9,932
Thereafter	4,609

	\$ 36,779
	=====

*** The current portion of long-term debt includes \$2,570,000 of amounts in default and classified as current.

8. LEASING ARRANGEMENTS

In 2001, U.S. Rubber entered into a sales-leaseback arrangement. Under the arrangement, U.S. Rubber sold equipment and leased it back for a period of five years. The leaseback has been accounted for as an operating lease. The loss of \$218,236 realized in the transaction has been deferred and will be amortized to income in proportion to rental expense over the term of the lease.

The Company has various operating lease commitments, principally related to machinery and equipment, office equipment, and facilities. The approximate future minimum annual rentals for the years under the terms of these leases, which expire on various dates through the year ending October 31, 2008, are as follows (in thousands):

Year Ending October 31,

2002	\$ 727
2003	980
2004	67
2005	32
2006	21
Thereafter	27

	\$ 1,854

=====

Rental expense under operating leases for the ten months ended October 31, 2001, in thousands, was \$514 and for the years ended December 31, 2000 and 1999 was \$130 and \$136, respectively.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

9. EMPLOYEE BENEFIT PLANS

Danzer Industries has a contributory defined benefit pension plan covering all eligible employees who have elected to participate in the plan. It is the Company's policy to fund pension costs as determined by the plan's actuary. The weighted average discount rate and expected rate of return on long-term assets used in determining the actuarial present value of the projected benefit obligation were 7% for the plan year ended December 31, 2000. The actuarial information included below, which is as of January 1, 2001, is for the plan's fiscal year ended December 31, 2000, and is the most recent available information.

Pension expense for the ten-month period ended October 31, 2001 is expected to approximate the year ended December 31, 2000, which was as follows (in thousands):

December 31,	2000

Benefits earned (service cost)	\$ 3
Actual return on plan assets	22
Other items	(43)
Interest expense	22

Total pension expense	\$ 4
	=====

A summary of the status of the plan as of December 31, 2000 is as follows (in thousands):

December 31,	2000

Projected benefit obligation:	
Vested	\$ (345)
Nonvested	--

	(345)
Plan assets at fair value	287

Funded status	(58)
Unrecognized net actuarial loss	(9)
Unrecognized net (asset) obligation	47

Accrued pension cost	\$ (20)
	=====

The Company, through certain of its subsidiaries, also has defined contribution 401(k) plans which permit voluntary contributions up to 20% of compensation and which provide Company-matching contributions of up to 10% of employee contributions not to exceed 6% of employee compensation. 401(k) plan expense for the ten-month period ended October 31, 2001 was approximately \$35 and \$25 and \$28 thousand for the years ended December 31, 2000 and 1999, respectively.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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(in thousands)

10. STOCKHOLDERS' EQUITY

PREFERRED STOCK:

The original capital structure of Danzer Corporation prior to the merger was comprised of the following: 5,000,000 authorized shares of \$.001 par value preferred stock; 10,500 shares authorized of the Class of 10% Cumulative Senior Preferred Stock (Series A) with no shares issued or outstanding as 7,650 shares

were retired; (Series B) Cumulative Convertible Senior Preferred Stock with 16,000 shares authorized and no shares issued or outstanding as 16,000 shares were retired. In addition, the Company had 20,000,000 authorized shares of common stock with 17,760,015 shares outstanding at December 31, 2000.

In June 2001, Danzer issued an aggregate of 1,750,000 shares of Danzer unregistered common stock in connection with the exchange of \$355,000 of debt. On June 21, 2001, Danzer amended its articles of incorporation to authorize up to 4,500,000 shares of Series C Convertible Preferred Stock. In conjunction with the merger and acquisitions (described in Note 3) of June 21, the Company issued 1,970,962 of Series C Preferred Stock. The shareholders of Pyramid and Champion then converted 824,892 shares of preferred stock to 16,497,840 of common stock. In addition, on July 5, 2001, the Company increased the authorized shares of common stock by 20,000,000 to 40,000,000. On July 31, 2001, the Company issued 2,593,099 shares of additional convertible preferred stock related to the United acquisition.

The convertible preferred stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 20 shares of common stock for each share of convertible stock. However, the convertible preferred stock may not be converted prior to the corporation filing a registration statement of such shares. Holders of the convertible preferred stock have voting rights which entitle them to cast on each matter submitted to a vote of the stockholders of the Corporation the number of votes equal to the number of shares of common stock into which such shares of Series C Preferred could be converted.

These shares were offered and sold in transactions which were exempt from Securities Act registration under Section 4(2) of the Securities Act, relating to sales by an issuer not involving a public offering. No underwriters were involved in the sale of these shares. The Corporation will use its best efforts to file, as soon as reasonable practicable following the date of issuance of the Series C Preferred, a registration statement ("Registration Statement") on Form S-4, pursuant to the rules of the Securities and Exchange Commission ("SEC") and, if not, on such other form promulgated by the SEC for which the Corporation then qualifies, which is available to Corporation, and which counsel for the Corporation shall deem appropriate for the registration under the Securities Act of 1933.

On October 4, 2001, the Company changed its name from Danzer Corporation to Obsidian Enterprises, Inc. In addition, 5,000,000 shares of Preferred Stock were authorized with the domestication of Obsidian in Delaware. On October 9, 2001, the Company filed designation of preferences, rights and limitations of 4,600,000 shares of Series C Preferred Stock. This transaction results in 400,000 shares of authorized but undesignated preferred stock and cancellation of the Series A and B shares.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

10. STOCKHOLDER'S EQUITY, CONTINUED

As a result of the reverse merger, U.S. Rubber becomes the accounting acquirer and accordingly, under purchase accounting, becomes the Registrant. Therefore, the 2000 and 1999 financial statements become those of U.S. Rubber. However, under purchase accounting for a reverse merger, the stockholders' equity section of the Registrant (formerly Danzer Corporation) becomes the equity of the merged entity. Accordingly, the statement of changes in stockholders' equity reflects that purchase accounting.

STOCK OPTIONS:

On May 7, 1990, Danzer's stockholders approved a stock option plan to issue both "qualified" and "nonqualified" stock options. Under the plan, 800,000 options to purchase shares of the Company's common stock may be issued at the discretion of the Company's Board of Directors. The option price per share is determined by the Company's Board of Directors, but in no case will the price be less than 85% of the fair value of the common stock on the date of grant. Options under the plan will have a term of not more than ten years with accelerated termination upon the occurrence of certain events.

In April 1998, Danzer granted 600,000 stock options, exercisable at \$.10 per share, to its president. The options vest over two years and expire in April 2004. None of these options have been exercised as of October 31, 2001.

In September 1998, Danzer adopted a qualified incentive stock option plan under Section 422 of the Internal Revenue Code. Options granted under the plan will be granted at prices not less than fair value of the Company's stock at the date of grant, have a term not more than ten years and have other restrictions as determined by statute.

In September 1998, Danzer granted a total of 604,500 stock options, exercisable

at \$.10 per share, to certain employees. The options expire November 2001. As a result of voluntary termination, 75,000 options expired in 1999 and 192,000 options expired in 2000. None of these options were exercised as of October 31, 2001.

On July 24, 2001, the Board adopted, and on October 5, 2001, the Company's stockholders approved, the 2001 Long Term Incentive Plan (the "2001 Plan"). The 2001 Plan authorizes the granting to the Company's directors, key employees, advisors and consultants of options intended to qualify as Incentive Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options that do not so qualify ("Non-Statutory Options"), restricted stock and Other Stock-Based Awards that are not Incentive Options or Non-Statutory Options. The awards are payable in Common Stock and are based on the formula which measures performance of the company. There was no performance award expense in 2001. No options under this plan were granted to any employees. Options are exercisable for up to 10 years from the date of grant.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation expense has been recognized for the stock option plans. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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(in thousands)

10. STOCKHOLDERS' EQUITY, CONTINUED

income (loss) for the period ended October 31, 2001 and the years ended December 31, 2000 and 1999 would have been (in thousands) \$(4,360), \$3, and \$198, respectively. Basic and diluted net income (loss) per share as reported would not have changed in any period presented had such compensation expense been recorded.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000 and 1999 (no options were granted during the period ended October 31, 2001), respectively: risk-free interest rates of 6.4 and 5.5 percent; dividend yield of 0 percent in both years; expected lives of 5 years; and volatility of 978 and 170 percent. The estimated weighted average fair value of options granted during 2000 and 1999 were \$0.10 and \$0.05 per share, respectively.

Following is a summary of transactions of granted shares under option for the period ended October 31, 2001 and years ended December 31, 2000 and 1999:

<TABLE>

	2001		2000		1999	
	<C> Shares	Weighted Average Exercise Price	<C> Shares	Weighted Average Exercise Price	<C> Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,137,500	.09	1,029,500	.09	1,077,128	.09
Issued during the year	--	--	450,000	.10	200,000	.05
Canceled during the year	(90,000)	.10	192,000	.09	75,000	.09
Exercised during the year	--	--	150,000	.10	72,628	.10
Outstanding, end of year	1,047,500	.09	1,137,500	.09	1,129,500	.09
Eligible, end of year for exercise	1,047,500*	.09	1,137,500	.09	1,029,500	.09

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

10. STOCKHOLDERS' EQUITY, CONTINUED

A further summary about fixed options outstanding at October 31, 2001 is as follows:

<TABLE>

<S>	<C> Number Outstanding	<C> Weighted Average Remaining Contractual Life	<C> Weighted Average Exercise Price	<C> Number Exercisable	<C> Weighted Average Exercise Price
Exercise price of \$.10	847,500*	1.6 yr.	.10	847,500	.10
Exercise price of \$.05	200,000	1.2 yr.	.05	200,000	.05

</TABLE>

* 247,500 of the options listed above expire on November 1, 2001. In addition, in accordance with the Plan of Reorganization and Merger and the related "Letter agreements", the above options cannot be exercised until the Company amends its articles of incorporation to authorize shares of approximately 120,000,000 and has registered such shares.

STOCK WARRANTS:

Danzer issued warrants to purchase common stock to several parties. The following table summarizes the outstanding warrants for the ten-month period ended October 31, 2001 and the year ended December 31, 2000:

<TABLE>

<S>	<C> Outstanding Warrants December 31, 2000	<C> Exercise Price	Warrants Issued (Expired) in Period	<C> Outstanding Warrants October 31, 2001
Former president, upon resignation in March 1998, expired in March 2001	100,000	\$.25	(100,000)	--
Financing agreement, effective August 1997, terminated June 21, 2001	650,000	\$.25 subject to adjustment	(650,000)	--
On June 21, 2001, Duncan-Smith Co. terminated warrant for 650,000 common shares and was issued new warrant for 10,000 shares Series C Preferred exercisable at \$2.00 per share, expiring August 31, 2002	--	\$2.00	200,000	200,000
Markpoint financing agreement expiring May 2008 associated with Champion**	Zero**	\$.01	--	Zero**

</TABLE>

** The number of warrants available under the agreement with Markpoint is based on twenty-five percent of the fair market value of Champion to be determined based on a formula including a multiple of EBITDA. No warrants are currently available under this agreement based on the operating results and stockholder's deficit of Champion.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

10. STOCKHOLDERS' EQUITY, CONTINUED

CONVERTIBLE DEBT:

As described in Note 7, at October 31, 2001, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share at October 31, 2001.

11. BUSINESS SEGMENT DATA AND GEOGRAPHIC DATA

The Company operates in three industry segments comprised of trailer and related transportation equipment manufacturing; coach leasing; and butyl rubber reclaiming. All sales are in North and South America primarily in the United

States, Canada and Brazil. Selected information by segment follows (in thousands):

<TABLE>

<S>	Ten Months Ended October 31, 2001			
	Trailer	<C>	Butyl Rubber	<C>
	<C> Manufacturing	Coach Leasing	<C> Reclaiming	Total
Sales:				
Domestic	\$ 13,466	\$ 4,165	\$ 9,253	\$ 26,884
Foreign	550	--	621	1,171
Total	\$ 14,016	\$ 4,165	\$ 9,874	\$ 28,055
Cost of goods sold	\$ 12,276	\$ 1,618	\$ 8,884	\$ 22,778
Income (loss) before taxes	\$ (3,509)	\$ (570)	\$ (653)	\$ (4,732)
Identifiable assets	\$ 25,315	\$ 13,330	\$ 10,205	\$ 48,850
Depreciation and amortization expense	\$ 606	\$ 785	\$ 905	\$ 2,296

</TABLE>

Obsidian Enterprises, Inc. (legal parent) allocates selling, general and administrative expenses to the respective companies primarily based on a percentage of sales.

For the calendar years ended December 31, 2000 and 1999, the Company operated in only one segment (butyl rubber reclaiming), which was the segment of the accounting acquirer U.S. Rubber. U.S. Rubber had foreign sales of \$943,325 for 2000.

12. INCOME TAXES

The Company files a consolidated federal tax return. The parent and each subsidiary record their share of the consolidated federal tax expense on a separate-return basis. Any additional income tax expense on recovery realized as a result of filing a consolidated tax return is recorded in consolidation. The Company and each subsidiary file separate state income tax returns. The Company accounts for income taxes in compliance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are recorded for any temporary differences between the financial statement and tax bases of assets and liabilities, using the enacted tax rates and laws expected to be in effect when the taxes are actually paid or recovered.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

12. INCOME TAXES, CONTINUED

The provision for (expenses) benefit for income taxes consists of the following (in thousands):

<TABLE>

<S>	<C> 2001	<C> 2000	<C> 1999
Current:			
Federal	\$ --	\$ 152	\$ (112)
State	(36)	14	(12)
	(36)	166	(124)
Deferred:			
Federal	350	(187)	--
State	58	(29)	--
	408	(216)	--

Total	\$	372	\$	(50)	\$	(124)
-------	----	-----	----	------	----	-------

</TABLE>

A reconciliation of income tax benefit (expense) at U.S. statutory rates to actual income tax benefit (expense) is as follows (in thousands):

<TABLE>

<S>	<C> 2001	<C> 2000	<C> 1999
Benefit (tax) at statutory rate (34%)	\$ 1,609	\$ (33)	\$ (110)
Effect of nontaxable combined entity	(166)	--	--
State income tax	(36)	(5)	(17)
Goodwill amortization	(26)	--	--
Increase in valuation reserve	(1,024)	--	--
Other	15	(12)	3
	\$ 372	\$ (50)	\$ (124)

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

12. INCOME TAXES, CONTINUED

Deferred income taxes represent the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

<TABLE>

<S>	<C> 2001	<C> 2000	<C> 1999
Deferred tax assets (liabilities):			
Accounts receivable	\$ 32	\$ --	\$ --
Inventories	472	517	693
Accrued expenses	117	15	15
Intangibles	791	--	--
Operating loss carryforwards	1,474	--	--
Property and equipment	(2,267)	(171)	(131)
Loss on sale-leaseback	(81)	--	--
	538	361	577
Less valuation reserves	(1,537)	--	--
Deferred tax assets (liabilities), net	\$ (999)	\$ 361	\$ 577

</TABLE>

Included in the accompanying balance sheet under the following (in thousands):

<TABLE>

<S>	<C> 2001	<C> 2000	<C> 1999
Deferred tax assets	\$ 673	\$ 532	\$ 708
Deferred tax liabilities	(1,672)	(171)	(131)
	\$ (999)	\$ 361	\$ 577

</TABLE>

The amount of federal tax net operating loss carryforwards available at October 31, 2001 was \$3,600,000. The majority of these loss carryforwards were generated by certain subsidiaries prior to the reverse merger transaction in June 2001 and have expiration dates through the year 2021. The use of preacquisition operating losses is subject to limitations imposed by the Internal Revenue Code. Utilization of these loss carryforwards is impacted by such limitations.

Accordingly, the deferred tax assets related to premerger operating losses have been reserved with a valuation allowance to the extent they are not offset by deferred liabilities.

Federal tax net operating loss carryforwards and expiration dates as of October 31, 2001 are as follows:

<TABLE>

<S>	<C> Premerger -----	<C> Expiration Dates -----	<C> Postmerger -----	<C> Expiration Dates -----
Obsidian Enterprises	\$ --		\$ 297	2021
Danzer Industries	1,986	2008 through 2018	--	--
Pyramid	126	2020	--	--
Champion	789	2021	402	2021
	-----		-----	
	\$ 2,901		\$ 699	
	-----		-----	

</TABLE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

12. INCOME TAXES, CONTINUED

Cash payments of income taxes for the ten months ended October 31, 2001 and for the years 2000 and 1999 were \$44, \$8, and \$86 thousand, respectively.

13. CHARGES FOR THE IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the recoverability of the carrying value of long-lived assets, primarily property, plant and equipment and related goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment losses are recognized when the fair value is less than the asset's carrying value. When indicators of impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying business. The net book value of the underlying assets is adjusted to fair value if the sum of expected future undiscounted cash flows is less than book value. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

During October 2001, the Company completed an evaluation of the recoverability of the assets (primarily goodwill) of Champion. Certain events occurred during the period ended October 31, 2001 which caused the full recoverability of those assets to be brought into question. When this operation was acquired, management anticipated that this operation would continue to generate certain revenues, namely repair revenues, at historically consistent levels. This was not the case. It appears as though the customer relationships of this business were based on relationships with the former owner and as such have been difficult to maintain after the acquisition of Champion. Further eroding the performance of Champion have been lower overall sales demand and difficulties in achieving manufacturing efficiencies. As a result of these events that occurred after the acquisition, it became clear that the investment in Champion had become severely impaired. Accordingly, during fiscal 2001, Champion recorded charges of \$2,305 thousand related to the impairment of goodwill. This charge was based on the estimated fair value of the long-lived assets of Champion.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

14. RELATED PARTIES

The Company makes advances, receives loans and conducts other business transactions with affiliates resulting in the following amounts for the periods ended (in thousands):

<TABLE>

<S>	October 31, <C> 2001	December 31, <C> 2000
-----	----------------------------	-----------------------------

Balance sheet:		
Current assets:		
Accounts receivable, Obsidian Capital Company (OCC)	\$ 217	\$ --
Notes receivable, former parent of U.S. Rubber	--	1,098
Long-term portion:		
Notes receivable, former parent of U.S. Rubber	--	1,770
Investment banking fees, purchase accounting*	1,960	--
Total assets	\$ 2,177	\$ 2,868
Current liabilities:		
Accounts payable, Obsidian Capital Company (OCC)	\$ 625	\$ --
Accounts payable, stockholders	300	--
Long-term portion:		
Accounts payable, Obsidian Capital Partners (OCP)	2,170	--
Total liabilities	\$ 3,095	\$ --
Income statement:		
Rent expense, Obsidian Capital Company (OCC)	\$ 15	\$ --
Interest income, related to note above	--	356

</TABLE>

Related-party amounts classified as current reflect those portions of the total receivable or payable that were currently due in accordance with the terms, or were collected or paid subsequent to year end. Amounts classified as long term represent amounts not currently due or amounts that are expected to be converted to equity subsequent to year end. Also see Note 16.

The Company was obligated to the stockholders and certain employees (that were formerly stockholders of subsidiary companies) under note payable agreements acquired as part of the acquisitions. The details of these notes payable are included in Note 7.

* Subsidiaries of the Company paid Obsidian Capital Company, an entity controlled by Mr. Durham (Chairman of the Company), investment banking fees associated with the acquisitions and related financing on the Danzer and U.S. Rubber merger and the United acquisition. Amounts paid by U.S. Rubber, United, and Danzer were \$760, \$600, and \$600 thousand, respectively.

The December 31, 2000 balance sheet includes notes receivable due from the former parent company of U.S. Rubber, Inc. prior to it being acquired by Obsidian. The following table summarizes those notes (in thousands):

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

14. RELATED PARTIES, CONTINUED

<TABLE>

<S>

	<C> December 31, 2000
Unsecured note receivable from affiliated company. Interest accrues at an annual rate equal to Bank One prime (9.5% at December 31, 2000); due on demand.	\$ 737
Unsecured note receivable from affiliated company. Interest is to be paid monthly at an annual rate of 6.2%. Principal is due as follows: \$200,000 in 2001; \$300,000 in 2002; and \$284,360 in 2003. Note matures June 19, 2003.	784
Unsecured note receivable from affiliated company. Interest is to be paid monthly at an annual rate equal to Bank One prime plus 1/2% (10% at December 31, 2000). Principal is due in equal monthly installments of \$13,440, beginning December 31, 1998, until maturity (November 30, 2005), at which time all unpaid principal and interest will be due.	806
Unsecured note receivable from affiliated company, payable on demand, with no stated interest	541
	2,868
Less current portion	1,098
	\$ 1,770

</TABLE>

15. COMMITMENTS AND CONTINGENCIES

The Company has a purchase commitment to purchase or lease three (3) coaches within 60 days of completion, expected to be in the first quarter of calendar 2002. The cost of these coaches will approximate \$1.35 million.

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position or results of operations.

Certain insurable risks such as health insurance are self-insured by certain of the Company's subsidiaries. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis.

16. SUBSEQUENT EVENTS

Management has reached agreement in principle with SerVaas, Inc. to terminate the Company's obligations under the Agreement with SerVaas, Inc. for \$700,000 in cash and 30,000 shares of Series C Convertible Preferred Stock. DC Investments, Inc., an entity controlled by Mr. Durham, has agreed in principle to loan \$700,000 to the Company and to purchase from SerVaas, Inc. the \$1,750,000 principal amount Subordinated Note due SerVaas, Inc. which bears interest at 20% per annum and to exchange that note for a \$700,000 principal amount note of U.S. Rubber bearing interest at 15% per annum paid currently and due, as to the principal, in one installment in five years. The net effect of this will be to reduce U.S. Rubber's liabilities by approximately \$1,300,000. Management anticipates this will be concluded in late February 2002. The effect of

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

16. SUBSEQUENT EVENTS, CONTINUED

this transaction would be to increase the Company's equity and to improve its working capital position.

On February 12, 2002, U.S. Rubber entered into a "Second Amendment to Credit Agreement" with its primary lender. The terms of the amendment require scheduled debt service payments under substantially the same terms as described in Note 7 through November 1, 2002 when all debt outstanding with the primary lender will become due. The agreement also modifies the terms of an operating lease with the lender requiring payment in full of the remaining lease obligation as of November 1, 2002 of approximately \$738,000.

After October 31, 2001, Champion is in violation of its Senior Credit facility with Bank One. Champion is working under a forbearance agreement through March 15, 2002. Champion has paid down the Bank One debt by \$570,000 as consideration for such agreements. The Company made a capital contribution of \$570,000 from loan proceeds from DC Investments, LLC, controlled by Tim Durham, Chairman of the Company. Champion is also indebted to Markpoint Equity Fund IV under a subordinated credit facility in the amount of \$1,250,000. Champion has been in violation of the funded debt to EBITDA negative covenant of the Markpoint Credit Agreement since the inception of the loan. Markpoint has informed Champion it may not grant a waiver of this violation in the future. The Markpoint debt has been reclassified as current liability due to this default.

The Board of Directors has agreed in principle to divest Champion to a group consisting of Champion's management and Messrs. Durham and Whitesell pursuant to the terms of a nonbinding Letter of Intent, subject to an independent review of fair value by the independent Board members of the Company. DC Investments, LLC has agreed to contribute \$660,000 to the Company in exchange for Series C Preferred Stock. The Company will use those funds to purchase the loan of Bank One to Champion in that amount and would contribute that note to Champion as additional capital. In exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company, the management group would purchase the assets and assume substantially all liabilities of Champion.

To complete the Plan of Reorganization, Pyramid and DW Leasing were required to obtain lender approval of the transfer of assets subject to liabilities to Obsidian Leasing Company, Inc. ("Obsidian Leasing"), a wholly owned subsidiary of the Company. On November 1, 2001, the Company completed the tax-free exchange contemplated by the Acquisition Agreement of June 21, 2001, whereby all but seven coaches and the liabilities thereon were transferred to Obsidian Leasing to operate this segment of business previously under DW Leasing.

DC Investments, LLC, a related party 50% owned by Mr. Durham (Chairman of the Company), subsequent to year end, has purchased accounts receivable from DW Leasing, recorded by DW Leasing as deposits on trailers, in the amount of \$1,050,582 as of February 13, 2002. DW Leasing used the proceeds from the

purchase of the accounts receivable to pay off the accounts payable due Obsidian Capital Company in the amount of \$624,317 and the amount due shareholders and other related parties in the approximate amount of \$300,000.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)
(dollars in thousands, except per share amounts)

Fiscal Year Ended October 31, 2001

<TABLE>

<S>	<C>			
	First Qtr.* Ended 1/31/01	Second Qtr. Ended 4/30/01	Third Qtr. Ended 7/31/01	Fourth Qtr. Ended 10/31/01
Net sales	\$ 3,743	\$ 5,548	\$ 5,752	\$ 15,163
Gross profit	442	1,345	984	2,659
Net income (loss)	(355)	(291)	(901)	(2,836)**
Net income (loss) per common and common equivalent share	(.01)	(.01)	(.02)	(.03)
Fiscal Year Ended December 31, 2000				
<S>	First Qtr. Ended 3/31/00	Second Qtr. Ended 6/30/00	Third Qtr. Ended 9/30/00	Fourth Qtr. Ended 12/31/00
Net sales	\$ 3,059	\$ 3,024	\$ 3,233	\$ 3,267
Gross profit (loss)	301	372	373	147
Net income (loss)	86	(118)	146	(66)
Net income (loss) per common and common equivalent share	--	--	--	--

</TABLE>

* The first quarter for U.S. Rubber includes the first and second month (November and December) of 2000.

** The fourth quarter includes the charge for the impairment of goodwill related to Champion of \$2,305 (\$.02 per share).

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

SCHEDULE II--VALUATION AND QUALIFYING OF ACCOUNTS

<TABLE>

<S>	Ten Months Ended October 31, 2001 (in thousands)				
	<C>	<C>		<C>	<C>
		Column A--Description	Column B--Balance at Beginning of Period		
Inventory valuation allowances	\$ 1,338	\$ 73	\$ --	\$ 578*	\$ 833
Deferred tax valuation reserve	\$ --	\$ 1,024	\$ 513**	\$ --	\$ 1,537

</TABLE>

<TABLE>

Year Ended December 31, 2000
(in thousands)

<S> Column A--Description	<C> Column B--Balance at Beginning of Period	Column C--Additions		<C> Column D-- Deductions-- Describe	<C> Column E-- Balance at End of Period
		<C> (1)-- Charged to Costs and Expenses	<C> (2)-- Charged to Other Accounts-- Describe		
Inventory valuation allowances	\$ 1,818	\$ 120	\$ --	\$ 600*	\$ 1,338
Deferred tax valuation reserve	\$ --	\$ --	\$ --	\$ --	\$ --

</TABLE>

* Write-off of inventory against reserve.

** Valuation reserve of acquired companies recorded in purchase accounting.

<PAGE>

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously reported in a Current Report Form 8-K filed on November 13, 2001, the Audit Committee of the Company's Board of Directors decided on November 7, 2001, to dismiss Linton, Shafer & Company, P.A. ("Linton Shafer") as the Company's independent auditors. The audit reports of Linton Shafer on the consolidated financial statements of the Company as of and for the years ended October 31, 2000 and 1999 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended October 31, 2000 and 1999 and the period following October 31, 2000, there were no disagreements between the Company and Linton Shafer on any matter regarding accounting principles or practices, financial statement disclosure, or auditing scope or procedure. A letter from Linton Shafer confirming the statements set forth in this Item 9 was attached as Exhibit 16 to the Current Report on Form 8-K filed on November 13, 2001.

On November 7, 2001, the Board of Directors engaged McGladrey & Pullen, LLP ("McGladrey") as the Company's new independent auditors. During the fiscal years ended October 31, 2000 and 1999 and during the period following October 31, 2000, the Company did not consult McGladrey regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice provided that McGladrey concluded was an important factor considered by the Company in reaching a decision as to an accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information with respect to all Directors of the Company, including their ages, present principal occupations, other business experience during the last five years, membership on committees of the Board and directorships in other publicly held companies.

<TABLE>

<S> Name	<C> Age	<C> Position	<C> Director Since
Timothy S. Durham	39	Chief Executive Officer and Chairman of the Board	2001
Terry G. Whitesell	62	President, Chief Operating Officer and Director	2001
Jeffrey W. Osler	33	Executive Vice President, Secretary, Treasurer and Director	2001
Goodhue W. Smith, III**	51	Director	1997
John A. Schmit**	33	Director	2001
D. Scott McKain	47	Vice Chairman and Director	2001
Daniel S. Laikin+	40	Director	2001

</TABLE>

* Members of the Compensation Committee

+ Members of the Audit Committee

<PAGE>

Timothy S. Durham has been a director since June 2001. Mr. Durham has been the Company's Chairman of the Board and Chief Executive Officer since June 2001. Since April 2000, Mr. Durham has served as a Managing Member and Chief Executive Officer of Obsidian Capital Company LLC, which is the general partner of Obsidian Capital Partners LP. Prior to that time, between 1998 and 2000, Mr. Durham founded and maintained a controlling interest in several investment vehicles, including Durham Capital Corporation, Durham Hitchcock Whitesell and Company LLC, and Durham Whitesell & Associates LLC. From 1991 to 1998, Mr. Durham served in various capacities at Carpenter Industries, Inc., including Vice Chairman, President and Chief Executive Officer. Mr. Durham is Mr. Osler's brother-in-law.

Terry G. Whitesell has been the Company's President and Chief Operating Officer since June 2001 and has been a director since October 2001. Prior to that time, Mr. Whitesell co-founded several entities with Mr. Durham, including Obsidian Capital Company LLC, Durham Hitchcock Whitesell and Company LLC, and Durham Whitesell & Associates LLC. Mr. Whitesell is also a Managing Member of Obsidian Capital Company LLC. From April 1992 until September 1998, Mr. Whitesell served as Executive Vice President of Carpenter Industries, Inc. Prior to that time Mr. Whitesell held various management positions over the course of 25 years with Wayne Corporation.

Jeffrey W. Osler has been the Company's Executive Vice President, Secretary and Treasurer since June 2001 and has been a director since October 2001. Mr. Osler is also a Managing Member of Obsidian Capital Company LLC. Mr. Osler has also served as Senior Vice President at Durham Whitesell & Associates LLC and Durham Capital Corporation since September 1998. Prior to that time, Mr. Osler served as the General Manager of Hilton Head National Golf Club. Mr. Osler is Mr. Durham's brother-in-law.

Goodhue W. Smith, III has been a director since 1997. Mr. Smith founded Duncan-Smith Co., an investment banking firm in San Antonio, Texas, in 1978 and since that time has served as its Secretary and Treasurer. Mr. Smith is also a director of Citizens National Bank of Milam County, Ray Ellison Mortgage Acceptance Co. and American Absorbents Natural Products, Inc.

John A. Schmit has been a director since July 2001. Mr. Schmit joined Renaissance Capital Group, Inc. in 1997 and is a Vice President--Investments. Prior to joining Renaissance Capital Group, Mr. Schmit practiced law with the law firm of Gibson, Ochsner & Adkins in Amarillo, Texas from September 1992 to September 1994. Between August 1994 and May 1996, Mr. Schmit attended Georgetown University where he earned his L.L.M. in International and Comparative Law.

D. Scott McKain has been Vice Chairman and a director since October 2001. He has served as the Chairman of McKain Performance Group since 1981. Mr. McKain has also been the Vice Chairman of Durham Capital Corporation since 1999. Prior to that time from 1983 to 1998, Mr. McKain was a broadcast journalist and television commentator. Mr. McKain has also authored several books and is a keynote speaker, who presents high content workshops across the nation.

Daniel S. Laikin has been a director since October 2001. He has served as a Managing Member of Fourleaf Management LLC, a management company of an investment fund that invests in technology related entities, since 1999. Prior to that time, Mr. Laikin served as the Chairman of the Board of Biltmore Homes from 1993 to 1998. Mr. Laikin is a member of the Board of Directors of J2 Communications, Inc.

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EXECUTIVE OFFICERS

The Company's executive officers are appointed by the Board of Directors and hold office at the pleasure of the Board until successors are appointed and have qualified. Compliance with Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and persons who own more than ten percent of the Company's Common Stock ("10% Shareholders") to file reports of ownership and reports of changes in ownership of the Company's Common Stock with the Securities Exchange Commission ("SEC"). Officers, Directors and Shareholders are required by SEC regulation to furnish the Company with copies of all forms they file under Section 16 (a). Based solely on its review of the copies of such forms received by it with respect to its fiscal year ended October 31, 2001, and written representations from certain reporting persons that no other reports were required to those persons, the Company believes that its officers, directors and 10% Shareholders were complied with all Section 16(a) requirements, except that the Form 3 Initial Statement of Beneficial Ownership of Securities for Mr. Schmit was filed late.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth certain information concerning the compensation paid or accrued by the Company for services rendered during the Company's past three fiscal years ended October 31, 2001 by the Company's Chief Executive Officer.

<TABLE>

<S>	<C>	Annual Compensation		Long-Term Compensation Awards	
		<C>	<C>	<C>	<C>
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options/SARs	All Other Compensation
Timothy S. Durham, Chief Executive Officer (1)	2001	\$27,404	\$0	\$0	\$0
	2000	N/A	N/A	N/A	N/A
	1999	N/A	N/A	N/A	N/A
M. E. Williams, Chief Executive Officer (2)	2001	\$110,000	\$12,824	0	0
	2000	\$107,609	\$9,375	0	\$3,125
	1999	\$105,000	\$8,386	0	0

</TABLE>

(1) Mr. Durham was elected Chief Executive Officer and Chairman of the Board on June 21, 2001.

(2) Mr. Williams resigned as Chief Executive Officer on June 21, 2001.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

No grants were made during fiscal 2001 pursuant to the Company's 1999 Stock Option Plan or the Company's 2001 Long Term Incentive Plan.

<PAGE>

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth information for 2001 with respect to Option/SAR exercises by the executive officers named in the Summary Compensation Table and the value of unexercised options and SARs as of October 31, 2001.

Name	Number of Unexercised Options/SARs at Fiscal Year-End (#)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (\$)
	Exercisable/Unexercisable	Exercisable/Unexercisable
M. E. Williams	882,000/0	\$138,550/0 (1)

(1) Represents the difference between the last reported sales price per share of the Company's common stock as reported on the OTC Bulletin Board on October 31, 2001, and the exercise price of the option.

1999 STOCK OPTION PLAN

The Company maintains the 1999 Stock Option Plan (the "1999 Plan") under which options of purchase 800,000 shares of the Company's Common Stock, par value \$.0001 per share, have been reserved. Pursuant to the 1999 Plan, the Company is permitted to issue incentive stock options ("Incentive Stock Options") and non-qualified stock options ("Non-Qualified Stock Options") to employees or directors of the Company; provided, however, that no incentive Stock Options shall be granted to a non-employee director. Incentive Stock Options under the 1999 Plan are intended to qualify for the tax treatment accord under Section 422 of the Internal Code of 1986, as amended (the "Code"). Non-Qualified Options under the 1999 Plan are intended to be options which do not qualify for the tax treatment accorded under Section 422 of the Code.

All directors and key employees of the Company and its subsidiaries are eligible to participate in the 1999 Plan. The 1999 Plan is administered by the Board of Directors of the Company which, to the extent it determines, may delegate its power with respect to the administration of the 1999 Plan to a compensation advisory committee consisting of not less than three members, at least two of whom shall be directors for the Company.

Under the 1999 Plan, Incentive Stock Options to purchase shares of the Company's Common Stock may not be granted for less than 100 percent of fair market value of the Common Stock on the date the Incentive Stock Option is granted; provided, however, that in the case of an Incentive Stock Option granted to any person then owning 10 percent of the voting power of all classes of the Company's stock, the Purchase Price per share of all classes of the Company's stock, the Purchase Price per share subject to the Incentive Stock Option may not be less than 110 percent of the fair market value of the stock on the date of the grant of the option. The option price per share with respect to each Non-Qualified Stock Option granted under the 1999 Plan is to be determined by the Board of Directors but may not be less than 85 percent of the fair market value of the Common Stock on the date the Non-Qualified Stock Option is granted.

Options under the 1999 Plan may not have a term of more than 10 years; provided, however, that an Incentive Stock Option granted to a person then owing more than 10 percent of the voting power of all classes of the Company's stock may not be exercised more than 5 years after the date such option is granted. In addition, the aggregate fair market value, determined at the time the options granted, of the stock with respect to which Incentive Stock Options are exercised for the first time by an employee in any calendar year under the 1999 Plan may not exceed \$100,000.

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2001 LONG-TERM INCENTIVE PLAN

On July 24, 2001, the Board adopted, and on October 5, 2001, the Company's stockholders approved, the 2001 Long Term Incentive Plan (the "2001 Plan"). The 2001 Plan authorizes the granting to the Company's directors, key employees, advisors and consultants of options intended to qualify as Incentive Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options that do not so qualify ("Non-Statutory Options"), restricted stock and Other Stock-Based Awards that are not Incentive Options or Non-Statutory Options.

SUMMARY OF THE 2001 PLAN

The description herein is a summary, and is subject to and qualified by the complete text of the 2001 Plan, which is attached as Appendix E to the proxy statement for the 2000 Annual Meeting filed with the SEC on September 18, 2001. Capitalized terms used and not otherwise defined in this portion of the proxy statement have the respective meanings ascribed to such terms in the 2001 Plan.

PURPOSE

The purpose of the 2001 Plan is to promote the interests of the Company by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company thereby promoting a closer identity of interests between such persons and the Company's shareholders.

STRUCTURE

The 2001 Plan is divided into three separate equity programs: (1) the Option Grant Program under which eligible persons may be granted options to purchase shares of common stock, (2) the Stock Issuance Program under which eligible persons may be issued shares of common stock and (3) the Other Stock-Based Awards Program under which eligible persons may be issued other stock-based incentives and awards.

ADMINISTRATION

The 2001 Plan is administered by the "Plan Administrator," which may be the full Board or a Committee consisting of two Board members designated by the Board. The Plan Administrator has the authority to establish rules and regulations it deems appropriate for the proper administration of the 2001 Plan. Decisions of the Plan Administrator are final and binding on all parties who have an interest in the 2001 Plan, and the Plan Administrator may not be held personally liable for any action taken in good faith under the 2001 Plan.

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TERM

The 2001 Plan became effective as of the date it was adopted by the Board, and terminates upon the earliest of (1) the expiration of the ten-year period measured from the date the 2001 Plan is adopted by the Board, (2) the date on which all shares available for issuance under the 2001 Plan shall have been issued as fully-vested shares or (3) the termination of all outstanding options and Other Stock-Based Awards in connection with a Corporate Transaction. Upon termination of the 2001 Plan, all options, Other Stock-Based Awards and unvested stock issuances outstanding will continue to have full force and effect. However, no option will have a term in excess of 10 years from the grant date, and with respect to Incentive Options granted to a 10 percent shareholder, the term may not exceed five years. The Board may amend or modify the 2001 Plan in any or all respects. However, no such amendment may adversely affect the rights of existing optionees without their consent. Certain amendments may also require the approval of the Company's stockholders.

ELIGIBILITY

Employees, non-employee members of the Board, certain persons who provide services to the Company or its subsidiaries, and non-employee members of the board of directors of any parent or subsidiary are eligible to be granted awards under the 2001 Plan. It is not known how many options will be received by the Company's named executive officers, current executive officers, non-officer

directors, employees, their associates, or any other group under the 2001 Plan. As of October 31, 2001, the Company had 409 employees, four non-employee directors and an unknown number of consultants or advisors who might be selected to receive Awards under the 2001 Plan.

STOCK

The maximum number of shares of common stock available for issuance under the 2001 Plan is 500,000 shares, subject to possible adjustment for changes in the Company's common stock occasioned by stock splits, reverse stock splits, stock dividends, recapitalization, conversions or other changes affecting the outstanding common stock as a class without the Company's receipt of consideration. If an option expires or terminates for any reason prior to its exercise in full, the shares subject to the portion of the option not so exercised will be available for subsequent Awards under the 2001 Plan. Vested shares repurchased pursuant to the Company's repurchase rights will not be added back to the number reserved for issuance under the 2001 Plan but will be held as treasury stock.

FINANCIAL ASSISTANCE

The Plan Administrator may permit any participant to deliver a promissory note to the Company in payment of the exercise or purchase price. The terms and conditions of the loan will be established by the Plan Administrator, and the maximum credit extended to a participant may not exceed the aggregate option price for the purchased shares plus any Federal, state or local tax liability incurred in connection with the option exercise or share purchase.

TAX WITHHOLDING

The Company's obligation to deliver shares of common stock upon the exercise of options or upon the issuance or vesting of such shares under the 2001 Plan is subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.
<PAGE>

REGULATORY APPROVAL

The implementation of the 2001 Plan, the granting of any option under the 2001 Plan and the issuance of any shares of common stock (i) upon the exercise of any option or (ii) under the Stock Issuance Program are subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the 2001 Plan, the options granted under it and the shares of common stock issued pursuant to it.

NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the 2001 Plan shall confer upon the optionee or the participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any parent or subsidiary employing or retaining such person) to terminate such person's service at any time for any reason, with or without cause.

OPTION GRANT PROGRAM

OPTION PRICE AND TERM

The exercise price of each option granted will be determined by the Plan Administrator, and may be less than, equal to or greater than the fair market value of the common stock at the time the option is granted. For Incentive Options, the option price per share may not be less than the fair market value of each share of Company common stock on the date of the grant (nor less than 110 percent in the case of 10 percent shareholders). The 2001 Plan contains the \$100,000 per year limitation upon incentive stock options contained in Section 422(d) of the Code. Excluding options granted to 10 percent shareholders, the option term may not exceed ten years measured from the grant date. For 10 percent shareholders, the option term may not exceed five years.

PAYMENT

The option price is payable in cash, by certified check, or in shares of common stock valued at fair market value on the date of exercise. The 2001 Plan also provides for a special sale and remittance procedure whereby the optionee provides irrevocable written instructions to a designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Company, out of the sales proceeds, an amount equal to the aggregate option price payable for the purchased shares plus all applicable withholding taxes.

TERMINATION OF SERVICE

Except as provided in an option agreement governing the options or as permitted by the Plan Administrator, any option outstanding at the time an optionee ceases to remain in the Company's service will terminate immediately and cease to be outstanding. The Plan Administrator has complete discretion to extend the period following the optionee's termination of service during which the outstanding options may be exercised and/or to accelerate the exercisability of such options in whole or in part.
<PAGE>

CORPORATE TRANSACTION

Except to the extent otherwise provided in the option documents, each option share will become fully vested in the event of certain Corporate Transactions unless the option is assumed or is replaced with a cash incentive program which preserves the material benefits of the options. Upon consummation of the Corporate Transaction, all options which are not assumed will be canceled and cease to exist. A Corporate Transaction includes, but is not limited to, a merger, consolidation, sale of substantially all of the assets or change in control. The options or cash incentive programs which replace any options which do not accelerate may provide for full vesting in the event of involuntary termination of employment within 18 months following the Corporate Transaction.

SHAREHOLDER RIGHTS AND ASSIGNABILITY

Optionees do not have shareholder rights until the option is exercised, the price is paid and stock certificates have been issued for the shares. Incentive Options are not assignable or transferable other than by will or by the laws of inheritance following the optionee's death. A Non-Statutory Option may, however, in connection with an optionee's estate plan, be assigned, during the optionee's lifetime and upon approval to an immediate family member or tax exempt charity. The option may, during the optionee's lifetime, be exercised only by the optionee or approved transferee.

CANCELLATION/REGRANT

The Plan Administrator may effect the cancellation of outstanding options and issue replacement options with an exercise price based on a lower market price of the common stock at the time of grant with the consent of affected option holders.

STOCK ISSUANCE PROGRAM

RESTRICTED STOCK

The Plan Administrator is authorized to grant restricted stock. Restricted stocks are shares of common stock subject to restrictions on transferability and forfeiture upon termination of employment. A participant granted restricted stock has all of the rights of the Company's stockholders except as restricted by the 2001 Plan or any award agreement.

ISSUE PRICE

Under the Stock Issuance Program, the purchase price per share may be less than, equal to or greater than the fair market value on the date the Plan Administrator authorizes the issuance. The issue price is payable in cash, by certified check or by past services rendered.

<PAGE>

VESTING OF SHARES

The shares may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the participant's period of service or upon the attainment of specified performance objectives.

SHAREHOLDER RIGHTS

The recipient of a share issuance will have full shareholder rights, including voting and dividend rights, whether or not the shares are vested.

REPURCHASE RIGHTS

Should a participant cease to remain in the service of the Company while holding vested shares issued under the Stock Issuance Program, the Company has the right to repurchase the shares on terms established by the Plan Administrator and at a price per share equal to fair market value. In the event of a Corporate Transaction, all repurchase rights will terminate and each share will become fully vested unless the repurchase rights are assigned to the successor company

or accelerated vesting is precluded by the applicable stock issuance agreement. Following consummation of a Corporate Transaction, the Plan Administrator may provide for the automatic termination of all repurchase rights which are assigned to the successor and the immediate vesting of shares, including the involuntary termination of employment within 18 months following a Corporate Transaction.

OTHER STOCK-BASED AWARDS

SARS

The Plan Administrator is authorized to grant stock appreciation rights, or SARs. SARs entitle the participant to receive the amount by which the fair market value of a share of common stock on the date of exercise exceeds the grant price of the SAR.

DEFERRED STOCK

The Plan Administrator is authorized to grant deferred stock, which will be delivered upon the expiration of a deferral period specified for an award of deferred stock by the Plan Administrator. Deferred stock is also subject to forfeiture upon termination of employment.

STOCK BONUS AWARDS

The Plan Administrator is authorized to grant shares of common stock as a bonus, or to grant other stock-based awards in lieu of the Company's obligation to pay cash under other plans or compensatory arrangements.

DIVIDEND EQUIVALENTS

The Plan Administrator is authorized to grant dividend equivalents entitling a participant to receive cash, common stock, other awards or other property equal in value to dividends paid.

<PAGE>

PERFORMANCE BASED AWARDS

The Plan Administrator may, in its discretion, designate an award that is subject to the achievement of performance conditions. These awards are intended to qualify as "qualified performance-based compensation" within the meaning of the Code. The Plan Administrator uses one or more business criteria and targeted levels of performance. The business criteria includes the following:

- o Annual return on capital;
- o Annual earnings per share;
- o Annual cash flow provided by operations;
- o Changes in annual revenues; and/or
- o Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, and goals relating to acquisitions or divestitures.

Performance objectives may differ for performance-based awards to different participants, and the Plan Administrator shall specify the weight to be given to each performance objective in determining the final amount payable with respect to any performance-based award.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE 2001 PLAN

The following is a summary of certain federal income tax considerations and is not a complete description of all applicable laws regarding the federal income tax treatment of awards under the 2001 Plan. The discussion set forth herein is based upon the federal income tax laws in force on the date of this Annual Report on Form 10-K. This summary does not address the following issues: (i) dispositions of common stock other than by sale (for example, by gift), (ii) tax consequences of modifications to Options that otherwise would qualify as Incentive Options, (iii) alternative minimum tax consequences, (iv) state, local, or foreign tax consequences, and (v) gift, estate, and inheritance tax consequences. Because of the complexity of the tax rules relating to Options awards, each 2001 Plan participant should consult with his own tax advisor with respect to any specific tax questions.

INCENTIVE OPTIONS

An Optionee will not recognize ordinary income and the Company will not be entitled to a tax deduction upon either the grant or the exercise of an Incentive Option. If an Optionee holds common stock purchased upon the exercise of an Incentive Option until a date that is more than one year after the date the Incentive Option is exercised and more than two years after the date the

Incentive Option is granted (the "holding period"), the difference between the amount realized on the sale of the common stock and the exercise price will be a long-term capital gain or loss to the Optionee, and no tax deduction will be available to the Company.

If common stock purchased upon the exercise of an Incentive Option is sold prior to the expiration of the holding period, the Optionee will recognize ordinary income equal to the lesser of (i) the excess, if any, of the fair market value of the common stock on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized on the sale over the exercise price. The Company will be entitled to a corresponding tax deduction. In addition, the difference between (i) the amount realized on the sale of the common stock and (ii) the sum of the exercise price and any amount recognized by the Optionee as ordinary taxable income will be a capital gain or loss. The capital gain or loss will be long-term or short-term depending upon the length of time the Optionee has held the common stock. Other rules apply if an Incentive Option is exercised by tendering common stock.

The difference between (i) the fair market value, on the date of exercise, of common stock purchased upon the exercise of an Incentive Option and (ii) the exercise price of the Option increases income for alternative minimum tax purposes. Additional rules apply if the common stock is sold prior to expiration of the holding period.

<PAGE>

NON-STATUTORY OPTIONS

An Optionee will not recognize income upon the grant of a Nonqualified Option, and no tax deduction will be available to the Company, if the Nonqualified Option does not have a readily ascertainable value on the date of grant. A Nonqualified Option that is not publicly traded ordinarily is not considered to have a readily ascertainable value on the date of grant.

Upon exercise of a Nonqualified Option, the Optionee will recognize ordinary income equal to the difference between (i) the fair market value, on the date of exercise, of the common stock subject to the Nonqualified Option, and (ii) the exercise price. The Company will be entitled to a corresponding tax deduction. The Optionee's tax basis in the common stock purchased upon exercise of the Nonqualified Option will be the sum of (i) the exercise price and (ii) the amount of ordinary income the Optionee recognized on the exercise. When the Optionee sells the common stock, the difference between the amount realized on the sale and the tax basis of the common stock will be capital gain or loss and will be long-term or short-term depending upon the length of time the Optionee has held the common stock. Other rules apply if a Nonqualified Option is exercised by tendering common stock. The exercise of a Nonqualified Option has no effect upon income for alternative minimum tax purposes.

OTHER AWARDS

With respect to other Awards made under the 2001 Plan that are settled either in cash or in stock or other property that is either transferable or not subject to substantial risk of forfeiture, the grantee generally must recognize ordinary income equal to the cash or the fair market value of shares or other property received, and the Company will be entitled to a deduction for the same amount. With respect to Awards that are settled in stock or other property that is restricted as to transferability and subject to substantial risk of forfeiture, the grantee generally must recognize ordinary income equal to the fair market value of the shares or other property received at the first time the shares or other property become transferable or not subject to a substantial risk of forfeiture, whichever occurs earlier, and the Company will be entitled to a deduction for the same amount.

PLAN NOT QUALIFIED

The 2001 Plan is not qualified under Section 401 of the Code.

<PAGE>

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company are entitled to a board meeting attendance fee of \$750 plus reimbursement of expenses.

EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

The Company currently does not have any employment agreements with any of the Company's executive officers.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Smith is a member of the Compensation Committee. The disclosures in Item 13 below are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL SHAREHOLDERS AND MANAGEMENT OWNERSHIP

The following table sets forth information with respect to beneficial ownership of common stock as of October 31, 2001, by (i) all persons known to the Company to be the beneficial owner of five percent or more of the common stock, (ii) each director of the Company, (iii) the chief executive officer and each of the Company's other most highly compensated executive officers whose total annual compensation for 2001 based on salary and bonus earned during 2001 exceeded \$100,000 (the "named executive officers"); (iv) the current executive officers; and (v) all Company directors and executive officers as a group. This table does not include shares of common stock that may be purchased pursuant to options not exercisable within 60 days of the record date. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

<TABLE>

<S>	Name and Address of Beneficial Owner	Common Stock		Series C Preferred Stock	
		<C> Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	<C> Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Executive Officers and Directors:					
	Timothy S. Durham (1)	76,055,366	73.8%	3,352,963	89.2%
	Terry G. Whitesell (2)	73,972,240	71.8%	3,352,963	89.2%
	D. Scott McKain	810,100	2.3%		
	Jeffrey W. Osler (3)	67,878,560	65.9%	3,352,963	89.2%
	Goodhue W. Smith, III (4)	363,334	1.0%	10,000	*
	John A. Schmit (5)	5,000,000	12.2%	--	--
	All current officers and directors as a group (7)	89,933,940	83.1%	3,362,963	89.7%
Former Chief Executive Officer:					
	M. E. Williams (6)	910,706	2.5%	--	--
Other 5% Shareholders:					
	Obsidian Capital Partners, L.P. (8)	--	--	3,352,963	89.2%
	Richard W. Snyder	1,946,667	5.4%	--	--
	Huntington Capital Investment Company (9)	--	--	386,206	10.3%

</TABLE>

* less than one percent

<PAGE>

- (1) Includes 6,885,840 shares of common stock directly owned by Mr. Durham; 2,083,126 shares held by Diamond Investments, LLC, for which Mr. Durham serves as Managing Member and for which shares Mr. Durham may be deemed to share voting and dispositive power; 3,352,963 shares of Series C preferred stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; and 27,140 shares of common stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Durham is 111 Monument Circle, Suite 3680, Indianapolis, Indiana 46204.
- (2) Includes 6,885,840 shares of common stock directly owned by Mr. Whitesell; 3,352,963 shares of Series C preferred stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; and 27,140 shares of common stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Whitesell is 111 Monument Circle, Suite 3680, Indianapolis, Indiana 46204.
- (3) Includes 819,300 shares of common stock directly owned by Mr. Osler; and 3,352,963 shares of Series C preferred stock over which Mr. Osler shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Osler due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares. The address of Mr. Osler is 111 Monument Circle, Suite 3680, Indianapolis, Indiana 46204.
- (4) Includes 116,667 shares of common stock owned by Duncan-Smith Investments, Inc., of which Mr. Smith is an owner, and warrant for 10,000 shares of Series C Preferred Stock issuable to Duncan-Smith Co. pursuant to a

presently exercisable warrant. The address of Mr. Smith is 711 Navarro, San Antonio, Texas 78205.

- (5) Consists of shares that may be acquired pursuant to convertible debentures issued by the Registrant on July 19, 2001, to two trusts of which Renaissance Capital Group, Inc., serves as investment manager and investment advisor. Mr. Schmit is an executive officer of Renaissance Capital Group, Inc. He disclaims beneficial ownership of any securities of Registrant held by Renaissance Capital Group, Inc. The address of Mr. Schmit is 8080 North Central Expressway, Suite 210, Dallas, Texas 75206.
- (6) Includes 88,706 shares of common stock directly owned by Mr. Williams; and 882,500 shares of common stock that may be purchased by Mr. Williams pursuant to options that are immediately exercisable. Mr. Williams resigned as Chief Executive Officer on June 21, 2001.
- (7) Includes 3,352,963 shares of Series C preferred stock over which Obsidian Capital Company, LLC shares voting and dispositive power and that may be deemed to be beneficially owned by Obsidian Capital Company, LLC due to its position as the general partner of Obsidian Capital Partner, LP, which directly owns such shares.
- (8) Includes 3,352,963 shares of Series C preferred stock directly owned by Obsidian Capital Company, LLC. Voting and dispositive power over the shares of Series C preferred stock may be deemed to be held by Obsidian Capital Partners, LP, Obsidian Capital Company, LLC and the managing members of Obsidian Capital Company LLC, which include Messrs. Durham, Whitesell and Osler.
- (9) Based on the information reported in a Schedule 13G filed with the SEC on August 6, 2001.

<PAGE>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS FOR THE TEN MONTHS ENDED OCTOBER 31, 2001

On August 1, 1997, DII entered into a loan agreement with Duncan-Smith Co., Trustee. One of the Company's directors, Goodhue Smith is a founder and officer of Duncan-Smith Co. Terms of the \$650,000 loan included an interest rate of 11 percent with payments due quarterly and a final payment on June 15, 2002. Duncan-Smith Co. received a cash fee of \$32,500 and a warrant to purchase 650,000 shares of common stock at \$0.25 per share with an expiration date of August 2002. Subsequently, Goodhue W. Smith, III, a director and officer of Duncan-Smith Co., was elected Chairman of the Board of the Company and currently serves as a director of the Company. In February 1999, Duncan-Smith Co. agreed to temporarily defer principal repayments on the note for February and May 1999. In consideration, the interest rate was increased to 13 percent until such time as the original payment schedule became current. Effective January 21, 2000, DII entered into a loan with Banc of America Commercial Finance Corporation ("BACFC") and repaid the indebtedness to Duncan-Smith Co. in full. However, as an accommodation to the Company, Duncan-Smith Co. pledged a certificate of deposit for \$150,000 to BACFC to secure the loan. During 2001, DII paid a fee to Duncan-Smith Co. of \$2,812.50 for providing this collateral and the pledge was released in August 2001. In June 2001, Duncan-Smith Co.'s warrant to purchase 650,000 shares of common stock at \$0.25 per share was exchanged for a warrant to purchase 10,000 shares of Series C preferred stock at \$2.00 per share.

Some of the following related party transactions were commitments that existed and were a part of the Acquisition and Plan of Reorganization that occurred on June 21, 2001.

The Company owes to Obsidian Capital Partners, LP, the majority shareholder of the Company, the approximate amount of \$2,170,000 at October 31, 2001. The advances made to the Company by Obsidian Capital Partners, LP is comprised of \$1,222,000 of advances to provide working capital and to fund losses of Champion Trailer, \$279,806 to fund the professional fees to pay the cost of filing and consultation on the 8-K's and the 10-Q reports to the SEC, to pay the cost of closing the Acquisition transaction on the reverse merger on June 21, 2001 in the amount of \$363,919, and to complete the closing of the purchase of United in the amount of \$293,652.

Subsidiaries of the Company paid Obsidian Capital Company, a company controlled by Messrs. Durham and Whitesell, fees of \$1,960,000, associated with the acquisitions and related bank financing through October 31, 2001. The fees paid for the acquisition and financing of the Danzer transaction was \$600,000. The fee paid for the U.S. Rubber transaction was \$760,000. The fee paid for the United acquisition was \$600,000.

At October 31, 2001, the Company owed Obsidian Capital Company \$624,317 for funds advanced to Champion Trailer to fund the completion of trailers for resale to third party customers. DW Leasing obtained these funds from Obsidian Capital Company.

DW Leasing owed Messrs. Durham, Whitesell and Osler, officers and directors of the Company, the total amount of approximately \$300,000 at October 31, 2001.

These amounts were advanced by the shareholders to DW Leasing prior to the purchase by the Company of Pyramid and the DW Leasing coach assets.

Fair Holdings, Inc., an Ohio corporation 50% owned by Mr. Durham (Chairman of the Company), subsequent to year end, has purchased accounts receivable from DW Leasing, recorded by DW Leasing as deposits on trailers, in the amount of \$1,050,582 as of February 13, 2002. DW Leasing used the proceeds from the purchase of the accounts receivable to pay off the accounts payable due Obsidian Capital Company in the amount of \$624,317 and the amount due shareholders and other related parties in the approximate amount of \$300,000.

United advanced Obsidian Capital Company \$216,000, as a part of the closing of the purchase of the United transaction. The amount was paid back to United subsequent to year-end.

The Company for the year ended October 31, 2001, paid Obsidian Capital Company rent expense of \$15,000 for the use of office space.
<PAGE>

RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2000

U.S. Rubber had notes receivable due from the former parent company owner of U.S. Rubber in the amount of \$2,868,000 at December 31, 2000. The notes receivable were paid in full prior to the closing of the U.S. Rubber merger with the Company, effective January 1, 2001. U.S. Rubber received interest income on the notes receivable for the year ended December 31, 2000, in the approximate amount of \$356,000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this Annual Report on Form 10-K:

(1) Financial Statements.

See the Financial Statements included in Item 8.

(2) Financial Statement Schedules Required to be Filed by Item 8 on this Form.

See Item 8

(3) Exhibits.

The exhibits filed as part of this Annual Report on Form 10-K are identified in the Exhibit Index, which Exhibit Index specifically identifies those exhibits that describe or evidence all management contracts and compensating plans or arrangements required to be filed as exhibits to this Report. Such Exhibit Index is incorporated herein by reference.

(b) Reports on Form 8-K

The following Reports on Form 8-K were filed during the last quarter of the fiscal year ended October 31, 2001:

(1) Report on Form 8-K regarding July 31, 2001 acquisition of substantially all of the assets of United Expressline, Inc. (filed August 15, 2001).

(2) Report on Form 8-K regarding change in independent auditors (filed November 13, 2001).

<PAGE>

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

Dated: February 22, 2002

OBSIDIAN ENTERPRISES, INC.

By /s/ Timothy S. Durham
Timothy S. Durham
Chief Executive Officer

In accordance with the Exchange Act, this report was signed by the following

persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: February 22, 2002 /s/ Timothy S. Durham
 Timothy S. Durham
 Chief Executive Officer (Principal
 Executive Officer) and Chairman of the
 Board and Director

Dated: February 22, 2002 /s/ Jeffrey W. Osler
 Jeffrey W. Osler,
 Executive Vice President,
 Secretary and Treasurer, (Principal
 Financial and Accounting Officer)
 and Director

Dated: February 22, 2002 /s/ Terry G. Whitesell
 Terry G. Whitesell, Director

Dated: February 22, 2002 /s/ Goodhue W. Smith, III
 Goodhue W. Smith, III, Director

Dated: February 22, 2002 /s/ John A. Schmit
 John A. Schmit, Director

Dated: February 22, 2002 /s/ D. Scott McKain
 D. Scott McKain, Vice Chairman
 and Director

Dated: February 22, 2002 /s/ Daniel S. Laikin
 Daniel S. Laikin, Director

<PAGE>

EXHIBIT INDEX

<TABLE>

<S>	<C>	Description	<C>
Exhibit No.			Incorporated by Reference/Attached
2		Acquisition Agreement and Plan of Reorganization, dated June 21, 2001, by and among Registrant, Danzer Industries, Inc., Pyramid Coach, Inc., Champion Trailer, Inc., United Acquisition, Inc., U.S. Rubber Reclaiming, Inc., Obsidian Capital Partners, L.P. and Timothy S. Durham	Incorporated by reference to Exhibit 2.1 to Report on Form 8-K filed August 15, 2001
3.1		Certificate of Incorporation (filed with Delaware Secretary of State on October 4, 2001)	Attached
3.2		Certificate of Designations, Preferences, Rights and Limitations of Series C Preferred Stock	Attached
3.3		By Laws of the Registrant	Attached
4.1		Registration Rights Agreement, dated June 21, 2001	Attached
4.2		Amendment and Joinder to Registration Rights Agreement, dated July 27, 2001	Attached
4.3		8.00% Convertible Debenture Issued by Registrant on July 19, 2001 to HSBC Global Custody Nominee Due July 19, 2008	Incorporated by reference to Exhibit 2 to Schedule 13D filed September 20, 2001 by Russell Cleveland, Renaissance Capital Group, Inc.
4.4		8.00% Convertible Debenture Issued by Registrant on July 19, 2001 to Renaissance US Growth & Income Trust PLC Due July 19, 2008	Incorporated by reference to Exhibit 3 to Schedule 13D filed September 20, 2001 by Russell Cleveland, Renaissance Capital Group, Inc.
4.5		Convertible Loan Agreement, dated July 19, 2001, Among Registrant, BFSUS Special Opportunities Trust PLC, Renaissance US Growth & Income Trust PLC and Renaissance Capital Group, Inc.	Attached
10.1		2001 Long Term Incentive Plan*	Incorporated by reference to Appendix E to the Registrant's Proxy Statement filed on September 18, 2001
10.2		Asset Purchase Agreement, dated April 20, 2000, between Champion Trailer Company, L.P. and Harold Peck, Mary Peck, Champion Trailer, Ltd. (f/k/a) Champion Trailer, LLC, Champion Collision, Ltd. (f/k/a) Champion Collision, L.L.C.	Attached

	and Brandonson, Inc.	
10.3	Stock and Asset Purchase Agreement, dated December 20, 1999, among Timothy S. Durham, Terry Whitesell, DW Leasing, LLC, Bobby Michael, Becky Michael, Jennifer George, Pyramid Coach, Inc., Precision Coach, Inc., American Coach Works, Inc., Transport Trailer Service, Inc., Rent-A-Box, Inc. and LBJ, LLC	Attached
10.4	Assumption Agreement and Second Amendment to Credit Agreement, dated June 18, 2001, among Bank One, Indiana, N.A., Champion Trailer, Inc. and Champion Trailer Company, L.P.	Attached
10.5	Credit Agreement, dated December 29, 2000, between USRR Acquisition Corp. and Bank One, Indiana, N.A.	Attached
10.6	First Amendment to Credit Agreement, dated June 20, 2001, between U.S. Rubber Reclaiming, Inc. and Bank One, Indiana, N.A.	Attached
10.7	Note Purchase Agreement, dated May 2, 2000, between Champion Trailer, Inc. and Markpoint Equity Growth Fund, J.V., and Related Documents	Attached
10.8	Warrant, dated May 2, 2000, from Champion Trailer Company, LP to Markpoint Equity Growth Fund, J.V.	Attached
10.9	Management Agreement, dated December 29, 2000, between Obsidian Capital Company, LLC and USRR Acquisition Corp.	Attached
10.10	Management Agreement, dated June 16, 2001, between Pyramid, Inc. and D.W. Leasing	Attached
10.11	Promissory Note, dated June 1, 2001, from Obsidian Capital Company, LLC to U.S. Rubber Reclaiming, Inc.	Attached
10.12	Promissory Note, dated June 11, 2001, from Champion Trailer, Inc. to Obsidian Capital Partners, LP	Attached
10.13	Purchase Agreement, dated June 5, 2001, between United Expressline, Inc., United Acquisition, Inc., J.J.M. Incorporated and the Shareholders of United Expressline, Inc. and J.J.M. Incorporated	Attached
10.14	Promissory Note, dated July 27, 2001, from United Acquisition, Inc. to United Expressline, Inc.	Attached
10.15	Credit Agreement, dated July 27, 2001, between United Acquisition, Inc. and First Indiana Bank	Attached
10.16	Loan and Security Agreement, dated January 21, 2000, between Danzer Industries, Inc. and Banc of America Commercial Finance Corp.	Attached
10.17	Warrant, dated August 1997, by Danzer Corp. to Duncan-Smith Co. and Letter Agreement, dated June 21, 2001, between Danzer Corp. and Duncan-Smith Co.	Attached
10.18	Stock Purchase Agreement, dated December 29, 2000, between USRR Acquisition Corp. and SerVaas, Inc.	Attached
10.19	Subordinated Secured Promissory Note, dated December 29, 2000, from USRR Acquisition Corp. to SerVaas, Inc.	Attached
10.20	Supply and Consignment Agreement, dated December 29, 2000, between U.S.R.R. Acquisition and SerVaas, Inc.	Attached
10.21	Form of Installment Loan from Edgar County Bank & Trust Co. to DW Leasing Company, LLC, Related Documents and Schedule Identifying Material Details	Attached
10.22	Loan Agreement, dated December 10, 1999, between Old National Bank and DW Leasing Company, LLC, and Related Documents	Attached
10.23	Form of Promissory Note from DW Leasing Company, LLC, to Former Shareholders of Pyramid Coach, Inc., Related Security Agreement, and Schedule Identifying Material Details	Attached
10.24	Form of Promissory Note from DW Leasing Company, LLC to Star Financial Bank, Related Documents and Schedule Identifying Material Details	Attached
10.25	Form of Lock-Up Agreement, dated July 19, 2001, and Schedule Identifying Material Details	Attached
10.26	Master Lease Agreement, dated May 17, 2000, between Old National Bank and DW Leasing Company, LLC, and Related Documents	Attached
10.27	Loan Agreement, dated June 1, 2000, between DW Leasing Company LLC and Regions Bank and Security Agreement	Attached
10.28	Business Loan Agreement (Asset Based), dated August 15, 2001, between Danzer Industries, Inc. and Bank of America, N.A.	Attached
10.29	1999 Stock Option Plan*	
10.30	Amendment to Acquisition Agreement and Plan of Reorganization, dated December 28, 2001, between Registrant and Obsidian Leasing Company, Inc.	Attached
10.31	Agreement and Plan of Reorganization and Corporate Separation, dated December 28, 2001, between DW Leasing LLC and Obsidian Leasing Company, Inc.	
21	List of Subsidiaries	Attached

</TABLE>

* Indicates Exhibits that describe or evidence management contracts or compensatory plans or arrangements required to be filed as Exhibits to this Annual Report on Form 10-K.

</TEXT>

</DOCUMENT>

EXHIBIT 3

<DOCUMENT>
<TYPE>10-Q
<SEQUENCE>1
<FILENAME>obsidian10q.txt
<DESCRIPTION>FOR PERIOD ENDED JANUARY 31, 2002
<TEXT>

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2002
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
TO

0-17430

Commission File Number

OBSIDIAN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

35-2154335

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

111 MONUMENT CIRCLE, SUITE 3680
INDIANAPOLIS, INDIANA

46204

(Address of principal executive offices)

(Zip code)

317-237-4122

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days. Yes ___ No X

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common Stock	Outstanding at March 15, 2002
\$.0001 par value	36,007,855 shares

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

<TABLE>

<S>

<C>	<C>
January 31,	October 31,
2002	2001

Assets

Current assets:			
Cash and cash equivalents	\$	417	\$ 529
Marketable securities		194	223
Accounts receivable, net of allowance for doubtful accounts of \$95 for 2002 and \$90 for 2001		3,883	3,744
Accounts receivable, related parties		--	217
Inventories, net		7,152	6,694
Prepaid expenses and other assets		731	1,275

Total current assets		12,377	12,682
Property, plant and equipment, net		23,807	24,232
Other assets:			
Goodwill, net of accumulated amortization of \$76		9,165	9,210
Other intangible assets, net of accumulated amortization of \$365 for 2002 and \$270 for 2001		2,052	2,147
Other		602	579

	\$	48,003	\$ 48,850

</TABLE>
The accompanying notes are an integral part of the condensed consolidated financial statements.

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<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

<TABLE>

<S>

	<C>		<C>	
	January 31,		October 31,	
	2002		2001	

Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Current portion of long-term debt	\$	14,383	\$	9,233
Accounts payable, trade		3,399		3,620
Accounts payable, related parties		658		925
Accrued expenses and customer deposits		2,961		2,388

Total current liabilities		21,401		16,166
Long-term debt, net of current portion		22,228		27,546
Deferred income tax liabilities		1,528		1,672
Accounts payable, related parties		3,169		2,170
Commitments and Contingencies		--		--
Stockholders' equity (deficit):				
Common stock, par value \$.0001 per share; 40,000,000 shares authorized, 36,007,855 shares outstanding		3		3
Preferred stock, 5,000,000 shares authorized; Class of Series C convertible preferred stock, par value \$.001, 4,600,000 authorized and 3,739,169 shares issued and outstanding, 400,000 shares of undesignated Preferred Stock authorized		4		4
Additional paid-in capital		5,612		5,612
Accumulated other comprehensive income		8		37
Accumulated deficit		(5,950)		(4,360)

Total stockholders' equity (deficit)		(323)		1,296

	\$	48,003	\$	48,850

</TABLE>
The accompanying notes are an integral part of the condensed consolidated financial statements.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands Except Per Share And Share Data)
(unaudited)

<TABLE>

	<C>	
	Three Months Ended January 31, 2002	Three Months Ended January 31, 2001
Net sales	\$ 12,483	\$ 3,743
Cost of sales	11,026	3,301
Gross profit	1,457	442
Selling, general and administrative expenses	2,206	515
Loss from operations	(749)	(73)
Other income (expense):		
Interest expense, net	(874)	(217)
Other expense	(29)	(77)
Loss before income taxes	(1,652)	(367)
Income tax (expense) benefit	155	12
Net loss	\$ (1,497)	\$ (355)
Basic and diluted earnings (loss) per share	\$ (.01)	\$ (.01)
Weighted average common and common equivalent shares outstanding basic and diluted:	110,791,370	39,419,240

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(dollars in thousands)
(unaudited)

<TABLE>

<S>	<C> Comprehensive Income (Loss)	Common Stock		Preferred Stock		<C> Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	<C> Total
		<C> Shares	<C> Amount	<C> Shares	<C> Amount				
Balance at October 31, 2001	\$ --	36,007,855	\$ 3	3,739,169	\$ 4	\$ 5,612	\$ 37	\$ (4,360)	\$ 1,296
Distributions to members of DW Leasing, LLC	--	--	--	--	--	--	--	(93)	(93)
Unrealized loss on available- for-sale marketable securities	(29)	--	--	--	--	--	(29)	--	(29)
Net loss	(1,497)	--	--	--	--	--	--	(1,497)	(1,497)
Total comprehensive loss	\$ (1,526)								
Balance at January 31, 2002		36,007,855	\$ 3	3,739,169	\$ 4	\$ 5,612	\$ 8	\$ (5,950)	\$ (323)

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

<TABLE>

<S>

	<C> Three Months Ended January 31, 2002	<C> Three Months Ended January 31, 2001
	-----	-----
Cash flow from operating activities:		
Net loss	\$ (1,497)	\$ (355)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	701	286
Other	(140)	77
Changes in operating assets and liabilities net of effect of acquisitions:		
Accounts receivable, net	(139)	(98)
Inventories	(458)	456
Other, net	1,193	(309)
	-----	-----
Net cash provided by (used in) operating activities	(340)	57
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(222)	(293)
Payments to acquire U.S. Rubber	--	(5,528)
Other	11	9
	-----	-----
Net cash used in investing activities	(211)	(5,812)
	-----	-----

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

<TABLE>

<S>

	<C> Three Months Ended January 31, 2002	<C> Three Months Ended January 31, 2001
	-----	-----
Cash flows from financing activities:		
Borrowings from and distributions to related parties, net	\$ 856	\$ 484
Net borrowings (payments) on lines of credit and long-term debt	961	(366)
Borrowings (repayments) on long-term debt	(1,378)	4,555
Debt issuance cost	--	(76)
Proceeds from issuance of U.S. Rubber common stock	--	880
	-----	-----
Net cash provided by (used in) financing activities	439	5,477
	-----	-----
Decrease in cash and cash equivalents	(112)	(278)
Cash and cash equivalents, beginning of period	529	341
	-----	-----
Cash and cash equivalents, end of period	\$ 417	\$ 63
	-----	-----
Interest paid	\$ 915	\$ 238
	-----	-----
Taxes paid	\$ 15	\$ --
	-----	-----
Supplemental disclosure of noncash operating, investing and financing activities:		
Purchase price adjustment and conversion of accounts payable to debt for United	\$ 294	\$ --
Advances to construct coaches funded by issuance of debt	\$ --	\$ 50
Seller notes issued in acquisition of U.S. Rubber	\$ --	\$ 2,573

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business:

Danzer Corporation was reorganized through an Acquisition and Plan of Reorganization with U.S. Rubber Reclaiming, Inc. and Related Entities ("U.S. Rubber Companies"), which was consummated on June 21, 2001 (the "Effective Date"). In addition, Danzer Corporation changed its name to Obsidian Enterprises, Inc. However, the operating company, Danzer Industries, Inc., retained its name. Hereafter, the names Danzer, Danzer Corporation, and Obsidian Enterprises, Inc. are used interchangeably. The operating company will continue to be referred to as Danzer Industries, Inc. The Acquisition and Plan of Reorganization of Danzer Corporation with U.S. Rubber Companies (see Note 2, the "Acquisition and Plan of Reorganization") was accounted for as a reverse acquisition as the shareholders of the U.S. Rubber Companies owned a majority of the outstanding stock of Danzer subsequent to the Acquisition and Plan of Reorganization. For accounting purposes, U.S. Rubber Reclaiming, Inc. is deemed to have acquired Danzer.

Pursuant to the Plan of Acquisition and Reorganization, United Expressline, Inc. was acquired July 31, 2001.

The accompanying financial data as of January 31, 2002 and for the three months ended January 31, 2002 and 2001 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The October 31, 2001 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the period ended October 31, 2001. The Company follows the same accounting policies in preparation of interim reports.

In the opinion of management, all adjustments (which include normal recurring adjustments except as disclosed herein) necessary to present a fair statement of financial position as of January 31, 2002, results of operations, cash flows, and stockholders' deficit for the three months ended January 31, 2002 have been made. The results of operations for the three months ended January 31, 2002 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The entities resulting from the merger described above, considered accounting subsidiaries of U.S. Rubber Reclaiming, Inc. (the accounting acquirer) and legal subsidiaries of Obsidian Enterprises, Inc. (formerly Danzer) after the Acquisition and Plan of Reorganization, are as follows:

U.S. Rubber Reclaiming, Inc. ("U.S. Rubber", the accounting acquirer), which is engaged in reclaiming scrap butyl rubber into butyl reclaim for resale to manufacturers of rubber products.

Obsidian Enterprises, Inc. (formerly Danzer, the legal acquirer), a holding company.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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(unaudited)

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Danzer Industries, Inc. ("Danzer Industries"), which is principally engaged in the design, manufacture and sale of truck bodies.

Pyramid Coach, Inc. ("Pyramid"), which is engaged in the leasing of coaches, designed and fitted out for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases. The financial statements of Pyramid are presented on a combined basis. The combined financial statements of Pyramid also include the assets, liabilities, equity and results of operations of DW Leasing, LLC ("DW Leasing") and Obsidian Leasing Company, Inc. ("Obsidian Leasing"), formed November 1, 2001. DW Leasing is controlled by individuals which are also controlling shareholders of Obsidian Enterprises,

Inc. and, accordingly, Pyramid. DW Leasing and Obsidian Leasing also own all coaches operated by Pyramid. All intercompany transactions are eliminated in combination of this entity.

To complete the Plan of Reorganization, Pyramid and DW Leasing were required to obtain lender approval of the transfer of assets subject to liabilities to Obsidian Leasing Company, Inc. ("Obsidian Leasing"), a wholly owned subsidiary of the Company. On November 1, 2001, the Company completed the tax-free exchange contemplated by the Acquisition Agreement of June 21, 2001, whereby all but seven coaches and the liabilities thereon were transferred to Obsidian Leasing to operate this segment of business previously under DW Leasing. However, as of January 31, 2002, the entities are combined due to cross-guarantees associated with the debt on the seven coaches.

Champion Trailer, Inc. ("Champion"), which manufactures and sells transport trailers to be used primarily in the auto racing industry.

United Expressline, Inc. ("United") manufactures and sells general use cargo trailers and specialty trailers used in the racing industry and for other special purposes.

Basis of Presentation:

The Company's January 31, 2002 consolidated financial statements have been presented on the basis that it is a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred a loss from operations for the ten months ended October 31, 2001 of \$2,149,000 and a net loss of \$4,360,000, which included an asset impairment charge of \$2,305,000. In addition, the Company has incurred a loss of \$1,497,000 for the three months ended January 31, 2002. The losses have weakened the Company's financial condition and contributed to its failure to meet certain financial covenants required by the lenders. As a result of these covenant violations which were not waived or were only waived through November 2002, \$4,343,000 of long-term debt has been reclassified and included in the current debt caption of current liabilities as of January 31, 2002. A significant portion of the Company's assets is pledged as collateral on these loans and foreclosure by the bank would seriously impair the Company's existence. In addition, these losses and the reclassification of long-term debt have contributed to a total deficit in working capital of \$9,024,000 at January 31, 2002.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In view of these matters, realization of the assets and satisfaction of the liabilities in the ordinary course of business is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, comply with the terms of its debt financing agreements, obtain refinancing of certain obligations, and continue to receive capital contributions from its majority shareholder.

Management, as a part of its plan towards resolving these issues and generating revenue and cash flow, has taken the actions described below during and subsequent to the quarter ended January 31, 2002. Although management believes these actions will improve operations and liquidity, there can be no assurance that such actions will sufficiently improve operations or liquidity, or occur on terms acceptable to the Company. See Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in the this filing for further discussions of the liquidity issues facing the Company and the risk factors associated with these issues as well as management's plans for addressing them.

- o The Board of Directors has agreed in principle to divest Champion to a group consisting of the Chairman of the Board of the Company, the President and the management group of Champion pursuant to the terms of a nonbinding Letter of Intent subject to an independent review of fair value by the independent Board members of the Company. DC Investments, LLC ("DC Investments"), an entity controlled by the Company's Chairman, is negotiating to purchase the loans of Bank One to Champion and has agreed in principle to contribute the loan to the Company in exchange for an as yet undetermined number of Series C Preferred Stock. The Company would contribute that note to Champion as additional capital. The management group would acquire Champion in exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company as a result of the guarantee. This proposed sale would result in the Company disposing of a subsidiary that comprised 77% of the Company's net loss for the ten-month period ended October 31, 2001 and 22% of the Company's net loss for the quarter ended January 31, 2002.
- o DC Investments, as approved by the Company Board of Directors, has made a loan in the amount of \$570,000 to pay down a portion of the Champion debt

that will be converted to equity after final review by the Board.

- o Obsidian Capital Partners, LP ("OCP"), majority owner of the Company, is negotiating with the Board of Directors to convert to capital \$1,222,000 of loans made at the date of the Acquisition and Plan of Reorganization.
- o Negotiations have been ongoing with a new lender to refinance the debt with the primary lender of U.S. Rubber at more favorable terms than the current terms. Management anticipates the refinancing will be concluded by the third fiscal quarter. Management and an affiliated entity subsequent to year-end have negotiated with the subordinated debt holder of U.S. Rubber to pay off the debt and reduce debt amounts and accrued interest by approximately \$1,400,000. Such agreement was finalized in February 2002. See Note 9.
- o The Company is undertaking to refinance the coaches transferred from DW Leasing to a new wholly owned subsidiary of the Company (Obsidian Leasing Company, Inc.) with existing

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

lenders and a related party (DC Investments, LLC). Management anticipates that this will be concluded by the third fiscal quarter.

- o OCP has entered into agreements related to the debt of U.S. Rubber and United. Specifically, in the event of and in accordance with the default provisions, Obsidian is obligated to make capital contributions to these subsidiaries of \$1,620,000 and \$1,000,000, respectively. In addition, OCP has committed to fund through the purchase of additional preferred stock the costs of all legal, accounting and related costs to complete the Plan of Reorganization and the costs to meet all regulatory requirements to allow continued trading of Company stock by shareholders.

SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The accompanying condensed consolidated financial statements as of and for the three months ended January 31, 2002 present the accounts of Obsidian Enterprises, Inc. and its wholly owned subsidiaries described above, all of which are treated for accounting purposes as purchases in a reverse merger more fully described in Note 2. The entities are collectively referred to herein as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation. The accompanying financial statements include the operations of Obsidian Enterprises, Inc. (formerly Danzer Corporation), Danzer Industries, United Expressline, U.S. Rubber, Champion, Pyramid, Obsidian Leasing, and a related entity (DW Leasing) for the three-month period ended January 31, 2002. The accompanying condensed financial statements for the three-month period ended January 31, 2001 represent the financial position of U.S. Rubber, Champion, Pyramid and DW Leasing as of January 31, 2001. The statements of operations and cash flows include the results of U.S. Rubber for the three months ended January 31, 2001 and Champion, Pyramid, and DW Leasing from January 1, 2001 through January 31, 2001.

Goodwill, Intangible Assets and Other Assets:

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, effective November 1, 2001 and accordingly, goodwill is no longer amortized.

Other intangible assets include trade names, customer relations and backlogs and other items, which are being amortized on a straight-line basis over lives ranging from 3 months to 15 years.

Earnings Per Share:

Basic per-share amounts are computed, generally, by dividing net income or loss by the weighted-average number of common shares outstanding. Basic and diluted weighted average common shares outstanding for 2002 and 2001 are the same because the Company incurred losses for all periods presented. Therefore, the inclusion of options, warrants and other common

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

stock equivalents as described in Note 5 in the calculation of diluted loss per share would have an antidilutive effect.

In arriving at the weighted average number of common shares outstanding for basic income (loss) per share, the Company's Series C Convertible Preferred Stock, which has all the rights and privileges of the Company's common stock, has been reflected as equivalent common shares. Therefore, for the three months ended January 31, 2002, the 3,739,169 shares of Series C Convertible Preferred Stock have been reflected as common equivalent shares of 74,783,380. The weighted average common shares outstanding for the quarter ended January 31, 2001 reflects the 1,970,962 shares of Series C Convertible Preferred Stock issued to the former stockholders of the companies acquired in the reverse merger as described in Note 2, as if such shares had been converted into their equivalent number of common shares of 39,419,240.

Recently Issued Accounting Pronouncements:

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No. 142, goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company implemented the remaining provisions of SFAS No. 142 on November 1, 2001. Since adoption, existing goodwill is no longer amortized but instead will be assessed for impairment at least annually. The adoption of this pronouncement will result in \$5,829,000 of goodwill not being amortized and the elimination of approximately \$225,000 of amortization annually on an additional \$3,381,000 of goodwill previously being amortized.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provide a single accounting model for impairment of long-lived assets. The Company is currently assessing the impact of this new standard.

2. ACQUISITIONS AND PLAN OF REORGANIZATION

The Reorganization (reverse merger) with Danzer, and subsequent acquisition of United, were accounted for under the purchase method of accounting. U.S. Rubber, the largest company owned by OCP Partners, was considered the acquirer for accounting purposes and recorded

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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2. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

Danzer's assets and liabilities based upon their estimated fair values, under the purchase method of accounting for business combinations. The operating results of Danzer have been included in the accompanying consolidated financial statements from the date of acquisition. Under the purchase method of accounting, the acquired assets and assumed liabilities have been recorded at their estimated fair values at the date of the acquisition.

The acquisition of Champion and Pyramid were also accounted for under the purchase method of accounting; however, due to the related-party relationships of the previous owners to the Company, the assets were recorded at net book value similar to pooling-of-interest accounting, referred to as reorganization of entities under common control. Accordingly, no additional goodwill was recognized beyond that recorded during the original acquisition from unrelated third parties.

Champion and Pyramid, included in the financial statement as of January 1, 2001 and part of the Plan of Reorganization of June 21, 2001 as discussed above, were previously owned by individuals who are also the members and managing directors of Obsidian Capital Company, LLC ("OCC"), the General Partner of OCP. Purchase accounting and a goodwill allocation of \$2.6 million were recorded on Champion

when the managing members of OCC and other related parties acquired those entities from unrelated third parties.

Pro Forma Information:

The unaudited condensed consolidated results of operations shown below are presented on a pro forma basis and represent the results of Obsidian Enterprises, Inc. (formerly Danzer), Danzer Industries, U.S. Rubber, United, Champion, Pyramid, Obsidian Leasing and DW Leasing on a combined basis. The schedule below includes all depreciation, amortization and nonrecurring charges for all entities for the period shown.

	Three Months Ended January 31, 2001	

Net sales	\$	13,999
Net loss	\$	(882)
Net loss per share - basic and diluted	\$	(.02)

The pro forma financial information is presented for informational purposes only and is not indicative of the operating results that would have occurred had the Reorganization been consummated as of the above dates, nor are they necessarily indicative of future operating results.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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3. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out method) or market and are comprised of the following components (in thousands):

	January 31, 2002		October 31, 2001	
	-----		-----	
Raw materials	\$	3,907	\$	3,734
Work-in-process		1,636		1,471
Finished goods		2,317		2,322
Valuation reserve		(708)		(833)
	-----		-----	
Total	\$	7,152	\$	6,694
	=====		=====	

The Company provides valuation reserves for inventory considered obsolete or not currently available for use in production. Inventory reserves at U.S. Rubber are related to excess scrap butyl rubber not currently available for use without further processing; therefore, it has minimal value. Changes in the valuation reserve are as follows (in thousands):

<TABLE>

<S>	<C>		<C>		<C>
	U.S. Rubber		United		
	-----		-----		-----
Balance at December 31, 2000	\$	(1,338)	\$	--	\$ (1,338)
Provision for losses, 2001		(60)		(13)	(73)
Write-off of inventory, 2001		578		--	578
	-----		-----		-----
Balance at October 31, 2001		(820)		(13)	(833)
Write-off of inventory, first quarter 2002		121		4	125
	-----		-----		-----
Balance at January 31, 2002	\$	(699)	\$	(9)	\$ (708)
	=====		=====		=====

</TABLE>

4. FINANCING ARRANGEMENTS

In connection with the Acquisitions described in Note 2 and to provide working capital, the Company has incurred the following debt as of January 31, 2002 and October 31, 2001:

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> January 31, 2002	<C> October 31, 2001
U.S. Rubber		
Line of credit due November 1, 2002, bearing interest at the prime rate plus .75% (5.5% at January 31, 2002), borrowings not to exceed the greater of \$3,000,000 or the borrowing base (80% of eligible accounts receivable and 50% of eligible inventories), collateralized by substantially all assets of U.S. Rubber*	\$ 2,093	\$ 1,732
Note payable to a bank due November 1, 2002, interest payable monthly at prime rate plus 1% (5.75% at January 31, 2002), monthly principal payments of \$2,395 beginning January 2002, collateralized by substantially all assets of U.S. Rubber*	195	200
Note payable to a bank, due November 1, 2002, monthly principal payments of \$34,725, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (5.75% at January 31, 2002), used to finance the acquisition and capital expenditures, collateralized by substantially all assets of U.S. Rubber*	2,049	2,187
As part of the original acquisition of U.S. Rubber, the Company issued a note payable to former owner (SerVaas, Inc.) in the amount of \$1,750,000. The note requires interest payable monthly at fourteen percent (14%) from the date of this note until March 31, 2001 and at a rate of twenty percent (20%) thereafter. The former owner agreed to defer interest and principal payments through May of 2001. The amounts accrued during this period will become part of the balloon payment due December 28, 2005. The note is collateralized by a Stock Pledge Agreement given by OCP. In addition, this note is subordinated to the lines of credit and note payable described above. On February 26, 2002, the Company refinanced the debt, as further described in Note 9.*	1,750	1,750

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> January 31, 2002	<C> October 31, 2001
U.S. Rubber, Continued		
Note payable to a bank, due November 1, 2002, monthly principal payments of \$2,778, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (6.5% at January 31, 2002), to be used to finance the acquisition, collateralized by substantially all assets of U.S. Rubber*	463	474
Other	77	88
Subtotal U.S. Rubber	7,357	7,161

*U.S. Rubber was in technical default of various loan covenants with its primary and subordinated lender at January 31, 2002. The Company has entered into an amendment to the credit agreement with the primary lender which includes waiver of the covenant violations and resets the maturity date on all loans to November 1, 2002. The Company also obtained a waiver through November 1, 2002 from the subordinated lender.

Champion

Bank One, N.A. Facility 1--Line of Credit, maximum borrowing equal to \$200,000, interest payable monthly at prime plus 1/2% (5.25% at January 31, 2002) due March 15, 2002, collateralized by substantially all assets of Champion and

guaranteed by Messrs. Durham and Whitesell. On March 15, 2002, the Company refinanced the debt with a related party and paid off the Bank One debt, as further described in Note 9.*

\$ 159 \$ 200

Bank One, N.A. Facility 2--term loan, note payable \$650,000, requires monthly principal installments of \$7,738 plus interest at prime plus 3/4% (5.5% at January 31, 2002), matures June 2005, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell. On March 15, 2002, the Company refinanced the debt with a related party and paid off the Bank One debt, as further described in Note 9.*

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

Debt Amount (in thousands)

<S>

	<C> January 31, 2002	<C> October 31, 2001
--	----------------------------	----------------------------

Champion, Continued

Bank One, N.A. Facility 3 - term loan, note payable \$1,118,000, requires monthly principal installments of \$31,056 plus interest at prime matures 1 1/2% (6.25% at January 31, 2002), matures June 2003, paid off on January 8, 2002, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell*

-- 621

Note payable to The Markpoint Company, \$1,250,000, interest payable monthly at 13 1/2%, commencing June 1, 2000, balloon payment of outstanding principal balance due May 2005, collateralized by substantially all assets of Champion and subordinate to senior bank debt described above*

1,250 1,250

Other

8 15

Subtotal Champion

1,920 2,612

*Champion was in technical default of all of its debt as of January 31, 2002 and October 31, 2001, respectively. The Company has not been able to obtain waivers from the lenders. Accordingly, all debt has been classified as current.

Pyramid, DW Leasing and Obsidian Leasing

Ford Motor Credit installment loan, \$39,104 repayable in monthly installments of \$667 including interest at .9% through October 2005, first lien on asset (purchase asset)

\$ 29 \$ 31

Various installment loans, \$11,796,038 repayable in monthly installments totaling \$151,453 including interest ranging from 7.5% to 11.8% through November 2007 and applicable balloon payments thereafter through December 2007, first lien on assets financed (finance acquisition and asset purchases). Substantially all borrowings guaranteed by the members of DW Leasing.*

9,411 9,584

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

Debt Amount (in thousands)

<S>

	<C> January 31, 2002	<C> October 31, 2001
--	----------------------------	----------------------------

Pyramid, DW Leasing and Obsidian Leasing, Continued

Various installment loans, \$3,636,145 repayable in monthly installments totaling \$51,950 including interest ranging from 8.0% to 13.2% through July 2007, first lien on assets financed (finance acquisition and asset purchases). Substantially all borrowings guaranteed by the members of DW Leasing.

3,280 3,345

Former shareholders of Pyramid and related companies installment loans, \$927,500 repayable in monthly installments of interest at 9% through December 2002 with a balloon payment in January 2003, collateralized by Security Agreements for Pyramid, DW Leasing and the members of DW Leasing (finance acquisition)

928 928

Subtotal Pyramid, DW Leasing and Obsidian Leasing

13,648 13,888

*DW Leasing was in technical default of several loan covenants with two of its primary lenders. The Company has obtained bank waivers through November 2002 for a portion of this amount. Amounts classified as current as of January 31, 2002 and October 31, 2001 due to defaults that have not been waived are \$622 thousand and \$639 thousand, respectively.

Danzer Industries

Bank of America line of credit, maximum borrowing equal to \$1,000,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at the LIBOR Daily Floating Rate plus 3.2% (5.5% at January 31, 2002), due March 31, 2002, collateralized by substantially all assets of Danzer Industries and guaranteed by Obsidian Enterprises, Inc.*

\$ 575 \$ 75

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

<S>

	Debt Amount (in thousands)	
	<C> January 31, 2002	<C> October 31, 2001
Danzer Industries, Continued		
Bank of America loan--note payable \$1,000,000, requires monthly principal installments of \$5,555 plus interest at the LIBOR Daily Floating Rate plus 3.2% (5.5% at January 31, 2002), due August 15, 2006. Collateralized by substantially all assets of Danzer Industries and guaranteed by Obsidian Enterprises, Inc.*	967	983
Equipment loans payable--monthly payments currently aggregating \$2,443 including interest of 8.90% to 11.25% through September 2006. Collateralized by equipment financed.	107	53
Term loans payable to US Amada, Ltd. Monthly payments currently aggregating \$12,668 including interest at 10%, loans due January 2003, collateralized by equipment financed	254	285
Other	9	10
Subtotal Danzer Industries	1,912	1,406

* Danzer Industries was in default of its credit agreement for failure to provide audited financial statements within 90 days of fiscal year end. The Company has obtained an additional 45-day extension from the lender and anticipates providing audited statements within the extension period.

United

First Indiana Bank Revolving Line of Credit, maximum borrowing equal to \$3,500,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at prime plus .75% (5.5% at January 31, 2002) due July 1, 2002, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*

\$ 3,185 \$ 3,111

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> January 31, 2002	<C> October 31, 2001
United, Continued		
First Indiana Term Loan I--note payable \$291,000, requires monthly principal installments of \$4,850 plus interest at prime plus 1% (5.75% at January 31, 2002), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	267	281
First Indiana Term Loan II--note payable \$1,116,000, requires monthly principal installments of \$6,200 plus interest at prime plus 1% (5.75% at January 31, 2002), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	1,085	1,104
First Indiana Term Loan III--note payable \$1,750,000, requires monthly principal installments of \$72,917 plus interest at prime plus 2% (6.75% at January 31, 2002), due July 1, 2003, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	1,385	1,604
Subordinated note payable to Huntington Capital Investment Company, \$3,500,000, interest payable quarterly at 14% per annum, balloon payment of outstanding principal balance due July 26, 2006. Unsecured and subordinate to First Indiana debt.	3,500	3,500
Note payable to former shareholder \$1,500,000, interest payable monthly at 9% per annum, balloon payment of outstanding principal balance due July 27, 2006. Unsecured and subordinate to First Indiana and Huntington debt.	1,500	1,500

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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4. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount (in thousands)	
	<C> January 31, 2002	<C> <C> October 31, 2001
United, Continued		
Note payable to Renaissance (former majority stockholder of Danzer Corporation), interest payable monthly at 8% per annum, with monthly principal payments beginning July 2004 at a rate of \$10 for each \$1,000 of outstanding principal, due July 2008. Convertible at the option of the holder to common stock of Obsidian Enterprises at a conversion price of \$.10 per share. The loan agreement also restricts dividend payments without the prior consent of the lender.	500	500
Note payable to former shareholder, \$248,840, interest payable at 9% per annum, balloon payment of outstanding principal balance due February 1, 2003	249	--
Other	103	112
Subtotal United	11,774	11,712
* United Expressline was in technical default of loan covenants with one of its primary lenders as of October 31, 2001. The Company has obtained bank waivers from the lender through January 2002, at which time, the defaults were cured.		
Total all companies	36,611	36,779
Less current portion	14,383**	9,233

</TABLE>

** The current portion of long-term debt includes \$4,343,000 of amounts in default or in default with waivers which expire November 1, 2002.

The Company was in violation of three negative covenants and failure of the Company to submit audited financial statements within 90 days of year end with Renaissance US Growth & Income Trust PLC and FBSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company has received a waiver of all of these violations through November 1, 2002.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. FINANCING ARRANGEMENTS, CONTINUED

Various subsidiary companies were in violation of requirements to provide year-end financial statements to various lenders within 90 days of the close of the year-end. Management has received waivers on all of these covenants.

The Company has an agreement with OCP that gives it the right to mandate a capital contribution from OCP if the lenders to U.S. Rubber and United were to declare a default. In that event, the Company has the right to enforce a capital contribution agreement with OCP up to \$1,620,000 on U.S. Rubber and \$1,000,000 on United to fund the respective subsidiary's shortfall. Those payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

5. STOCKHOLDERS' EQUITY

Preferred Stock:

In conjunction with the merger and acquisitions (described previously) of June 21, the Company issued 1,970,962 of Series C Preferred Stock. The shareholders of Pyramid and Champion then converted 824,892 shares of preferred stock to 16,497,840 of common stock. In addition, on July 5, 2001, the Company increased the authorized shares of common stock by 20,000,000 to 40,000,000. On July 31, 2001, the Company issued 2,593,099 shares of additional convertible preferred stock related to the United acquisition.

The convertible preferred stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 20 shares of common stock for each share of convertible stock. However, the convertible preferred stock may not be converted prior to the corporation filing a registration statement of such shares. Holders of the convertible preferred stock have voting rights which entitle them to cast on each matter submitted to a vote of the stockholders of the Corporation the number of votes equal to the number of shares of common stock into which such shares of Series C Preferred could be converted.

These shares were offered and sold in transactions which were exempt from Securities Act registration under Section 4(2) of the Securities Act, relating to sales by an issuer not involving a public offering. No underwriters were involved in the sale of these shares. The Corporation will use its best efforts to file, as soon as reasonable practicable following the date of issuance of the Series C Preferred, a registration statement ("Registration Statement") on Form S-1, pursuant to the rules of the Securities and Exchange Commission ("SEC") or on such other form promulgated by the SEC for which the Corporation then qualifies, which is available to Corporation, and which counsel for the Corporation shall deem appropriate for the registration under the Securities Act of 1933.

On October 4, 2001, the Company changed its name from Danzer Corporation to Obsidian Enterprises, Inc. In addition, 5,000,000 shares of Preferred Stock were authorized with the domestication of Obsidian in Delaware. On October 9, 2001, the Company filed designation of preferences, rights and limitations of 4,600,000 shares of Series C Preferred Stock. This transaction results in 400,000 shares of authorized but undesignated preferred stock and cancellation of the Series A and B shares.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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5. STOCKHOLDERS' EQUITY, CONTINUED

Stock Options:

On May 7, 1990, Danzer's stockholders approved a stock option plan to issue both "qualified" and "nonqualified" stock options. Under the plan, 800,000 options to purchase shares of the Company's common stock may be issued at the discretion of the Company's Board of Directors. The option price per share is determined by the Company's Board of Directors, but in no case will the price be less than 85% of the fair value of the common stock on the date of grant. Options under the plan will have a term of not more than ten years with accelerated termination upon the occurrence of certain events.

In April 1998, Danzer granted 600,000 stock options, exercisable at \$.10 per share, to its president. The options vest over two years and expire in April 2004. None of these options have been exercised as of January 31, 2002.

In September 1998, Danzer adopted a qualified incentive stock option plan under Section 422 of the Internal Revenue Code. Options granted under the plan will be granted at prices not less than fair value of the Company's stock at the date of grant, have a term not more than ten years and have other restrictions as determined by statute.

In September 1998, Danzer granted a total of 604,500 stock options, exercisable at \$.10 per share, to certain employees. The options expire November 2001. As a result of voluntary termination, 75,000 options expired in 1999 and 192,000 options expired in 2000. None of these options were exercised as of January 31, 2002.

On July 24, 2001, the Board adopted, and on October 5, 2001, the Company's stockholders approved, the 2001 Long Term Incentive Plan (the "2001 Plan"). The 2001 Plan authorizes the granting to the Company's directors, key employees, advisors and consultants of options intended to qualify as Incentive Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options that do not so qualify ("Non-Statutory Options"), restricted stock and Other Stock-Based Awards that are not Incentive Options or Non-Statutory Options. The awards are payable in Common Stock and are based on the formula which measures performance of the company. There was no performance award expense in 2002 and 2001. No options under this plan were granted to any employees. Options are exercisable for up to 10 years from the date of grant.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation expense has been recognized for the stock option plans.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. STOCKHOLDERS' EQUITY, CONTINUED

Stock Options and Warrants:

The following table summarizes the outstanding options and warrants for the three-month period ended January 31, 2002:

<TABLE>

	January 31, 2002	
<S>	<C>	<C>
	Shares	Weighted Average Exercise Price
	-----	-----
Total granted stock options outstanding, January 31, 2002	800,000	\$.09
Fixed options:		
Exercise price \$.10	600,000	\$.10
Exercise price \$.05	200,000	\$.05
Warrants:		
On June 21, 2001, Duncan-Smith Co. terminated warrant for 650,000 common shares and was issued new warrant for 10,000 shares Series C Preferred exercisable at \$2.00 per share, expiring August 31, 2002	200,000	\$2.00
Markpoint financing agreement expiring May 2008 associated with Champion	Zero*	\$.01

</TABLE>

* The number of warrants available under the agreement with Markpoint is based on twenty-five percent of the fair market value of Champion to be determined based on a formula including a multiple of EBITDA. No warrants are currently available under this agreement based on the operating results and stockholder's deficit of Champion.

Convertible Debt:

As described in Note 4, at January 31, 2002, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share at January 31, 2002.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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6. BUSINESS SEGMENT DATA AND GEOGRAPHIC DATA

The Company operates in three industry segments comprised of trailer and related transportation equipment manufacturing (trailer manufacturing); coach leasing; and butyl rubber reclaiming. All sales are in North and South America primarily in the United States, Canada and Brazil. Selected information by segment follows (in thousands):

<TABLE>

<S>	Three Months Ended January 31, 2002			
	Trailer	<C>	Butyl Rubber	<C>
	Manufacturing	Coach Leasing	Reclaiming	Total
Sales:				
Domestic	\$ 9,250	\$ 1,043	\$ 2,079	\$ 12,372
Foreign	--	--	111	111
Total	\$ 9,250	\$ 1,043	\$ 2,190	\$ 12,483
Cost of goods sold	\$ 8,407	\$ 573	\$ 2,046	\$ 11,026
Income (loss) before taxes	\$ (933)	\$ (367)	\$ (352)	\$ (1,652)
Identifiable assets	\$ 25,370	\$ 12,380	\$ 10,253	\$ 48,003
Depreciation and amortization expense	\$ 197	\$ 245	\$ 259	\$ 701
	Three Months Ended January 31, 2001			
	Trailer	Coach Leasing	Butyl Rubber	Total
	Manufacturing		Reclaiming	
Sales:				
Domestic	\$ 118	\$ 278	\$ 3,082	\$ 3,478
Foreign	--	--	265	265
Total	\$ 118	\$ 278	\$ 3,347	\$ 3,743
Cost of goods sold	\$ 83	\$ 88	\$ 3,130	\$ 3,301
Income (loss) before taxes	\$ (137)	\$ (165)	\$ (65)	\$ (367)
Identifiable assets	\$ 5,415	\$ 12,604	\$ 11,519	\$ 29,538
Depreciation and amortization expense	\$ 29	\$ 75	\$ 182	\$ 286

Obsidian Enterprises, Inc. (legal parent) allocates selling, general and administrative expenses to the respective companies primarily based on a percentage of sales.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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7. RELATED PARTIES

The Company makes advances, receives loans and conducts other business transactions with affiliates resulting in the following amounts for the periods ended (in thousands):

<TABLE>

<S>	<C> January 31, 2002	<C> October 31, 2001
Balance sheet:		
Current assets:		
Accounts receivable, Obsidian Capital Company (OCC)	\$ --	\$ 217
Long-term portion:		
Investment banking fees, purchase accounting*	--	1,960
Total assets	\$ --	\$ 2,177
Current liabilities:		
Accounts payable, Obsidian Capital Company (OCC)	\$ 314	\$ 625
Accounts payable, Obsidian Capital Partners	16	--
Accounts payable, stockholders	328	300
Long-term portion:		
Accounts payable, DC Investments	1,295	--
Accounts payable, Obsidian Capital Partners (OCP)	1,874	2,170
Total liabilities	\$ 3,827	\$ 3,095
Income statement:		
Rent expense, Obsidian Capital Company (OCC)	\$ 15	\$ --

</TABLE>

Related-party amounts classified as current reflect those portions of the total receivable or payable that were currently due in accordance with the terms, or were collected or paid subsequent to January 31, 2002 or October 31, 2001, respectively. Amounts classified as long term represent amounts not currently due, amounts that are expected to be converted to equity subsequent to January 31, 2002 and October 31, 2001, respectively, or amounts converted to long-term debt subsequent to January 31, 2002. (See Note 9.)

The Company was obligated to the stockholders and certain employees (that were formerly stockholders of subsidiary companies) under note payable agreements acquired as part of the acquisitions. The details of these notes payable are included in Note 4.

* Subsidiaries of the Company paid Obsidian Capital Company, an entity controlled by Mr. Durham (Chairman of the Company), investment banking fees associated with the acquisitions and related financing on the Danzer and U.S. Rubber merger and the United acquisition. Amounts paid by U.S. Rubber, United, and Danzer were \$760,000, \$600,000, and \$600,000 respectively.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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8. COMMITMENTS AND CONTINGENCIES

The Company has a purchase commitment to purchase or lease three (3) coaches within 60 days of completion, expected to be in the second quarter of calendar 2002. The cost of these coaches will approximate \$1.35 million.

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position or results of operations.

9. SUBSEQUENT EVENTS

On February 26, 2002, the Company entered into a series of transactions with US Rubber, SerVaas, Inc. ("SerVaas"), the former owner of US Rubber, and DC Investments, an entity controlled by the Company's Chairman) whereby certain existing debt of US Rubber was acquired from SerVaas. DC Investments acquired the SerVaas interest in the debt agreement with a remaining balance of \$730,000 plus accrued interest for \$700,000. US Rubber then acquired this agreement in exchange for a new note payable to DC Investments with a face amount of \$700,000. The note requires monthly interest payments at 15% with the principal payable March 2007. The note is subordinate to debt outstanding with the senior lender of US Rubber.

The Company also acquired the SerVaas interest in the US Rubber \$1,750,000

subordinated note payable in exchange for \$700,000 and 30,000 shares of Series C Preferred Stock. The cash portion of the transaction was from the proceeds of a note payable in the amount of \$700,000 issued to DC Investments. The note requires monthly interest payments at 15% with the principal payable March 2007.

No gain or loss will be recognized in the transactions because of the involvement of related parties. The transaction will result in an increase in equity of the consolidated group of approximately \$1,400,000.

On February 12, 2002, U.S. Rubber entered into a "Second Amendment to Credit Agreement" with its primary lender. The terms of the amendment require scheduled debt service payments under substantially the same terms as described in Note 4 through November 1, 2002 when all debt outstanding with the primary lender will become due. The agreement also modifies the terms of an operating lease with the lender requiring payment in full of the remaining lease obligation as of November 1, 2002 of approximately \$738,000.

After October 31, 2001, Champion is in violation of its Senior Credit facility with Bank One. Champion is working under a forbearance agreement through March 15, 2002. Champion has paid down the Bank One debt by \$570,000 during the quarter ended January 31, 2002 as consideration for such agreements. The Company made a capital contribution to Champion of \$570,000 from loan proceeds from DC Investments.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
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9. SUBSEQUENT EVENTS, CONTINUED

DC Investments has purchased accounts receivable from DW Leasing, recorded by DW Leasing as deposits on trailers, in the amount of \$1,050,000 as of February 13, 2002. DW Leasing used the proceeds from the purchase of the accounts receivable to pay off the accounts payable due Obsidian Capital Company in the amount of \$624,000 and the amount due shareholders and other related parties in the approximate amount of \$300,000.

On March 15, 2002, the Company and DW Leasing converted amounts owed to DC Investments to notes payable. The notes bear interest at 10% payable quarterly, with principal due in one installment in March 2005. The total amounts payable under these notes to DC Investments are \$1,085,000 and \$210,000 for Obsidian Enterprises and DW Leasing, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. The Company and its representatives may from time to time make written or oral forward-looking statements, including statements included in or incorporated by reference into this Quarterly Report on Form 10-Q and the Company's other filings made with the Securities and Exchange Commission. These forward-looking statements are based on management's views and assumptions and involve risks, uncertainties and other important factors, some of which may be beyond the control of the Company, that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Form 10-Q. Readers should carefully review the risks described in this and other documents that the Company files from time to time with the Securities and Exchange Commission. The forward-looking statements speak only as of the date that they are made and the Company undertakes no obligation to update or revise any of the forward-looking statements.

Overview

The reverse merger transactions, completed in June and July 2001, have been treated for accounting purposes as an acquisition by U.S. Rubber. For this reason, the first quarter results for 2001 represent only the financial results of U.S. Rubber for three months, Champion Trailer for one month, and the Pyramid Group for one month based on the January 1, 2001 acquisition date. Danzer Industries and United Expressline were acquired June 21, 2001 and July 31, 2001, respectively, and, accordingly, are not included in financial condition at January 31, 2001 or the results of operations for the first quarter ended January 31, 2001.

The financial condition as of January 31, 2002 and the results of operations for the first quarter ended January 31, 2002, include the operations of U.S. Rubber, Champion Trailer, Pyramid Coach, Obsidian Leasing, DW Leasing, United Expressline, and Danzer Industries.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS 2002 COMPARED WITH 2001

The Company operates in three segments, trailer and related transportation manufacturing, butyl rubber reclaiming, and coach leasing. Trailer and related transportation manufacturing includes the operations of United, Danzer Industries, and Champion. Butyl rubber reclaiming includes the operations of U.S. Rubber and coach leasing includes the operations of Pyramid, DW Leasing, and Obsidian Leasing.

Segment Sales

The following table shows net sales by segment:

	Three Months Ended January 31,	
	2002	2001
	(in thousands)	
Trailer and related transportation equipment manufacturing	\$ 9,250	\$ 118
Butyl rubber reclaiming	2,190	3,347
Coach leasing	1,043	278
Total	\$ 12,483	\$ 3,743

The Company's operating results and revenue were less than expected for each of its segments in the first quarter ended January 31, 2002. This is primarily due to softer than expected sales of reclaimed butyl rubber, transport specialty trailers, and truck bodies, and the overall continued slowdown of economic activity during the first quarter ended January 31, 2002. The results of operations were also negatively impacted by normal seasonal slow activity for the coach leasing activities and the Company's sales from its trailer manufacturing operations. Management is still focused on creating consistent reporting systems and communication with each of its subsidiaries. In addition Management is continuing to address the transition of the subsidiaries from closely held mostly non-audited private companies to public entities. Management has no prior history in effecting such an integration of subsidiaries under a holding company and its ability to successfully accomplish this task will have a substantial impact on future Company revenues and profits. Subsequent to the first quarter, the Company hired a new Chief Financial Officer to direct many of these functions including cash management, debt consolidation, more timely reporting, development of programs to incentives personnel, and to help integrate the acquired subsidiaries into an effective operating Company.

TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING

Company gross profit and gross profit percentage for the three months ended January 31, 2002, for the trailer and related transportation equipment manufacturing segment were \$842,256 and 9.1%. This segment had one month of operations only generated by Champion Trailer resulting in gross profit and gross profit percentage of \$34,670 and 29.5% for the three months ended January 31, 2001.

Sales and gross profits were lower than expected in this segment due to various factors described below.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

The continued depressed conditions in the telecommunications industry was the primary factor that has seen lower than expected truck body sales during the first quarter. Truck body cost of sales were greatly affected by the lower sales and the efforts to lower reductions in costs were not sufficient to offset the effect of the reduced revenue. The Company anticipates that overall economic conditions and the economic state of the telecommunications industry will continue to impact sales of truck bodies during 2002.

The Company's transport specialty trailer gross profit was substantially below expectations in the first quarter of 2002. As a result of continued negative operating results of Champion Trailer, including a \$2.3 million impairment charge in the fourth quarter of 2001, the Board of Directors has agreed in principle to divest Champion to a group consisting of the Chairman of the Board of the Company, the President and the management group of Champion pursuant to the terms of a nonbinding Letter of Intent subject to an independent review of fair value by the independent Board members of the Company. DC Investments is negotiating to purchase the loans of Bank One to Champion and has agreed in principle to contribute the loan to the Company in exchange for an as yet

undetermined number of Series C Preferred Stock. The Company would contribute that note to Champion as additional capital. The management group would acquire Champion in exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company as a result of the guarantee.

The Company's gross profit and operating results in its trailer manufacturing operations were lower for the first quarter than was expected. Although the Company normally expects this quarter to be lower due to the seasonal nature of the trailer manufacturing operations, the results of the first quarter of 2002 sales, gross profit and net operating income are lower than expected. Management believes that there are operational savings available in the consolidation of administrative functions performed at United's two facilities and expects to make changes necessary to reduce certain common costs during the third and fourth quarter of 2002.

Sales and gross profit were affected by the recession and the consequent reduction in the overall level of capital spending during the first quarter ended January 31, 2002. As capital spending increases, the Company expects sales and gross profit to rebound to historical levels in this segment at United and Danzer Industries.

Butyl Rubber Reclaiming

Net sales for the periods reported in this segment are as follows:

	Three Months Ended January 31,	
	2002	2001
Rubber net sales	\$ 2,190,445	\$ 3,347,276

Net sales in this segment for the three months ended January 31, 2002 as compared to the comparable three-month period ended January 31, 2001 decreased 34.6% in the amount of \$1,156,831.

The Company's customers had built up large inventories during the widespread tire recalls at Bridgestone/Firestone and Goodyear in anticipation of huge demand under such recalls. The number of tires submitted by consumers to be replaced was substantially lower than anticipated, and as a result, tire manufacturer orders through December 2001 were lower than the previous year, producing a substantial decrease in reclaimed butyl demand through December 2001. The Company saw an increase in sales during January 2002 and anticipates a return to more normal inventory levels at its tire manufacturer customers, but doesn't anticipate a return to historic levels of demand for reclaimed butyl rubber by tire manufacturers until the third quarter of 2002.

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OBSDIAN ENTERPRISES, INC. AND SUBSIDIARIES

The decline in the price of crude oil in late 2001 caused a decline in new oil exploration. As a result, the demand for pipeline mastic wraps produced with reclaim butyl rubber supplied by the Company also fell dramatically beginning in October 2001. If the price of crude oil begins to climb again, the Company believes the demand for those uses will return to historic levels during 2002.

Cost of goods sold in this segment were as follows:

	Three Months Ended January 31,	
	2002	2001
Rubber cost of goods sold	\$ 2,045,930	\$ 3,130,018
% of sales	93.4%	93.5%

Manufacturing costs remained stable in 2002 when compared to the prior year for the three-month period ended January 31, 2001. With the 12" extruder renovation completed in September 2001 and the increased use of butyl rubber pad scrap, management anticipates that the cost of goods sold percentage should continue to decline in 2002 from that experienced in 2001 so long as sales volume increases as expected.

Gross profit and gross profit percentage for the three months ended January 31, 2002 and 2001 were as follows:

	Three Months Ended January 31,	
	2002	2001
Rubber gross profit	\$ 144,515	\$ 217,258
Rubber gross percentage	6.6%	6.5%

=====

Gross profit was consistent during the first quarter of 2002 as compared to the 2001 period.

Management believes that the use of butyl rubber pad scrap will help control the cost of raw materials during the remainder of 2002 and that the Company has the ability to raise prices in late 2002.

On February 26, 2002, the Company entered into a series of transactions with US Rubber, SerVaas, Inc. ("SerVaas"), the former owner of US Rubber, and DC Investments whereby certain existing debt of US Rubber was acquired from SerVaas. DC Investments acquired the SerVaas interest in the debt agreement with a remaining balance of \$730,000 plus accrued interest for \$700,000. US Rubber then acquired this agreement in exchange for a new note payable to DC Investments with a face amount of \$700,000. The note requires monthly interest payments at 15% with the principal payable March 2007. The note is subordinate to debt outstanding with the senior lender of US Rubber.

The Company also acquired the SerVaas interest in the US Rubber \$1,750,000 subordinated note payable in exchange for \$700,000 and 30,000 shares of Series C Preferred Stock. The cash portion of the transaction was from the proceeds of a note payable in the amount of \$700,000 issued to DC Investments. The note requires monthly interest payments at 15% with the principal payable March 2007.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

No gain or loss will be recognized in the transactions because of the involvement of related parties. The transaction will result in an increase in equity of the consolidated group of approximately \$1,400,000.

Coach Leasing

The results of operations for the three months ended January 31, 2001 includes only one month of operating results of coach leasing, as Pyramid, Obsidian Leasing and DW Leasing ("Pyramid Group") were not a part of the Company until January 1, 2001. Coach leasing revenue was higher due to the increase in size of the coach fleet. Management expects decreased utilization during the second quarter of fiscal 2002. Management believes its marketing efforts to rock and roll, pop, touring Broadway shows and corporate customers will result in increased utilization during the third quarter of the Company's fiscal year.

Through the fiscal year ended October 31, 2001, the Company and DW Leasing conducted cooperative operations through a management agreement, cross-guarantees of debt and shared management and expense. On November 1, 2001, a substantial part of DW Leasing's asset and liabilities were transferred to Obsidian Leasing Company, Inc. ("Obsidian Leasing"), wholly owned by the Company, to complete the purchase of the Coach Leasing business contemplated by the purchase transaction in June 2001. The operations of Obsidian Leasing have been included in the first quarter results of operation of the Company. DW Leasing's operations are also included in the results of operations for the first quarter of 2002.

For the three months ended January 31, 2002, the coach leasing segment had gross profit and gross profit percentage of \$470,537 and 45.1%.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

Selling, general and administrative expenses are higher for the three months ended January 31, 2002 versus the three-month period ended January 31, 2001 due to the operations added in 2001, as previously discussed.

Selling, general and administrative expenses are higher for the three month period than would be expected on an ongoing basis. This is due primarily to increased administrative costs that were necessary to continue the process of creating better subsidiary reporting, the use of outside professionals for services in assisting in post-acquisition activities, the cost to obtain prior year audits to meet regulatory filing requirements, and the cost of providing accounting and related services to management, normally performed by Company personnel.

INTEREST EXPENSE

The Company's interest expense is a very high percentage when calculated as a percentage of net sales, as all acquisitions were made on a highly leveraged basis. For the three-month period ended January 31, 2002, the percentage of interest expense to net sales of 7% was lower than the 7.4% for the comparable Pro Forma period ended January 31, 2001 reflecting the lower sales for the three months ended January 31, 2002, offset by debt reductions during 2001 primarily from capital contributions. The historical three-month period ended January 31, 2002, the percentage of interest expense to sales of 7% was higher than the 5.8% for the comparable period ended January 31, 2001, due to the cost of financing the subsidiary purchases in June and July 2001.

INCOME TAX PROVISION

The income tax benefit for the three-month period ended January 31, 2002 increased by \$143,000 as compared to the three-month period ended January 31, 2001. The income tax benefit is created primarily through operating loss carryforwards recognized in the quarter to the extent they are available to offset the Company's net deferred tax liability. Quarterly tax benefits are based on the estimated effective tax rate for the full year.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

LIQUIDITY AND CAPITAL RESOURCES

Each of the subsidiaries of the Company have separate revolving credit agreements and term loan borrowings through which the subsidiary finances its operations together with cash generated from operations. The high principal balances of some of these loans reflect the fact that Obsidian Capital Partners, LP, from whom four of the five subsidiaries were purchased, entered into highly leveraged acquisitions of Champion, U.S. Rubber, Pyramid Group, and United.

This high level of debt creates liquidity issues for the Company and the stringent financial covenants that are common for this type of debt increase the probability that the Company's subsidiaries will be in technical default under loans. These risks are mitigated, in part, for the Company's United and U.S. Rubber subsidiaries by the right described below under "Guarantees of OCP."

The Company and most of its subsidiaries have violated certain requirements and covenants in their debt agreements relating to maintenance of certain minimum ratios and levels of earnings to funded debt and fixed charge coverage rate. Management has brought these violations to the attention of its lenders and, except for the Champion debt and one DW Leasing note agreement, the lenders have waived these violations as described below under "Financial Covenant Waivers."

The Company's working capital position (current assets over current liabilities) was negative at January 31, 2002 by \$9,024,000 in part because approximately 39% of the Company's debt is classified as a current liability.

The Company has been addressing these liquidity and working capital issues in a variety of ways. Management anticipates that the following steps started in early 2002 will improve the Company's working capital position, strengthen its equity position and place the Company in a position to successfully address its liquidity issues. These steps include:

- o The transactions described below under "Partners Equity Transactions" which converts more than \$2,170,000 of long-term liabilities to equity.
- o The divestiture of Champion described below under "Champion Transaction" which would improve the Company's working capital position.
- o The transactions described below under "Refinancing Activities" which management anticipates will reduce the Company's interest costs and decrease the proportion of debt which is treated as a current liability.

There can be no assurance that any or all of these transactions will occur. Moreover, if these transactions do occur, there can be no assurance that they will sufficiently address the Company's liquidity issues. Management will continue to address the liquidity concerns as well as consider any additional actions if the contemplated transactions either do not occur or are insufficient.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

FINANCIAL COVENANT WAIVERS

The Company has reached agreements with certain of its lenders to waive financial covenant defaults under the following loans:

- o Management has completed discussions with Bank One in respect of the violations by U.S. Rubber of the negative covenants of (i) fixed charge coverage ratio and (ii) funded debt to EBITDA ratio. Management has received a waiver of these violations and an amendment of the Credit Agreement which extends it through November 1, 2002 when the entire debt is due.
- o Pyramid is a guarantor of DW Leasing's debt to Regions Bank, Nashville, Tennessee. DW Leasing and Pyramid have been in violation of the Funded Debt to EBITDA ratio in the Regions Bank Credit Facility since the inception of the loan. This is due to the fact that DW Leasing acquired eight additional new luxury coaches, in highly leveraged transactions. At the time of the Acquisition, Regions Bank granted a waiver of this violation. To date, the covenant has not been rewritten. Regions Bank has waived the violation as of October 31, 2001. However, since the Company continues to be in violation of this covenant, \$622,000 of long-term debt due Regions Bank has

been reclassified as a current liability.

- o The Company was in violation of three negative covenants with Renaissance US Growth & Income Trust PLC and FBSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company has received a waiver of these violations through November 1, 2002.

Champion remains in default of both the senior and the subordinated debt agreements, which have been classified as a current liability due to the default, and is operating under a forbearance agreement on the senior debt through March 15, 2002. DC Investments is negotiating with Bank One to purchase the senior debt from Bank One. (See Champion Transactions.)

FUNDS AVAILABILITY

On a consolidated basis, as of January 31, 2002, the Company had approximately \$417,000 of cash and cash equivalents. Danzer Industries, U.S. Rubber and United each have revolving credit lines available for working capital at each individual entity. Borrowings under the credit facilities are available to the lesser of the maximum amount or the borrowing base as defined in the credit agreement. At January 31, 2002, these subsidiaries had no additional current availability due to borrowing base limitations. Maximum additional amounts available under these credit lines if supported by their individual borrowing base are approximately \$425,000, \$900,000, and \$315,000 for Danzer Industries, U.S. Rubber, and United, respectively.

The Company did not generate net cash flow from operations during the quarter ended January 31, 2002. Operating losses during the quarter were funded primarily through borrowings under existing lines of credit and related-party finished goods financing provided by DC Investments, and borrowing from DC Investments.

REFINANCING ACTIVITIES

Management is refinancing some of the currently outstanding debt:

- o Negotiations have been ongoing with a new lender to refinance the primary lender of U.S. Rubber at more favorable terms than the current terms. Management anticipates the refinancing will be concluded by the third fiscal quarter.
- o The Company expects in the ordinary course of business to obtain an extension or annual renewal of the term note on the First Indiana Bank revolving line of credit.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

- o The Company is undertaking to refinance the coaches transferred from DW Leasing to a new wholly owned subsidiary of the Company (Obsidian Leasing Company, Inc.) with DC Investments and its various existing lenders. Management anticipates that this will be concluded by the third fiscal quarter.

PARTNERS EQUITY TRANSACTIONS

Obsidian Capital Partners, LP, the major shareholder of the Company, is required under the Plan of Reorganization to fund through the purchase of additional preferred stock certain ongoing administrative expenses of the company to complete the Plan of Reorganization, complete all required current and prior year audits to meet the regulatory filing requirements, and ensure all annual and quarterly SEC filings are completed to enable the registration of the preferred stock issued to Obsidian Capital Partners, LP. Such amount expended through January 31, 2002 approximated \$645,000. Management anticipates this and any additional items incurred will be converted to equity.

Obsidian Capital Partners, LP has indicated that it is willing to convert to Series C Preferred Stock of the Company \$1,222,000 of advances from Partners to the Company. Management anticipates this transaction will be concluded in May of 2002.

GUARANTEES OF OCP

The Company has an agreement with Obsidian Capital Partners, LP that gives it the right to mandate a capital contribution from Obsidian Capital Partners, LP if the lenders to U.S. Rubber or United were to declare a default. In either of those events, the Company has the right to enforce a capital contribution agreement with Obsidian Capital Partners, LP up to \$1,620,000 on U.S. Rubber and \$1,000,000 on United to fund the respective subsidiary's shortfall. These payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

CHAMPION TRANSACTIONS

The Board of Directors has agreed in principle to divest Champion to a group

consisting of Champion's management and Messrs. Durham and Whitesell pursuant to the terms of a nonbinding Letter of Intent, subject to an independent review of fair value by the independent Board members of the Company. DC Investments, LLC is negotiating to purchase the loan of Bank One to Champion and has agreed in principle to contribute the loan to the Company in exchange for an as yet undetermined number of Series C Preferred Stock. The Company would contribute that note to Champion as additional capital. The management group would acquire Champion in exchange for the assumption of the \$1,250,000 subordinated debt of Champion and all accrued interest and either a release of the Company's guarantee of that debt or an indemnification of the Company for any loss to the Company as a result of the guarantee.

Champion was working under a forbearance agreement with Bank One on its Senior Credit Facility which expired on March 15, 2002. Although the forbearance agreement has not been formally extended, DC Investments is negotiating with Bank One to purchase the loan. Champion is also indebted to Markpoint Equity Fund IV under a subordinated credit facility in the amount of \$1,250,000. Champion has been in violation of the funded debt to EBITDA negative covenant of the Markpoint Credit Agreement since the inception of the loan. Management brought this violation to Markpoint's attention prior to the close of the Acquisition and has obtained a waiver of the violation each quarter. Markpoint has informed Champion that it may not grant waiver of this violation in the future. The Bank One debt and the Markpoint debt have been classified as current liabilities due to these violations.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CASH FLOWS (EBITDA)

A summary of our contractual cash obligations for the fiscal years ending 2002 through 2005 and 2006 and thereafter at January 31, 2002 is as follows:

<TABLE>

<S> Contractual Obligations	<C> Total	<C> 2002	<C> 2003	<C> 2004	<C> 2005	<C> 2006 and Thereafter
Long-term debt, with covenant violations and classified as current Long-term debt, and all debt service interest payments	\$4,343,000	\$4,343,000	\$ --	\$ --	\$ --	\$ --
Operating leases	36,108,300	7,137,800	11,264,500	3,417,400	2,559,000	12,729,600
Purchase agreement for equipment	1,854,000	727,000	980,000	67,000	32,000	48,000
	1,350,000	1,350,000	--	--	--	--
Total contractual cash obligations	\$43,655,300	\$13,557,800	\$12,244,500	\$3,484,400	\$2,591,000	\$12,777,600

</TABLE>

Cash flow and liquidity are discussed further below, and the footnotes to our financial statements discuss cash flow, liquidity and the current classification of debt due to loan covenant violations.

We also have a commercial commitment as described below:

<TABLE>

<S> Other Commercial Commitment	<C> Total Amount Committed	<C> Outstanding at December 31, 2001	<C> Date of Expiration
Line of credit	\$ 200,000	\$ 159,000	March 15, 2002
Line of credit	1,000,000	575,000	March 31, 2002
Line of credit	3,500,000	3,185,000	July 1, 2002
Line of credit	3,000,000	2,093,000	November 1, 2002

</TABLE>

The Company's net cash used in operations for the three months ended January 31, 2002 was \$(340,000). This is comprised of net losses of \$1,497,000, increases in inventories of \$458,000, and increases in accounts receivable of \$139,000, offset by noncash depreciation and amortization of \$701,000, and increases in customer deposits and accrued expenses of \$678,000 and decreases in prepaid and other assets of \$375,000.

Cash flow provided from financing activities, for the three months ended January 31, 2002 was \$439,000. This is comprised of borrowings of long-term debt and borrowings of short-term debt of \$961,000, and borrowings from related parties of \$856,000, offset by principal repayments of long-term debt of \$1,378,000.

Cash flow was used in investing activities for the three months ended January 31, 2002 of \$211,000. This is comprised primarily of purchase of property and equipment of \$222,000.

The total decrease in cash is summarized as follows:

Three Months Ended
January 31, 2002

Net cash used in operations	\$	(340,000)
Net cash used in investing activities		(211,000)
Net cash provided by financing activities		439,000

Decrease in cash and cash equivalents	\$	(112,000)
---------------------------------------	----	-----------

EBITDA is a measure of the Company's ability to generate cash flow and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

EBITDA by business segment and reconciliation to net income or loss under accounting principles generally accepted in the United States of America by subsidiary for the applicable periods is as follows:

<TABLE>

<S>	Three-month Period Ended January 31, 2002 (in thousands)				
	<C> EBITDA	<C> Interest Expense	<C> Income Taxes	<C> Depreciation & Amortization	<C> Net Income (Loss)
Trailer and related transportation equipment manufacturing	\$ (376)	\$ 360	\$ (46)	\$ 197	\$ (887)
Butyl rubber reclaiming	83	176	(109)	259	(243)
Coach leasing	235	357	--	245	(367)
Total Company	\$ (58)	\$ 893	\$ (155)	\$ 701	\$ (1,497)

<S>	Three Months Ended January 31, 2001 (in thousands)				
	<C> EBITDA	<C> Interest Expense	<C> Income Taxes	<C> Depreciation & Amortization	<C> Net Income (Loss)
Trailer and related transportation equipment manufacturing	\$ (73)	\$ 35	\$ --	\$ 29	\$ (137)
Butyl rubber reclaiming	192	74	(12)	182	(52)
Coach leasing	17	108	--	75	(166)
Total Company	\$ 136	\$ 217	\$ (12)	\$ 286	\$ (355)

</TABLE>

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in the footnotes to our financial statements. Some of the most critical policies are also discussed below.

As a matter of policy, we review our major assets for impairment. Our major operating assets are accounts receivable, inventory, intangible assets and property and equipment. We have not experienced significant bad debts expense and our reserve for doubtful accounts of \$95,000 should be adequate for any exposure to loss in our January 31, 2002 accounts receivable. We have also established reserves for slow-moving and obsolete inventories and believe the reserve of \$708,000 is adequate. We depreciate our property and equipment and amortize intangible assets (except for goodwill) over their estimated useful lives. We have identified items that are impaired and the operating results for the ten-month period ended October 31, 2001 included a goodwill impairment charge of \$2,305,000. There are no impairment charges in the three-month periods ended January 31, 2002 and 2001.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

RISK FACTORS

There are a number of risk factors related to the future results of the Company, including those discussed in the following paragraphs.

Liquidity

The Company cannot be certain that it will have sufficient liquidity available under existing lines of credit. Four of the Company's subsidiaries were acquired during the last fiscal year in highly leveraged transactions. Also, four of the Company's subsidiaries have been in violation of certain requirements and covenants in their debt agreements relating to maintenance of specified minimum ratios and levels of earnings to funded debt and fixed charge coverage. The Company cannot be certain whether it will be able to meet covenant requirements contained in debt agreements. Although the Company has been able to obtain waivers of previous violations, the Company cannot be certain that it will be able to obtain waivers of such covenants if waivers are needed in the future. One lender, Markpoint, has informed the Company that it may not grant any additional waivers of certain covenant violations.

There is no assurance that lenders will continue to lend to the Company. Lenders' criteria for loans change and, if there is a further general tightening of credit standards, the Company may not qualify for credit. Further, if the Company's financial performance continues to deteriorate from the manner in which its various operations have historically performed, the Company's lenders may declare defaults and refuse to advance funds under revolving credit lines. Under these circumstances the Company may not be able to obtain credit on any terms.

Integration Of Operations

The Company consists of a business combination of Obsidian Enterprises, Inc. and various recently purchased manufacturing entities of Obsidian Capital Partners, L.P. The management resources to date have been spent on purchasing, continuing operations at preacquisition capability after the purchase, and integrating subsidiary operations with the Obsidian management. The date of purchase of each entity by the current management is:

Operating Entity	Date of Purchase
U.S. Rubber Reclaiming, Inc.	December 29, 2000
Pyramid Coach, Inc.	December 20, 1999
Champion Trailer, Inc.	May 2, 2000
Danzer Industries, Inc.	June 21, 2001
United Expressline, Inc.	July 31, 2001

The Company is still in the process of resolving issues relating to the integration of the operations of these entities. The Company may not be successful in integrating these businesses or the integration may take longer or be more costly than currently anticipated.

Market Risk

The Company is exposed to market risk related to changes in interest rates on its debt. Approximately 36% of the Company's primary debt bears interest at a variable rate. An interest rate increase of one percentage point would increase the Company's interest expense over a one-year period by approximately \$134,000 at current debt levels.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

Ability To Attract And Retain Key Managers And Employees

The Company's ability to retain key subsidiary management and employees will be a significant factor in the Company's success. The recent acquisitions of the four subsidiary entities and the changes in the Company's management have made it even more important for the Company to focus on retaining former managers and employees. In addition, the Company just recently hired a chief financial officer and continues to seek to obtain skilled managers and employees and to provide efficient incentives for all of the managers and employees of its subsidiary companies.

Competition

The Company faces strong competitors in its coach leasing segment and trailer and related transportation equipment manufacturing segment. The Company's coach leasing business competes with a number of other companies that lease luxury coaches. The Company's success in the coach leasing segment is dependent upon its ability to meet demand and match the quality and amenities sought after by its target market at competitive prices. The Company's trailer and related transportation equipment manufacturing segment competes with a number of companies, including a number who are much larger than the Company and have equal or greater technical and financial resources.

Butyl Rubber Reclaiming Segment

The Company's butyl rubber reclaiming segment is highly dependent upon the availability of raw materials. The Company is facing increased competition for raw materials from foreign manufacturers as the supply of the scrap butyl rubber from inner tubes continues to decline. The success of this segment will depend in large measure upon the Company's ability to successfully develop alternative sources of raw materials. The demand for butyl rubber by some of the Company's customers also is closely tied to the price of crude oil, with demand falling as the price of crude oil falls.

Coach Leasing Segment

The Company's coach leasing segment leases luxury coaches primarily to performers in the entertainment industry. This segment is highly dependent upon the state of the general economy and its effect on entertainment spending. Consumer spending on entertainment tends to decline during recessionary periods when disposable income is low. The availability of quality contract drivers is another factor that affects the success of the coach leasing segment.

Trailer And Related Transportation Equipment Manufacturing Segment

A majority of truck bodies manufactured by the Company are used in the telecommunications industry. The success of the Company's trailer and related transportation equipment manufacturing segment is dependent upon overall economic conditions and in particular on the state of the telecommunications industry. Slightly more than one-half of the Company's revenue from the manufacture of service truck bodies, which is part of the Company's trailer and related transportation equipment manufacturing segment, is derived from a single customer. The Company's success in this segment is dependent to a large degree upon the continued financial health of this one customer and the continued strength of the Company's relationship with this customer. The loss of this or another significant customer could have a material adverse effect on this segment of the Company's business.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

Other Factors

Management's attention to day-to-day operating issues and the solution of such issues is ongoing due to the very recent dates of purchase. Management's ability to successfully integrate the operating companies into a public reporting and cohesive operations while attempting to attain profitable operating results will be determinative of later success. Employee uncertainty and lack of management focus during the initial stages of purchase and continuing integration is disruptive to the business of each Company subsidiary. Retention of employees through support of the Company's ongoing manufacturing capability, ongoing sales and marketing efforts will be required, but is not assured.

The Company's ability to stabilize operations and to eventually achieve growth of each of its segments will require it to implement and expand its operating and financial systems. This implementation will carry a significant disproportionate cost to the operations in the next twelve months which will have a negative impact on revenues. The Company expects any significant growth would place a strain on its operational resources and its financial systems. Failure to effectively manage any growth would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risk related to interest rate changes. See the discussion of market risk in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2, which discussion is incorporated by reference herein.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

None

A. EXHIBITS

None

B. REPORTS ON FORM 8-K

None

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OBSIDIAN ENTERPRISES, INC.

March 18, 2002

Date

By: /s/ Timothy S. Durham
Timothy S. Durham, Chairman and
Chief Executive Officer

March 18, 2002

Date

By: /s/ Jeffrey W. Osler
Jeffrey W. Osler, Principal Financial
Officer

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EXHIBIT 4

To the Audit Committee
Obsidian Enterprises, Inc.
Indianapolis, Indiana

In planning and performing our audit of the consolidated financial statements of Obsidian Enterprises, Inc. and Subsidiaries for the period ended October 31, 2001, we considered their internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Companies' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Because of inherent limitation of internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the degree of compliance may deteriorate.

Obsidian

The Company lacks the financial infrastructure to properly account for acquisitions and operating activities on a consolidated basis. This results in a greater than normal risk that material errors may occur in the financial statements and not be detected timely. In addition, the lack of a financial reporting system results in the Company not being able to internally prepare all required SEC financial reporting. We recommend the Company hire the appropriate financial personnel to oversee the implementation of a financial reporting system that will allow the Company to meet these requirements.

The Companies had a significant number of related party transactions throughout the year without adequate involvement by financial personnel to assess accounting issues and proper disclosure. Due to the sensitive nature of all related party transactions for a public filing company, management must adequately evaluate the accounting and consider the necessary disclosure of all related party transactions prior to their occurrence. In addition, all transactions must be properly documented with signed documents at the time the transactions occur.

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

The subsidiaries of Obsidian Enterprises were acquired with a significant amount of debt which required restrictive financial covenants. The Company has been out of compliance with a significant number of debt covenants. The Company should develop procedures to continually monitor the compliance with restrictive debt covenants to reduce the risk of defaults.

Each of the operating subsidiaries has a limited number of accounting personnel which results in a lack of segregation of duties necessary for a good system of internal control. One of the priorities of the newly-hired financial officer should be to review accounting procedures at each of the operating subsidiaries and develop compensating controls for the lack of segregation of duties. We have included some suggestions for various subsidiaries under the appropriate company.

The Company must establish accounting routines at each of the subsidiaries to analyze and reconcile significant account balances at least quarterly. In addition to these analyses, there should be adequate supervision and review of these accounting routines.

Champion

Certain balance sheet accounts were not reconciled monthly during the period ended December 31, 2000. These accounts included inventory, accounts receivable and accounts payable. Accounting personnel were added in 2001, and most accounts were reconciled monthly as of October 31, 2001. However, a system to value inventories during 2001 was not in place. As a result of these inadequacies, the Company's monthly financial reporting was not accurate.

The Company should implement standard practices whereby critical balance sheet accounts are reconciled timely and accurately. The Company should establish certain reporting requirements on a monthly basis which provide guidance in evaluating critical measurements of the Company's operations.

Danzer Industries Inc.

Shipping and receiving documents were not always properly signed and dated. These are necessary procedures to provide an adequate audit trail for documenting shipping and receiving cutoff at the end of accounting periods. Standard procedures should be developed for these processes.

The Company's accounting system does not properly account for and track the costs associated with options on finished goods and work in process. All units of a specific part number are costed at an average regardless of options resulting in an incorrect inventory. The Company also does not have established methods for allocating direct labor and overhead to finished goods and work in process.

Unsigned checks are not maintained in a secure environment. They are currently kept in the vault which is unlocked.

U.S. Rubber Reclaiming, Inc.

U.S. Rubber Reclaiming, Inc. (USR) utilizes their own truck fleet for delivery of finished product. The Company currently invoices based on an estimated acceptance date by the customer rather than actual receiving dates. Since the Company has the actual date the product is received by customers, this is the date that should be documented and used to record revenue.

The USRR personnel have not developed an adequate system for accounting for raw materials and the necessary inventory reserves for unused and obsolete material. Company personnel should become familiar with the methodology used by the accounting firm Birk, Gross, Bell & Coulter to establish inventory reserves.

To improve the segregation of duties, someone other than Betty should open the mail and list checks received before giving them to Betty to prepare the deposit and post the accounts receivable remittances. Someone independent should compare the total amount of the checks received to the validated deposit slip to insure that all checks received are properly deposited. In addition, all unopened bank statements should be given to either Don or Arthur for review prior to being given to Betty for reconciliation. Once the bank reconciliation is complete Don or Arthur should review it.

Don should periodically distribute payroll checks directly to department supervisors upon his signature rather than returning them to the payroll department. By directly distributing the checks, it will provide an additional control to help prevent a fictitious employee from being put on the payroll.

The Company experiences shrinkage of finished goods at each monthly inventory. The Company usually expects shrinkages of approximately of 10,000 to 15,000 pounds; however, some months the amount is as much as 35,000 to 50,000 pounds of finished product. An annual shrinkage of 250,000 pounds (or approximately 20,000 pounds per month) would be valued at approximately \$88,000. The Company should evaluate the controls and procedures used to account for the finished goods inventory.

Pyramid Coach

Pyramid Coach has a management agreement for leasing and operating coaches owned by DW Leasing, an entity affiliated through common ownership. Although most of the coaches owned by DW Leasing were transferred to Obsidian Leasing, Inc., a subsidiary of Obsidian Enterprises, management should review the operating and cost structures of both entities and appropriately establish the revenue sharing percentages between the entities. Because this had not been previously evaluated, the Company was required to reallocate revenue at the end of October 2001 to make up for significant deficiencies in Pyramid Coach.

In addition, we have the following comments and suggestions for your consideration.

Obsidian

The Company adopted a new stock option plan during the year ended October 31, 2001. The plan contains certain provisions which will result in the plan being accounted for as a variable plan. This has very negative consequences to a public entity for reporting purposes. The variable plan accounting provides that the change in value of the option be recorded as a current expense up until the date that the number of shares and the price have been determined. The plan could be terminated and rewritten in a manner that would result in a more favorable accounting treatment.

At some time in the future, the Company will want to file a registration on Form S-8 to register the stock option plans of the Company. This will allow the shares issued under the option plan to become registered at the time of their exercise.

Management should develop clear guidance on revenue recognition for each of its operating entities to be sure they are properly complying with the guidance established in Staff Accounting Bulletin 101 issued by the SEC staff. Management should also periodically review compliance with these policies at each location.

We provided the audit committee guidance relative to the adoption of FAS Statements 141 and 142. Since the Company has a significant amount of goodwill remaining as a result of previous acquisitions, management should obtain a copy of this summary and become familiar with the proper accounting for intangibles as well as accounting for future business combinations.

Each of the operating subsidiaries was acquired or established using separate financing sources. Each of these sources established their own audit requirements at the entity level. Requiring audits of each individual subsidiary results in additional costs and complexity. Ideally, the Company should establish common financing for the entire Company, which would result in only the need for consolidated audited financial statements. At a minimum, management should negotiate with each of the finance sources to accept a consolidated audited financial statement with a consolidating detail schedule of each operating subsidiary. This would eliminate the need to issue separate audited financial statements for each entity.

Champion Trailer, Inc.

The Company does not regularly maintain any tape backups for data files maintained on its information system. If the Company were to experience any significant damage to the office building, financial and operating information could be substantially destroyed and lost. We suggest the Company regularly backup electronic data to tapes which are maintained at a secure off-site location.

The Company uses Excel spreadsheet reporting to compile its extended value inventory. There does not appear to be any regular recordkeeping of inventory pricing or quantities on hand. In order to properly account for the value of inventory on hand and the cost of jobs in progress, we believe the Company should take steps to improve its inventory costing system. Lack of such reliable information results in misleading job costs and inaccurate profit margins.

The Company has capitalized leasehold improvements to certain buildings used in the manufacturing operations. These improvements are predominantly being depreciated over a life equal to the original lease term with an additional five-year option. The Company should consider the financial impact on these improvements if there is a change in the manufacturing location. If the operations are moved, the value of all improvements will have to be written off.

The Company has not always executed signed contractual agreements for the production of trailers. Based on the significant cost inherent to each production job and the small number of jobs completed on an annual basis, we believe earning the anticipated profit margins on each job is crucial to the Company's financial stability and cash flows. We noted a few jobs completed during 2000 or 2001 did not yield the expected sales price due to discounting and disputes as to job expenses. We also noted instances where jobs were initiated and the customer subsequently declined the trailer prior to completion. The Company was successful in transferring the trailer to other customers; however, discounted sales prices may be necessary to find the customer and modifications may be necessary to the original trailer resulting in production inefficiencies and additional costs. In 2001, the Company began to initiate contractual agreements. We suggest the Company require binding contracts with each job in order to assure the full sales price is obtained and minimize disputes.

We inquired as to the collectibility of certain invoices aged beyond ninety days. Our inquiries indicate a lack of regular follow up on outstanding invoices. We suggest the Company review the accounts receivable aging on a monthly basis with inquiries to customers regarding all invoices aged beyond expected repayment terms.

Danzer Industries

Danzer Industries accounts receivable aging contained numerous accounts which had extended credit terms and balances. Management should review all financial arrangements provided to customers to ensure customer terms do not cause revenue recognition issues.

The Company has a very small defined benefit plan for the union employees of the Company. Management should review the cost of administration of this plan and determine whether it could be frozen or terminated.

U.S. Rubber Reclaiming, Inc.

The management of USRR does not have executed copies of the debt agreements. We recommend copies be made available to the subsidiary management in order that they may become familiar with all the compliance and covenant requirements.

United Expressline, Inc.

The Company should maintain and retain receiving logs or use prenumbered receiving documents to ensure proper cutoff of inventory purchases.

The Company maintains one general ledger account for several bank accounts. To eliminate confusion, one general ledger account should be maintained for each bank account. This will also aid in the preparation and review of bank reconciliations.

To the Audit Committee
Obsidian Enterprises, Inc.
Page 6

This report is intended solely for the information and use of the Board of Directors, management, and others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Elkhart, Indiana
February 13, 2002

EXHIBIT 5

U.S. RUBBER RECLAIMING, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

U.S. Rubber Reclaiming, Inc. (the "Company"), located in Vicksburg, Mississippi, is a company engaged in reclaiming scrap butyl rubber into butyl reclaim for resale to manufacturers of rubber products.

Basis of Presentation

The financial statements include the amounts of U.S. Rubber Reclaiming, Inc. The Company is a wholly owned subsidiary of Obsidian Enterprises, Inc., parent company, a publicly held company. The Company was acquired by Obsidian Enterprises, Inc. as a part of a reverse merger on June 21, 2001, with the Company's previous owner.

In the period since June 2001, Obsidian Enterprises, Inc., the parent Company, and its subsidiaries have incurred losses and reductions in equity on a consolidated basis. During this period, losses and certain third-party debt repayments have been financed with DC Investments, LLC ("DC Investments") and its subsidiary Fair Holdings, Inc. ("Fair Holdings"), entities controlled by the Company's Chairman. Borrowings from DC Investments and Fair Holdings have been on terms that may not have been available from other sources. As of October 31, 2003, total debt outstanding to DC Investments and Fair Holdings was \$14,158,000. Consolidated total assets and stockholders' deficit of Obsidian Enterprises and subsidiaries as of October 31, 2003 were \$45,882,000 and \$(3,253,000), respectively.

Business Risk and Credit Concentrations

The majority of the Company's sales are by credit. Receivables are generally comprised of a small number of large account balances. Substantially all of these receivables are due from companies in the rubber industry. The Company currently has no policy requiring collateral from its credit customers.

The Company records an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible. An additional allowance is recorded based on certain percentages of aged receivables, which are determined based on historical experience and assessment of the general financial conditions affecting the Company's customer base. The Company had no allowance for doubtful accounts at October 31, 2003 and 2002. If actual collections experience changes, revisions to the allowance may be required. The Company has a limited number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customer's credit worthiness or other matters affecting the collectibility of amounts due from such customers could have a material affect on results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Inventories

Inventories of finished goods, raw materials and supplies are valued at the lower of cost (first-in, first-out method) or market.

Revenue Recognition

Sales are recorded upon shipment under terms FOB shipping point, when title passes to the customer.

U.S. RUBBER RECLAIMING, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of two to thirty-one years. Depreciation expense for the years ended October 31, 2003 and 2002 was \$1,258,702 and \$1,040,233, respectively.

Deferred Costs

The Company has incurred costs related to the issuance of debt. These costs are amortized over the term of the related debt. Amortization expense was \$74,171 and \$43,206 for the years ended October 31, 2003 and 2002, respectively. During October 2002, the Company refinanced its bank debt, and the unamortized debt issuance cost related to the refinanced debt was charged to expense.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, (SFAS 109), as required. Under SFAS 109, deferred tax assets and liabilities are recorded for any temporary differences between the financial statement and tax bases of assets and liabilities, using the enacted tax rates and laws expected to be in effect when the taxes are actually paid or received. Deferred income taxes principally relate to inventory reserves and property, plant and equipment.

Use of Estimates

The timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

EXHIBIT 6



March 14, 2002

Election to Participate in Standstill

ARENTCO RENTALS
510 SOUTH STEMMONS FRWY,
LEWISVILLE, TX 75067

Dear Sir or Madam:

Champion Trailer, Inc. ("Champion") has experienced a number of financial setbacks in the past year, which makes this letter both immediate and necessary. In November, Champion entered into a Forbearance Agreement with its lender, which Forbearance Agreement expires March 15, 2002. Since November, Champion has had to rely on its Shareholders to fund its continuing losses and has sought a recapitalization by its Shareholders.

The recapitalization of Champion is conditioned upon acceptance of a six (6) month "standstill" by Champion's general unsecured creditors and the continuing ability to purchase goods and services COD. Ninety percent (90%) acceptance of the proposed standstill will be required for Champion's Shareholder to continue Champion's operations.

Champion's secured Bank Debt is in excess of \$1.8 Million Dollars, while the liquidation value of the Company's inventory, machinery and equipment is only \$580,000. Notwithstanding this obvious insolvency, Champion's Shareholders are willing to fund the ongoing operations and try to bring the Company back to at least break even in the next six months.

We can only accomplish this goal if you are willing to "standstill" in the collection of our trade payable to you in the amount of \$233.22; and provided that you will continue to supply us COD.

If you agree to this Election to Participate in Standstill, please sign the bottom of this letter and return in the enclosed self-addressed envelope, postage prepaid for your convenience.

Sincerely yours,

CHAMPION TRAILER, INC.

Marcus C. Kennedy

Marcus Kennedy, President

Agreed and accepted this 25 day of March, 2002

Kathy Ewing

Printed: Kathy Ewing
Title: SECRETARY

EXHIBIT 7

1

IN THE UNITED STATES DISTRICT
FOR THE NORTHERN DISTRICT OF ALABAMA
NORTHEASTERN DIVISION

TAZEWELL SHEPARD, TRUSTEE
FOR THE BANKRUPTCY ESTATE OF
FLOYD RANDALL BOWERS,

Plaintiff,

CAUSE NO.
5:06-CV-00721-IPJ

vs.

DIAMOND INVESTMENTS, LLC, et al.,
Defendants.

The deposition upon oral examination of
TERRY WHITESELL, a witness produced and sworn before
me, Paula A. Morgan, Notary Public in and for the
County of Hamilton, State of Indiana, taken on the
20th day of December, 2006, in the offices of
Obsidian Enterprises, Inc., 111 Monument Circle,
Suite 4000, Indianapolis, Marion County, Indiana,
pursuant to the Federal Rules of Civil Procedure.
This deposition was taken on behalf of the Plaintiff
in the above-captioned matter.

ASSOCIATED REPORTING, INC.
Two Market Square Center, Suite 940
251 East Ohio Street
Indianapolis, Indiana 46204
(317) 631-0940

3

EXHIBIT INDEX

For the Plaintiff:

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2

APPEARANCES

FOR THE PLAINTIFF:

Sam David Knight
GORDON & ASSOCIATES, LLC
600 University Park Place, Suite 100
Birmingham, Alabama 35209

FOR THE DEFENDANTS:

Robin L. Beardsley
SIROTE & PERMUTT
2311 Highland Avenue South
Birmingham, Alabama 35205

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4

(Plaintiff's Exhibits 1 and 2 were marked for identification.)

TERRY WHITESELL, the witness herein, having been first duly sworn to tell the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

EXAMINATION,

QUESTIONS BY MR. KNIGHT:

Q Mr. Whitesell, can you state your full name, please.

A Terry Whitesell.

Q And have you ever given a deposition before?

A Yes.

Q All right. How many times?

A Two or three.

Q When was the most recent one?

A About a year ago.

Q And what was that case about?

A A lawsuit where we were suing the seller of a business we had purchased for violating his non-compete.

Q What state was that in?

A Tennessee.

Q What was the outcome?

A We ultimately settled out of court.

Q Okay. When you say we, who were you acting on behalf

5

of in that case?

1 A I was representing Obsidian, one of the witnesses.

2 Q When else have you been deposed?

3 A A number of years ago in some other suits relative to

4 a previous employer and a transaction they were

5 involved in about twenty years ago.

6 Q Twenty years ago?

7 A Fifteen years ago probably.

8 Q Okay. You mentioned yesterday you had been in

9 Alabama for a deposition at some point.

10 A No. I was scheduled to go to Alabama either for a

11 deposition or in attendance for a deposition. I'm

12 not really sure what it was, to be honest. I don't

13 remember.

14 Q Okay.

15 A And I think that was a year ago this past July,

16 August, September, right in through there --

17 Q Okay.

18 A -- on this case. And it had been cancelled the day

19 before.

20 Q Okay.

21 MS. BEARDSLEY: I think it's the 2004 examination

22 in the bankruptcy.

23 MR. KNIGHT: In the bankruptcy case? All right.

24 Q Did you ever give a deposition in the bankruptcy

6

1 proceedings --

2 A No.

3 Q -- related to Quality Trailers For Less?

4 A No.

5 MS. BEARDSLEY: It was not his deposition. It

6 was Mr. Bowers'.

7 Q Okay. Let me show you what I've got marked as

8 Plaintiff's Exhibit 1. This first one is the

9 30(b)(5)&(6) Notice of Deposition of the corporate

10 entity Obsidian Enterprises. Have you ever seen that

11 document before?

12 A Yes.

13 Q Okay. Now, it's got a list of topics that we've

14 requested a corporate representative for Obsidian.

15 And it's my understanding that you are that corporate

16 representative; is that correct?

17 A Yes.

18 Q All right. And are you qualified to talk about --

19 and I'm just going to go through these like I did

20 yesterday -- any and all contact with Floyd Randall

21 Bowers, Anita Bowers or any other employees, agents

or representatives of Trailers For Less?

22 A Yes.

23 Q The formation of Quality Trailers For Less?

24 A Yes.

7

1 Q Formation of Obsidian Enterprises, including

2 ownership and corporate relationship between Diamond

3 Investments and Obsidian and Quality Trailers For

4 Less?

5 A The general knowledge of that, yes.

6 Q Okay. Do you know as much as anybody at Obsidian

7 would know about that?

8 A Yes.

9 Q Demand for access to any Web site owned by Floyd

10 Randall Bowers, Anita Bowers or any company or

11 business owned or operated by them?

12 A If you're asking did we make that request, the answer

13 is no.

14 Q No. I'm asking are you the Obsidian --

15 A Yes.

16 Q -- corporate representative who would know the most

17 about --

18 A Yes.

19 Q -- anything about that?

20 A Yes.

21 Q And that's what I'm asking on all of the next five.

22 I'm not asking about specific questions yet.

23 A Okay.

24 Q Next I want to know, are you qualified to talk about

25 the amounts owed by Trailers For Less and/or Quality

8

1 Trailers For Less to Obsidian Enterprises, if any?

2 A Yes.

3 Q What about the manufacturing process for trailers,

4 including but not limited to, timing, scheduling,

5 costs, et cetera?

6 MS. BEARDSLEY: . And I just want to interject.

7 here. On that particular topic, Obsidian does not

8 manufacture trailers.

9 MR. KNIGHT: Okay.

10 MS. BEARDSLEY: So as far as a representative of

11 Obsidian, since they don't manufacture trailers, I

12 think that Mr. Whitesell has some knowledge of that,

13 but Obsidian does not manufacture --

14 MR. KNIGHT: So you're saying in his individual

15 capacity he's got knowledge or --

16 MS. BEARDSLEY: Well, yes, just through working

17 with United. But Obsidian itself, the company, does

18 not manufacture trailers. I just wanted to make that

19 clarification.

20 MR. KNIGHT: Sure. But some of their affiliates

21 clearly do, right?

22 MS. BEARDSLEY: Right.

23 Q Okay. The extent that anybody at Obsidian knows

24 anything about the manufacturing process for

25 trailers, including but not limited to, timing,

9

scheduling and costs, are you the guy --

1 A Yes.

2 Q -- that would know most about it?

3 A Yes.

4 Q Okay. What about the relationship between Obsidian

5 Enterprises and Floyd Randall Bowers and/or Anita

6 Bowers since 1997?

7 A Yes.

8 Q Payments of any amounts owed by Floyd Randall Bowers,

9 Anita Bowers and/or Trailers For Less?

10 A Yes.

11 Q Operations of Quality Trailers For Less, LLC?

12 A Yes.

13 Q Claims in the adversary proceeding in the United

14 States Bankruptcy Court, No. 05-80157?

15 A Yes.

16 Q Okay. Now I'm also going to show you what I've got

17 marked as Plaintiff's Exhibit 2. It's titled

18 "Re-Notice of Taking Deposition of Terry Whitesell."

19 And can you take a look specifically at the third

20 page in the documents requested there.

21 A Yes.

22 Q Have you either brought those documents with you or

23 produced those prior to the deposition through your

24 attorneys?

10

1 A Yes.

2 Q Okay. Are there any documents you know of that

3 haven't been produced that would be responsive to

4 that request?

5 A Not from --

6 Q That's you as an individual.

7 A No, there has been none.

8 Q Okay. Do you know of any documents that haven't been

9 produced yet that would be responsive to any of our

10 discovery requests?

11 A Only the ones that were discussed relative to the

12 multiple copies of invoices from United to Quality

13 Trailers For Less that we had expressed were

14 available to the court.

15 Q All right. Let me go back to Plaintiff's Exhibit 1,

16 the 30(b)(6) notice. And on Page 2 I've got a list

17 of seven topics of documents that we requested on

18 behalf of Obsidian. Can you look through that

19 carefully and let me know if you either brought those

20 documents or if you --

21 MS. BEARDSLEY: Starting at the bottom here?

22 MR. KNIGHT: Yes, starting at the bottom of

23 Page 2.

24 A To the best of my knowledge, all information has been

25 provided, as it is in the other cases.

11

1 Q Okay. Now, what is your date of birth,

2 Mr. Whitesell?

3 A 8-29-39.

4 Q And what is your current address?

5 A 9129 Admirals Bay Drive, Indianapolis, Indiana.

6 Q Where do you work?

7 A Obsidian Enterprises.

8 Q Okay. That's your official employer?

9 A Yes.

10 Q What's your job title?

11 A I'm President and Chief Operating Officer.

12 Q Okay. How many employees does Obsidian have?

13 A That are, direct employees here within Obsidian,

14 about eight.

15 Q Okay. How many employees overall?

16 A Of companies that are owned by Obsidian, about 375.

17 Q Okay. Give me a list of the companies that are owned

18 by Obsidian, please.

19 A United Trailers, United Expressline, Inc., Classic

20 Manufacturing.

21 Q What does Classic Manufacturing do?

22 A They manufacture enclosed trailers.

23 Q So it does the same thing that United does?

24 A Similar.

25 Q What's the difference?

12

1 A They build a little different line of trailers,

2 different characteristics, higher-end market niche.

3 Q All right.

4 A U.S. Rubber Recycling.

5 Q This may sound like a dumb question, but what does

6 U.S. Rubber Recycling do?

7 A They recycle inner tubes back into rubber for sale to

8 the tire manufactures as a liner for -- the liner for

9 tubeless tires.

10 Q Okay. Does U.S. Rubber -- I'm sorry. Go ahead.

11 A The fourth is Pyramid Celebrity Coach.

12 Q Let me ask you a quick question about U.S. Rubber

13 Recycling. Do they sell any of their recycled

14 products to United Expressline or Classic

15 Manufacturing?

16 A No.

17 Q Pyramid Celebrity Coach, what do they do?

18 A They operate transportation programs and systems,

19 buses, for transporting primarily entertainers but

20 also some corporate and other entertainment people,

21 country music stars, their bands, also, like I said,

22 corporate accounts on occasions.

23 Q Okay. Now, where is Classic Manufacturing located?

24 A Sturgis, Michigan.

25 Q Do you have any job title related to that company?

13

3 A I think, as far as their board of directors, I'm technically the chairman of their board. I serve in that capacity in my capacity with Obsidian.

4 Q What about with United Expressline? Do you have any title related to United Expressline?

5 A Same.

6 Q You're chairman of the board of directors?

7 A I believe so.

8 Q Who else is on that board of directors?

9 A Tim Durham, Todd Bontrager, and Mark Kennedy.

10 Q Who is Mark Kennedy?

11 A Mark is an employee of Obsidian that serves in a multiple capacity going to different of our plants to assist in any operational issues.

12 Q I'm sorry. He serves in a what capacity?

13 A Just in a multiple capacity where he goes to different plants and helps resolve operating needs or assists.

14 Q Troubleshooter for Obsidian?

15 A At times, yeah.

16 Q Okay. And then Todd Bontrager, he's the newly installed president of United Expressline, correct?

17 A Correct.

18 Q How long has he been on the board of directors?

19 A Since his appointment. So that would be -- I think

14

1 it was the middle of September.

2 Q Okay.

3 A As president.

4 Q How long have you been chairman of the board of directors of United Expressline?

5 A Since its acquisition, which I believe was in 2001.

6 Q Okay. How long has Tim Durham been on the board of directors of United Expressline?

7 A Same period.

8 Q What is Tim Durham's title in relation to United Expressline, other than being on the board of directors?

9 A He is Chairman and Chief Executive Officer of Obsidian, for which United Expressline is a wholly owned subsidiary.

10 Q Okay. So is he the overall boss of Obsidian?

11 A Well, there's a board of directors that we're all technically responsible to. But Tim is the day-to-day and oversight-responsible individual, yes.

12 Q Okay. Do you answer to Tim?

13 A Yes.

14 Q He's your boss?

15 A Yes.

16 Q Do you answer to anybody else other than Tim?

17 A Other than the board of directors.

15

1 Q Okay. Are you a member of the board of directors of Obsidian?

2 A Yes.

3 Q Who else is on that board of directors?

4 A Well, Tim Durham, Jeff Osler, Dan Laikin.

5 Q Who is Dan Laikin?

6 A He's an outside board member.

7 Q Okay.

8 A And there's another one. Let me think real quick.

9 Q You?

10 A Well, I am, yes. There's another. And I can't think of his name, but I can't think of it right offhand.

11 Q Okay. Does Obsidian have any business? Do they manufacture anything, make anything, or are they just -- what is Obsidian's day-to-day business?

12 A Well, Obsidian itself is a holding company for those companies that are wholly owned subsidiaries.

13 Q The four you gave me earlier?

14 A Yes.

15 Q Okay. Now, Classic Manufacturing in Sturgis, Michigan, do they sell -- you said they sell enclosed trailers. Who are their customers?

16 A The primary customer, of course, is their dealer, who sells to primarily race teams, motorcycle enthusiasts, landscape companies, landscaping

16

1 companies.

2 Q Right.

3 A That's a mixture of their customers.

4 Q Okay. Do they sell to the end user of the cargo trailers?

5 A Not to my knowledge. They sell primarily through dealers.

6 Q Okay. Does it ever happen that they sell to an end user?

7 A I would assume it does.

8 Q All right. Now, who runs the day-to-day operations of Classic Manufacturing?

9 A Brad Baker and Wade Wolf.

10 Q You said they sell to their dealer. Do they have one dealer in particular?

11 A No, dealers.

12 Q Do they sell to dealers throughout the nation?

13 A Yes, regionally. I mean, I think the majority of them are in the Midwest, east, and some in the southwest.

14 Q Okay. Any in the southeast?

15 A They have some dealers in the southeast.

16 Q Do you know who those dealers are?

17 A Not specifically. Not all of them.

18 Q What about United Expressline? Do they have any

17

dealers in the southeast?

1 A Yes.

2 Q Do you know the names of those dealers?

3 A Not specifically. I know a few by name, but that's

4 it.

5 Q Okay. Can you tell me the few you know by name?

6 A I know Alex Beam in North Carolina.

7 Q Is that B-E-A-N?

8 A M, I believe.

9 Q Beam? Okay.

10 A I know Adam Dowe's company, D-O-W-E.

11 Q Okay. And he's in South Carolina?

12 A South Carolina, Hilton Head. That's the only ones

13 I'm familiar with. There's one called Trailer World

14 in Kentucky.

15 Q Okay.

16 A There may be others I'm not familiar with.

17 Q To your knowledge, does United sell to end users?

18 A Very, very limited.

19 Q Okay. Does it happen occasionally?

20 A I'm sure it has happened on some occasion, yes.

21 Q Okay. Now, who did Obsidian purchase United

22 Expressline from?

23 A Warren Johnson and his family.

24 Q What was the purpose of the acquisition?

18

1 A To increase the holdings of Obsidian.

2 Q At the time Obsidian purchased United Expressline,

3 did it already own Classic Manufacturing?

4 A No.

5 Q When did Obsidian acquire Classic Manufacturing?

6 A I believe 2003.

7 Q Okay. Do you know what part of 2003?

8 A Around the first of the year, but I don't recall

9 specifically.

10 Q Since the year 2000, has Obsidian sold any companies?

11 A Obsidian has not sold any companies.

12 Q Now, you said Obsidian has not sold or divested its

13 interests in any company since 2000?

14 A They have not sold any companies.

15 Q You say it like there's more to it.

16 A We closed an operation.

17 Q Okay. What did you close?

18 A Danzer Manufacturing.

19 Q What did Danzer Manufacturing do?

20 A Utility service truck bodies and cargo trailers.

21 Q And cargo trailers?

22 A Yes.

23 Q When did you close Danzer? And by you I mean

24 Obsidian.

25 A July of '06.

19

1 Q Okay. So prior to Danzer closing, Obsidian owned

2 three companies that, at least in part, manufactured

3 cargo trailers; is that correct?

4 A Yes.

5 Q Okay. Did Danzer sell to end consumers, end users at

6 all?

7 A No.

8 Q Not at all?

9 A Not to my knowledge.

10 Q Okay. Were you on the board of directors for Danzer?

11 A Yes.

12 Q Why did Danzer close?

13 A Customer market shrinkage, which created operating

14 losses over a period of time.

15 Q Now, Quality Trailers For Less did business with

16 Danzer at some point, did they not?

17 A They had purchased a few trailers.

18 Q Okay. Did Danzer have a different niche? I know you

19 told me the difference between Classic and United in

20 that Classic manufactured a little higher-end

21 trailer. What about Danzer? Did they have a

22 separate niche?

23 A Danzer was just entering into the trailer

24 manufacturing market during the last couple of years.

25 And, therefore, they did not have the full variety of

20

1 models that United manufactures. So their trailers

2 were limited to smaller trailers and the lower-cost

3 trailers, offering less features and options.

4 Q Now, I noticed when I came in, I saw a few names on

5 the nameplate out there other than Obsidian. What

6 all names are on the building here?

7 A On this floor?

8 Q On this floor, yes, not the whole building.

9 A Oh, there's Neal Lucas, who we lease space to.

10 Q Okay. Is he affiliated with Obsidian in any way

11 other than --

12 A No. He's an attorney --

13 Q Okay.

14 A -- and has done legal work for us, but he's not an

15 employee or a part of it.

16 Q Okay.

17 A And there's Steve Plopper, who is also an attorney

18 that we lease space to, not an employee of Obsidian.

19 Q Okay.

20 A I don't know that their name is out there. There's a

21 gentleman here, Mike Rappel (phonetic). He leases

22 space from us, and he has a promotions company, I

23 guess. Does promotion events for restaurants and I

24 don't know what all, to be honest.

25 Q Not an employee of Obsidian?

21

A No, no.
 Q Okay.
 A There's Obsidian Conference & Catering, by name, which is not an ownership of Obsidian. And it handles the food and beverage catering on this floor or to groups wishing to rent any of the space up here for business meetings or activities.
 Q But they're not -- which Obsidian are you here on? What's the full name of the corporate entity you're here as the corporate representative of?
 A Obsidian Enterprises, Inc.
 Q Okay. Now, how is Obsidian Enterprises, Inc. affiliated with Obsidian Conference & Catering Center?
 A Other than we eat their food, that's about it.
 Q Okay. I mean, what about this? I've got the -- what's this, just the --
 A I don't know. Obsidian Conference & Catering Center is the operator of the kitchen and the catering facility up here, but it is not owned by Obsidian.
 Q Okay. Who owns Obsidian Conference & Catering Center?
 A I believe it's Tim Durham.
 Q Okay. To your knowledge -- I'm asking you as an individual now -- what businesses besides the ones

22

we've talked about does Tim Durham own?
 A I can't recite them all. I can give you a few.
 Q Tell me the ones you can remember.
 A Obsidian Conference & Catering, Obsidian Limousine. I've probably got this name wrong but CIBO and GELO Restaurant & Lounge.
 Q That's all together, CIBO and GELO?
 A Yeah, it's something like that.
 Q How do you spell CIBO?
 A C-I-B-O, I believe. He owns Diamond Auto Sales or some name quite similar to that.
 Q Where is Diamond Auto Sales located?
 A About three blocks from here in a building, I believe, is the formal address. I'm not familiar.
 Q What sort of autos do they sell?
 A Primarily exotics and classics, which he's a collector of.
 Q Okay.
 A Speedster Motor Car. I'm sure I'm missing some. He's a principal investor in a number of other companies.
 Q Okay. What about Diamond Investments?
 A I don't know what all properties it holds, to be honest.
 Q Okay. What do you know about Diamond Investments?

23

A It's a private investment avenue of Tim Durham.
 Q Okay. Is it an ongoing business?
 A Yes.
 Q Are you aware that Diamond Investments is the entity that entered into the business relationship with Randy Bowers to form Quality Trailers For Less, LLC?
 A Yes.
 Q All right. So that specific Diamond Investments entity is still ongoing and has other investments, other holdings?
 A Yes.
 Q Okay. Do you know any holdings --
 A I do not.
 Q -- of Diamond Investments?
 A I do not.
 Q Obviously I'll ask Tim this. I'm asking you as an individual. Okay. Any other companies owned by Tim Durham, that you know of, besides the six you've given me?
 A That's all I can think of that he is a principal or 100-percent owner. He has investments in other companies, but --
 Q Okay. Where are the corporate offices for Diamond Investments?
 A I assume it's here, but I'm not totally sure of that.

24

Q Do you know if anyone else is involved with Diamond Investments besides Tim?
 A No. As I understand, he's 100-percent owner.
 Q Do any employees of Obsidian also work for Diamond Investments?
 A They don't work for Diamond Investments. There are some -- well, that I know of. I'm not really sure some of the direct employees of Tim Durham, where they're paid out of. You know, there could be some of them paid out of Diamond Investments, and I'm not familiar with that.
 Q Okay. When you say direct employees of Tim Durham, does he have people that work just for him?
 A Yes.
 Q That aren't employees of Obsidian?
 A Correct.
 Q Who are some of those people?
 A Shannon Foltz, I believe her last name is. I'm not sure.
 Q How do you spell that?
 A I --
 Q Best guess.
 A F-O-L-T-Z or something like that. I don't really recall.
 Q Okay.

25

A James Pace.
 Q Okay.
 3 A I don't know. There's no doubt others. I just don't know who else they are.
 5 Q What does Shannon do?
 6 A I think she handles a lot of his personal business, paperwork.
 7
 8 Q What about James Pace? What does he do?
 9 A He takes care of some of his automobiles, manages the limousine service.
 10
 11 Q Okay. Any other employees besides those two, Shannon Foltz and James Pace?
 12
 13 A There may be. I'm not familiar with them.
 14 Q None that you can recall?
 15 A None that I know of. Can I correct the name Foltz?
 16 Q Yes.
 17 A Frantz, F-R-A-N-T-Z.
 18 Q Okay.
 19 A She would absolutely kill me.
 20 MS. BEARDSLEY: We won't tell her.
 21 Q Do Shannon and James have offices here?
 22 A Shannon does.
 23 Q Here at Obsidian?
 24 A Yes.
 Q Okay. Where is James' office?

26

1 A I don't really know.
 2 Q Does Shannon ever do any work on behalf of Obsidian?
 3 A On occasions, possibly handle some meeting arrangement that we've asked her to assist upon.
 4
 5 Q Okay. Do you know if she ever does or has done any work on behalf of Diamond Investments?
 6
 7 A I don't know.
 8 Q Okay. So you told me --
 9 A Scott McKain.
 10 Q Scott McKeen?
 11 A McKain, M-C-K-A-I-N, is the other board of director member of Obsidian. And that's the total list. I apologize.
 12
 13
 14 Q That's okay. I'm glad you thought of it. What does Scott do?
 15
 16 A He's a professional speaker and motivator.
 17 Q Is he employed by Obsidian in any capacity?
 18 A No.
 19 Q So his only affiliation with the company is on the board of directors?
 20
 21 A And he leases an office here.
 Q Here on the 48th floor?
 A Yes.
 24 Q Which company handles the leasing for this floor?
 25 A Fair Holdings is the owner of the lease.

27

1 Q Okay. Is that a Tim Durham company?
 2 A Tim and another partner own Fair Holdings.
 3 Q Okay. And that name's on the door out there.
 4 A Yes, I forget about that.
 5 Q Who's his partner on that one?
 6 A Jim Cochran.
 7 Q Okay. Does Fair Holdings have any other business purpose other than to lease office space here on the 48th floor?
 8
 9
 10 A They have a variety of investments.
 11 Q What are those investments, to your knowledge?
 12 A The one that comes to mind is Fair Finance.
 13 Q Okay. What does Fair Finance do?
 14 A They're a lending company in the state of Ohio. They handle -- they buy receivables from entities such as health clubs, campgrounds and similar activities where they have membership-type deals. And they service those memberships and collect the funds from them and so forth.
 15
 16
 17
 18
 19
 20 Q Okay. Is that the main thrust of their business?
 21 A I think so, yes.
 22 Q You said they're a lending company. Do they lend money to businesses?
 23
 24 A On rare -- on some occasions, yes.
 25 Q Do they work primarily in Ohio, or are they

28

1 nationwide?
 2 A They're chartered and licensed in Ohio, but I believe they serve customers elsewhere throughout the country. But I don't know where all.
 3
 4
 5 Q Have you ever sued anybody personally or been sued?
 6 A I've been sued. Unfortunately, I've never sued anybody.
 7
 8 Q When have you been sued?
 9 A I'm the subject of a lawsuit right now as a guarantor on a loan.
 10
 11 Q In what state?
 12 A Here.
 13 Q Indiana?
 14 A Yes, Indiana.
 15 Q Who's suing you?
 16 A Old National Bank.
 17 Q Okay. Does that have anything to do with your job here at Obsidian?
 18
 19 A Well, I guaranteed a loan of Pyramid Celebrity Coach.
 20 Q And did Pyramid default on the loan?
 21 A In the bank's view they have.
 22 Q Is that still in litigation?
 23 A Yes. Just occurred.
 24 Q And you've been sued in this case, right?
 25 A I believe so.

29

MS. BEARDSLEY: Yes.

3 Q Is Tim Durham involved in any other finance companies or lending companies or anything of that nature?

4 A Not that I'm aware of.

5 Q Is he involved in any other trailer manufacturing or sales companies?

6 A No trailer or manufacturing or sales companies, no.

7 Q He doesn't own any trailer dealerships or anything like that?

8 A No.

9 Q Has he ever?

10 A Other than his investment in Quality Trailers through Diamond.

11 Q Okay.

12 A And previously he and I owned a trailer company down in Georgia and also one in South Carolina.

13 Q When did you own those?

14 A 1998, thereabouts, to 2000, 2001. And then again for about a year, year and a half in 2004 and 2005, rough time frames.

15 Q Which one did you own in 2004 and 2005?

16 A Well, it was Evans Trailer of Sumter, South Carolina and Custom Trailer of Griffin, Georgia.

17 Q Okay.

18 A Now that memory comes back, we also owned Champion

30

1 Trailer in -- right outside of Fort Worth, Texas, Lewisville, Texas.

2 Q Okay. When you say you and Tim -- any others?

3 A No. That's the only trailer companies we owned.

4 Q Okay. When you say trailer companies -- well, I'll go through them individually. You and Tim owned them together?

5 A Personally.

6 Q Personally?

7 A LLC.

8 Q Tim and Terry, LLC, or what was --

9 A I think it was called Champion Trailer, LLC.

10 Q Okay. Is that the entity that owned all three?

11 A No. That was the one that owned the one in Texas.

12 Q Okay. I'll just go through them one by one. Evans Trailer, when did you and Tim own Evans Trailer?

13 A These are approximate dates. 2000 and 2001. Then a third partner that we had at that time bought it and the Custom Trailer out of Georgia from us.

14 Q Who was that?

15 A A gentleman named Roe Hitchcock.

16 Q Where does he live?

17 A I believe he lives in Indianapolis. I'm not 100 percent sure.

18 Q Roe, is that R-O-W?

31

1 A R-O-E, I believe.

2 Q Okay. So he bought --

3 A He and an investment group bought Evans and Custom Trailer from Tim and I.

4 Q In 2001?

5 A I believe so, best memory as I got. And they defaulted on their note with us and with the bank that they had it financed with. And we bought back the note from the bank, and I think that was in 2004.

6 And we operated it for a year, year and a half and sold it to a group that had a formal acquisition name that I do not recall, but it was a group that's in trailer manufacturing, Strick Trailer. S-T-R-I-C-K, I believe it is.

7 Q That's who bought --

8 A Well, that's one of the entities within their holdings, but I don't recall the formal entity that bought it.

9 Q Okay.

10 A It was probably an acquisition-formed company.

11 Q All right. How did you and Tim own Evans Trailer during the times you owned it?

12 A Well, Tim and I and Roe Hitchcock, a third partner, approximately 1998, bought Custom Trailer in Griffin, Georgia.

32

1 Q Okay.

2 A Later we added to it Evans Trailer in Sumter, South Carolina.

3 Q Do you know when you bought Evans Trailer?

4 A '99 maybe, 2000, right in through there.

5 Q That's Custom Trailer. Okay. Wait, no.

6 A No, that was Evans Trailer that was the second acquisition.

7 Q Okay.

8 A Then Mr. Hitchcock proposed to us to -- he wished to buy our interest at that time, he and a group of investors, and we sold it to him.

9 Q And then they defaulted on that note?

10 A Yes, somewhere along the line.

11 Q And you and Tim bought back Evans. Did you buy back Evans and Custom --

12 A Right.

13 Q -- in 2004?

14 A We bought the entity from the bank.

15 Q The entity being --

16 A Whatever remained of those two companies.

17 Q Of Evans Trailer and Custom?

18 A Custom Trailer was nothing but a piece of ground and very little equipment.

19 Q Okay.

1 A So we just sold off the property and got rid of the
 2 equipment. And then we operated for a year, year and
 3 a half maybe, Evans Trailer when Strick or their
 4 group decided to buy it.
 5 Q Okay. So you never actually sold any trailers when
 6 you reacquired Custom Trailer; is that correct?
 7 A Well, Strick -- I mean Evans Trailer did, yes.
 8 Q Right. But Custom and Evans are separate companies,
 9 right?
 10 A Yes.
 11 Q Okay. I'm trying to sort through them.
 12 A Custom Trailer was defunct at the time we bought it,
 13 really.
 14 Q Okay.
 15 A And there was no product produced or sold by Custom
 16 after our reacquiring it.
 17 Q Okay. At the time you bought Custom Trailer and when
 18 you operated it the first time, they sold cargo
 19 trailers?
 20 A No, no. They were utility trailers.
 21 Q Utility trailers.
 22 A Which are open-bed trailers used to transport
 23 primarily land-modifying equipment, backhoes, ditch
 24 diggers, things like that.
 25 Q Okay. What did Evans Trailer -- what did they sell?

1 during that time period?
 2 A I know they sold a few. As to the quantity, I'm
 3 unsure.
 4 Q Okay. And we're talking about in 2004 and 2005?
 5 A Yes.
 6 Q Okay. So just to clarify, Evans Trailer, when you
 7 and Tim reacquired them sometime during 2004, 2005,
 8 sold, you said, around half a dozen enclosed cargo
 9 trailers?
 10 A To the best of my knowledge, that's the quantity, as
 11 a dealer.
 12 Q Okay. What about the other Champion Trailer? Tell
 13 me about when you owned Champion Trailer.
 14 A I think we acquired Champion Trailer in 1999 or right
 15 at that time frame.
 16 Q Okay. And who bought that? I know it was you and
 17 Tim, but --
 18 A It was an acquisition company formed by Tim and I.
 19 Q What was the name of that company?
 20 A I assume it was Champion Acquisition, but I don't
 21 really recall the specific name.
 22 Q Okay. And then what happened with that company?
 23 A It ultimately was transferred into Obsidian and then
 24 back out of Obsidian. And Tim and I had it again.
 25 Q When did you have it again?

1 A They built large, open trailers primarily used to
 2 transport heavy equipment and were used in the
 3 logging industry to transport logs from the forest to
 4 the mills.
 5 Q Okay. Did they sell any enclosed cargo trailers?
 6 A They may have sold one or two or three, but they did
 7 not manufacture them.
 8 Q Okay. Did Evans Trailer manufacture the others?
 9 A Evans Trailer manufactured the logging trailers and
 10 the heavy equipment.
 11 Q And sold those, too?
 12 A Yeah.
 13 Q Manufacturer and dealer?
 14 A Well, they sold to dealers.
 15 Q Okay.
 16 A And in some cases I believe they sold direct.
 17 Q Okay. They did not manufacture enclosed cargo
 18 trailers?
 19 A No.
 20 Q But they did sell a few?
 21 A I think they sold a few.
 22 Q Did they sell any enclosed cargo trailers after you
 23 and Tim reacquired Evans Trailer in 2004, 2005?
 24 A Possibly a half dozen.
 25 Q Okay. Do you know if they sold a half dozen or not

1 A Probably took it back in 2005, late '04 maybe into
 2 '05.
 3 Q Okay. When was it transferred into Obsidian, from
 4 when to when?
 5 A I believe it was transferred into Obsidian in 2001 or
 6 2002.
 7 Q So from 2001 or 2002 to approximately 2005, when it
 8 was transferred back to you and Tim --
 9 A Yes.
 10 Q -- Obsidian owned Champion Trailer?
 11 A Yes.
 12 Q What did Champion Trailer -- what was their business?
 13 A They were a very small niche manufacturer of
 14 extremely high-end, custom-built trailers for the
 15 racing industry.
 16 Q Enclosed cargo trailers?
 17 A No, not enclosed cargo. Enclosed custom-built
 18 trailers.
 19 Q Okay.
 20 A They would take great deference in that at that time.
 21 They built exhibit trailers and high-end race car
 22 transport or hospitality-type trailers.
 23 Q Were they enclosed trailers?
 24 A Yes, they were enclosed.
 25 Q And they manufactured those?

1 A Yes.
 2 Q Did they also sell those --
 3 A Yes.
 4 Q -- directly --
 5 A Yes.
 6 Q -- to end consumers? Were they a competitor of
 7 Quality Trailers For Less --
 8 A No.
 9 Q -- or the type of business Randy Bowers ran?
 10 A No.
 11 Q Why not?
 12 A They built real high-end. Average pricing, \$350,000
 13 per unit.
 14 Q Okay.
 15 A And would build approximately ten to fifteen of them
 16 a year.
 17 Q Okay. So you're saying it's not possible that
 18 Champion competed with Quality Trailers For Less?
 19 A Correct.
 20 Q Because -- again, tell me why not. Because they sold
 21 higher --
 22 A Very specific custom built, high-end market for which
 23 the customer was very involved in the design and the
 24 work with the manufacturer to build it to his liking.
 And it was like building a custom-built home. You

1 worked with them through the entire process, from the
 2 time it was designed to the picking out of the
 3 carpet, to the granite, to the showers, all the
 4 features within it. And it was a very
 5 customer-specific market.
 6 Q Okay. In your mind, did any of these, Evans, Custom
 7 Or Champion, compete with Quality Trailers For Less
 8 at any time, either before or after Tim Durham and
 9 Diamond Investments got involved with them?
 10 A Well, not certainly as a manufacturing entity or an
 11 outlet. In other words, Evans sold, as I indicated,
 12 a few enclosed cargo trailers. Generally people that
 13 would come into their lot that needed a trailer to
 14 compliment part of their business that they were
 15 doing in the logging or other business for which they
 16 were there primarily about.
 17 Q Okay. Now, do you and Tim or any of your companies
 18 own any of these trailer companies currently?
 19 A No.
 20 Q What happened to Champion?
 21 A We closed it.
 Q When did you close it?
 A September of '06.
 24 Q What about Custom? Did you say that's the one
 25 that --

1 A Griffin, Georgia. And that was an entity that we
 2 reacquired the note from the bank, took it over, and
 3 liquidated it out at the time we reacquired the note.
 4 Q Right. And then Evans, is Evans the one that you
 5 sold to Strick?
 6 A Yes.
 7 Q All right. Have you told me every company or entity
 8 with which you personally are affiliated?
 9 A Well, that I am -- I'm an employee of Obsidian.
 10 Q Right.
 11 A I assist in other of Tim Durham's companies, such as
 12 Speedster Motor Car, Obsidian Conference & Catering.
 13 I guess that's it.
 14 Q United, do you assist in United?
 15 A Well, that's part of Obsidian, so that's part of my
 16 responsibility.
 17 Q All those under the --
 18 A Obsidian ownership, the four companies.
 19 Q Okay. I see what you're saying. What do you do
 20 specifically and what have you done since Obsidian
 21 first acquired United? What has been your role with
 22 United Expressline?
 23 A Well, it's a 100 percent wholly owned subsidiary of
 24 Obsidian. Therefore, I'm responsible for its overall
 25 performance to the investors and owners of Obsidian.

1 Q Okay. And have you told me the names of all of the
 2 investors or owners of Obsidian?
 3 A No. I don't know them all.
 4 Q Okay. Can you tell me the names you know?
 5 A Well, Tim Durham, Terry Whitesell, Jeff Osler, Dan
 6 Laikin, Obsidian Capital Partners.
 7 Q Okay. Anybody else?
 8 A That's all I know of offhand.
 9 Q Who is Obsidian Capital Partners?
 10 A It was an investor group that contributed funds to
 11 help form acquisitions or perform acquisitions for
 12 Obsidian, for which we acted as managers of that
 13 fund.
 14 Q Did Obsidian Capital Partners have anything to do
 15 with the Quality Trailers For Less, LLC entity?
 16 A Other than they were partners or owners within
 17 Obsidian. So they had no active role or participate
 18 in any of the decisions or management of it.
 19 Q Okay. You said they had an ownership role through
 20 Obsidian. How did Obsidian have an ownership role in
 21 Quality Trailers For Less, LLC?
 22 A Oh, Obsidian did not.
 23 Q Okay. Who did, to your understanding?
 24 A In Quality Trailers For Less?
 25 Q LLC.

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A **Just Diamond Investments.**

Q All right. And, again, tell me what is the relationship between Diamond Investments and Obsidian?

5 A **There is no relationship other than via Tim Durham.**

6 Q Okay. So is it your understanding that Diamond is just Tim, no partners, no investors, nothing of that nature?

7 A **That's my understanding, correct.**

8 Q Does Tim Durham have the authority to direct the day-to-day operations of United Expressline if he so desires or desired?

9 A **Well, I suppose. As Chief Executive Officer of Obsidian, he would have that formal capacity.**

10 Q Did he ever exercise that authority?

11 A **No.**

12 Q Did he have that authority from the time you acquired United until today?

13 A **Certainly.**

14 Q Did he ever or has he ever gotten involved with the day-to-day operations of United?

15 A **Well, to the degree of asking me particularly or, on occasions, some of the management of United about a particular aspect of it, you know, how's your order bank, what's your production level, how's your cash**

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1 flow, how's the new building coming, those type of questions.

2 Q Okay. Does United have a new building?

3 A **Yeah, we built a new building.**

4 Q I meant to ask you a minute ago, who is DC Investments?

5 A **Well, that's an entity of Durham and Cochran.**

6 Q What do they do, as far as you know?

7 A **Investments. I don't know what they own, don't know what's under them. I really don't.**

8 Q Do you have anything to do with that company at all?

9 A **No, other than if there are some of the companies that are owned by it, I may have assisted in some of the operations, some aspect. But I'm not sure what ones they own.**

10 Q Okay. Does DC Investments have office space here on the 48th floor?

11 A **Well, in theory, I guess, since both Tim and Jim are officed here.**

12 Q Okay. And is that the same thing you told me about Diamond Investments? Do they have office space here on the 48th floor?

13 A **In the sense that Tim's office is here.**

14 Q Okay. Of all the companies, entities, holding companies, anything at all, which ones had any

15

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1 affiliation or dealings or any contact of any kind with Quality Trailers For Less, LLC, the company that Tim and Randy formed?

2 A **Well, to my knowledge, it would have been United Trailer, United Expressline, and Diamond Investments.**

3 **That's all, to my knowledge, that would have had contact.**

4 Q Okay. So, again, Obsidian had no stake in that company?

5 A **In --**

6 Q Quality Trailers For Less, LLC.

7 A **No.**

8 Q Okay. Did you help or do anything with the day-to-day operations of Quality Trailers For Less in any of your many roles with these companies?

9 A **I had tried to assist.**

10 Q How so?

11 A **Well, after Quality Trailers For Less was formed, we were attempting to see if we could assist in any form, get them back as a positive business entity selling trailers, marketing trailers. And we offered our assistance in any way we could in the management input to it.**

12 Q Okay. And did, I guess, the Bowers take you up on that offer to assist, or did they reject that?

13

44

1 A **Never really responded at any time.**

2 Q Okay. Did you talk to Tim Durham about your offers to assist with Quality Trailers For Less?

3 A **I don't recall other than just through the understanding that that was the philosophy of trying to get Quality Trailers For Less performing and that we would assist if could be.**

4 Q Okay. In what role did you offer to assist in helping them get back on their feet in their day-to-day operations?

5 A **A part of the Quality Trailers For Less, LLC agreement, if I recall, included the need for Randy and Anita to file financial reports and keep us abreast of the business. We offered to assist in establishing their accounting process and getting that under way.**

6 Q Okay. What I'm saying is in which of your capacities did you make that offer? As COO of Obsidian or as part of your affiliation with United or just at Tim's behest?

7 A **I was just doing a job. I was obviously trying to help United, being that they were interested in having Quality Trailers For Less as a successful selling agent for them. I was trying to help Diamond Investments since they had considerable funds**

8

invested. And I felt a personal responsibility to Tim to try to help that entity be able to perform.

Q Okay. But, again, and I don't mean to belabor the point, but can you not tell me what specific role you made that offer in?

A No. I don't know how you'd consider it. I'm not sure.

Q Okay. You said you felt an obligation to Tim to, I guess, help Quality Trailers For Less succeed. Is that a fair statement?

A Yes.

Q Why did you feel a personal obligation to him for that?

A He and I have been friends for a number of years, and I didn't want to see an investment go down the tube.

Q Okay. Did you have anything to do with the decision-making process for Tim and Diamond Investments to invest in Quality Trailers For Less?

A Not in the decision that he determined to do it. I tried to provide him with information on the prior performance and issues of Quality Trailer as it related United.

And after he decided that he would be willing to pay off the note and outlined the general concept of trying to work something with Randy, then I assisted

in carrying out that somewhat direction.

Q Okay. Did you do everything in your power to try to help Quality Trailers For Less try to succeed?

A Well, I thought I did.

Q Can you think of anything, as we sit here today, that you could have done differently or that would have helped avoid them going under?

A Apparently not. I mean, the communication was so restricted and limited and the forthcoming of information back from Randy and Anita was so limited that we really never got even close to seeing it go forward.

Q Okay. Did you have the authority to order the people at United to continue to work with Randy and Anita and Quality Trailers For Less in reducing the approximately \$80,000 debt they had in late 2004 or middle of 2004 into late 2004?

A I would have probably had the authority, being that I was Chairman of United and President/Chief Operating Officer of Obsidian.

Q Right. Why didn't you exercise that authority?

A I thought that was a valid judgment decision on the operating management, who are truly responsible for United. They were not getting communication, and the problems seemed to be increasing on the difficulty in

collecting their accounts with Quality Trailer. And I felt that was their judgment to call when they couldn't get any assistance from Quality Trailers.

Q In your opinion, did you have a conflict of interest there as between --

A No.

Q -- United and Quality Trailers For Less?

A No, not really. I didn't think so.

Q You say not really. Did --

A I had an interest in seeing both succeed.

Q Okay. To the extent, though, that you could have ordered United to work with Quality Trailers For Less and to work out a plan to reduce the debt or to give them more time to have the government contracts paid, you didn't exercise that authority, you testified earlier, correct?

A Correct.

MS. BEARDSLEY: I want to object for a second. Are you talking about the first time?

MR. KNIGHT: Second time. I haven't even talked about the first time at all yet.

MS. BEARDSLEY: Okay.

Q So you didn't do everything in your power to see that Quality Trailers For Less would succeed, did you?

MS. BEARDSLEY: Object to form.

A I did what I felt was good business judgment without violating the operating management's best interest and performance of United Trailer.

Q Right. And, again, it seems to me you had at least something of a conflict of interest there as between the interest of Quality Trailers For Less and the interest of United Expressline. Do you agree with that?

MS. BEARDSLEY: Object to form.

A I really have no answer to that.

Q What do you mean?

A Well, I'm not sure how I would have evaluate that I had a conflict of interest. I was interested in both parties being successful.

Q Okay. But what I'm saying is if it would have helped Quality Trailers For Less be successful to have been given more time or different payment terms or work out some sort of deal in late 2004 but that would have been to the detriment of United, you obviously chose to go to the detriment of Quality Trailers For Less by not exercising your authority; isn't that right?

MS. BEARDSLEY: Object to form. You can answer if you --

A I think the answer has been given previously. I

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1 don't feel I had a conflict of interest. I think I
 2 was taking the steps that were prudent business
 3 judgments. The operating management of United felt
 4 that the debt problem at Quality Trailers For Less
 5 was continuing to grow. They were not getting
 6 response. And I had no valid reason to say I'm going
 7 to override that.

8 Q Okay. Do you agree that United and Quality Trailers
 9 For Less, their interests were divergent at that
 10 point in the --

11 A No --

12 Q -- summer and fall --

13 A -- I don't.

14 Q -- of 2004? You don't?

15 A No.

16 Q Explain that to me.

17 A I think Quality Trailers For Less and United both
 18 were interested in increasing their business. They
 19 were trying to work together. But the responsiveness
 20 and the problems of Quality Trailers For Less in
 21 operating their business precluded United from
 22 continuing that relationship. But they had worked
 23 with them and attempted to make a success out of it.

24 Q Okay. I'm just saying there was a conflict of
 interest between United and Quality Trailers For Less

50

1 on the terms of -- on the payment terms for the
 2 ordered trailers, correct?

3 MS. BEARDSLEY: Object to form. I don't
 4 understand the question.

5 Q What I'm getting at is Quality Trailers For Less owed
 6 United a certain amount in summer and fall of 2004.
 7 Do you agree with that?

8 A Yes.

9 Q Okay. Now, to get that paid back or to work out some
 10 sort of plan whereby Quality Trailers could stay in
 11 business and continue to be able to order trailers
 12 from United, going into the end of 2004 and on into
 13 2005, that would have been in Quality Trailers For
 14 Less's best interest. Do you agree?

15 A Quality Trailers For Less represented other
 16 manufacturers in the enclosed cargo trailer business
 17 other than just United. How they were with those
 18 other vendors and their ability to buy and sell their
 19 trailers, I have no knowledge.

20 All I have knowledge of is how United was with
 21 them. And at that point United felt like they did
 22 not have a business environment with Quality Trailer
 23 for which they could go any further without Quality
 24 Trailer resolving their financial difficulties. And
 25 they were not willing to increase that indebtedness

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1 while they worked out the problem. They asked them
 2 how are you going to solve the problem, and there was
 3 very little, if any, response from Quality Trailer.

4 Q All I'm saying is United made the decision not to
 5 work with them after a certain point in the summer or
 6 fall of 2004, right?

7 A Correct.

8 Q So that was in United's best interest to make that
 9 decision, based on your testimony, correct?

10 A United Trailer felt unless they had resolve and input
 11 from Quality Trailers For Less as to how they were
 12 going to resolve their, at that time, debt, they
 13 couldn't go any further.

14 Q Right. But that decision by United was not in the
 15 best interest of Quality Trailers For Less, LLC, was
 16 it?

17 A I don't know that. I don't know that. Quality
 18 Trailers For Less had other avenues to sell and
 19 market trailers through other manufacturers.

20 Q Okay.

21 A They elected to purchase and do so.

22 Q I'll show you what I'm going to mark as Plaintiff's
 23 Exhibit 3 to this deposition.
 24 (Plaintiff's Exhibit 3 was marked for
 25 identification.)

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1 Q Now, have you ever seen these documents? And what
 2 this is, Robin, it's -- I'll give you the Bates
 3 numbers because it's a lot of documents. It's Bates
 4 labeled DEF 000072 through DEF 000122.

5 And it looks like it's a copy of the Articles of
 6 Organization for Quality Trailers For Less, LLC,
 7 subscription agreements for Diamond Investments and
 8 Randy Bowers, operating agreement, that kind of
 9 thing. Have you seen these documents before,
 10 Mr. Whitesell?

11 A Yes.

12 Q Okay. You've looked through those?

13 A I have seen them.

14 Q Okay. Do you know what the term fiduciary means or
 15 fiduciary duty?

16 A In general, yes.

17 Q All right. Now, are you familiar with the Alabama
 18 Limited Liability Company Act?

19 MS. BEARDSLEY: Object to form. It's a legal
 20 question.

21 Q Just are you, as an individual, familiar --

22 A To my knowledge, no.

23 Q Okay. I don't mean do you know every aspect of it.
 24 Now, as part of their agreement with Diamond
 25 Investments and Randy Bowers, Randy Bowers -- I think

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there's some testimony or there will be testimony that he was asked to push United trailers and Classic trailers by you or various people affiliated with Obsidian. Is that correct?

5 A Yes.

6 Q Did he do that?

7 A Well, I am assuming he sold some, yes.

8 Q Okay.

9 A I don't know what amount he sold of other manufacturers' trailers.

10

11 Q Did you ever ask or question that?

12 A Prior to the formation of the LLC, I'm sure I've inquired, Randy, you know, what percentage of your business is United Trailer?

13

14

15 Q Okay. And was it in United's best interest to get as much business as possible from Quality Trailers For Less, even before the formation of the LLC?

16

17

18 A Yes.

19 Q I want to go back. I'll come back to some of that in a minute. But when did you first begin having dealings with Quality Trailers For Less?

20

21

22 A I think I met Randy and his father probably in the November, December time period of 2002 maybe.

23

24 Q Okay. And that was obviously after Obsidian had acquired United?

54

1 A Yes.

2 Q Did you meet them in person?

3 A Yes.

4 Q Where?

5 A In the plant up at United, I believe.

6 Q Why were they there?

7 A They were there on a dealer meeting, along with other dealers. And I met them at that point.

8

9 Q Okay. And there weren't really any problems between Quality Trailers For Less and United at that point, were there?

10

11

12 A I don't recall whether there were. To my knowledge, there were not, but I don't know.

13

14 Q Okay. When were your next dealings with Randy or Anita or anybody from Quality Trailers For Less?

15

16 A As far as I recall, it probably was not until the fall of '03 maybe.

17

18 Q Okay. And then how did they get on your radar screen at that point?

19

20 A The high level of their indebtedness to United and my interest in how is it going to be paid back.

21

Q So fall of 2003, is that when you --

A I believe it was.

24 Q Is that when you were first aware there was a problem with this particular dealer?

25

55

1 A To the best of my knowledge, yes, right in that period.

2

3 Q And what steps did you take once you were aware of the problem?

4

5 A Well, obviously I was pushing upon the management of United to find out how this debt is going to be handled.

6

7

8 Q Okay. So you were talking to, I presume, Gary Stanley with United at that time?

9

10 A Gary and Dave.

11 Q Okay. By the way, why was Gary Stanley fired in September of this year?

12

13 A I don't believe that that's something that should be related in this. It's a personnel matter.

14

15 Q It's what?

16 A It's a personnel matter.

17 Q Well, it's a discovery deposition. I think I get to ask that question.

18

19 A I don't know that I have to answer. Do I?

20 MS. BEARDSLEY: You can answer to the extent you --

21

22 A We didn't feel his performance was in tune. The operation had lost money, and we didn't feel the overall direction was in our best interest.

23

24

25 Q So your testimony is he was fired for poor

56

1 performance as president of United?

2 A Yes.

3 Q Okay. What's the financial condition of United today?

4

5 A They're making a slight amount of money.

6 Q When you say a slight amount, do you know how much?

7 A I don't prefer to disclose that.

8 MR. KNIGHT: I don't really care, so I won't make an issue of that. I do want to take a quick break.

9 (A recess was taken.)

10 Q Okay. You told me Gary Stanley was fired because of overall performance. Was there anything in particular, any specific reason that you fired Gary Stanley?

11

12

13

14

15 A I think that's adequate.

16 MS. BEARDSLEY: I think he answered the question.

17 Q Does Gary Stanley know why he was fired?

18 A He indicated to you yesterday in his deposition.

19 Q When did he cease being an employee of United? What was the exact date he was let go?

20

21 A I can't recall exact, but I think it was September the 12th or thereabouts.

22

23 Q Of '06?

24 A Yes.

25 Q All right. And Todd Bontrager was immediately

Installed as --

A No. It was about the first of October or thereabouts.

Q Okay.

A Three weeks later maybe.

Q Okay. I think before the Gary Stanley question you were talking about fall of 2003, Quality Trailers For Less, you became aware that there was a problem. And I think you testified you were talking to the management at United?

A Right.

Q Okay. And then what steps were taken to address the problem in the fall of 2003?

A Well, I don't know all the steps that Gary and Dave took to address the problem and try to get answers. Ultimately I suggested to Gary and may have talked to Randy direct that we have a meeting to discuss how Randy proposed to pay the debt that he owed United Trailers.

Q Do you know the amount of the debt at that time?

A Well, I think it was right at \$300,000. Might have been slightly more.

Q Okay. Did you have anything to do with the decision to cut off the building of trailers ordered by Quality Trailers For Less?

A To the best of my knowledge, yes.

Q Okay. Did you have many telephone conversations with Randy or Anita Bowers throughout the course of your dealings with Quality Trailers?

A After that point, in other words, when we possibly contacted him and asked him about how he was going to settle the debt, I probably had four or five telephone conversations or that one meeting here with them.

Q Okay. Do you remember the substance of those telephone conversations specifically?

A Well, initially it was, you know, how are you going to pay your debt back.

Q All right. And what did he tell you?

A That he was trying to find avenues to come up with the funds, talking to his banks, seeing if they would loan him any money, looking at credit card possibilities, other lenders, I guess, to see if he could find the funds to pay it.

Q Okay. You said initially that's what you talked about. What did you talk about in the later conversations?

A Well, I don't recall -- other than after we met here, there were probably two or three conversations. And I'm just recalling by general memory. And it was

A No.

Q Were you aware that the decision had been made?

A I'm sure I became aware, yes.

Q Did you agree with that decision?

A I really hadn't -- I would assume that I did at that time because of the high amount of the debt.

Q Okay. Do you know if United charged any interest on the outstanding account receivable for Quality Trailers For Less?

A I don't believe they did.

Q At any time?

A Not that I'm aware of.

Q Okay. So you suggested to Gary and Dave that a meeting be set up with Randy Bowers?

A I don't remember exactly how that occurred, but there was discussion, I'm sure, at some point along the line. I might have been involved in a conversation even calling Randy, in joint with Gary and Dave, and trying to understand how are you going to pay United this debt back.

Q Okay.

A And it was part of some of those conversations maybe.

Q Was that, in that conversation, was that the next time you had talked to Randy Bowers since you met him and his dad, he and his dad?

probably to do with the -- some of the details maybe involved in the formation. I don't really recall.

Q And so did this meeting that you suggested ever occur?

A Yes.

Q Was that the Indianapolis meeting --

A Yes.

Q -- we discussed in the depositions yesterday?

A Yes.

Q When did that meeting take place?

A It was either late November or first of December. Probably first week in December of '03.

Q Okay. Late November or early December?

A Yeah, of '03.

Q Where did the meeting take place?

A Here.

Q Here in this office --

A Yes.

Q -- of Obsidian? Okay. And at that meeting, in which capacity were you acting?

A Well, as Obsidian's owner of United and my responsibilities for Obsidian's ownership in United.

Q Okay. And who was at that meeting?

A Gary and Randy and I. I don't recall that there was anybody else.

Q Was Tim Durham not at that meeting?
 A He may have stopped in and said hello. I don't really recall that he did. He may have. He didn't sit within the meeting for any time, if he did. I know that.
 Q Okay. Who is Tony Schlichte?
 A He's an executive VP for Obsidian.
 Q Is he one of the eight employees you mentioned earlier?
 A Yes.
 Q What about Rick Snow?
 A Same.
 Q Jeff Osler?
 A Same.
 Q Okay. Are Tony Schlichte and Rick Snow on any boards of directors for any of the entities we discussed?
 A Jeff Osler is.
 Q Okay. You mentioned him a couple times. What about the other guys?
 A They're not on the board of directors, no.
 Q So you heard Gary Stanley testify yesterday that Tim Durham was at the meeting?
 A Yes.
 Q Okay. So that's correct? You think he was here for at least part of the meeting?

A He may have walked in and introduced himself, said hello to Randy. I don't really recall, to be honest.
 Q Do you know if he sat in for the whole meeting?
 A Didn't I just say that I don't think he did. He may have stopped in and shook his hand.
 Q You did say that. And I don't mean to belabor the point again, but I'm just trying to clarify. Are you positive that he just stuck his head in and shook hands, or is it --
 A No, I'm not positive.
 Q -- possible that he sat in on the meeting?
 A I'm not positive, but I know he did not sit in on the length of the meeting.
 Q On the entire length of the meeting?
 A Correct.
 Q Okay. I'm really not trying to be difficult. I've just got to nail stuff down. Okay. So what was discussed in this meeting, whoever was there?
 A You know, we tried to talk to Randy about his problem as to how he got into it. I didn't know Randy that well. I talked to him a little bit about his background. He had worked, you know, at General Motors, I guess.
 Q Trying to understand a little bit about how he had sold trailers and marketed trailers and what

percentage of his business United represented, whether -- you know, how he thought that he had got into the problems that owed so much money, how he proposed to try to get out of the debt. And that was the range of the discussions throughout the time.
 Q Okay. Did you kind of run the discussion?
 A I don't know if I ran it. I helped carry out the conversation between the three of us, yes.
 Q Okay. What was your opinion of Randy after that meeting?
 A Well, that I liked Randy as an individual. He was a nice guy. He had limited business background, had probably got a business going to the degree that it was being a lot of sales, but he hadn't had very -- that he had very little accounting and financial knowledge and background, and that he needed assistance in that. That was about it.
 Q Okay. Was it your opinion that he was in over his head, that the business had outgrown him?
 A Well, I mean, that's always hard to judge. I think he understood and recognized that he didn't have the financial knowledge and awareness necessary, and he needed to get a bookkeeper, a financial person, in there to assist with the business.
 Q Okay. Was a plan worked out at that meeting to pay

off the debt?
 A I think a concept was worked out in there relative to the -- as one of the alternatives.
 Q What was the concept?
 A The concept of forming the LLC was one of the alternatives. You know, he was still working on the ideas of trying to borrow money, trying to get funds from maybe a number of resources. And so then we also talked about possibly forming the LLC and, you know, suggested to him how that might work. And, to my knowledge, he took that information back and probably discussed it with Anita.
 Q Okay. Who proposed the possible formation of the LLC?
 A I would imagine I did.
 Q Did you come into that meeting with that idea?
 A I had talked to Tim prior to it, and Tim suggested that that might be an avenue.
 Q What was in it for Tim? I mean, it was going to be Tim's money at stake. Why was he wanting to partner up with this trailer dealer in north Alabama?
 A Well, I think Tim had multiple reasons behind it. One, he didn't want to see United lose that money and have to declare it as a bad debt because we do have responsibilities to our investors and so forth. We

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do have bank covenants. We do have bank responsibilities that had to be taken into consideration as well. And he didn't want to see United have to take a write-off of whatever that number was, \$295,000 or \$294,000 or whatever the number was.

3 Q Do you know what the number was at the time of the meeting?

4 A Yes.

5 Q What was it?

6 A I think it was around \$295,000 or thereabouts. I don't remember exactly, but it was someplace in that area.

7 Q Okay.

8 A But, you know, his interest was that. He didn't want to see that occur.

9 From what I had described to him of Quality Trailers For Less's sales history with United, the quantity of trailers that he had sold, that sounded like something that was growing. And Tim felt like, also, that the Internet sales was a strong avenue for the future and that Randy was very active in that.

10 And so we said, you know, we'd like to see Randy succeed, and we'd like to see United avoid having an issue. So Tim's willingness to contribute the funds

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1 to settle the debt was based upon the betterment for United. And hopefully it would be a successful venture for Quality Trailers For Less long-term and that he would eventually get his funds back, that Randy's business would grow, and he would assume 100 percent ownership again of Quality Trailers For Less and that it would go on. You know, Tim would be out of it then.

2 Q Okay. So I think you gave me -- I guess I've got it down to three reasons. He didn't want United to take the hit of the write-off of whatever the amount was?

3 A Uh-huh.

4 Q It sounded like a growing business that had potential. You and Tim discussed that; is that right?

5 A Quality Trailers?

6 Q Quality Trailers.

7 A Yes.

8 Q And you discussed the Internet sales and Randy's proficiency in driving sales through the Internet?

9 A Well, that was a part of the success of Quality Trailers For Less.

10 Q Okay. Did you and Tim discuss the fact that Quality Trailers and Randy had a successful Web site that ranked high in the search engines?

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1 A Only from the avenue that Quality Trailers For Less was selling principally by the Web site. How it was structured and how it was done, there wasn't any discussion of it.

2 Q Have you ever visited the Web site owned by Randy Bowers?

3 A Yes, I'm sure I have.

4 Q Okay. Were you aware he had a successful Web site at the time you and Tim Durham met prior to the meeting?

5 A I was aware that he was successful selling by the Internet.

6 Q Okay. You were aware that he was driving his sales, which were substantial, through Internet sales?

7 A Yes.

8 Q Okay. Did you and Tim discuss the possibility of taking over the business of Quality Trailers For Less if things did not work out for Randy?

9 A Well, we talked about the legal aspect of how the LLC was formed, that in the event that it failed, Tim would have a business there but no avenue as to how it would be operated or managed because there was no desire to do that. We particularly wanted Randy to operate and run the business and to pay the debt back and for his continuation of success.

10 We even installed employment agreements into it

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1 in hopes of retaining and making sure we retained Randy, that he would still be a part of it and continue it.

2 Q And I know there's an employment agreement attached as part of the documents I just introduced as Plaintiff's Exhibit 3. Was that part of the deal, Randy's employment agreement?

3 A Well, throughout the -- in other words, Randy went back to back Alabama, I'm assuming, and discussed all this with his wife. And then I assume he discussed it with others and then ultimately employed an attorney, who then worked with the attorney for Diamond, LLC in forming the new Quality Trailers For Less.

4 So the discussion on the content was between Randy and Randy's attorney and the attorney for Quality Trailers For Less. Or for Diamond, I should say. I'm sorry. And the employment agreement was included in it.

5 At whose request, I would assume it was through the attorney for Diamond, suggesting that you want to make sure this guy stays with you and that he doesn't pack his bag and go elsewhere and start selling trailers for somebody else because the benefit is having Randy in the business and running the

business.

Q Right. And he had duties under this deal pursuant to that employment agreement and the other --

A Yes, to run and manage the business.

Q And not to go and compete against the business.

A Right.

Q And he signed a promissory note as part of this deal, too; is that correct?

A I understand, yes.

Q Okay. And was that a significant part of the deal, from your understanding and your conversations with Tim?

A Well, I think it was a commitment on his behalf in recognition of his debt. And it would certainly be something that would hopefully tie him to improving the performance and seeing that Quality Trailers For Less performed and was able to pay the debt.

Q Okay. And he pledged some of his own assets, some of the assets of Quality Trailers For Less and also some personal assets, as part of this deal, didn't he?

A Well, he pledged assets. As to where they came from, I assume they came from Quality Trailers For Less prior to the LLC. And that was -- I don't know what Quality Trailers For Less was, whether it was -- what form of a corporation down there it was. I really

don't know.

Q I think it was a sole proprietorship.

MS. BEARDSLEY: Sole proprietorship.

A Whatever he had would have been, I guess, personally owned that he contributed.

Q Okay. I'm just making the point he contributed a laundry list of assets that were specifically business-related assets of the company. But he also pledged a separate security agreement where he pledged a 1996 Range Rover, another 1996 Range Rover, and a 1992 Range Rover. Are you aware -- I'm just saying that's all a part of the deal, right?

A Yeah. I think those were pledged separately, at the recommendation of his attorney, so that in the event that they had a reason to sell those, that it would be a simpler process than if they were part of the asset some way. I don't recall. But they were suggested by his attorney to put on a separate listing there.

Q Do you know, when things went bad, do you know if Diamond took any of the assets pledged or was able to foreclose on those assets?

A No, they did not foreclose, take, obtain any of the assets.

Q Do you know why not?

A We talked to our attorneys and asked them the status of it. The bankruptcy court, to my understanding, just never would release it or permit it. That's the best of my knowledge.

Q Do you know if the Web site owned by Randy Bowers was any part of this deal of the formation of Quality Trailers For Less, LLC?

A Well, it was not apparently a part.

Q Did you think it was?

A I would have thought it was, to be honest. But it was not.

Q Did you want it to be part of the deal?

A Well, I don't -- I don't know that I wanted it. I thought any asset of Quality Trailers For Less would have been just an operating part of the new LLC, and it would have been part of the success going forward. The fact that the Web site was not included in the assets, I didn't even think through it at that point.

Q Okay. Did you and Tim Durham have any discussions about -- you said you all had a meeting to discuss the idea of proposing the LLC prior to your meeting, the bigger meeting with Randy and Gary and everybody.

In that meeting with Tim or anytime in the meetings with Tim about this did you and he discuss the possibility of, well, if worse comes to worse,

we're going to own a trailer company?

A Not that I recall.

Q Did either of you have any desire to own this trailer company or to take over Randy Bowers' business?

A No.

Q Did you discuss the Web site with Tim Durham at all, in detail?

A No, other than the fact that that was a part of Randy's sales methods, selling through the Web site.

Q Okay. Do you know if United had made any attempts to develop its own Web site and have it placed high on the search engines?

A I think they had a Web site. They did not function it to try to have it placed high on any of the search engines, no.

Q Are you saying they didn't try to do that or that they were unsuccessful in doing that?

A No, I think they didn't try.

Q Really? Why wouldn't they want to try to do that?

A I think they used it as an avenue of information and a resource for their dealers to utilize. Probably they were as unaware of how Web sites worked as I was, on buying your way up the ladder.

Q Okay. You were at least aware that you could certainly --

A I am now.

Q Well, even at the time, you were aware you could sell some trailers through the Internet.

A From Randy's experience we became aware of it, yes.

Q Did Randy and his company kind of put that in your mind, that this may be something we want to get into?

A Well, we didn't wish in any of our trailer companies to sell in competition with our dealers. So we have not attempted to do any of that.

One of our companies, Classic Trailer, works the Web site Google, whatever it is, to get a high position so that their company is recognized early in somebody's search.

Q And that's what I was saying earlier. And that's important?

A I understand Classic feels that it is.

Q That it is, to be high on the search engines?

A In Classic's view, it is.

Q Okay. And is Classic -- Is their Web site ranked high?

A I think it is, but I don't know.

Q Okay. When you owned it, did Champion Trailer have a Web site?

A Yes.

Q Do they still?

A No. They're out of business.

Q Oh, that's right. We talked about a lot of businesses. It's hard to keep up sometimes. What about Evans Trailer? When you and Tim owned it, did Evans Trailer have a Web site?

A I don't think so. They may have, but I don't recall it, to be honest. I think they had one that was tied to some national forestry association or something, but it wasn't a very active or utilized Web site.

Q Why a national forestry association?

A Someway, when we bought it, they were a part of that deal. They were a part of it. It was an association. And someday they had ties to it, but I didn't --

Q That has nothing to do with the case. I was just curious. Okay. So you had the pre-meeting with Tim. Then there was the meeting you all discussed. Randy went back to Alabama. And what was the delay? There was some delay in getting the papers signed and getting the deal signed. What was the cause for the holdup and the delay?

A Just working out the details between the two attorneys, I guess.

Q Okay. And what was the status of Quality Trailers For Less's account with United during the time

between the meeting and the time the documents were actually signed to form the LLC?

A Well, I assume they were still a dealer, but I don't know how active it was. I mean, I don't know that Randy tried to sell any trailers or had the opportunity to sell any trailers or tried to order any trailers from United. I'm assuming he was active in buying trailers and selling trailers through other manufactures to maintain his business, but I don't know of any activity beyond that.

Q Okay. You were aware at some point that Gary Stanley and/or Dave Wagner had made the decision to cut off Quality Trailers For Less sometime in the fall 2003; is that right?

A In the summer or whenever it was, yes.

Q Summer or fall of 2003. Before the meeting in late November, early December, right?

A Oh --

Q I'm talking about the first cutoff.

A I assume that I might have been aware of them cutting them off as an avenue to try to bring resolve to the case probably.

Q Okay. And did they have to have your approval to do that?

A No.

Q Okay. Do you know -- and you heard me ask Gary -- well, I guess I asked Dave about it in detail yesterday. Do you know what happened, on the date Quality Trailers was officially cut off in 2003, do you-know what had happened to the trailers that had been ordered by them at that point?

A No.

Q All right. Do you know what would have happened, what would have been the normal course of business for United to do in that situation?

A Well, I would assume that if they were unable to find a resolve with a dealer and they ultimately finished the trailer -- because there's not incomplete trailers sitting out there. They would have completed them to some degree that would have matched some other customer's need or have an opportunity to sell them to somebody, some other dealer.

Q Okay. Do you know on what date United started building trailers for Quality Trailers For Less again? I would assume it was sometime in 2004.

A I'm not familiar with any exact date. March or April sometime probably. I don't know.

Q Okay. So at some point between the first cutoff and the second cutoff there was a period where United was taking orders from Quality Trailers and was building

those trailers?

A There had to be because there was additional debt accumulated.

Q Right. Okay. What do you know about the additional debt that was cumulated?

A Only that it got up to \$80,000, \$100,000, someplace up through there.

Q Okay.

A And they were not having success on getting payment on the monies. They would get promises. They got bounced checks. They were getting a variety of stories. They had customers calling direct to the factory, things like that, and just were not seeming to get any answer as to how they were going to solve it. It appeared as though they were getting back into the same issue that they had previously had.

Q All right. And were you involved -- well, what steps were taken by United once that problem started to develop after the formation of the LLC in 2004?

A I'm not sure I understand totally the question. I mean, I assume that United started communication back with Randy and saying, you know, if you've got a trailer order you want us build or what orders you want us to build or do we complete some of the former ones or whatever. But they built additional trailers

and communicated with them.

Q Okay. What I'm saying is you got involved sometime in the fall of 2003 because you were aware that there was an outstanding balance?

A Right.

Q I think you testified they were, I guess, developing another outstanding balance. You said \$80,000 to \$100,000. What steps did you take, in whatever your role was, with --

A Initially, during the development of that, I probably just inquired of Gary and Dave, you know, where are we? What's the problem? How come we're not getting money? And I no doubt tried to make some calls and contacts with Randy and Anita during that time.

Q Okay.

A Later to that, when Gary made the decision to discontinue production again until they got some kind of financial procedure, you know, you get paid, you get deposits, send money, whatever their directive was, it was probably under my direction that we send Adam Dowe down to Quality Trailers.

Q Who is Adam Dowe?

A He was, at one point, maybe up until 1999 or thereabouts, an employee here. And he left and went into private business. And among his customers, I

1 guess you could count us. And we utilized him on
2 occasion to go to various of our businesses to
3 overview or work with them in their financial needs,
4 you know, to help set up their books or to get some
5 documents or whatever.
6 And so we sent him down to Quality Trailers to
7 see what kind of financial record keeping and
8 establishment they were having. Also to look at some
9 of the business and the contracts that they had, try
10 to determine, you know, what is the future validity
11 of this business and his customers and give us some
12 input as to how valid his business is.
13 Q Okay.
14 MR. KNIGHT: And then can I mark this as
15 Plaintiff's Exhibit 4.
16 (Plaintiff's Exhibit 4 was marked for
17 identification.)
18 Q Was this Adam's report --
19 A Yes.
20 Q -- after he went down for that visit? Have you
21 reviewed that document?
22 A Yes.
23 Q Did Adam come back and have a meeting, give you a
24 verbal report about his findings?
25 A I don't think we had a meeting. We had a phone

1 conversation, I believe. And he reviewed this with
2 Gary, Dave, and myself, either collectively or
3 separately. I don't know.
4 Q Okay. Was Tim involved in any of that, Tim Durham?
5 A Not to my knowledge, no.
6 Q Was Tim aware -- did he have any idea what was going
7 on with Quality Trailers For Less in 2004?
8 A Limited, if any.
9 Q Did he ever ask you about it, or did you ever report
10 to him about any of the problems or anything at all
11 having to do with Quality Trailers For Less?
12 A I may have at some point said we're getting back into
13 a problem. And that was probably later in the focus
14 of it, September or something. I don't really know.
15 Q Okay. So once Adam came back and gave you that
16 report and you had the conversation, what steps were
17 taken related to that report?
18 A If I recall, we tried to work with Randy and his
19 people down there to find avenues. In other words,
20 this indicated there were some customers and some
21 businesses that he had valid purchase orders for. We
22 needed to help him try to complete those sales and
23 get deliveries to them and to work out some
24 arrangements.
25 Randy sold trailers to multiple customers,

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federal government or entities of the government, state and local, too. But those were a small percentage of the total sales. You know, his sales to regular John Does was the highest percentage of his sales. And in those sales transactions it's normally -- you know, it might be a sale for a trailer of \$3,500 or \$4,000 or something. And it's not unusual that you get a ten percent deposit maybe and then the balance of it upon delivery.

Well, you know, we obviously proposed to him that you have these people pay us the balance of the trailer amount when they come to pick up the trailer and so forth.

At one point along the line, on the governmental purchases, Randy found a company I believe called Presidential Finance or Presidential something that apparently would take somebody's purchase order from an entity of the government. And let's say that purchase order was for \$10,000. They would advance funds to maybe 90 percent of it or something, and they would give you those funds. And then they took more or less an assignment of the proceeds.

Randy came to Quality Trailers For Less, LLC, Tim, and said I can get some funds through these people, but I need your joint signature, because Tim

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owned one percent. I don't remember the timing of that. I really don't remember when that was. But Tim signed that as an agreement that he would also, I guess, guarantee whatever borrowings that were made by Randy from Presidential and as a further effort to try to make Quality Trailers successful and be able to handle their debts.

Q Okay. And do you know when that was signed?

A No, I don't recall. It seems like, to me, it was -- had to be August, September. I don't really remember now. I don't know. The bankruptcy court ultimately had to deal with the Presidential deal and had to come to Tim to get some kind of signature release or agreement to release him or something.

MS. BEARDSLEY: They're listed as a creditor, Presidential Finance is.

MR. KNIGHT: On the bankruptcy proceedings?

MS. BEARDSLEY: Yes.

Q Okay. So, anyway, what's the date of that, August --

A August 9.

Q The date of the report from Adam Dowe is August 9, 2004?

A Yes.

Q And what were Adam's recommendations? What did he say should be done to try to resolve this problem or

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about the relationship with Randy and Anita Bowers and Quality Trailers For Less?

A In a nutshell, I think his recommendations were they really needed a lot of financial management, assistance, because they were in massive confusion on their financial record keeping.

Q Okay. Did he recommend terminating the relationship between United and --

A No.

Q -- Quality Trailers For Less?

A Not that I'm aware of, no.

Q How did that relationship eventually get terminated?

MS. BEARDSLEY: The relationship between Quality Trailers and who?

MR. KNIGHT: United.

A Well, I think Randy just disappeared, if I recall. You know, we continued to communicate, or tried to, with Quality Trailers. And I'm not sure of when the last communication with Quality Trailers For Less is evidenced, September, October. I'm not really sure, to be honest. But we were making calls and trying to find out. And the next thing I know, I receive a notice in the mail that Randy had filed bankruptcy.

Q All right. What was your reaction to that?

A I was real upset.

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Q Mad or --

A Upset. Disappointed.

Q Okay. What did you do?

A Probably turned it over to one of our attorneys, I guess.

Q Do you know about Diamond making a claim for Quality Trailers For Less's Web site in the bankruptcy proceedings?

A That never occurred.

Q It never occurred?

A No.

Q Did they make any mention of the Web site at all in the bankruptcy proceedings?

A I did to our attorneys. I inquired as to how it could be continued to be used by Randy in light of the fact -- first of all, I thought that would have been a part of the assets, but it was not, I understood, and found that out.

But in light of him having a non-compete, I inquired how could he continue to try to sell trailers.

Q And what happened with that? I don't want you to tell me what your attorneys told you, but what happened as far as Randy attempting to continue to sell trailers through his Web site?

A I guess he continued to try. I don't know.

Q So is it your testimony that not Diamond or any other entity attempted to claim ownership of the Web site at any point in the bankruptcy proceedings?

5 A I understand that there was a purchase offer made to the bankruptcy trustee at some point after the first

6 of the year or something. I don't know when it was.

7 Q Who made the purchase offer?

8 A Adam Dowe, I think.

9 Q Did he make it on behalf of Obsidian?

10 A No, on his own company.

11 Q And what was the result of that?

12 A As I understand it, the bankruptcy trustees or someone from the bankruptcy court, or however it's

13 formed, told him that it was a part of the litigation

14 process, and they couldn't offer it and couldn't sell

15 it.

16 Q Okay. Has anyone affiliated with United, Obsidian,

17 Diamond or any of the other entities they control

18 made any attempt to acquire that Web site?

19 A No.

20 Q None at all?

21 A No.

22 Q Okay. And you testified earlier you thought it was

23 part of this deal that's in Plaintiff's Exhibit 3,

1 the formation of the Quality Trailers For less, LLC?

2 A Initially I thought it would have been, yes.

3 Q Did Tim Durham think that?

4 A I don't know that he had any direct knowledge or awareness, but I feel that he would have thought that

5 it was:

6 Q Okay. And when did you find out that it was not?

7 A After we inquired about how could Randy continue to be using it after he had filed personal bankruptcy

8 and went to Tennessee or wherever.

9 Q Did you make any inquires about acquiring the Web

10 site when you made that inquiry about how he can

11 continue to use it?

12 A Well, I guess through our attorneys there we were

13 asking how can he continue to use it, and isn't that

14 part of the assets of the LLC, and shouldn't we be

15 able to take possession of it as the other assets

16 involved?

17 Q Okay. When you say we asked, who asked that

18 question?

19 A I believe I asked a question of the attorneys.

20 Q Okay. And on whose behalf were you acting at that

21 point?

22 A Well, Diamond, as far as their investment in Quality

23 Trailers For Less, LLC, for which I was never totally

24

25

1 sure what the status of the LLC was after Randy left.

2 In other words, we couldn't get possession of

3 anything and couldn't get any of the data or records

4 or information or the assets. So, as far as I knew,

5 the LLC existed. We were trying to figure out did it

6 have any legal liabilities after that and so forth.

7 Q Okay.

8 A But I can't really say I got a whole lot of answers.

9 Q All right. You said you were acting on behalf of

10 Diamond?

11 A Well, at that point I was trying to find out the

12 status of it, yes, for Diamond.

13 Q Okay. What is the current status of the Web site, as

14 far as you know?

15 A I have no idea. I haven't been on it, looked at it,

16 tried to find it, in months.

17 Q You know, obviously this was a failed relationship

18 between Quality Trailers For Less and United. Would

19 you agree?

20 A Yes.

21 Q In your opinion, does United have any culpability in

22 that failure?

23 A Not in my opinion.

24 Q None at all?

25 A No.

1 Q Not in the delay or the timing of the production of

2 the trailers?

3 A No.

4 Q Not in the communication about the schedule and the

5 timing --

6 A No.

7 Q -- of the orders and when the trailers could be

8 expected?

9 A No.

10 Q No culpability whatsoever by United?

11 A No.

12 Q In your opinion, is there any culpability on

13 anybody's part other than the Bowers and any other

14 employees of Quality Trailers For Less?

15 A I believe they're solely responsible.

16 Q Okay. Now I want to go through some documents I've

17 got here. I'm going to mark DEF 340 through DEF 344.

18 Mark that as Exhibit 5.

19 (Plaintiff's Exhibit 5 was marked for

20 identification.)

21 Q Terry, these are some faxes. It looks like a couple

22 of faxes and letters with your signature on those.

23 Where there are signatures, can you confirm that

24 those are your signatures?

25 A Yes.

89

Q Okay. I notice there's some handwriting on that second to the last page, right there. That one, yes.

3 Is that your handwriting?

A Yes.

5 Q What does that say?

6 A Quality Trailers' open account balance as of

7 10-18-04.

8 Q And above that, is that an accurate reflexion of

9 their account balance as of that date?

10 A I would assume it is.

11 Q Okay. May I see that paper for a second.

12 A (The witness complies.)

13 Q What's the handwriting on the third page there at the

14 bottom?

15 A Paid by Diamond Investments to United Expressline.

16 Q Okay. And that's where Diamond paid off the -- looks

17 like \$194,000?

18 A Yes, \$194,000, not \$294,000.

19 Q Okay. The last document there, it looks like -- I

20 don't know if it's a fax or what, but what is that

21 about? Looks like the release of a trailer to an end

22 consumer or end user there. Tell me the

23 circumstances of that.

24 A To the best of my memory, Dee Dee Wilson was an

employee of Quality Trailers For Less, Randy,

90

1 handling some of the bookkeeping down there. And she

2 had communicated with me, and there was a customer

3 who was willing to buy a trailer that was at their

4 property, if I recall. I don't know for sure, but I

5 think it was at their property.

6 Q At the property of Quality Trailers For Less?

7 A I believe so, yeah. I don't know. Maybe United had

8 found a customer for it or something. And it was a

9 trailer that was a stock trailer for Quality Trailers

10 For Less. And United found a customer, and we worked

11 out an arrangement where we would credit Quality

12 Trailers' account for the invoice value of that

13 trailer.

14 Q Okay.

15 A And also paid them for the delivery costs that they

16 incurred taking it down to Alabama.

17 Q Did you do all that with the approval of somebody at

18 Quality Trailers For Less?

19 A Yeah. Dee Dee, apparently. She wanted some kind of

20 letter, if I recall, memorializing it, you know.

21 Q Okay. Now let me show you what I'm going to mark as

Exhibit 6.

(Plaintiff's Exhibit 6 was marked for

24 identification.)

25 Q We've discussed a lady named Erin Beesley. Is that a

91

1 memo she sent to you?

2 A This is a memo that, if I recall, was requested on

3 behalf of our attorneys to place in the writing of

4 how the transaction -- and who questioned it, I don't

5 really know, whether it was the bankruptcy court or

6 who it was. But they wanted to know how was the

7 transaction handled.

8 Q Which transaction?

9 A The payment of Quality Trailers' debt to United.

10 Q The \$194,000?

11 A The \$194,000. They wanted to know how that was

12 transacted. So Erin, I asked her to put together a

13 memo telling how it occurred. I think we forwarded

14 it down to your office. And what happened there, I

15 don't know. Whether it was something that one of the

16 trustees asked for, I don't know.

17 Q Okay. Now, is this the memo? Did Erin Beesley have

18 any other involvement with any of the matters with

19 Quality Trailers For Less?

20 A You know, she may have handled the invoicing of the

21 payments back to Diamond Investments. That would

22 have been the extent of her involvement.

23 Q When was she hired by Obsidian?

24 A A couple years ago, I guess. I could look it up in

25 records. I don't remember.

92

1 Q Okay.

2 A Two or three years ago. I don't really remember.

3 (Plaintiff's Exhibit 7 was marked for

4 identification.)

5 Q Let me show you what I've got marked as Plaintiff's

6 Exhibit 7. And these look like some e-mails, one

7 from Adam Dowe to you and then from Randy Bowers to a

8 Donald at Cargo Trailers USA. Do you know what Cargo

9 Trailers USA is?

10 A That's Adam Dowe's company.

11 Q And Adam Dowe is a former employee of Obsidian?

12 A Back in '99 I think he was employed.

13 Q What's the name of this company? How do you

14 pronounce it?

15 A Guidant or something like that. I don't know.

16 Q Guidant?

17 A Yeah.

18 Q So between the time he worked at Obsidian and the

19 time he bought his own trailer dealership, he worked

20 for Guidant Consulting?

21 A Yeah.

22 Q Okay. And does he still own this Cargo Trailers USA?

23 A Yes.

24 Q And he does the same thing that Quality Trailers For

25 Less used to do, doesn't he?

A Yeah, I think so.

Q A dealer of enclosed cargo trailers, right?

A Yeah. He represents a multitude of companies.

Q Does he represent United?

A Yes.

Q What about Champion?

A No.

Q Because they're closed.

A Right.

Q What about -- what's your other one?

A Classic.

Q Classic. Does he represent Classic?

A Yes, and others.

Q Any others owned by you or Tim?

A No. We don't own any others.

Q Okay. It says, "Terry, FYI - we received the message below back from Randy Bowers regarding advertising on his website." And Randy says, "Sorry. The cargo-trailers.com website is in dispute in court. We will contact when it is straightened out." Why did Adam send that to you?

A Well, I think this was about the time -- Donald Hooks may have been -- I don't know who Donald Hooks is. He might have been an employee of Adam's. I'm not sure.

1 There was question about the Web site status from
2 someone within the courts or the attorneys. I don't
3 really recall. And I asked Adam -- because he had
4 said that Randy had linked his Web site, or however
5 you want to call that -- he had Cargo Trailers USA's
6 logo on Quality Trailers For Less's Web site. And I
7 had asked him how he had got involved in that. And
8 he said he had no idea.

Q Adam had no idea?

A Yeah. He said I don't know how he put it on there.

Q Okay. Do you know why he put it on there or who put
it on there or anything?

A No. Randy, from what we were generally aware of,
after he moved to Tennessee or wherever he went over
there, apparently tried to market trailers and may
have still had continuing relationship direct with
some factories.

But he was also trying to have dealers of trailer
companies allow him to market their inventories of
trailers through his Web site. And I guess he
utilized or tied in some way with Adam's, unbeknownst
to Adam apparently.

Q Okay. So then why did Adam send that to you?

A I think it was either through your firm's request
(indicating Ms. Beardley) or something, do we know

1 anything current about the status of the Web site.
2 And my answer was, no, I didn't know anything about
3 it.

Q Okay. Let me mark this as Plaintiff's Exhibit 8.
(Plaintiff's Exhibit 8 was marked for
identification.)

Q This looks like another e-mail from Adam to you. It
says, "Terry - FYI - I noticed tonight that it looks
like something is happening with Quality Trailers For
Less. The website does say currently under
reconstruction, but it is back up and on-line." Why
is Adam reporting to you on that?

A Just to keep me informed about it. Obviously we were
interested in what's happened to Quality Trailers For
Less.

Q To their --

A Theoretically, that was an ownership that Tim Durham
had, and yet we knew nothing about what was going on.

Q You say that was an ownership. You mean the Web
site?

A No, the Quality Trailers For Less.

Q Okay. But he's talking specifically about the Web
site there, right?

A But he's saying it's a Quality Trailers For Less Web
site.

1 Q Right. At that point did you still think, in your
2 opinion, did you still think that Tim had an
3 ownership interest in that Web site?

A I thought Tim still had an ownership interest in
Quality Trailers For Less, LLC. And that was what
the Web site was promoting.

Q Right. And at that point was it still your
understanding that Quality Trailers For Less, LLC
owned that Web site --

A I had no idea.

Q -- and Tim was a part owner?

A To my knowledge, Randy Bowers owned the Web site.

Q But I think you testified earlier you thought, until
somebody corrected you, that -- go ahead.

A When the acquisition or when the LLC was formed, I
would have been under the general understanding that
the Web site would have been part of the new LLC.

Q I understand.

A Later, when Randy left the business, went out on his
own behalf, filed personal bankruptcy, we began to
ask about the assets of the LLC, trucks, cars,
whatever was involved, computers or anything else. I
would have been under the assumption at that point
that the Web site was part of it. We were later
informed that it was not.

Q And who informed you that it was not?
 A I think the -- some of the trustees or somebody involved in the bankruptcy. I don't know.
 Q Okay.
 A We were told it was not a part of it.
 Q So as of --
 A They said look at the asset list. It wasn't a part of it.
 Q Were you informed of it before or after that March 3 date when Adam sent you the update in Plaintiff's Exhibit 8?
 A I really don't know.
 Q Okay. And I don't mean to pick on your handwriting again, but I'm going to have to get you to read some of these. Let me mark these two as 9 and 10. (Plaintiff's Exhibits 9 and 10 were marked for identification.)
 Q Okay. I want to show you what I've got marked as Plaintiff's Exhibits 9 and 10. 9 is DEF 283. 10 is DEF 167. We'll start with 9. Can you tell me what that says?
 A Whitesell not a principal in Diamond. Whitesell does not control Diamond.
 Q Can I stop you? Is that your handwriting?
 A Yes.

Q Okay.
 A Obsidian purchased United August of 2001. Needs sales of Quality Trailer of United from '97 to December '04. Does United have three other dealers in Alabama? And when established, volume and so forth, what about Madison, Tennessee? TW not an officer of Diamond. Obsidian purchased United in August '01, not '02. In 2003 was Quality our second largest dealer.
 Q Okay. And why did you take those notes? Why did you write that down?
 A If I recall, there were some legal documents that came in from your office.
 Q You're talking to Robin now?
 A Yes. I'm sorry.
 Q I'm just saying it for the record.
 A Came in from our attorney's office relative to the case.
 Q Right.
 A And there were certain statements on some of that document that I had made these notes about the review with our attorney.
 Q Okay.
 A And I think these were the notes.
 Q Okay. Can I see it for a second?

A (The witness complies.)
 Q Now, Whitesell not a principal in Diamond, that's true, right?
 A Yes.
 Q Whitesell does not control Diamond?
 A Correct.
 Q Who does?
 A Tim Durham.
 Q 100 percent owner, right?
 A Yes.
 Q Obsidian purchased United sometime in 2001, that's correct?
 A Yes.
 Q Okay. It says needs something -- sales of Quality Trailers of United from 1997 to December of 2004. Why did you write that down?
 A I think that was a question upon the -- whatever legal document I had.
 Q Okay. Does United have three other dealers in Alabama when established?
 A I think part of the legal work, the paperwork that came to me, apparently indicated that United had three other dealers in Alabama.
 Q Do they?
 A I don't -- not that I know of, but I don't have a

listing right here of their dealers.
 Q Do they have any dealers in Alabama, as far as you know?
 A I don't know.
 Q And it says, "What about Madison, Tennessee?" Does United have any dealers in Madison, Tennessee?
 A Not that I'm aware of, but I don't know.
 Q What does Madison, Tennessee have to do with anything?
 A I don't know.
 Q It says, "TW not an officer of Diamond." Again, that's you?
 A Correct.
 Q And in 2003 was Quality Trailers second largest dealer?
 A Was that a question on there?
 Q It looks like it. Is that true? Were they the second largest dealer of United in 2003, as far as you knew?
 A That would have been possible.
 Q All right. Now can you read Plaintiff's Exhibit 10 for me, please.
 A Quality Trailers For Less. Dealer council December 2001. 30-day open account. 30 to 60 days. 2001, 984,000. 2002, 1,353,000. 2003, 1,383,000. 2004,

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390,000. December '03 meeting in Indy. Spring of '03, view of problem. Two to three sold direct and MSI. Still have one New York City trailer. \$84,000. Bad checks.

5 Q Okay. Can I see that? Is that your handwriting?

6 A Yes.

7 Q Okay. Now, what was the occasion? Why did you take these notes?

8

9 A I would assume it had something to do with this case and the legal paperwork and/or questions from our attorneys, for which I had jotted some answers.

10

11

12 Q Okay. Tell me what this says again.

13 A It says dealer council December 2001.

14 Q What's the significance of that?

15 A I'm assuming that was the comment I made relative to when I met Randy and his father.

16

17 Q Okay. Now, next it says 30-day --

18 A Somebody inquired and wanted to know what the terms were.

19

20 Q Okay.

21 A I don't recall if that was terms of Quality Trailers For Less, but I assume it was.

22

23 Q What is this word? It says 30-day something.

24 A Open, I think. Open account.

Q Okay. And then in parentheses it says 30 to 60 days.

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1 Tell me what that means.

2 A 30 days to 60 days.

3 Q For who?

4 A I don't know.

5 Q Okay. At the top of the page it says Quality Trailers For Less, correct?

6

7 A Yes.

8 Q Is it possible that Quality Trailers For Less had a 30- to 60-day open account?

9

10 A I don't know. I don't know at this point what that made reference to. Generally speaking, Quality Trailer had 30-day.

11

12

13 Q Okay. Next you've got some dates and some numbers. What's the significance of 2001, and then outside it's got 984,000?

14

15

16 A I assume those were a recap of the dollar sales of Quality Trailers For Less.

17

18 Q Of United, with United?

19 A With United.

20 Q Okay. And would that be the same for 2002 where it's got 1,353,000?

21

A Correct.

Q And the same for 2003 where it's got 1,383,000?

24 A Yes.

25 Q It then in 2004 it dropped to 390,000, correct?

103

1 A Yes.

2 Q December '03 meeting in Indy, that's the meeting we discussed, I would assume?

3

4 A Correct.

5 Q Spring of '03, view of problem, what does that mean?

6 A I'm assuming it meant that it was determined at that point, either by United or Dave or Gary up there, that they probably had a problem with Quality Trailers For Less on their account.

7

8

9

10 Q All right. The next one says two to three -- what does that say?

11

12 A Two to three sold direct plus MSI. I don't know what that's in reference to, to be honest.

13

14 Q Two to three trailers sold direct?

15 A It could be.

16 Q Who would they have been sold direct to?

17 A I have no idea.

18 Q Would that have been by United or --

19 A I have no idea.

20 Q Still have one NYC trailer, what does that mean?

21 A I think there were some trailers that Quality Trailers For Less had sold to the New York City Port Authority or one of those accounts --

22

23

24 Q Okay.

25 A -- under the Homeland Security deal. And there had

104

1 been a problem in getting Homeland Security people to take the trailers. I don't know what the problem was. I think it was an issue with their accounting process up there. And at that time, whenever that was, United still had a trailer left.

2

3

4

5

6 Q Okay. \$84,000, what does that mean?

7 A I think that was the open account balance of Quality Trailers for Less.

8

9 Q All right. And then what's that at the bottom?

10 A Bad checks.

11 (Plaintiff's Exhibit 11 was marked for identification.)

12

13 Q Plaintiff's Exhibit 11 looks to be a fax to you from Gary Stanley. What was the purpose of that fax?

14

15 A At some point along there, in '05, our attorneys, at the request of someone, asked if we had record of United's account balance with Trailers, Quality Trailers For Less. And I had asked Gary if he had some ledger piece that showed what that account balance was. And he sent this to me, and I assume I sent it on down to them.

16

17

18

19

20

21

22 MS. BEARDSLEY: It's part of the document production.

23

24 (Plaintiff's Exhibit 12 was marked for identification.)

25

Q Will you take a look at -- I've got Plaintiff's Exhibit 12. It looks like some e-mails back and forth around August of 2004. Can you read through those. Let me know if you remember seeing those and the circumstances of when those were sent.

A First of all, yes, I recall this.

Q Okay.

A If I recall the general series of events, United had determined that it was not in their best interest to continue doing business with Quality Trailers For Less.

Q By August of 2004?

A Whenever Gary sent that letter, July, whenever it was. I don't remember.

Q Okay. Let's go ahead and do this. Is this the letter?

(Plaintiff's Exhibit 13 was marked for identification.)

Q I'm going to hand you Plaintiff's Exhibit 13, July 27, 2004 letter from Gary Stanley to Randy. Is that the letter to which you were referring?

A Yes. When Gary and them sent that letter, obviously it had a variety of complications to it.

Q Right.

A One is I thought it was good business judgment on

behalf of United because they couldn't get assurance that they were going to get paid. However, I was concerned that it would curtail the ability of United to sell trailers to Quality Trailers For Less. And, also, it would be a problem for Diamond with their investment in Quality Trailers For Less.

So, if I recall, we sent Adam down to get us a write-up and to try to figure out where the status of the business was.

After that we communicated with Randy and Anita to try to help us understand then, okay, if some way I get the company to build these, you know, I've got to have some comfort we're going to get paid for them.

And we were trying to ask them what's the status of their orders and the current status because there had been time elapsed on some of their orders. We didn't know if they'd placed them with other manufacturers. You know, they could have had Cargo Trailers or other companies build those trailers. So we didn't know if their orders were still valid or invalid, what status, and how would we be paid if we built those trailers. And so that was part of the update, I guess, of Anita back to us.

Q Okay. And there are some specific trailers mentioned

here, some specific clients mentioned here. Were these in line to be built by United?

A No. If you look there, I think she's saying that she had, like, fifteen trailer orders on her desk. They had not been ordered because --

Q Okay. I follow you. So you're saying you wanted to have some sort of comfort level that you were going to get paid before you built those?

A Yeah. United would not want to accept those trailer orders if they didn't have comfort they were going to get paid for them.

Q Okay. Do you know if United ever actually accepted these particular trailer orders in Plaintiff's Exhibit 12?

A Honestly, I don't know. I don't recall.

Q Okay. Is this your writing? There's a circled one that says Bob Difrenza, three trailers sold.

A Let me see again.

Q Is that your handwriting there?

A It sure looks like it. Okay. Can they get by 9/15, and this was August 19. So I don't recall what happened at that point.

Q Okay. Let me show you some more of your handwriting coming up.

(Plaintiff's Exhibit 14 was marked for

identification.)

Q I'm going to show you what's marked as Exhibit 14. It's all stapled together, but the first two pages are a memo to Randy from you dated December 5, 2003. The next two pages are a couple of pages of handwritten notes that appear to be your handwriting. I guess we'll clarify that. And then the last page is Accounts Receivable Aged Invoice Report as of 11-26-03.

Now, will you take a look at that, and tell me did you send that memo, the first two pages, and are the next two pages your handwriting?

MR. KNIGHT: Off the record.

(A recess was taken.)

Q Now, did you send that memo?

A Yes.

Q All right. Is the handwriting yours?

A Yes.

Q Okay. Can you take me through the handwriting?

A Yeah. The handwriting was notes made in preparation for the meeting with Randy of early December --

Q Okay.

A -- to be held here in Indianapolis.

Q Both pages of notes were for that?

A Yes.

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Q Okay. And then, I guess, go line by line or item by item, and then I'll ask you --

3 A Well, if I recall, these were notes on -- that were discussed with Randy during the meeting. The first line is I apparently asked Randy, you know, what's the rent you have to pay for your office or whatever. And it was referenced, per month, \$500 business rent.

8 Q Can I interpret? So these are notes from the meeting?

10 A Yes.

11 Q Not notes taken prior to the meeting?

12 A No. These are all notes taken, that I'm aware of, during the meeting.

14 Q Okay.

15 A Because I wouldn't have had any knowledge of what his rent was. He had this gal in the office by the name of Jessica at that time, paying her \$10 to \$11 an hour. He had Brad, a part-time summer employee, about thirty-two hours a week at \$8 an hour.

20 Q Can I interrupt you? Can I come around and look over your shoulder? I just can't read upside down.

22 A So Jessica was an employee I asked him about in his office being paid \$10 to \$11 an hour. He had a guy named Brad that was working part-time in the summer, about thirty-two hours at \$8 an hour.

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1 I think the recap, I believe it was \$235,000 that he owed United at that time. Yes, \$253,000, according to this. Funding, \$30,000. I'm not sure what that was in reference to.

5 He had an auto that was financed that he thought he could get \$25,000 if he financed that auto to help resolve his debt.

8 Q Okay.

9 A He had a sailboat which wasn't financed, but he thought he could sell and get \$20,000 out of it. He said he could -- you know, will get \$50,000 per month from credit card sales that he thought he could put the sales through his credit card and get the cash direct from them and be able to pay for his trailers.

15 Q Okay.

16 A And then he had \$67,000 in equipment, for which they could get 70 percent. And I think that was \$47,000. He had an equipment finance company that he felt could finance his equipment for him --

20 Q Okay.

21 A -- and he'd get cash for.

Q Did he take any of those steps? I mean, did he sell or refinance that sailboat?

24 A You know, he did something, but I don't know what he did because he did pay down from the \$253,000 to

25

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1 \$194,000 or whatever the number was. It was expected that he was going to go further.

3 Now, here's what we discussed in there as the concept of the LLC, that there would be a convertible loan set up for 51 percent of his stock.

6 Q Tell me what you mean by that.

7 A Meaning that the debt would be paid off, the \$190,000 or whatever it was going to be, but it was going to equate to 51 percent of the stock. But as Randy paid back that debt to the Diamond, then his ownership would increase. And it would reduce, you know, Diamond's ownership of the thing.

13 Q Okay. Let me clarify. So you're saying that as Randy paid back the debt, Diamond and Tim would have less --

16 A Have less.

17 Q Be able to purchase less and less?

18 A Yes.

19 Q But, at the most, they would be able to purchase 50 percent, to give them a 51 percent controlling interest under your proposal; is that right?

22 A If there were a default, that the owner of the note, which at that point was Diamond and still is, would have the right to convert it to 51 percent ownership of the company.

25

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1 Q Okay. I may have misunderstood you, but I understood you to say that as Randy paid down the debt, Diamond would have the right to purchase less and less of a percentage of the company.

5 A Yes, yes. Yes, I think that's in the LLC papers someplace.

7 Q Did it work out that way?

8 A Well, to my knowledge, he only made maybe two payments.

10 Q Right. But even that would have got him under the 51 percent, under the controlling interest, theoretically.

13 A I don't really know. I'm not sure if two payments is the correct amount. I don't know.

15 Q Okay. I think you're right on that. So that was the proposal, convertible loan at 51 percent?

17 A I think so. You'd have to really read through the documents to understand them because I don't recall in that detail.

19 Q Okay. And were these the terms you and Tim Durham had discussed prior to the meeting?

22 A I assume we did, yes.

23 Q Okay. I'm sorry. Go ahead.

24 A You know, that he would get terms, 30 days and all that stuff. That he would make an effort to sell our

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products. That he would provide financial reports.

Q When you say sell our products, who are you talking about?

A United principally.

Q Okay. Anybody else? Classic or --

A Well, I assume Classic, but it wasn't envisioned. I mean, honestly, right then, if I recall, we may have just bought Classic. So I don't know that Classic even was in the discussion. It might have been, but it wasn't much.

Q Okay.

A That he'd provide monthly financial reports on the status of the company and so forth. That he'd contribute assets to the new company. If you see, it's noted here Web site. So I would have anticipated the Web site was a part of it in there.

Q You wanted it to be part of the deal, right?

A Sure. That was part of the business assets, in my opinion. That he'd establish a salary level.

Q For him?

A Yes.

Q Okay.

A And Anita. So that just voluntarily they couldn't take money out of the business and erode the funds from the business. That they take no other draws

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without approval of --

Q Tim.

A -- Tim. They'd form a new sub-S corp or whatever.

Q Did that happen?

A Well, it was an LLC that was formed.

Q Okay. Page 2 of the notes.

A Page 2, Randy -- the debt was creeping up for two years. Started in '97, but his father started in '92. Randy -- I think this indication is his first full year was in '98. I think that's the reference there.

Q Okay.

A He described his company as a sole proprietorship, Schedule C. Worked at GM up to two and a half years ago and then left. He reported to me that he did \$3 million in sales in 2003, of which \$1.3 million of his sales were to United. And \$600,000 of it was to Continental Cargo. And I don't know who the others were to. In other words, that's \$1.9 million out of \$3 million, so he was selling trailers for other companies as well.

Q You or Obsidian or Tim, you don't have any affiliation with Continental Cargo, do you?

A No.

Q Okay.

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A He reported in 2002 that he did \$2.1 million. And I think these were some comments about trailers or products or something, stock availability, living quarters, aluminum frame, fiberglass wall. I don't know what those particularly refer to.

And then he had sold apparently in -- I'm going back to '03, I guess. He had sold \$100,000 of Aluminum Trailer Company because it was an all-aluminum trailer. And then TN Trailer Company was building cargo trailers. That was a new trailer companies he was commenting on down in Tennessee.

Q Why would he mention them?

A That they were probably a competitor in the market, creating pricing difficulties for him or something. I don't know.

Q Okay.

A Treated plywood floor, I guess that's just a description of some of the product. I don't know.

He indicated he had no business debt, that it was very minor. And 85 percent of his customers were picked up at the factory. Internet, 18 percent. I guess these are margins that he figured that he had on the trailers. On Internet sales was 18 percent. 15 percent and lower for larger options and a little less, I guess.

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Q Okay.

A And the third page was an account status at United Expressline as of 11-26.

Q Okay. Let's go back to the first two pages of the memo. You sent that memo to Gary and copied Randy and copied Gary Stanley?

A Yes, as a memory of the meeting.

Q All right. Did you and Randy agree on any terms in that meeting for the proposed LLC?

A Well, no, I don't think so. I think this was the proposal. And at that time he generally understood it, but he didn't understand fully the details. He needed to go back and talk to Anita, and he needed to talk to an attorney to determine did this make sense, is this something he ought to do.

Q Okay.

A You know, we outlined that the debt at that time was about \$250,000. And he felt that he would reduce that by approximately \$127,000 within a very brief period, as to the outline of the things he described, sale of the boat, so on and so forth.

Q Okay.

A Getting a line of credit from an equipment lender, so on and so forth. That he would provide us a copy of his most recent financial statements, which we would

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maintain as confidential. That we would propose a loan to him from Tim Durham or other designated arrangement, the balance of the United debt obligation, which at that time we thought would narrow down to \$123,000.

5

6 Q Okay. And you all were guessing on the actual amount at that point, weren't you?

7

8 A Well, we were guessing only from the input he had. He said I think I can come up with these funds to reduce the debt to \$123,000. Loan would then be in the form of a convertible note, and that generally outlined the concept. New corporation would be created. We'd establish and agree upon a salary, his wife, additional draws. Make an effort to market the products. Would require monthly profit-and-loss reports. And that we would assist him in creating proper financial records.

18 Q Can I go back to one thing?

19 A Yes.

20 Q It says the new corporation will be created for which you would own 100 percent of the stock. But it ended up with a 99 percent/1 percent split. Why is that?

22

23 A Well, the attorneys ultimately decided that it made sense that Tim needed one percent of the stock, Diamond did, for precluding Randy from filing a

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1 bankruptcy. He would have to have 100 percent of all the shareholders' approval before he could file a bankruptcy of the company.

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4 Q So it would give Tim a vote then?

5 A So it would give Tim a vote. So it was granted at one percent.

6

7 Q And you're saying Tim and Diamond almost interchangeable?

8

9 A Yes.

10 Q Okay.

11 A Tim is Diamond.

12 Q All right. Where were we, number 8?

13 A Monthly profit-and-loss reports.

14 Q Right.

15 A And that we would assist him in creating proper financial records and reports.

16

17 Q Okay.

18 A It says we will allow up to 30 days open account as long as you maintain your financial responsibility with our companies. And we will release to your past customers the MSOs which are needed on previous sales.

24 Randy, the suggested format is not intended to take from you the control of your company. But, if accepted, we'd like to be involved in a consulting

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1 form to see that the success is achieved.

2 Q And why did you put that, this is not intended to take control of the company? Why did you feel that was necessary?

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5 A Well, I think from his standpoint, he felt that he had started this company and built this company and whatever status it was. And, you know, he didn't really want to give up ownership of the company. We didn't want ownership of the company. We wanted him to be successful. We wanted him to sell trailers. And we wanted him to be able to pay his debt back to Diamond. And we were willing to assist.

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13 Q All right. And number 10, it says we will release to your past customers the MSOs.

14

15 A Yes.

16 Q What are MSOs?

17 A The manufacturer's statement of origin.

18 Q Is that what Dave was talking about, certificates of origin, that he used as leverage?

19

20 A Yes. One of the misunderstandings that the whole world has had, I guess, you build a product that has to have license plates installed upon it, in order to get those license plates, whether it be a car or a truck or a semi trailer or any kind of a trailer and so forth, there's a manufacturer's statement of

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1 origin. And that gives the serial numbers of each product that they build. And it's identified for that particular product to go out the door. And it's registered with the motor vehicle department and so forth. It also serves as a form of a security interest by the manufacturer, by the seller of the thing.

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8 Well, automotive industry, cargo trailer industry, any other of that nature, if they provide a product to their dealer, until that dealer pays them, they don't transfer that manufacturer's statement of origin because in the view of the manufacturers and the banks and so forth, that secures the ownership of that.

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15 Well, United was not releasing those MSOs to Randy for trailers he hadn't paid for.

16

17 Q Right.

18 A We ultimately found out that in some cases he was delivering trailers to the customers. In some cases the customer didn't care if he got a title or not because it was an off-road trailer maybe. You know, he was using it in the backwoods, and he didn't ever get a license plate for it.

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23 In other cases Randy told the customer, well, it's coming. It was lost, and we've applied for a

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new one. And there were miscellaneous statements like that about why Randy hadn't provided the end customer with the MSOs.

Q Do you know --

5 A But United was sitting there holding those, feeling, 6 okay, sure, we've got a debt here of \$200,000, but 7 we've got security interest. We still can go get the 8 trailer if need be. We know he's delivered them, but 9 we can go get the trailer.

10 Q Right.

11 A Well, ultimately we found out after, he departed the 12 business -- I'm talking about the second time 13 along -- that we still -- we had to provide the MSO 14 to the retail purchaser. He bought it in good faith. 15 The fact that Randy didn't pay us left us in the 16 middle. We still provided the MSOs.

17 Q Okay. And you mentioned that Randy told some 18 customers they were lost?

19 A Yes.

20 Q Can you name any particular specific customers?

21 A I can't, but I know Gary and Dave had talked to some 22 customers that had said, you know, where's my MSO? 23 And they said, well, we haven't been paid.

24 Q Okay. And they told Dave or Gary that Randy had lied 25 to him?

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1 A Yeah. They had paid him. They had paid Randy.

2 Q Okay. Now, this memo, the 12-5-03 memo we just went 3 through, it just kind of outlined the proposals and, 4 I guess, the parameters of the deal you all had 5 discussed in the meeting here?

6 A Correct.

7 Q Did you have a meeting here, in this same room we're 8 in today?

9 A No. I think it was in my office.

10 Q Okay.

11 A Randy had every right in the world after that to meet 12 with his legal counsel, which he did, to meet with 13 his wife, meet with bankers, anybody he desired and 14 to come up with another format.

15 Q Right.

16 A It wasn't mandated that he become a part or agree to 17 forming the LLC. It was an avenue, an expression 18 upon Tim's behalf of helping solve this thing.

19 Q Again, I touched on this earlier, but at that point 20 Randy told you in that meeting he didn't have any 21 business debt?

A Yes.

Q Did it appear to you, after that meeting, that the 24 main debt of Quality Trailers and of Randy was to 25 United?

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1 A Primarily. But there were some other business debts.

2 Q Okay. Why did, to the extent you know, why did Tim 3 agree to go into business with Randy Bowers rather 4 than just calling the notes due and attempting to 5 collect?

6 A Well, Tim had no interest in being the dealer. We 7 recognized that in some fashion Randy could sell 8 trailers. He had shown that. He had sold \$3 million 9 to the industry, of which \$1.3 million was United or 10 something of that nature. He had been successful.

11 It just appeared he had some bad business 12 practices, for which if we could help him get back 13 even and help guide him in the future, that 14 conceivably it could be a successful venture.

15 Q Did you and Tim have discussions about we're going to 16 have to help this guy or we'll be in the same boat? 17 We're going to have to consult -- you just mentioned 18 consulting the business.

19 A Sure.

20 Q Okay. And what was put into this agreement in 21 Plaintiff's Exhibit 3 that allowed for, provided for, 22 consulting help or input from --

23 A I don't recall whether there was anything within that 24 or not. I mean, that's a legal document drawn up to 25 form the LLC.

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1 The expression was made in the original memo.

2 The expression was made after that. The expression 3 was made by our sending Adam down to try to look at 4 where he was at that point. We were more than 5 willing to try to assist, you know.

6 Q Okay. And who was going to give that assistance, 7 that consulting help, whatever was needed?

8 A It would have been probably through a combination of 9 United and Obsidian, us sending down someone from 10 here, one of our financial people from here, to go 11 down. Or it could have been Dave could have 12 conceivably helped down there or myself. You know, 13 any of us.

14 Q But, in general, you and Tim thought that was 15 necessary. That aspect of this deal would be some of 16 your people, Obsidian's or Diamond's or whoever, 17 would be helping out these people?

18 A We were suggesting that because Randy had obviously 19 got, through apparently bad business practices on his 20 behalf, into a world of hurt. He owed a lot of 21 money. He owed banks. He owed for his house. He 22 owed for the business. He needed assistance. We 23 were willing to help him in some way, in addition to 24 loaning him the money.

25 Q And did you, Obsidian, Diamond, anybody, actually

provide that assistance?

4 A We offered it, but we never had the opportunity. But
 5 when the LLC formally got set up, I think, was in
 6 May.

7 Q Do you mean when the papers were signed?

8 A Yes.

9 Q I think July was --

10 A July?

11 Q Yes.

12 MR. KNIGHT: Isn't that right?

13 MS. BEARDSLEY: May.

14 MR. KNIGHT: May?

15 MS. BEARDSLEY: I thought it was May. I could be
 16 wrong.

17 MR. KNIGHT: I don't know that I'm right. I know
 18 some papers were signed in July. There's a security
 19 agreement signed in July. Just a second.

20 MS. BEARDSLEY: When's it recorded?

21 MR. KNIGHT: Articles of Organization filed
 22 May 11, 2004.

23 MS. BEARDSLEY: I think that's what I was going
 24 off of.

25 MR. KNIGHT: I know some of the documents weren't
 signed by Tim and/or Randy until on into July.

MS. BEARDSLEY: But as far as the Articles, the

1 actual formation of the LLC, I was under the
 2 impression it was formed or executed and filed in
 3 May.

4 MR. KNIGHT: Right. And then the operating
 5 agreement was signed in May by Randy but not signed
 6 until July 20 by Tim.

7 MS. BEARDSLEY: Okay. I guess that explains the
 8 confusion.

9 Q Now, I touched on this earlier, too. But at any time
 10 around the formation of the LLC in July, did you ask
 11 that Quality Trailers For Less give special
 12 consideration for United, Danzer, and Classic
 13 Trailers, that they try to push those brands and sell
 14 those brands through Quality Trailers For Less, LLC?

15 A When Randy was here, as outlined in the memo,
 16 obviously we asked him to make every effort to sell
 17 our company's products where possible other than
 18 where freight or models or something of that nature
 19 were not available to him.

20 Q Okay. So did you specifically say we want you to
 21 push United, Danzer, Classic?

22 A We asked him if he would do that, yes.

23 Q Okay. So --

24 A And the memo is there.

25 Q So you asked him to sell United, push United?

1 A Yes.

2 Q You asked him to push Danzer?

3 A Danzer wasn't an entity at that point, that I recall,
 4 was selling trailers until a little later. I think
 5 Randy sold, you know, if I were to guess, four or
 6 five trailers that Danzer had in inventory at one
 7 point and bounced a check with them.

8 Q Did you ask him to sell Classic trailers, push
 9 Classic trailers?

10 A I don't recall that we did, no, because it was a
 11 product line normally not in a niche that Randy was
 12 selling.

13 Q Okay. And what do you base that on? You've said
 14 that a couple of times, that Randy didn't sell in
 15 that niche.

16 A Well, the race car market principally is what Classic
 17 Trailers sells to. And they're a market that you
 18 have to go to the race track and meet with the race
 19 car driver and owner and teams.

20 Q Are you talking about, like, Indy cars?

21 A No. It's what I call your weekend sportsman, the guy
 22 that's got a drag racer, for example.

23 Q That races at the local track?

24 A Or local track, oval track, that kind of thing. But
 25 you have to go there, and you have to meet them. You

1 don't sell it through an inventory item. You don't
 2 sell it from somebody just looking at the Web site.

3 Q Right. Is it possible that Randy and Quality
 4 Trailers For Less would have been able to sell those
 5 products?

6 A If they had met with Classic and talked to them about
 7 it, classic would have considered it, I suppose. I
 8 don't know.

9 Q Okay. Were Classic trailers built at the Champion
 10 plant in Texas at any point?

11 A They had a manufacturing agreement between Champion
 12 and Classic for the Classic model to be built at the
 13 Champion plant and was done so for approximately a
 14 year.

15 Q Okay. I want to clarify. Are you positive you never
 16 pushed or asked that Randy push or try to sell
 17 Classic trailers? Or you think --

18 A I don't recall specifically asking him for it either
 19 way.

20 Q Okay. But is it possible that you did ask him that?

21 A No, I wouldn't say that I did. I said I didn't know
 22 whether -- I have no recollection of that.

23 Q Right. And I just followed up with the old lawyer
 24 question. Is it possible that you did in fact ask
 25 him --

A I have no idea.

Q Okay.

3 A I'll answer it with the same type of defense. I have no idea.

5 Q To me that is a yes, it is possible. You don't remember, but it is at least possible.

7 A No. You're putting words into the statement. I'm saying I have no recollection or memory of ever asking him to sell Classic trailers.

10 Q How about this? Do you remember specifically that you did not ask him to sell or push or --

12 A If I have no memory of asking him to do so or not do so, I wouldn't have any memory of saying do it or don't.

15 (Plaintiff's Exhibit 15 was marked for identification.)

17 Q Let me show you Plaintiff's Exhibit 15. These are two e-mails that are stapled together. I don't know that they have any relationship to each other, other than being stapled together for some reason, but I'll introduce them as the same exhibit. They're DEF 125 and DEF 126. Tell me what the first page is. What is that about?

24 A Well, this was in March of '04. And apparently we were trying to arrive at what the payoff amount would

1 be of the old Quality Trailers For Less account by Diamond. And I'm assuming because there's \$194,000 as of February 29. And, if I recall, that became the payoff amount that Diamond paid off.

5 Q Okay.

6 A The second note or second fax was from me to Gary dated January 12 of '04, approximately a month after the meeting here in Indianapolis, in which I had talked to Randy and had asked him some legal issues, what's the formal company name and/or address and his Social Security number.

12 Q Was this in anticipation of forming the LLC?

13 A I assume that the attorneys were asking for that information, yes.

15 Q Okay.

16 A And said Randy is waiting for return call from the bank on home refinance. My note indicates he was waiting on a return call on 12/15. Randy was supposed to call me later that day as well. The attorneys that were setting up the LLC had asked me to get some information, said will you try to obtain from Randy the first three items. I was asking Gary to assist on getting it. I've told the attorney I'll get the last item. And this Ben Habegger was Randy's attorney.

1 MR. KNIGHT: No, I think Habegger was -- wasn't he -- Robin, I thought he was one of Tim's or Diamond's.

4 MS. BEARDSLEY: Yes.

5 A Apparently he was. Maybe he was the one setting this up.

7 MS. BEARDSLEY: He's the one here.

8 A Right. That's who it was. And that was from him to me, asking information.

10 Q Okay. Can I take a look at this?

11 A (The witness complies.)

12 Q Now, again, there's some handwriting. Will you go through the handwriting for me.

14 A I don't know that that is mine up there. This one here is.

16 Q Okay. The second bit of handwriting is yours?

17 A Yes. Check to see if other government units in this number. And I think this might have been Dave's. Apparently it was from Dave to government trailers, net 30. We will pay including profit margin, arrow, in writing. I don't know what that is.

22 Q Okay. Then can you read the top set, even though it may be -- I can't read it.

24 A That's what I did.

25 Q Okay. I thought you were reading below.

1 A No. This other just said, mine, was checked to see.. if other government unit in this number.

3 Q Okay.

4 (Plaintiff's Exhibit 16 was marked for identification.)

6 Q I'm going to show you Plaintiff's Exhibit 16. It's Bates labeled DEF 50 and 51. Looks like an exchange of letters between you and Dee Dee Wilson.

9 Now I'm going to go to Page 2. This is one from Dee Dee to you. She says, "I have requested a statement of our account with United Trailers dated January 1, 2004, through the present" -- and the date of the letter is October 13, 2004 -- "on three occasions. Two requests for made by me to Linda Nickels in Accounting at United" -- Linda Nickels, is she in accounting at United?

17 A Yes.

18 Q -- "and one request by myself" Dee Dee Wilson, "to you," Terry Whitesell.

20 And she's again requesting a statement. What was the holdup in getting that information? And then you respond to her, but --

23 A No, I don't really. I mean, if I -- if I would speculate, our people would say they probably sent it down there, but I don't really know.

Q Okay. That's fine. That's all I want to ask about that.

A As you can see in that memo of mine to hers, again, we were asking her for help. What's the plan for repayment? We needed information on different trailers. I wanted to do everything we could do, but they had to help us in some way. They had to tell us how they were going to get us paid, bring it up to date.

Q Were you aware and, as far as you know, was United aware that when United cut off Quality Trailers For Less both in 2003 and 2004, that that hurt their business?

A Well, I would assume that it would give them difficulty. But they represented other trailer companies, so they probably had the availability to buy from others. I mean, they only billed about 35 percent of their trailers from United in '03. So they certainly were not destitute without United.

Q Okay. Were you aware or would you agree that when they were cut off, that the cutoff of the trailers that had been ordered and were in the process of being built, that stopping production on those and not shipping those hurt the business of Quality Trailers For Less?

1 would hurt Quality Trailers, right?

2 A That's making a lot of assumptions on both the quantity and the dollar amount and at what point in time his financial situation is. So it's a question that is not really definable. I can give you an answer and say sure, but --

3 Q Well, I think that's an answer you should give. It obviously hurt their business when those --

4 A No, I won't agree with that. I have no knowledge that it did.

5 Q Did it help their business when you didn't deliver the products?

6 A I have no idea. Maybe they bought them from somebody for cheaper.

7 Q Could be.

8 (Plaintiff's Exhibit 17 was marked for identification.)

9 Q Will you take a look at Plaintiff's Exhibit 17.

10 A (The witness complies.)

11 Q Have you seen that document before?

12 A Yes.

13 Q Okay. What is that?

14 A It's a list from Dee Dee of trailers that they were wanting United yet to build, of which United had said until their bill is paid, we're not going to build

1 A I had no idea and had not had communication in '03 with Randy to know that it would effect them or not.

2 Q Okay. Well, that's a pretty basic principle, though. I mean, if they had ordered trailers through United -- I'm not getting into whether United should have cut them off or not. I'm just making the point that when United cut them off and didn't deliver the trailers they had ordered, that hurt Quality Trailers For Less's business?

3 A I don't know the magnitude because I don't know how many trailers would have been stopped.

4 Q Okay. Would you expect that that action would have hurt their business, though?

5 A Only depends upon the magnitude of it. I don't know.

6 Q All right. To the extent that --

7 A Well, I mean if they stopped production on three trailers and he sells 1,000, that's certainly not going to have any magnitude impact upon --

8 Q Fair enough.

9 A -- other trailers he could have built by other companies.

10 Q That's a fair answer. But there could be a magnitude that would hurt them. If there were ten trailers ordered at \$20,000 a trailer, if United cut them off and didn't deliver \$200,000 worth of products, that

1 them, and a request for the account balance information.

2 Q Okay. Do you know specifically anything about those trailers listed in that exhibit, Plaintiff's Exhibit 17?

3 A I don't know of anything specific on those right offhand. You know, if they were identified differently, I might know something about one or two of them, but I don't know anything.

4 Q Do you know if they were built --

5 A No, I don't.

6 Q -- by United?

7 A I don't know.

8 Q Okay.

9 MR. KNIGHT: Robin, I want to take a minute to go through everything.

10 (A recess was taken.)

11 Q I've got not too many more questions. Did you ever have any conversations personally with Randy or Anita Bowers, telling them that trailers were being built or were in the process of being on the production line?

12 A I probably had one or two conversations with them about a specific one or something.

13 Q Okay. Well, did you know, when you told them that,

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was that correct?

1 A Yes, to my knowledge, it would have been correct. I wouldn't have told them otherwise.

2 Q Did you have anything to do with either of the times they were cut off, with the decision?

3 A No.

4 Q So Gary nor Dave consulted with you at all or said, hey, let's look at this, we need to talk about it?

5 A No. They told me that's the action they took.

6 Q On the second one, was Tim Durham consulted at all before Quality Trailers For Less, was cut off?

7 A No.

8 Q And, again, did he ever inquire of you or of anybody at United what was going on with Quality Trailers For Less in 2004?

9 A Other than just saying, you know, are they selling trailers or something. That would have been the extent of it.

10 Q Okay. Now let me go back to Plaintiff's Exhibit 13. This is the letter to Randy from Gary Stanley. Did you have anything to do with those terms, the terms of that letter, which -- that pretty much, in effect, cut them off. But did you have anything to do with those terms?

11 A No.

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1 Q Did you see that letter before it went out?

2 A Not to my knowledge, no.

3 Q When is the first time you saw that letter?

4 A Probably after they sent it. And they probably faxed me a copy of it, I guess.

5 Q Okay. Remind me again, when did Champion Trailers close down?

6 A September of '06.

7 Q Are you aware that there are provisions for attorney's fees in the LLC documents for the prevailing party?

8 A I don't know that I had specific awareness of that.

9 Q Have you seen all of these documents, the operating agreement, the Articles of Organization? How did it come about? Why did you happen to see those?

10 A Well, in the formation of it, the attorneys would call frequently, ask my thoughts on a particular item or something.

11 Q Why would they ask you? Why call you?

12 A I'm just a nice guy.

13 Q No, but I mean --

14 A I'm trying to coordinate things between Mr. Durham and the attorneys.

15 Q Okay. But you're not employed, again, we've established --

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1 A No.

2 Q -- with Diamond?

3 A No.

4 Q You don't have any stake in it?

5 A No.

6 Q Tell me when Champion ceased operation.

7 A September of '06.

8 Q September of '06. Okay. Now, again, I asked you this question. I want to ask it again. In your opinion, did Tim Durham and Diamond Investments do everything in Tim's power to make sure that Quality Trailers For Less was successful?

9 A Well, to the degree that they loaned the money to Randy to continue his business. Had they not agreed to loan the money to Randy, obviously -- you know, I don't know how Randy would have come up with it and proceeded forward.

10 Q Okay. But did Tim fulfill his fiduciary duties to Quality Trailers For Less, LLC, in your opinion?

11 A Yes.

12 Q Okay. Do you know what those duties are under Alabama law?

13 A No.

14 Q Did Tim have the authority to direct Classic Trailers or any of the other trailer dealers that, in any

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1 instance, sold to end users, to direct those end users to Quality Trailers For Less? Could he have made that happen if he wanted to?

2 A No.

3 Q Why not?

4 A Well, the dealers are independent. They're not owned by the company, nor are they franchised by the company. They're independent. They represent a number of manufacturers in most cases. So they can buy product manufactured by whomever they desire, and obviously they can sell to whomever they desire.

5 Q Well, what is Tim's relationship with Classic Trailers?

6 A Again, he's Chairman and Chief Executive Officer of Obsidian that owns Classic.

7 Q Okay. If Tim had said to Classic Trailers, "Any end users that contact you, you need to send them through Quality Trailers For Less," could he have done that? Did he have the authority to do that?

8 A I suppose he would have had the authority to do so.

9 Q Okay. Would he have had the authority to do the same thing on behalf of Evans Trailers?

10 A Yes.

11 Q What about Champion before it closed?

12 A Yes.

Q And, again, did Tim have the authority to order Gary Stanley and Dave Wagner to continue to work with Quality Trailers For Less to resolve the debt issues prior to or rather than the sending of this July 27 letter in Plaintiff's Exhibit 13?

5 A He could have had the authority as Chairman of Obsidian.

8 Q Okay. And you don't personally know whether Randy Bowers has ever sold any of the trailers like the trailers manufactured by Classic Trailers, do you?

11 A Not to my knowledge, no.

12 Q And you don't know if he would be able to do that or might be good at it, do you know?

14 A No knowledge.

15 Q All right. Do you plan to be in Alabama for the trial of this case?

17 A I would assume I do. I don't have any great interest in going to Alabama, but I guess I will.

19 Q You what?

20 A I haven't got any great interest in coming to Alabama, but I guess I will.

22 Q Does Diamond maintain any corporate records, to your knowledge?

23 A I assume they do.

24 Q Where would those be kept?

1 A Probably here.

2 Q Who would have control of those documents?

3 A Well, Tim or the attorneys. I'm not sure who.

4 Q Okay. Does Diamond maintain a corporate bank account?

5 A I really don't know. I assume they do, but I don't know.

8 Q You've already testified Diamond doesn't have any employees, correct?

10 A Not to my knowledge, but I do not know specifically.

11 Q And I understand. I'll ask Tim these questions. Do you know if any funds of Diamond Investments are mingled with any other funds of any of the other entities, such as Obsidian or any of the other entities we've discussed?

16 A I have no idea. There's extensive record keeping of any transaction, you know, on any loans or transactions of funds. So I would say are they intermingled? No.

20 Q Do you know if Tim Durham uses any of the funds of Diamond for his own personal use?

21 A I have no idea.

24 Q Okay. Do you know if he uses any funds of Diamond for any other business uses through Obsidian or any

25 of his other holdings?

1 A Well, I would assume he uses some funds within Diamond for investments held by Diamond.

3 Q Okay. And you don't know if he uses any Diamond funds to pay for any personal expenses?

5 A I have no idea. It's his company, so he can do what he wants with it.

7 Q Did Tim Durham and Diamond have any interests adverse to their interests with Quality Trailers For Less during the time Quality Trailers For Less was up and running? And I'm talking about the LLC, once they formed the new company.

12 A Restate that. I'm not sure exactly what you said.

13 Q Once Tim and Randy entered into Quality Trailers For Less, LLC, did Tim have any interests adverse to the interests of Quality Trailers For Less, LLC?

16 A Not that I'm aware of, no.

17 Q Wouldn't his interest in United have been adverse to Quality Trailers For Less in that he had an accounts receivable, that on the one hand he wanted to --

20 A I mean, he invested 190 some thousand dollars into the thing. All positive, I guess.

22 Q You mentioned, in your meetings with Randy and conversations with Randy Bowers, you knew that he sold to government entities and there was a delay in payment by the government entities. You knew about

25

1 that, right?

2 A Yes.

3 Q Do you know what the turnaround time was on the payment?

4 A I've heard the government normally paid in 30 to 60 days.

7 Q Did you express any reservations or did you tell Randy you had any problem with him continuing to sell to government entities because of the delay in payment by those entities?

11 A Other dealers also sell to government agencies. And our terms with them is either cash or, in some cases, 30 to 45 days. And they're able to satisfy their obligations to United. So we would assume that if Randy, understanding our credit terms, elected to sell to a government agency, he also understood the credit responsibility to United.

18 Q Do you know if United received complaints from any other dealers about the time it took to manufacture the trailers from the time of order to the time of delivery?

22 A Certainly.

23 Q That's pretty frequent?

24 A No.

25 Q How often would you receive or would United receive

complaints from their dealers?

A Well, in the sequence of trailer production and the dealer status, there's a seasonal aspect to a lot of the ordering of trailers, with the orders frequently -- the heaviest volume being placed between January and April and May.

All the dealers' trailers cannot be built in that period of time that they want. So we encourage dealers to have stock trailers on their lot, stock trailers that they build, anticipate that backlog. So, you know, dealers either do it or don't do it. And those that don't do it will complain about the fact that the factory doesn't have the capability to build them as fast as they would like.

Q But it's your contention that it's not the factory's problem. It's just the nature of --

A It's a combination problem. You have to work together to be successful, a dealer and the factory.

Q Okay. Have you had any conversations with anybody other than your attorneys about this case or about Quality Trailers For Less and Quality Trailers For Less, LLC and/or the Bowers?

A Other than I have advised Tim that such a process was undergoing, occurring, and with our attorneys. And I have, you know, told Dave and Gary that they were

going to be deposed and so forth..

Q Did you talk to Dave or Gary or Tim about the details of the case --

A Not really.

Q -- or any strategy or anything like that?

A No. I mean, they've received copies of so many legal documents that they're as confused as I am on it.

MR. KNIGHT: I think that's all I've got.

MS. BEARDSLEY: I have a few questions. I want to go back through a couple of things.

THE WITNESS: Okay.

EXAMINATION,

QUESTIONS BY MS. BEARDSLEY:

Q Going back to the meeting that was held in December of 2003, I believe you stated that the meeting was a concept meeting. Or how would you describe that?

A Well, we discussed with Randy, when he arrived, how do you think you can satisfy this debt so we can continue to do business? We want to do business. And he at that time thought that he could get the debt reduced by certain avenues that he outlined, refinance things and so forth.

And we then also proposed to him the formation of this LLC, for which the debt could be satisfied for United, and it would start him back on ground zero.

He'd be absolutely clean. And we thought that that would be an avenue for him. If he had just had, you know, lapses of good business judgment or whatever it was that created the previous debt buildup, it would give him a chance to get restarted.

And he had the alternative then, when he went back to meet with legal counsel, meet with anybody he wanted, to decide how to go forward. If he didn't want to elect to do that, that would have been his call. And he didn't have to do it. He could have shut it down or did whatever he wanted to do.

Q So am I correct in saying that at the conclusion of the meeting in December, Randy was sent back to Alabama to think about or try to make a decision about what he wanted to do?

A Correct.

Q Okay. And at that time he had the right to consult with attorneys?

A Which he did.

Q Any financial advisors?

A Yes.

Q I believe you said he represented that he was going to try to get refinancing?

A Yes.

Q Bank loans?

A Yes.

Q Do you know if he was able to obtain any of those?

A I don't know specifically, but I sense that he was not able to get anything significant.

Q All right. Once the formation of the LLC started, the discussions were primarily between the attorneys, I think; is that correct?

A Yes.

Q Was there an exclusive sales agreement with United?

A No.

Q Do you know if Randy continued to sell trailers from other manufacturers?

A As far as I know, yes. I mean, his Web site indicated he had other affiliations.

Q Okay. Do you know approximately what type of percentage he was selling of government trailers?

A I don't know exactly, but I would suggest it would be less than fifteen percent of his business.

Q Okay. As far as the debt that was owed at that time, I believe it was \$194,000?

A The debt was greater than that at the time of the meeting.

Q Okay.

A But there was other transaction that brought it down to, when it was paid off, about \$194,000.

149

Q Okay. Do you know if that \$194,000, if that is attributable to all government trailer deals?

3 A No, it was not. It was just a variety of accounts.

Q When you say a variety of accounts, can you explain that?

5

6 A Well, any account that Randy would have sold, all the way from a guy just buying it for his landscaping business, to buying it to haul trash to the incinerator, to a guy maybe buying it for transporting an automobile. Just a variety of customers.

10

11

12 Q To your knowledge, did Randy have difficulties paying on a variety of different trailers?

13

14 A Yes. I mean, across the board the debt was made up of all variety of trailer accounts.

15

16 Q So that's not just exclusively government trailers that he had difficulties paying?

17

18 A Absolutely not.

19 Q Did he ever request any special arrangements for those government trailers?

20

21 A Well, in regard to Presidential Finance or whatever their formal name is, he found them and said that they would advance him the funds, but he needed the signature of Tim Durham also to get that financing arranged.

22

23

24

150

1 Q I mean as far as through United, did he ask for any special payment terms or ask that United work with him?

2

3

4 A I assume he probably did. And I think they probably worked with him beyond the normal 30-day terms, in general.

5

6

7 Q But the terms were always net 30?

8

8 A Those were the standard terms. Obviously when he got up to 150 days or so, it didn't mean much.

9

10 Q Right. Now, you were aware from the beginning that Randy Bowers primarily did sales through his Web site?

11

12

13 A Yes.

14 Q Okay. So at the meeting in December, when you all were discussing his business and the operation of his business, did that include his sales through the Web site?

15

16

17

18 A His sales through the Web site, if I recall, were about 85 percent that route.

19

20 Q So it was certainly knowledgeable at that time that the sales through the Web site, that was his business?

21

22

23

24 A That was a principal part of his business.

25

24 Q Now, as part of the LLC agreement, Randy Bowers had a financial reporting obligation; is that correct?

25

151

1 A Correct.

2 Q Did he ever comply with that?

3 A No.

4 Q Would you consider that to be one of his fiduciary duties under the LLC agreement?

5

6 A Yes.

7 Q Did he fail to comply with that duty?

8 A He failed to comply, correct.

9 Q Did you ever have any difficulties with contacting Mr. Bowers?

10

11 A Yes, frequently.

12 Q Can you tell me about that?

13 A Well, there were just a number of occasions, particularly after June or July, that he was almost never available.

14

15

16 Q What about Anita Bowers?

17 A I had rare occasions, only one or two times, I ever called her.

18

19 Q You testified earlier that there were occasions where customers were calling the factory directly. Can you tell me what that was in regards to?

20

21

22 A Well, there were customers that knew that Randy had ordered a trailer or was going to order a trailer, one of the two, from United to satisfy their purchase needs.

23

24

25

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1 In some cases Randy would have told them, well,

2 your trailer's at United. I don't know when it's

3 going to be built. Or your trailer has not been

4 built. Or your trailer is built, and I can't get it

5 shipped right yet. And in some cases they called.

6 After, I don't know, September or thereabouts,

7 when things -- you know, things deteriorated pretty

8 rapidly, and communications were nonexistent. There

9 were customers, some customers -- I don't know how

10 many -- that did call and were trying to figure out a

11 way to get their trailer.

12 MR. KNIGHT: And I want to just object to the

13 extent that -- I know Mr. Whitesell said he's going

14 to be at trial. But if he doesn't show up, I want to

15 object to any hearsay testimony and to the leading

16 questions. Just a standing objection I'll have

17 rather than continuing to do that.

18 MS. BEARDSLEY: Okay.

19 Q As far as the Web site goes, did you ever make a

20 demand for access to the Web site?

21 A We inquired, sometime after Randy's departure and our

22 knowledge that he was no longer operating Quality

23 Trailers For Less, as to the status of the Web site

24 and why we didn't have possession of it and why he

25 could continue to use it.

153

Q When you say you inquired, was that through the bankruptcy court?

3 A Well, I think we inquired through legal counsel, who inquired through the bankruptcy court, yes, I think was the process.

5

6 Q Are you aware if, after filing for bankruptcy, Mr. Bowers continued to do business through Quality Trailers For Less?

7

8

9 A Yes.

10 Q Can you tell me about that?

11 A Well, I don't know that he did it under -- how he did it, honestly. He had a Web site continuing under Quality Trailers For Less. His contact was somewhere in Tennessee. And how long that existed, I really don't know after that.

12

13

14

15

16 Q Okay. Are you aware if he incurred any liabilities after filing for bankruptcy, if Quality Trailers For Less was acquiring any liabilities?

17

18

19 A We have no knowledge of that.

20 Q Was that a concern?

21 A Yes.

22 Q Why was that a concern?

23 A Well, we didn't do anything good or bad after we found out that Randy was no longer there. We didn't file for default judgment on Quality Trailers. We

24

154

1 didn't file to take over. We asked the courts, you know, can we get the assets to the thing? And I'm not sure why we were not granted access since it was his bankruptcy and not Quality Trailers For Less.

2

3

4

5 But the end result is, you know, we did not get any item from the Quality Trailers For Less default or closure or discontinuance of business. And, unfortunately, or fortunately -- I'm not sure which -- we didn't take any actions.

6

7

8

9

10 Q Do you know if the LLC could be legally obligated on any debts incurred by Quality Trailers For Less, LLC?

11

12 A I would assume it could be.

13 Q And as far as the debt that was owed to United, the second debt I believe that was owed --

14

15 A Yes.

16 Q -- that was accumulated, which I think is \$89,000 --

17 MR. KNIGHT: \$81,000.

18 Q \$81,000. I'm sorry. The \$81,000 debt, do you know if there was a claim in the bankruptcy for that amount?

19

20

21 A In Randy's bankruptcy filing, he filed both the 190 some thousand, or whatever it was, with Diamond. And then he listed almost a similar amount with United, for which we never figured out why he filed that amount. I don't know.

22

23

24

25

155

1 Q Okay. Was United still owed that \$81,000 from Quality Trailers?

2

3 A Yes.

4 Q Was it ever paid that \$81,000?

5 A No.

6 Q I'll show you what has been marked as Plaintiff's Exhibit 17. This is a letter that was sent to you from Dee Dee Wilson. It says she's the general manager of Quality Trailers. Did you ever have any discussions with Dee Dee Wilson?

7

8

9

10

11 A One or two phone conversations about similar information that she was after or account balance information.

12

13

14 Q Do you know if she was working as an accountant for Quality Trailers or what her position was?

15

16 A You know, I never did meet her, didn't know her specifically. I don't know how long she was there, but I suspect it was a relatively short period.

17

18

19 Q Okay. It states here in this letter that Quality Trailers is continuing to make good faith efforts to pay United Trailers. Would you agree with that statement?

20

21

22

23 A No.

24 MS. BEARDSLEY: I think that's all I have.

25 MR. KNIGHT: Two quick questions.

156

1 ... FURTHER EXAMINATION, ...

2 QUESTIONS BY MR. KNIGHT:

3 Q Who actually owns United?

4 A Obsidian Enterprises, Inc.

5 Q Okay. And who owns Obsidian?

6 A It's made up of a group of investors.

7 Q Okay. And you told me the ones you could remember of that group?

8

9 A Yeah.

10 Q Who is the primary -- does anybody have controlling interest? Does Tim?

11

12 A Tim would have the largest shares, largest quantity of shares.

13

14 Q Does he have a majority of the shares?

15 A Not majority, but quantitatively he owns more than anybody else.

16

17 Q Okay. But not 51 --

18 A But less than 50 percent, as I recall. I don't honestly know, but I think it's less than 50.

19

20 Q Okay. You said a minute ago you requested the assets from the bankruptcy court, the assets of Quality Trailers For Less from the bankruptcy court.

21

22

23 A Yes.

24 Q On whose behalf did you make that request?

25 A For Diamond.

Q Okay. And did you do that, you personally?
 A No. I asked the attorneys.
 3 Q Okay. Were you involved in the process of requesting
 those assets then?
 A I asked our attorneys to do so. Yes, I did.
 6 Q Okay. Did Tim Durham ask you to do that?
 7 A I'm sure he asked me did we get possession of the
 8 assets.
 9 Q Okay. And at the time you made that request to the
 bankruptcy court about that, you still thought the
 10 Web site was one of the assets owned by Quality
 11 Trainers For Less, LLC, didn't you?
 12 A As far as I know, yeah.
 13 Q Okay. Do you have any reason to think that you were
 14 already aware it was not an asset?
 15 A No.

17 MR. KNIGHT: Okay. No further questions.
 18 AND FURTHER THE DEPONENT SAITH NOT..

19
20
21
22
23
24

 (Signature Waived)

Sam David Knight
 GORDON & ASSOCIATES, LLC
 600 University Park Place, Suite 350
 Birmingham, Alabama 35209

NOTICE OF DEPOSITION FILING

IN THE UNITED STATES DISTRICT
 FOR THE NORTHERN DISTRICT OF ALABAMA
 NORTHEASTERN DIVISION

TAZEWELL SHEPARD, TRUSTEE
 FOR THE BANKRUPTCY ESTATE OF
 FLOYD RANDALL BOWERS,

Plaintiff, CAUSE NO.
 5:06-CV-00721-IPJ

vs.

DIAMOND INVESTMENTS, LLC, et al.,
 Defendants.

In compliance with the applicable Rules of
 Procedure, you are hereby notified of the filing with
 Counsel for Plaintiff of the deposition of TERRY
 WHITESELL taken on December 20, 2006.

 (Date of Filing)

cc: Robin L. Beardsley

ASSOCIATED REPORTING, INC.
 Two Market Square Center, Suite 940
 251 East Ohio Street
 Indianapolis, Indiana 46204
 (317) 631-0940

1 STATE OF INDIANA)
 2) SS:
 COUNTY OF HAMILTON)

3
 4 I, Paula A. Morgan, Notary Public in Hamilton
 County, Indiana, do hereby certify that the deponent
 was, by me, sworn to tell the truth in the
 5 aforementioned matter;

6 That the deposition was taken on behalf of the
 Plaintiff at the time and place theretofore mentioned
 with counsel present as noted;

7 That the deposition was taken down by means of
 Stenograph notes, reduced to typewriting under my
 8 direction and is a true record of the testimony given
 by said deponent; and that the reading and signing by
 9 the deponent were waived, the witness being present
 and consenting thereto;

10 I do further certify that I am a disinterested
 person in this cause of action; that I am not a
 11 relative or attorney of any of the parties or
 otherwise interested in the event of this action and
 12 am not in the employ of the attorneys for the
 respective parties.

14 IN WITNESS WHEREOF, I have hereunto set my
 hand and affixed my notarial seal this _____ day of
 15 January, 2007.

17 -----
 18 Paula A. Morgan, Notary Public

19 County of Residence: Hamilton

My Commission Expires: December 8, 2008

22
23
24
25

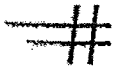
EXHIBIT 8

***DC Investments, LLC
and Subsidiary***

Consolidated Financial Statements

Year Ended December 31, 2002

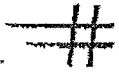
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BGBC Partners, PC

Strength in numbers.

Fair Finance-000001



DC Investments, LLC and Subsidiary

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DRAFT 09/11/10

Strength in numbers.

Independent Auditors' Report

DRAFT 09/11/08

DC Investments, LLC and Subsidiary

Consolidated Balance Sheet

December 31, 2002

Assets

Cash and cash equivalents	<u>\$ 3,576,901</u>
Finance and loans receivable:	
Finance receivables (Notes 3, 4, and 11)	51,098,053
Loans receivable, related parties (Notes 4 and 6)	18,296,853
Loans receivable (Notes 4 and 7)	1,865,821
Reserves for credit losses (Note 4)	<u>(2,929,953)</u>
Finance and loans receivable, net	68,330,774
Unit subscription receivable (Note 8)	2,000,000
Lease receivables, net (Notes 5 and 6)	2,188,745
Prepays and other assets (Note 2)	2,037,834
Property and equipment, net (Note 9)	2,969,581
Intangible assets, net (Notes 2, 6, and 10)	<u>15,120,559</u>
	<u>\$ 96,224,394</u>
Liabilities and Stockholders' Equity	
Notes payable (Note 12)	\$ 17,655,342
Accounts payable, trade and accrued expenses (Note 6)	2,854,177
Dealers' reserves and holdbacks	3,944,321
Subordinated debt (Note 13)	<u>66,536,753</u>
Total liabilities	90,990,593
Members' equity	<u>5,233,801</u>
	<u>\$ 96,224,394</u>

See accompanying notes to consolidated financial statements.

DC Investments, LLC and Subsidiary

Consolidated Statement of Operations

Year Ended December 31, 2002

Finance charge revenue	\$ 13,825,791
Interest expense:	
Bank debt	(1,504,061)
Subordinated debt	<u>(2,828,175)</u>
Net finance revenues, before provision for finance credit losses	9,493,555
Provision for finance credit losses (Notes 4 and 6)	<u>(1,827,189)</u>
Net revenues, after provision for finance credit losses	7,666,366
Nonfinance income:	
Investment and other income (Note 6)	130,304
Nonfinance expenses:	
Operating expenses	<u>(7,960,267)</u>
Net loss	<u>\$ (163,597)</u>

WELT 02/14/03

See accompanying notes to consolidated financial statements.

DC Investments, LLC and Subsidiary

**Consolidated Statement of Members' Equity and Comprehensive Loss
Year Ended December 31, 2002**

	Comprehensive Loss	Units Issued	Additional Paid-in Capital	Additional Other Comprehensive Loss	Accumulated Deficit	Total Members' Equity
Balances, December 31, 2001	\$ -	-	\$ -	\$ -	\$ -	\$ -
Assignment and assumption of debt (Note 2)	-	-	4,097,398	-	-	4,097,398
Acquisition of assets from related party through assumption of debt (Notes 5 and 6)	-	-	-	-	(200,000)	(200,000)
Funding of unit subscription receivable (Note 8)	-	-	2,000,000	-	-	2,000,000
Unrealized loss on available-for-sale marketable securities	(500,000)	-	-	(500,000)	-	(500,000)
Net loss	(163,597)	-	-	-	(163,597)	(163,597)
Total comprehensive loss	<u>(663,597)</u>	-	-	-	-	-
Balances, December 31, 2002	\$ -	-	\$ 6,097,398	\$ (500,000)	\$ (363,597)	\$ 5,233,801

See accompanying notes to consolidated financial statements.
4

DC Investments, LLC and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31, 2002

Cash flows from operating activities:	
Net loss	\$ (163,597)
Adjustments to reconcile net loss to net cash used in operating activities:	
Provision for credit losses on finance receivables	1,827,189
Depreciation and amortization	1,447,269
Loss on sale of equipment, furniture and fixtures	361
Decrease (increase) in:	
Prepaids and other assets	2,041,611
Income tax deposit	358,194
Increase (decrease) in:	
Accounts payable, trade and accrued expenses	<u>(7,030,251)</u>
Net cash used in operating activities	<u>(1,519,224)</u>
Cash flows from investing activities:	
Finance receivables originated or purchased	(65,944,560)
Finance receivables repaid	65,896,000
Capital expenditures	(890,982)
Payments to acquire Fair Finance	(16,893,147)
Loans originated	(1,896,479)
Loans originated, related parties	(18,150,834)
Leases originated	(803,862)
Payments received on leases	33,488
Interest on related-party lease	(76,770)
Deposit on asset to be leased	(85,658)
Issuance of long-term debt	<u>700,000</u>
Net cash used in investing activities	<u>(38,112,804)</u>
Cash flows from financing activities:	
Proceeds from issuance of subordinated debt	31,157,006
Repayment of subordinated debt	(8,098,500)
Debt issuance costs	(275,000)
Advance to related party	(866,279)
Net repayment on line of credit	(2,034,461)
Purchase of marketable securities	(500,000)
Long-term debt repayments	(621,360)
Line of credit borrowing to acquire Fair Finance	<u>16,200,000</u>
Net cash provided by financing activities	<u>34,961,406</u>
Decrease in cash	(4,670,622)
Cash and cash equivalents, beginning of period	<u>8,247,523</u>
Cash and cash equivalents, end of period	<u>\$ 3,576,901</u>
Supplemental schedule of noncash investing and financing activity:	
Note issued for acquisition of Fair Finance	\$ 4,097,398
Assumption of debt for capital	\$ 4,097,398
Debt assumed as payment of investment banking fees	\$ 200,000
Equipment acquired through debt assumption	\$ 2,332,163
Distribution recorded from assumption of debt from related party in excess of asset value	\$ 200,000
Acquisition of preferred stock of related party for prior advances	\$ 866,279
Funding of additional units	\$ 2,000,000

See accompanying notes to consolidated financial statements.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

DC Investments, LLC ("DC Investments"), its subsidiary Fair Holdings, Inc. ("Fair Holdings"), and Fair Holdings' subsidiary, Fair Finance Company ("Fair Finance"), collectively referred to as "the Company," engage primarily in providing consumer financing services through purchasing and servicing consumer contracts from health and fitness clubs, frozen food distributors, campground resorts, consumer buying clubs, website development and other businesses wishing to provide financing to their customers. In addition, the Company also finances artwork, real estate and equipment under capital leases primarily for related parties, as discussed in Notes 5 and 6.

The consolidated financial statements include the operations of DC Investments and Fair Holdings for the year ended December 31, 2002 and Fair Finance for the period January 7, 2002 (date of acquisition, as further discussed in Note 2) to December 31, 2002. All significant intercompany transactions and balances have been eliminated in consolidation.

DC Investments Leasing, LLC ("DC Investments Leasing"), a 99% owned subsidiary of DC Investments, owns and leases coaches, designed and fitted out for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases. DC Investments Leasing, which has an October 31st year end, was formed in December 2002.

On December 17, 2002, DC Investments Leasing purchased four coaches from a related party in exchange for DC Investments Leasing's assumption of the debt outstanding on such coaches. No gain or loss was recognized on the transaction due to the involvement of related parties. In addition, DC Investments Leasing also acquired five additional coaches. DC Investments Leasing refinanced the debt on the four coaches in addition to financing the five additional coaches. DC Investments Leasing entered into an agreement with a bank for approximately \$2,741,000 of the debt with interest payable at prime plus ½% and a maturity of December 2007. DC Investments Leasing also incurred debt with Fair Holdings for the remaining 20% of the net book value of the transferred and new coaches. Terms of the debt with Fair Holdings include accrued interest payments on the principal amount of approximately \$677,000 at 14% and a maturity of January 2008, as further discussed in Note 6. DC Investments Leasing also entered into a management agreement with a related party under which all nine coaches described above will be leased by the related party.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

A summary of DC Investments Leasing's assets and liabilities at December 31, 2002 and operations for the period ended December 31, 2002 are as follows (unaudited):

Coaches, net of accumulated depreciation of \$140,789	\$ 3,087,607
Other	<u>87,309</u>
	\$ <u>3,174,916</u>
Note payable, bank	\$ 2,741,867
Note payable, Fair Holdings	<u>676,759</u>
	\$ <u>3,418,626</u>
Revenue	<u>\$ 5,920</u>
Net loss	<u>\$ 3,021</u>

The activities of DC Investments Leasing for the year ended October 31, 2003 will be included in the consolidated financial statements of DC Investments for the year ended December 31, 2003.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Significant estimates used in preparing these financial statements include those assumed in computing the reserve for finance credit losses, lease receivables, depreciation, amortization of intangible assets, and collateral on advances from related parties. Actual results could differ from those estimates.

Revenue Recognition

Net finance charges on third-party retail installment notes are credited to unearned finance charge accounts and transferred to income on an individual account basis as collections are made in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-the-digits collection method, which materially approximates the interest method). Finance income is recognized on related-party finance receivables on the interest method applied to the outstanding balance of each loan. Also see below and Notes 4 and 6. Premiums and discounts on purchased receivables are considered as yield adjustments. The unamortized balance is included in finance receivables and the associated amortization is included in finance charge revenue. Receivables for nonrefundable, origination and commitment fees, if charged to the customer, generally are deferred and amortized as interest income over the life of the related loan as an adjustment of the yield. Also see Notes 3 and 4 for discussion regarding the nonaccrual status of nonperforming assets.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Income for capital leases is recognized on the interest method. Income on operating leases is recognized on a straight-line basis over the lease term. Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the lease term or projected economic life of the asset.

Accounting for Transfers and Servicing of Financial Assets and Liabilities

Effective April 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Liabilities* ("SFAS No. 140").

The Company has service-only contracts on installment finance receivables primarily as a service to, and related to, its dealer agreements.

Loan servicing fee income represents fees earned for servicing loans owned by the dealers. The fees are calculated on the outstanding principal balance of loans serviced. Fees are recorded as income when the service is performed and, therefore, earned. The Company has no material "loan servicing rights" assets associated with these contracts recorded (also see Note 3).

Finance Receivables

Allowance for loan losses is increased by charges to income and decreased by chargeoffs. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. (Also see Notes 3 and 4.)

Property and Equipment

Property and equipment are recorded at cost. Major additions and betterments are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. The cost of assets retired or otherwise disposed of and the related accumulated depreciation or amortization are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in the statement of operations for the period. Depreciation and amortization of the Company's property and equipment are provided using the straight-line method over the estimated service lives of the assets.

Marketable Securities

The Company classifies its marketable securities as available for sale. The securities consist of equity securities, which are stated at fair value, with net unrealized gains or losses on the securities recorded as accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of the securities. Marketable securities are included in the consolidated balance sheet under the caption "Prepays and other assets".

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

At December 31, 2002, the Company's marketable securities consist of preferred stock of Obsidian Enterprises, Inc. ("Obsidian Enterprises"), a related party, as further described in Note 6. The preferred stock currently has no ready market; however, Fair Holdings intends to convert this stock to common shares upon additional share authorization by Obsidian Enterprises. As there is no objective evidence of value and the shares cannot currently be traded or converted, the original cost of \$866,279 has been recorded in the financial statements. The carrying value is based on a put option the Company has which gives the Company the right to place the stock with a member of DC Investments at cost to guarantee the value, as further discussed in Note 6.

Fair Value of Financial Investments

The carrying amounts of cash and cash equivalents, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying amounts of finance, loans and lease receivables approximates fair value as the effective rates for these instruments are comparable to market rates at year end. The carrying amount of subordinated and bank debt approximates fair value, as a result of the current interest rates paid on the Company's borrowings being at market.

Income Taxes

The Company has elected to be taxed under provisions of the Internal Revenue Code as an S corporation. Under such provisions and similar provisions of state law, the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on the Company's taxable income. Accordingly, the Company does not provide for corporate income taxes in its financial statements.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Advertising Costs

The Company's policy is to expense all advertising costs that do not benefit future periods. Advertising expense was \$221,474 in 2002.

2. Acquisition of Fair Finance

On January 7, 2002, Fair Holdings purchased all of the outstanding stock of Fair Finance for \$23,338,591. The purchase price consisted of bank debt of \$16,200,000, issuance of a note payable to the seller of \$4,097,398, and acquisition costs of \$3,041,193.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The acquisition was allocated as follows:

Goodwill	\$ 9,808,912
Tradename	2,129,076
Employment agreements	2,100,497
Technology (software)	1,580,140
Financing costs	275,000
Net value of tangible assets	<u>7,444,966</u>
	<u>\$ 23,338,591</u>

In conjunction with the purchase of Fair Finance, Fair Holdings entered into an Assignment and Assumption Agreement with DC Investments, whereby DC Investments assumed a certain note payable of approximately \$4,100,000. In addition, DC Investments entered into an Assignment and Assumption Agreement with the members of DC Investments, whereby the members of DC Investments assumed the note payable. Fair Holdings and DC Investments have been released as the debtors of the note payable. Accordingly, such amount was recorded as additional paid-in capital during 2002.

In addition to the purchase price described above, the sellers of Fair Finance are to receive "performance based earn-out" payments quarterly, beginning with the quarter ended March 31, 2002 and continuing for five years. The quarterly payments of \$50,000 are due to the sellers, provided Fair Finance attains certain financial targets. During the year ended December 31, 2002, the Company paid \$150,000 to the sellers in connection with the performance based earn-out. This amount has been reflected as goodwill at December 31, 2002.

The Company also entered into employment agreements with the previous majority stockholder of Fair Finance and certain key employees of Fair Finance. The employment agreement with the previous majority stockholder provides for annual compensation of \$200,000 for a term of five years. The entire amount of \$1,000,000 due under the employment agreement was paid prior to closing and is currently being amortized over the five-year term of the agreement. The remaining balance of \$800,000 has been recorded as other assets at December 31, 2002.

The employment agreements for certain key employees include base salaries, performance-based compensation and incentive compensation. The performance-based compensation and incentive compensation are payable to the key employees provided Fair Finance attains certain financial targets. The maximum performance-based compensation payable to the key employees is limited to \$1,000,000 over the five-year term of the employment agreements.

In addition, certain key employees are also entitled to participate in the Fair Finance Company Shareholder's Incentive Shadow Stock Plan (the "Plan") effective January 7, 2002, offered by the members of DC Investments. Under the Plan, shadow stock is earned by key employees annually over the five-year term of the agreements. The redemption of the shadow stock under the Plan is based on operating results of Fair Finance and is to be paid by members of DC Investments.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

3. Finance Receivables

Contractual maturities of retail installment notes as required by the industry audit guide for finance companies were not readily available. However, the following table estimates the maturities on a weighted average basis considering the prepayments discussed below. Experience of the Company has shown that many, although not a majority, of the retail contracts will be repaid or renewed many months prior to contractual maturity dates. During the year ended December 31, 2002, repayments (including cash collections and excluding deferred finance income) of retail contracts were approximately \$65,896,000, and the ratios of repayments to average balances were 113%. The above data should not be regarded as a forecast of future repayments.

Third-party finance receivables, including type, maximum terms, and estimated maturities are as follows as of December 31, 2002:

	Maximum Terms In Months	Years				Amount
		0-1	1-3	3-5	5-10	
Third-party retail installment notes:						
Frozen food distributors	48	\$ 4,779,264	\$ 9,558,528	\$ 4,779,264	\$ -	\$19,117,056
Health and fitness clubs	36	3,190,854	5,511,476	-	-	8,702,330
Campground resorts	84	2,043,873	4,087,746	4,087,746	4,087,747	14,307,112
Consumer buying clubs	36	1,716,180	2,760,828	-	-	4,477,008
Website development	48	1,877,781	1,877,781	2,775,851	-	6,531,413
Sweepers	36	445,845	717,230	-	-	1,163,075
Alarms	36	59,850	96,289	-	-	156,139
Dating services	24	54,590	40,363	-	-	94,953
Subtotal		14,168,237	24,650,241	11,642,861	4,087,747	54,549,086
Dealer notes	60	230,000	101,000	1,327,541	-	1,658,541
Subtotal		14,398,237	24,751,241	12,970,402	4,087,747	56,207,627
Less discounts and unearned charges		(1,308,876)	(2,250,020)	(1,179,078)	(371,600)	(5,109,574)
Total third-party finance receivables		\$13,089,361	\$22,501,221	\$11,791,324	\$ 3,716,147	51,098,053

Loans receivable, including maturities, are as follows as of December 31, 2002:

	Years					
	2003	2004	2005	2007-2008	2012	
Loans receivable	\$1,526,664	\$ 339,157	\$ -	\$ -	\$ -	1,865,821
Loans receivable, related parties	344,155	9,555,966	4,205,509	2,519,024	1,672,199	18,296,853
Less reserve for credit losses						(2,929,953)
Finance and loans receivables, net						\$68,330,774

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The Company also has service-only contracts, which it services for dealers, with outstanding balances of \$19,490,918 as of December 31, 2002. These accounts are not recorded in the Company's balance sheet. Fee revenue is recognized on these accounts as services are performed and earned.

Fair Finance maintains a line of credit for one of its dealers. The principal balance on the line of credit shall not exceed 50% of the outstanding balance of its current accounts being serviced by Fair Finance with a maximum of \$2,500,000. Fair Finance's advances on the credit line carry an interest rate of 1.0% over prime and are due October 2005. Fair Finance's collateral for the outstanding advances included the dealer's receivables and any amounts owed by Fair Finance to the dealer. The outstanding advances totaled \$1,440,546 at December 31, 2002.

Fair Finance has a promissory note with one of its dealers which is collateralized by property. The note agreement requires 36 monthly payments of \$1,200, including interest at 10%, with a final balloon payment of \$98,225 due January 2004. As of December 31, 2002, the outstanding balance totaled \$101,829.

Fair Finance has various promissory notes with one of its dealers with an interest rate of 18% and principal and interest are due in one lump-sum payment on March 1, 2003. As of December 31, 2002, the outstanding principal totaled \$230,000. The maturity dates of the promissory notes were extended to May 1, 2003, and the interest rate was increased to 21% beginning March 1, 2003. The notes were paid in full on May 31, 2003.

4. Allowance for Losses on Finances Receivable and Nonperforming Loans

The Company is exposed to the risk that borrowers or counterparties may default on their obligations to the Company. These transactions create credit exposure that is reported on-balance sheet. On-balance sheet credit exposure includes such items as third-party finance receivables and loans and related-party loans and leasing receivables. The Company has no off-balance sheet credit risk with regard to its servicing-only contracts. In addition, the Company has arrangements with certain dealers to exchange performing service-only contracts for on-balance sheet nonperforming contracts. The Company uses this concept to partially manage its overall credit risk further discussed above.

The Company's Risk Committee has developed policies to manage the level and composition of risk in its credit portfolio and reviews the Company's performance relative to those policies. The objective of this credit risk management process is to quantify and manage credit risk on an aggregate portfolio basis for the third-party finance receivables, as well as to reduce the risk of loss resulting from an individual customer or dealer default. Corporate Risk Management works with lending officers and line of business personnel involved in credit decision-making and is involved in the implementation, refinement, and monitoring of the Company's credit policies and procedures. Credit limits are subject to varying levels of approval by senior line of business management and Corporate Risk Management.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The Company maintains an allowance for losses on third-party finance receivables at an amount that it believes is sufficient to provide adequate protection against losses in the portfolios. The allowance is determined principally on the basis of historical loss experience, and reflects management's judgment of additional loss potential considering future economic conditions and the nature and characteristics of the underlying finance receivables. The allowance is managed on an aggregate basis considering the relationship of the allowance to net finance receivables and net credit losses. Allowances on related-party notes and loans receivable are evaluated on a loan-by-loan basis. Additions to the allowance are generally charged to the provision for finance credit losses.

Finance charge accruals are suspended (placed on nonaccrual status) on third-party accounts when they become 90 days contractually delinquent and reach 100 days recency. The accrual is resumed when the loan becomes contractually current. Accrual is suspended on related-party loans and leases when collection of all contractual principal and interest is deemed doubtful and is not adequately collateralized. Interest on interest-bearing finance receivables, extension fees and late charges is credited directly to income when collected.

Finance receivables are charged to the allowance for losses generally when they are deemed to be uncollectible. Additionally, the Company's policy provides for charge-offs of various types of accounts on a contractual basis. Consumer direct and other installment receivables are charged to the allowance for losses when collection efforts and the dealer holdback and reserve has expired. All other finance receivables are charged to the allowance for losses when any of the following conditions occur: (i) the related security has been converted or destroyed, (ii) the related security has been repossessed and sold; or (iii) the related security has not been repossessed and the receivable has become significantly delinquent. A contractually delinquent account is one on which the customer has not made payments as contractually agreed. Extensions are granted on receivables from customers with satisfactory credit and with prior approval of management. Recoveries on losses previously charged to the allowance are credited to the allowance at the time the recovery is collected.

The Company reports the change in present value of the expected future cash flows related to impaired loans as an increase or decrease in bad debt expense.

At December 31, 2002, net third-party finance receivables on which revenue was not accrued approximated \$908,000. The interest income that would have been recorded in 2002 if these nonaccruing receivables had been current was approximately \$110,000. During 2002, the average recorded investment in impaired loans was approximately \$1,000,000.

As of December 31, 2002, the total recorded investment in related-party nonperforming loans was approximately \$5,200,000. Related-party loans have been classified as nonperforming based on irregular payment history. However, as of the date of this report, all payments due as of December 31, 2002 have been paid. During 2002, the average recorded investment in related-party nonperforming loans was approximately \$3,700,000. In addition, the Company has a total recorded investment in related-party loans of approximately \$4,400,000, which accrue interest and require no cash payment of accrued interest or principal until maturity. Accrued but unpaid interest totaled approximately \$205,000 on such loans.

As of December 31, 2002, the Company had established reserves for credit losses of \$2,929,953 for finance receivables and related-party loans receivable.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

An analysis of the transactions in the reserve for finance credit losses is as follows:

Balance, January 7, 2002	\$ 2,454,706
Add provisions charged to operations	<u>1,827,189</u>
	4,281,895
Deduct losses on accounts charged off	<u>(1,351,942)</u>
Balance, December 31, 2002	<u>\$ 2,929,953</u>

The ending reserve for finance credit losses represents additional reserves above the amounts withheld from dealers for dealer reserves and holdbacks. The dealers' reserves and holdbacks represent reductions of the original amounts advanced to dealers or loans acquired. Such amounts are recorded as liabilities on the consolidated balance sheet as they are contractually payable to the dealers in the event portfolio credit risk criteria are met.

Although the allowance for losses on finance receivables reflected in the Company's consolidated balance sheet at December 31, 2002 is considered adequate by the Company's management, there can be no assurance that this allowance will prove to be adequate over time to cover ultimate losses in connection with the Company's finance receivables. This allowance may prove to be inadequate due to unanticipated adverse changes in the economy or discrete events adversely affecting specific customers or industries. The Company's results of operations and financial condition could be materially adversely affected to the extent that the Company's allowance is insufficient to cover such changes or events.

In addition, a portion of the related-party loans have been classified as nonperforming, and are also classified as collateral-dependent. Such loans are collateralized by assets under the control of related parties and affiliated companies. In addition, stockholders of the Company have guaranteed significant amounts of these receivables. Those guarantees are in turn collateralized by stock of publicly traded companies, whose stock value can be volatile and, in some cases, thinly traded. Also see Notes 4, 6, and 17.

5. Lease Receivables

In July 2002, Fair Holdings entered into a sales-leaseback arrangement with DW Trailer, LLC ("DW Trailer"), an entity controlled by a member of DC Investments. Under the arrangement, Fair Holdings purchased substantially all of DW Trailer's property and equipment and leased the majority of these assets back to DW Trailer for a period of one year, renewable annually. The leaseback transactions have been accounted for as capital leases. Fair Holdings assumed \$3,000,000 of debt of DW Trailer and received approximately \$2,216,000 of assets. Of the \$784,000 difference, \$200,000 was accounted for as a distribution due to the involvement of related parties, and the remaining portion of \$584,000 was recorded as a loan to DC Investments, whose member has guaranteed payment of this amount.

The leases require monthly payments of \$25,110 including imputed interest at approximately 10.9% for the real estate lease and 18.8% for the equipment lease. The total carrying cost of assets under capital lease agreements is \$1,300,000 for real estate and \$500,000 for equipment.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Lease amounts due from related parties are as follows:

	Real Estate	Equipment	Total
Total minimum lease payments to be received:			
DW Trailer, LLC ⁽¹⁾	\$ 2,616,469	\$ 888,187	\$ 3,504,656
United Expressline, Inc. ⁽²⁾	-	69,266	69,266
Unearned income:			
DW Trailer, LLC ⁽¹⁾	(1,270,063)	(357,824)	(1,627,887)
United Expressline, Inc. ⁽²⁾	-	(17,196)	(17,196)
Net lease receivable:			
DW Trailer, LLC ⁽¹⁾	\$ 1,346,406	\$ 530,363	\$ 1,876,769
United Expressline, Inc. ⁽²⁾	-	52,070	52,070
	<u>\$ 1,346,406</u>	<u>\$ 582,433</u>	<u>\$ 1,928,839</u>

⁽¹⁾An entity controlled by a member of DC Investments

⁽²⁾Subsidiary of Obsidian Enterprises (public entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board)

Fair Holdings also leases artwork and equipment under capital leases to third parties, expiring in various years through 2017.

Following is a summary of the components of the Company's net investment in leases due from third parties and related parties at December 31, 2002:

	Artwork	Real Estate & Equipment	Total
Total minimum lease payments to be received	\$ 114,377	\$ 3,817,755	\$ 3,932,132
Unearned income	(29,632)	(1,713,755)	(1,743,387)
Net lease receivable	<u>\$ 84,745</u>	<u>\$ 2,104,000</u>	<u>\$ 2,188,745</u>

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Minimum lease payments to be received as are as follows:

<u>December 31,</u>	<u>Artwork</u>	<u>Real Estate and Equipment</u>	<u>Total</u>
2003	\$ 56,568	\$ 494,955	\$ 551,523
2004	38,018	368,582	406,600
2005	19,791	368,582	388,373
2006	-	368,582	368,582
2007	-	325,554	325,554
Thereafter	-	1,891,500	1,891,500
	<u>\$ 114,377</u>	<u>\$ 3,817,755</u>	<u>\$ 3,932,132</u>

6. Related-party Transactions

The Company makes advances and conducts other business transactions with affiliates resulting in the following amounts:

Balance Sheet

Accounts receivable, included in other assets

	<u>December 31, 2002</u>
Champion Trailer, LLC ⁽³⁾	\$ 184
Danzer Industries, Inc. ⁽⁵⁾	627
DW Leasing, LLC ⁽³⁾	8,842
DW Trailer, LLC ⁽³⁾	2,626
Obsidian Enterprises ⁽⁴⁾	1,817
Obsidian Leasing, Inc. ⁽⁵⁾	30,742
Pyramid Coach, Inc. ⁽⁵⁾	7,808
United Expressline, Inc. ⁽⁵⁾	1,474
	<u>\$ 54,120</u>

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Notes and loans receivable

	<u>December 31, 2002</u>
Stockholder of DC Investments, advances under a line of credit with aggregate borrowings not to exceed \$8,000,000, interest accrues at the Fair Finance V-6 certificate rate annually, principal and interest due January 31, 2005. Collateralized by marketable securities and personal assets, including residences and other real estate, collateral position on residences and other real estate second to that of borrower's senior lenders.	\$ 7,285,836
Stockholder of DC Investments, advances under a line of credit with aggregate borrowings not to exceed \$700,000, requires monthly interest payments at 1% above the Fair Finance V-6 certificate rate, principal due May 30, 2004. Collateralized by primary residence, collateral position second to that of borrower's senior lender.	423,762
Champion Trailer Acquisition Company, LLC, nonrecourse assignment of line of credit with a bank, requires monthly interest payments at prime plus 1/2% (4.75% at December 31, 2002), agreement amended during 2002 to increase maximum borrowings from \$200,000 to \$2,000,000 and extend maturity from March 2002 to January 2004. Total advances to borrower guaranteed by members of the borrower to a maximum of \$1,150,000. ⁽³⁾	1,449,752
Champion Trailer Acquisition Company, LLC, nonrecourse assignment of term debt with a bank, requires monthly interest payments at prime plus 3/4% (5.00% at December 31, 2002), principal due June 2005. Total advances to borrower guaranteed by members of the borrower to a maximum of \$1,150,000. ⁽³⁾	628,717
U.S. Rubber Reclaiming, Inc., promissory note receivable requiring monthly interest payments at 15%, matures March 1, 2007. Subordinate to the borrower's senior lender. ⁽⁵⁾	700,000
Speedster Motorcars of Central Florida, advances under a line of credit with aggregate borrowings not to exceed \$1,000,000, requires monthly interest payments at prime plus 2% (6.25% at December 31, 2002), principal due September 30, 2007. Collateralized by all assets of the borrower. ⁽³⁾	442,265
Officer and stockholder of Obsidian Enterprises, Inc. ⁽⁴⁾ , advances under a line of credit with aggregate borrowings not to exceed \$200,000, requires monthly interest payments at 6.125%, principal due July 15, 2004. Collateralized by marketable securities.	91,110
Officer and stockholder of Obsidian Enterprises, Inc. ⁽⁴⁾ , advances under a line of credit with aggregate borrowings not to exceed \$150,000, requires monthly interest payments at 6.125%, principal due October 1, 2003. Collateralized by marketable securities.	152,348
DC Investments Leasing, LLC, subordinated promissory note receivable, interest accrues at 14% annually, principal and interest due January 2008. Collateralized by all assets of the borrower, which consist primarily of luxury coaches, collateral position second to that of borrower's senior lender. ⁽²⁾	676,759

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

	<u>December 31, 2002</u>
Obsidian Enterprises, advances under a line of credit with aggregate borrowing not to exceed \$3,000,000, interest accrues at 10% annually, principal and interest due January 2005. Collateralized by all assets of borrower, including the interest held in four coaches held by a subsidiary. Agreement amended subsequent to year end and guaranteed by a pledge of assets by a member of the borrower, as further discussed in Note 17. ⁽⁴⁾	2,685,667
Obsidian Enterprises, note receivable requiring interest monthly payments at 15%. Collateralized by assignment of a \$700,000 subordinated note receivable from U.S. Rubber Reclaiming, Inc., a subsidiary of the borrower, matures March 2007, guaranteed by a pledge of assets by a member of the borrower, as further discussed in Note 17. ⁽⁴⁾ Balance includes \$94,308 of accrued interest paid subsequent to year end	794,307
Obsidian Leasing, Inc., note receivable requiring monthly interest payments at 14%. Collateralized by all assets of the borrower, which consist primarily of luxury coaches, collateral position second to that of borrower's senior lenders, matures December 2012. ⁽⁵⁾	1,004,447
Obsidian Leasing, Inc., note receivable requiring monthly interest payments at 14%. Collateralized by all assets of the borrower, which consist primarily of luxury coaches, collateral position second to that of borrower's senior lenders, matures September 2012. ⁽⁵⁾	584,000
DW Leasing, LLC, advances under a line of credit with aggregate borrowings not to exceed \$500,000, requires monthly interest payments at 10%. Collateralized by all assets of the borrower, which consist primarily of luxury coaches, collateral position second to that of borrower's senior lenders, matures January 2005. ⁽³⁾	335,983
DW Leasing, LLC, promissory note receivable requiring monthly interest payments at 14%, matures October 2012. ⁽³⁾	83,752
Pyramid Coach, Inc., term note receivable in monthly installments of \$7,808, including interest at 8.2%, matures November 2003. ⁽⁵⁾	82,500
Durham Capital Corp., advance under a line of credit with aggregate borrowings not to exceed \$100,000, interest accrues at 10% annually, principal and interest due March 2005. Collateralized by all assets of the borrower and guaranteed by the borrower's member. ⁽³⁾	68,285
Durham Whitesell and Associates, advance under a line of credit with aggregate borrowings not to exceed \$100,000, interest accrues at 10% annually, principal and interest due September 2005. Collateralized by all assets of the borrower and guaranteed by the members of the borrower. ⁽³⁾	63,101
DW Trailer, LLC, advances under a line of credit with aggregate borrowings not to exceed \$300,000, requires monthly interest payments at 6.25%. Guaranteed by the members of the borrower, matures June 2004, guaranteed by a pledge of assets by a member of the borrower, as further discussed in Note 17. ⁽³⁾	147,310

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DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

	December 31, 2002
Najem Durham Enterprises, LLC, advances under a line of credit with aggregate borrowings not to exceed \$200,000, requires monthly interest payments at 6.125%. Guaranteed by the members of the borrower, matures September 2004. ⁽³⁾	97,939
Obsidian Capital Company, LLC, advance under a line of credit with aggregate borrowings not to exceed \$600,000, interest accrues at 10% annually, principal and interest due March 2004. Collateralized by all assets of the borrower and guaranteed by members of the borrower. ⁽³⁾	484,013
Bella Vita Direct, LLC, advances under a line of credit with aggregate borrowings not to exceed \$30,000, requires monthly interest payments at 6.25%. Collateralized by all assets of the borrower, matures November 2003. ⁽³⁾	15,000
	\$ 18,296,853

Lease receivables

	December 31, 2002
DW Trailer, LLC (Note 5) ⁽³⁾	\$ 1,876,769
United Expressline, Inc. (Note 5) ⁽³⁾	52,070
	\$ 1,928,839

Intangibles

	December 31, 2002
Investment banking fees incurred*	\$ 2,444,530

*Of this amount, \$1,619,530 is a liability assumed by DC Investments, \$200,000 was satisfied through assumption of debt from a related party, and the balance of \$625,000 was paid to related parties in 2002. The liability of \$1,619,530 was paid subsequent to year end.

Accounts payable, trade and accrued expenses

	December 31, 2002
Accrued investment banking fee, Diamond Investments, LLC ⁽³⁾ , paid subsequent to year end	\$ 1,619,530

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Stockholders' equity

	<u>December 31, 2002</u>
Distribution from assumption of debt in excess of asset value	\$ 200,000
Unit subscription receivable funded subsequent to year end	\$ 2,000,000
Additional paid-in capital contributed through debt assumption	\$ 4,097,398

Statement of Operations

	<u>Year Ended December 31, 2002</u>
Interest income	\$ 1,124,419
Rental income (Note 14)	\$ 7,268

(1) Parent of the Company

(2) Subsidiary of DC Investments

(3) An entity controlled by a member of DC Investments

(4) Public entity in which a member of DC Investments is the Chief Executive Officer and Chairman of the Board

(5) Subsidiary of Obsidian Enterprises

During 2002, the Company received preferred stock of Obsidian Enterprises in exchange for advances of \$866,279 due from Obsidian Enterprises. The preferred stock includes conversion rights to enable the holder to convert such shares to common stock. As of December 31, 2002, the shares have not been converted due to Obsidian Enterprises currently not having sufficient authorized common stock available for conversion. The preferred stock is not registered and, accordingly, does not have a ready market. The lack of marketability and the transaction lacking arm's-length substance results in a measure of fair value of the preferred stock as of December 31, 2002 that is not objective. The Company has been granted a put option to guarantee the carrying value by a member of DC Investments.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

7. Loans Receivable

	<u>December 31, 2002</u>
Line of credit with aggregate borrowings not to exceed \$300,000, requires monthly interest payments at 1% above the Fair Finance V-6 certificate rate, principal due April 22, 2004. Collateralized by borrower's interest in Obsidian Capital Partners, LP. Balance includes \$6,354 of accrued interest.	\$ 306,354
Line of credit with aggregate borrowings not to exceed the lesser of the borrowing base (70% of marketable securities pledged as collateral) or \$2,000,000, requires monthly interest payments at 1% above the Fair Finance V-6 certificate rate, principal due September 1, 2003. Collateralized by marketable securities.	1,016,931
Line of credit with aggregate borrowings not to exceed \$250,000, requires monthly interest payments at 1% above the Fair Finance V-6 certificate rate, principal due December 31, 2003. Collateralized by borrower's interest in a privately held entity. Balance includes \$3,833 of accrued interest. Paid in full subsequent to year end.	253,833
Line of credit with aggregate borrowings not to exceed \$150,000, requires monthly interest payments at 1% above the Fair Finance V-6 certificate rate, principal due July 1, 2003. Collateralized by all assets of borrower and guaranteed by the borrower's member. The line was renewed subsequent to year end.	110,000
Line of credit with aggregate borrowings not to exceed \$160,000, requires monthly interest payments at 6.125%, principal due October 1, 2003. Collateralized by marketable securities.	145,900
Other	32,803
	<u>\$ 1,865,821</u>

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

8. Unit Subscription Receivable

On _____, a member of the Company entered into a subscription agreement to purchase a ___% interest in the Company for \$2,000,000. This amount was paid subsequent to year end.

9. Property and Equipment

Property and equipment consist of the following:

	December 31, 2002
Buildings and land	\$ 550,000
Leasehold Improvements	298,005
Office equipment	1,680,919
Vehicles	94,466
	<u>2,623,390</u>
Less accumulated depreciation and amortization	<u>(250,467)</u>
	2,372,923
Equipment on operating leases, net of accumulated depreciation of \$73,736 (Note 14)	<u>596,658</u>
Property and equipment, net	<u>\$ 2,969,581</u>

10. Intangible Assets

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No. 142, goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company implemented the provisions of SFAS No. 142 on January 7, 2002 (date of acquisition). Accordingly, goodwill is not amortized but instead will be assessed for impairment at least annually. The Company completed its initial impairment testing during the period under audit. No impairment loss was recognized.

Intangible assets, other than goodwill, arising from the acquisition of Fair Finance are amortized over their estimated useful lives, ranging from 2 to 15 years, using the straight-line method and are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Intangible assets consisted of the following:

	<u>December 31, 2002</u>
Goodwill	\$ 9,958,912
Tradename	2,129,076
Employment agreements	2,100,497
Technology (software)	1,580,140
Financing costs	<u>275,000</u>
	16,043,625
Less accumulated amortization	<u>(923,066)</u>
	<u>\$ 15,120,559</u>

Amortization expense for 2002 was \$923,066; estimated amortization expense for each of the ensuing years through December 31, 2007 is, respectively, \$923,066, \$878,066, \$878,066, \$878,066, and \$316,938.

Changes in the carrying amount of goodwill during 2002 were as follows:

Balance, January 1, 2002	\$ -
Arising from the acquisition of Fair Finance	9,808,912
Payment of contingent consideration	<u>150,000</u>
Balance, December 31, 2002	<u>\$ 9,958,912</u>

11. Significant Concentrations

The Company is primarily engaged in purchasing uncollateralized retail sales contracts through independent dealers. The Company performs ongoing credit evaluations of its customers' financial condition. As of December 31, 2002, the Company's gross receivables from these customers totaled \$51,098,053.

In addition, the Company has advanced related parties \$18,296,853 as of December 31, 2002. Collateral for these advances consists primarily of second security interests in assets owned by such related parties, certain marketable securities, and other assets.

The Company maintains cash and cash equivalents in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The Company receives a significant amount of funding for the purchase of sales contracts and granting of loans through the issuance of variable rate investment certificates as discussed in Note 12. The issuance of these certificates is subject to the authorization and oversight of the State of Ohio Securities Department. Accordingly, a change in securities laws or regulations or failure of the Company to satisfy current requirements could result in a reduction of the Company's ability to issue such certificates. Inability to raise additional funds to replace certificates that become due would have a material adverse impact on the Company's future operations.

12. Long-term Debt

	2002
Line of credit, Textron Financial Corp., interest payable monthly at the greater of prime plus 2.75% (7.00% at December 31, 2002) or \$40,000 per month, due January 2003, collateralized by substantially all assets of the Company, guaranteed by DC Investments and members of DC Investments*	\$ 14,165,539
Term loan, bank, payable in monthly installments of \$10,000 plus interest at prime plus 1.00% (5.25% at December 31, 2002) through June 2007, balloon payment and unpaid interest due July 2007, collateralized by real estate and equipment of Fair Holdings, guaranteed by DC Investments and Fair Finance	1,760,000
Term loan, bank, payable in monthly installments of \$14,286 plus interest at prime plus 1.00% (5.25% at December 31, 2002) through June 2007, balloon payment and unpaid interest due July 2007, collateralized by real estate and equipment of Fair Holdings, guaranteed by DC Investments and Fair Finance	1,140,066
Notes payable, bank, interest payable monthly at 7.50%, due October 2003, guaranteed by members of DC Investments and Fair Finance	200,000
Notes payable in monthly installments of \$60,932, which includes interest at 8.00%, due March 2003	197,782
Note payable, bank, payable in monthly installments of \$3,908 which includes interest at 7.50%, due April 2007, collateralized by a vehicle, guaranteed by members of DC Investments	176,088
Note payable, bank, payable in monthly installments of \$351 including interest at 10.99%, due November 2007, collateralized by phone system, guaranteed by members of DC Investments	15,867
	\$ 17,655,342

*Subsequent to year end, the maturity date was extended to January 2004. The Company paid an additional \$165,000 in loan fees related to the extension.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Following are maturities of long-term debt for each of the next five years:

<u>December 31,</u>	
2003	\$ 726,912
2004	14,497,694
2005	335,426
2006	338,963
2007	<u>1,756,347</u>
	<u>\$ 17,655,342</u>

The Company and the members of DC Investments are also guarantors on approximately \$2,750,000 of debt held by DC Investments Leasing.

The debt agreements are subject to various affirmative and negative loan covenants including permitted indebtedness, minimum rate covenants, and other related covenants. As of December 31, 2002, the Company was in violation of certain of these covenants due primarily to the addition of new debt subsequent to the previous agreements and the purchase of stock in affiliated entities.

13. Subordinated Debt

The variable rate investment certificates are due 6, 12, 18, 24, and 36 months from the date of issue and, unless redemption is requested within five days after the maturity date, are renewed automatically at the rate of no more than 4% above the 26-week United States Treasury Bill rate. As of December 31, 2002, the variable rate investment certificates outstanding and rates offered were as follows:

	<u>Amount</u>	<u>Rate</u>
Series V-6	\$ 50,048,736	5.00%
Series V-12	6,504,853	5.25%
Series V-18	1,168,820	5.50%
Series V-24	4,701,570	5.75%
Series V-36	<u>4,112,774</u>	6.00%
	<u>\$ 66,536,753</u>	

The debt is subordinated to any superior indebtedness issued to any bank, trust company, insurance company, institution or lending agency. With the consent of all holders of superior indebtedness, the Company may redeem the subordinated debt in whole or in part at any time prior to maturity at par with accrued interest thereon.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The subordinated debt is registered with the Ohio Division of Securities (the Division). The Division acknowledges, through the issuance of a Certificate of Acknowledgement, an aggregate amount of \$180,000,000 of Subordinated Investment Certificates as of July 16, 2002, covering a period expiring November 16, 2003. The Certificate of Acknowledgement does not constitute approval by the Division of the registration. Under the Ohio Securities Act, the Division has continuous jurisdiction over the registration.

14. Description of Leasing Arrangement

The Company is a lessor of various equipment under operating lease agreements expiring through 2005. Such leases include agreements with related parties as described below.

The following is a summary of property on or held for lease at December 31, 2002:

Computer equipment	21,320
Manufacturing equipment	94,680
Transportation equipment	554,394
Less accumulated depreciation	<u>(73,736)</u>
	<u>\$ 596,658</u>

Minimum future rentals to be received on noncancelable leases as of December 31, 2002 for subsequent years and in total are:

Years Ending December 31,	Related- party Rentals	Third- party Rentals	Total
2003	\$ 25,079	\$ 77,740	\$ 102,819
2004	5,232	-	5,232
2005	1,895	-	1,895
	<u>\$ 32,206</u>	<u>\$ 77,740</u>	<u>\$ 109,946</u>

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

Rental income from operating lease agreements for the year ended December 31, 2002 was:

Related-party	\$ 7,268
Third-party	<u>56,500</u>
Total rental income	<u>\$ 63,768</u>

The Company's operations are conducted at various facilities, some of which are under noncancelable leases expiring on various dates through 2020 with renewal options thereafter. Minimum rentals, exclusive of renewal options and taxes, insurance, and maintenance expense for leases with initial terms in excess of one year at December 31, 2002 are as follows:

<u>Years Ending</u>	
2003	264,910
2004	259,652
2005	248,710
2006	233,850
2007	226,112
Thereafter	<u>3,052,512</u>
	<u>\$ 4,285,746</u>

Rental expense on noncancelable leases totaled \$164,170 in 2002.

In connection with the lease of office space for the Company's corporate offices entered into during 2002, the Company was required to obtain a letter of credit in the amount of \$221,448. The amount of the letter of credit will decrease 20% per year over the first four years of the lease term, with the remaining 20% being in effect until the lease expiration (2020).

On January 1, 2003, the Company entered into several one-year subleases of its corporate office space. Rental income to be earned in 2003 related to these subleases is estimated to be approximately \$115,000.

15. Pension and 401(k) Plan

The Company maintains a target benefit pension plan covering certain employees. Effective March 1, 1996, benefits ceased to accrue, and the Company ceased to make contributions to the plan. All rights and benefits of all participants in the plan are fully vested and nonforfeitable as of March 1, 1996. Administrative expense related to the plan was \$9,100 in 2002.

DC Investments, LLC and Subsidiary

Notes to Consolidated Financial Statements

The Company also has a 401(k) Participating Retirement Plan. Under the plan, all employees who have completed one year of service and are over 18 years of age may participate. The Company matching contributions are discretionary and may not exceed 5% of the participants' salary. In addition to the matching contributions, the Company can make a discretionary profit sharing contribution. Participants may make voluntary contributions to the plan up to 15% of their compensation but may not exceed an amount determined by the Internal Revenue Service. Employer contributions to this plan were \$161,582 in 2002.

16. Commitments and Contingencies

In the normal course of business, the Company has been involved in legal matters that management has aggressively defended. Management believes the likelihood of any material adverse outcome to be remote.

17. Subsequent Events

On January 2, 2003, Fair Holdings increased the availability under the line of credit loan provided for Obsidian Enterprises from \$3,000,000 to \$5,000,000. On April 1, 2003, the availability under this line of credit was increased from \$5,000,000 to \$8,000,000.

On April 17, 2003, the Ohio Division of Securities acknowledged, through the issuance of a Certificate of Acknowledgement, an aggregate amount of \$180,000,000 of Subordinated Investment Certificates. The period of coverage expires on August 17, 2004.

On April 30, 2003, DC Investments purchased 100 shares of no par common stock of Speedster Motorcars of Central Florida, Inc. ("Speedster") for a purchase price of \$50,000. As a result, DC Investments owns 50% of Speedster's issued and outstanding stock.

On May 12, 2003, Obsidian Enterprises transferred all rights, title and interest of a put option it had with a third party to the Company. The third party exercised part of the put option in May 2003, and Fair Holdings paid \$338,000 to acquire 16,072 shares of Obsidian Enterprises Series D preferred stock. The third party has the option to exercise the remaining half of the put option during November 2003. Should the option be exercised, Fair Holdings would be required to pay \$337,000 to acquire 16,071 shares of Obsidian Enterprises Series D preferred stock.

On August 6, 2003, a member of DC Investments pledged certain assets as collateral backing up three related-party loans receivable (see Note 6).

On August 22, 2003, the Company modified its existing note receivable and line of credit agreements with DC Investments Leasing, LLC, Obsidian Leasing, Inc., and DW Leasing, LLC. DC Investment Leasing, LLC's agreement was amended to require monthly interest payments. In addition, the DC Investments Leasing, LLC agreement and the various agreements with Obsidian Leasing, Inc. and DW Leasing, LLC were amended to change the monthly interest payments to exclude the months of November, December, and January, when the coach leasing activity for those entities is low.

As of the date of this report, the Company has loaned and advanced additional amounts to related parties under existing and modified loan agreements of approximately \$11,500,000.

Independent Auditors' Report on Supplemental Information

To the Board of Directors of
DC Investments, LLC and Subsidiary

DRAFT 02/17/03

DC Investments, LLC and Subsidiary

Consolidating Balance Sheet

December 31, 2002

	Fair Holdings, Inc.	DC Investments, LLC	Consolidating Entries	Consolidated
Assets				
Cash and cash equivalents	\$ 3,410,361	\$ 166,540	\$ -	\$ 3,576,901
Finance and loans receivable:				
Finance receivables	51,098,053	-	-	51,098,053
Loans receivable, related parties	20,774,787	11,173,790	(13,651,724)	18,296,853
Loans receivable	255,900	1,609,921	-	1,865,821
Reserves for credit losses	(1,919,953)	(1,010,000)	-	(2,929,953)
Finance and loans receivable, net	70,208,787	11,773,711	(13,651,724)	68,330,774
Unit subscription receivable	-	2,000,000	-	2,000,000
Lease receivables, net	2,188,745	-	-	2,188,745
Prepays and other assets	2,031,879	5,955	-	2,037,834
Property and equipment, net	2,945,581	24,000	-	2,969,581
Intangible assets, net	15,120,559	-	-	15,120,559
Investment in subsidiary	-	6,097,398	(6,097,398)	-
	\$ 95,905,912	\$ 20,067,604	\$ (19,749,122)	\$ 96,224,394
Liabilities and Stockholders' Equity				
Notes payable	\$ 17,457,560	\$ 197,782	\$ -	\$ 17,655,342
Notes payable, related parties	-	13,651,724	(13,651,724)	-
Accounts payable, trade and accrued expenses	1,066,568	1,787,609	-	2,854,177
Dealers' reserves and holdbacks	3,944,321	-	-	3,944,321
Subordinated debt	66,536,753	-	-	66,536,753
Total liabilities	89,005,202	15,637,115	(13,651,724)	90,990,593
Stockholders' equity	6,900,710	4,430,489	(6,097,398)	5,233,801
	\$ 95,905,912	\$ 20,067,604	\$ (19,749,122)	\$ 96,224,394

DC Investments, LLC and Subsidiary

Consolidating Statement of Operations

Year Ended December 31, 2002

	Fair Holdings, Inc.	DC Investments, LLC	Consolidating Entries	Consolidated
Finance charge revenue	\$ 13,647,134	\$ 493,146	\$ (314,489)	\$ 13,825,791
Interest expense:				
Bank debt	(1,316,971)	(501,579)	314,489	(1,504,061)
Subordinated debt	(2,828,175)	-	-	(2,828,175)
Net finance revenues, before provision for finance credit losses	9,501,988	(8,433)	-	9,493,555
Provision for finance credit losses	(759,679)	(1,067,510)	-	(1,827,189)
Net revenues, after provision for finance credit losses	8,742,309	(1,075,943)	-	7,666,366
Nonfinance income:				
Investment and other income	130,304	-	-	130,304
Nonfinance expenses:				
Operating expenses	(7,869,301)	(90,966)	-	(7,960,267)
Net loss	\$ 1,003,312	\$ (1,166,909)	\$ -	\$ (163,597)

EXHIBIT 9

<DOCUMENT>
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2002 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

0-17430
Commission File Number

OBSIDIAN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware 35-2154335
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

111 Monument Circle, Suite 4800
Indianapolis, IN 46204
(Address of principal executive offices) (Zip Code)

(317) 237-4122
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock (\$0.0001 par value)
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ___ No X

As of January 22, 2003, the aggregate market value of the Company's common stock held by non-affiliates of the registrant, based on the average bid and ask price on such date, was approximately \$3,317,000.

As of January 22, 2003, the registrant had 36,007,855 shares of common stock, 4,368,399 shares of Series C Preferred Stock and 88,330 shares of Series D Preferred Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

INFORMATION REQUIRED IN PART II AND PART III HAS NOT BEEN INCORPORATED BY REFERENCE.

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PART I

ITEM 1. BUSINESS.

HISTORY AND DEVELOPMENT OF BUSINESS

A change in control and reorganization of the Registrant occurred on June 21, 2001. On that date, Timothy S. Durham was elected Chief Executive Officer and Chairman of the Board of the Registrant and the Registrant acquired from Obsidian Capital Partners, L.P. (the "Partnership"), Mr. Durham and certain other shareholders all of the shares of the following companies: Pyramid Coach, Inc., a Tennessee corporation ("Pyramid"); Champion Trailer, Inc., an Indiana corporation ("Champion"); and U.S. Rubber Reclaiming, Inc., an Indiana corporation ("U.S. Rubber"). On July 31, 2001, the Registrant acquired from the Partnership and Mr. Durham substantially all of the assets of United Acquisition, Inc., an Indiana corporation, which the Registrant now operates as

United Expressline, Inc. ("United"). All of the acquisitions were made in exchange for shares of the Registrant's Series C Preferred Stock ("Series C Preferred Stock") and were pursuant to an Acquisition Agreement and Plan of Reorganization by and among the Registrant, Danzer Industries, Inc. ("Danzer Industries"), Pyramid, Champion, United Acquisition, U.S. Rubber, the Partnership, Timothy S. Durham and other related parties, dated as of June 21, 2001. Prior to the reorganization, the Registrant had engaged through its wholly owned subsidiary, Danzer Industries, in the fabrication of metal parts and truck bodies for the service and utility markets.

In October 2001, the Registrant's state of incorporation was changed from New York to Delaware and the Registrant's name was changed from Danzer Corporation to Obsidian Enterprises, Inc. The Registrant was originally incorporated in New York in 1987 under the name Affiliated National, Inc. and subsequently changed its name to Global Environmental Corp. and then to Danzer Corporation.

As used in this report, the term "Company" refers to Obsidian Enterprises, Inc. together with its consolidated subsidiaries.

DESCRIPTION OF THE BUSINESS

OVERVIEW

The Company is a holding company headquartered in Indianapolis, Indiana with a strategic goal of maximizing profitability of its acquired entities, acquiring manufacturing companies of similar size and continuing to grow the Company. The Company currently conducts business through five subsidiaries: U.S. Rubber, a butyl-rubber reclaiming operation; Pyramid a provider of short and long-term luxury coach leases for corporations and the entertainment industry; Obsidian Leasing Co., Inc. ("Obsidian Leasing"), the owner of certain of the coaches operated by Pyramid; United, a manufacturer of steel-framed cargo, racing and specialty trailers; and Danzer Industries, a manufacturer of service and utility truck bodies and accessories and cargo trailers. Champion, a manufacturer of customized racecar transporters, specialty exhibit trailers and mobile hospitality units formerly owned by the Company has been sold subsequent to the close of the fiscal year.

The Company operates in three industry segments comprised of butyl-rubber processing; trailer and related transportation equipment manufacturing; and leasing of transportation. All sales are in the Western Hemisphere, primarily in the United States. For quantitative segment information see Note 14 to the Consolidated Financial Statements.

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BUTYL RUBBER PROCESSING

The Company's butyl rubber processing facilities are located in two adjacent plants in Vicksburg, Mississippi. The Company is the sole manufacturer of reclaimed butyl rubber in the domestic tire, tape and tube business in the Western Hemisphere. The Company collects various used and scrap butyl rubber products, primarily inner tubes from tires, which are then reprocessed into reclaimed butyl rubber sheets. Customers mix the product with virgin butyl rubber and use the product predominately as the inner liner of tubeless tires, and also as inner tubes for tires and for tapes and mastics for pipelines.

Reclaimed butyl rubber used in combination with virgin butyl rubber has properties that facilitate some manufacturing processes. However, the primary reason manufacturers use reclaimed butyl rubber is the cost savings offered compared to virgin butyl rubber.

The Company distributes its reclaimed butyl rubber products through an internal sales force.

The Company is the sole supplier of reclaimed butyl rubber to most of the tire industry in the United States and has tire manufacturer customers in Canada and Brazil.

There are three other enterprises engaged in reclaiming butyl rubber worldwide:

- o The Gujarat Company in India;
- o Han Cook in Korea; and
- o Vrederstein N.V. in the Netherlands.

Due to the cost of transporting reclaimed butyl rubber, these enterprises are not major competitors with the Company in the Western Hemisphere. The primary competitive factor is price.

Two enterprises manufacture virgin butyl rubber for sale in the United States:

- o Exxon Corporation; and
- o Bayer AG.

Both these enterprises are much larger than the Company, well capitalized and have larger sales staffs. The prices charged by these enterprises places an upper limit on the prices that may be set for reclaimed butyl rubber.

The Company obtains its supply of scrap inner tubes from approximately 1000 scrap merchants worldwide. The Company's ability to produce reclaimed butyl

rubber is potentially restrained by the limited supply of scrap butyl rubber products. Since the introduction of tubeless tires for automobiles in the 1970s, the number of scrap inner tubes from sources in the United States has declined substantially. In the United States, inner tubes are now primarily limited to the agricultural and large truck tire market. In 2001, the Company began to experiment with reclaiming scrap butyl rubber pads from the manufacturers of other butyl rubber products. This scrap is created as a result of the manufacturing process for molded butyl rubber products and is available at approximately 60% of the cost of scrap inner tubes. The Company's work to date suggests that pad scrap may be a partial substitute for inner tubes as raw material for the Company's reclaimed butyl rubber product.

Although the Company has had a long-term relationship with its primary customers, it does not have long-term contracts with them. Two of its reclaimed butyl rubber customers account for a substantial portion of the sales of this segment. Michelin and Kelley Springfield accounted for the sales of 43% and 24% of the sales of this segment in 2002. The loss of either of these customers would materially and adversely affect the Company. The Company's reclaimed butyl rubber products are generally ordered by customers monthly and shipped promptly after the order. Accounts are generally paid on 30 to 60 day terms.

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TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING

The Company manufactures service truck bodies at its facility in Hagerstown, Maryland where the Company produces truck bodies for sale under the Morrison trademark as well as bodies built to order for other original equipment truck manufacturers. The finished bodies are shipped to the customer for installation on truck body chassis. The Company markets truck bodies through an internal sales force. It sells its private label products directly to its private label customers and markets its proprietary "Morrison" products through a network of approximately 300 dealers who, in turn, sell to municipalities, utility companies, cable companies, phone companies and contractors.

Most truck body customers are in the East and Southeast United States. Slightly less than one half of the Company's truck body revenue is accounted for by sales to one installer. Although the Company's relationship with this manufacturer has been long term it does not have a supply contract and is not the sole supplier of truck bodies to that enterprise. In 2002, the manufacturer filed for reorganization under Chapter 11 of the United States bankruptcy code and continues to operate. The loss of the Company's relationship with the truck manufacturer could have a material adverse effect on the Company.

There are a significant number of companies engaged in the manufacture of service truck bodies in the United States. While many of these companies are relatively small and do not possess the Company's technical capacity, a number of its competitors are much larger and possess equal or greater technical and financial resources. Four such competitors are: Knapheide Manufacturing Co., Omaha Standard, Inc., Reading Body Works, Inc., and Stahl, a Scott Fetzer Co., which is a wholly owned subsidiary of Berkshire Hathaway, Inc. The Company competes with others for truck body sales through price and service, with price being the most important factor, and offers truck bodies made to the individually specified requirements of its customers.

In order to fully utilize the manufacturing capacity available at its facility in Hagerstown and meet demand for cargo trailers, the Company initiated cargo trailer production in this facility during 2002.

The Company manufactures specialty racing, cargo and ATV trailers at a facility owned by the Company in Bristol, Indiana and at another facility owned by the Company in White Pigeon, Michigan. In addition, as a means of increasing capacity to meet demands, the Company also began leasing a facility in Elkhart, Indiana. The business is somewhat seasonal with fewer orders during the months from November through January. The trailers are marketed under the names "United Expressline," "United Trailers," "Southwest Expressline," and "Southwest Trailers." While the Company markets some trailers under these brands at prices up to \$75,000.00, the average price for these trailers is approximately \$3,900.00.

The Company sells "United Trailers," "United Expressline," "Southwest Trailers," and "Southwest Expressline" product lines through two dealer networks comprised of an aggregate of approximately 300 dealers in the United States and Canada, most of whom are located in the Midwest United States. The Company's sales activities are conducted through an internal sales force. While the Company has formal agreements with a few of the dealers, most of the dealership arrangements are informal and are nonexclusive.

The trailers are built to order to dealer specifications. The terms of sale for the "United Trailers," "United Expressline," "Southwest Trailers," and "Southwest Expressline" products are FOB the plant with payment generally due upon the dealer taking delivery of the trailer. A few dealers have 30- or 60-day terms.

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There are a significant number of companies engaged in the manufacture of specialty racing, cargo and ATV carriers in the United States. While many of these companies are relatively small and do not possess the Company's technical capability, a number of its competitors are much larger and possess equal or greater technical and financial resources. Four such competitors are: Haulmark Industries, Pace American, U.S. Cargo and Wells Cargo. The Company competes with others for specialty racing, cargo and ATV trailer sales through price, quality and availability, with price an important factor.

The Company purchases its raw materials for the trailer and related transportation equipment segment from numerous suppliers and has not had any difficulty in obtaining components or raw materials.

The Company generally warrants its product to be free from defects in material and workmanship and performance under normal use and service for a period of twelve months after shipment. The obligation of the Company is generally limited to the repair or replacement of the defective product.

At October 31, 2002, the backlog of the trailer and related transportation segment was approximately \$2,634 composed of approximately \$300 for truck bodies and \$2,334 for specialty racing, cargo and ATV trailers. The October 31, 2002 backlog is expected to be filled within the 2003 fiscal year.

COACH LEASING

The Company leases high-end luxury entertainment coaches from its facility located in Joelton, Tennessee. The leases are for both short-term (weekly or monthly) and long-term periods. The leases are generally on a net basis, with the customer responsible for fuel and drivers and other personnel.

At October 31, 2002, the Company had 32 coaches in its fleet under management. In addition, the Company subleases coaches from other coach owners on a short-term basis, from time to time.

Prior to the Reorganization all of the coaches under management by Pyramid were owned by DW Leasing, LLC ("DW Leasing"), a company controlled by Mr. Durham. During 2002 and as contemplated by the Reorganization, twenty-seven of these coaches were transferred to the Company's subsidiary, Obsidian Leasing, and the remainder continued to be owned by DW Leasing and managed by the Company.

The Company leases the coaches through an internal sales force. The coaches are leased primarily to the country, rock-n-roll, pop and traveling Broadway show entertainment industries. The coaches are also leased to various corporations. During the year ended October 31, 2002, the Company leased coaches to a number of touring groups in connection with their tours including Ozzie Osbourne, Brad Paisley and the Broadway Show "Stomp." The Company's corporate customers include the Golf Channel.

There are several other companies that lease luxury coaches. Some of the larger competitors include Entertainer Coaches of America, Florida Coach, Senators Coach and Hemphill Brothers. The Company believes that amenities are an important factor in leasing coaches to its target market and equips its coaches with a full complement of amenities. The Company competes with other luxury coach providers based on a combination of quality, amenities, availability and price.
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GOVERNMENT REGULATION

The Company is subject to regulation by federal, state, and local agencies that have jurisdiction over areas such as environmental and fire hazard control issues and regulate the work place to insure safe working conditions for the Company's employees. The trailers and truck bodies manufactured by the Company must meet standards set by state and federal transportation authorities and the coaches leased by the Company must comply with those standards and regulations. These regulatory bodies could take actions that would have a material adverse affect upon the Company's ability to do business. The business of the Company does not subject it to any special regulatory authority.

EMPLOYEES

As of October 31, 2002, the Company had 417 employees. The Company has a labor contract through January 2004 with United Brotherhood of Carpenters and Joiners of America for the approximately 40 production workers at its truck body manufacturing facility in Hagerstown, Maryland. None of the employees at the other facilities of the Company is represented by a labor union. The Company believes its employee relations are satisfactory.

PATENTS AND PROPRIETARY TECHNOLOGY

The Company does not rely on any patents, registered trademarks, or special licenses to give it a competitive advantage. The "Morrison," "Danzer," "Pyramid," "United Trailer," "United Expressline," "Southwest Trailer," and "Southwest Expressline" brand names have brand recognition in the relevant market.

RESEARCH AND DEVELOPMENT

The Company did not incur, during any of its last three fiscal years, and does not contemplate incurring, any material research and development expenses.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section

entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers should carefully review the risks described in this and other documents that the Company files from time to time with the Securities and Exchange Commission, including the quarterly reports on Form 10-Q to be filed by the Company in 2002. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only to the date of this Annual Report on Form 10-K. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

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ITEM 2. PROPERTIES

The following describes the Company's properties:

<TABLE>

<S> Identification	<C> Location	<C> Ownership/Description	<C> Segment
Headquarters	111 Monument Circle, Suite 4800, Indianapolis, IN 46204	3,700 square feet leased commercial office space	N/A
Butyl Rubber Processing Plants	Vicksburg, Mississippi	Two adjacent plants aggregating 87,000 square feet, each owned by the Company and encumbered by a mortgage to PNC Bank	Butyl Rubber Processing
Truck Body Plant	Hagerstown, Maryland	75,000 square foot plant owned by the Company and encumbered by a mortgage to Bank of America Commercial Finance	Trailer and related transportation equipment manufacturing
United Expressline Plant	Bristol, Indiana	Several buildings aggregating 49,000 square feet owned by the Company and encumbered by a mortgage to First Indiana Bank NA	Trailer and related transportation equipment manufacturing
United Expressline Plant	Elkhart, Indiana	35,000 square foot plant leased by the Company	Trailer and related transportation equipment manufacturing
Southwest		Expressline Plant White Pigeon, Michigan 47,000 square foot plant owned Trailer and related by the Company and encumbered transportation by a mortgage to First Indiana equipment manufacturing Bank NA	
Pyramid Coach Office	Joelton, Tennessee	12,000 square feet of office space and other facilities leased by the Company	Coach Leasing
Champion Facility	Lewisville, Texas	30,000 square foot plant leased by the Company	Discontinued operations

</TABLE>

The Company believes that its property, plant and equipment are well maintained and adequate for its requirements. The Company also believes that all of its assets are adequately covered by insurance.

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ITEM 3. LEGAL PROCEEDINGS

All dollar amounts in Item 3 are in thousands (except for share and per share information).

On April 29, 2002, Markpoint Equity Fund J.V. ("Markpoint"), a Texas joint venture of which The Markpoint Company serves as Managing Partner, filed an action in the Texas District Court, Dallas County, seeking payment of \$1,250 owed by Champion, a subsidiary subsequently divested, under the subordinated credit facility described in Note 9 to the Consolidated Financial Statements. On January 27, 2003, the Company reached an agreement to settle this liability for a cash payment of \$675 and issuance to Markpoint of 32,143 shares of the Company's Series D preferred stock. In addition, the agreement provides Markpoint the option to require the Company to repurchase these shares at a price of \$21 per share. The repurchase option is available to Markpoint as follows: 16,072 shares during the period May 1, 2003 to June 1, 2003 and 16,071 shares during the period November 1, 2003 to December 1, 2003. The repurchase options expire if not exercised during the specified periods. The Company's repurchase obligation is guaranteed by Mr. Durham.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company's Annual Meeting of Stockholders was held on September 27, 2002.

(b) The following individuals were elected to the Company's Board of Directors to hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified:

<TABLE>

Nominee	For	Against or Withhold	Abstain	Broker Non-Votes
<S>	<C>	<C>	<C>	<C>
Timothy S. Durham	105,816,120	0	3,247	0
Terry G. Whitesell	105,816,220	0	3,147	0
Jeffrey W. Osler	105,815,790	0	3,577	0
Goodhue W. Smith, III	105,816,220	0	3,147	0
John A. Schmit	105,816,120	0	3,147	0
D. Scott McKain	105,816,220	0	3,147	0
Daniel S. Laikin	105,816,220	0	3,147	0

(c) In addition to the election of Directors described in (b) above, the following matters were voted upon:

	For	Against	Abstain	Broker Non-Votes
Ratify the appointment of McGladrey & Pullen, LLP as the independent auditors for fiscal year ending October 31, 2002.	105,773,522	680	45,165	0

</TABLE>
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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is currently traded on the Over-the-Counter Electronic Bulletin Board and on October 17, 2001, the symbol was changed from "DNZR" to "OBSD." The following table sets forth the high and low bid quotations for the common stock for the fiscal quarters indicated.

	FISCAL 2002		FISCAL 2001	
	High	Low	High	Low
1st Quarter	\$0.25	\$0.12	\$0.30	\$0.09
2nd Quarter	\$0.36	\$0.12	\$0.20	\$0.0063
3rd Quarter	\$0.27	\$0.11	\$0.30	\$0.14
4th Quarter	\$0.27	\$0.10	\$0.41	\$0.08

The above quotations reflect inter-dealer prices, and may not include retail mark-up, mark down or commissions and may not necessarily represent actual transactions. At October 31, 2002, there were approximately 900 holders of record of the Company's common stock. Most of the shares of common stock are held in street name for an unknown number of beneficial owners. To date the Company has not paid a cash dividend on its common stock. The payment and amount of any future cash dividends would be restricted by the Company's lenders and will necessarily depend upon conditions such as the Company's earnings, financial condition, working capital requirements and other factors.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain selected consolidated financial information concerning the Company. This information is not covered by the independent auditor's report. For further information, see the accompanying Consolidated Financial Statements of Obsidian Enterprises, Inc. and subsidiaries for the year ended October 31, 2002, ten-month period ended October 31, 2001 and the year ended December 31, 2000 and the information set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Item 8, "Financial Statements and Supplementary Data" below.

The information for the year ended December 31, 2000 is for that of U.S. Rubber Reclaiming only, the accounting acquirer in the reverse merger further described in Items 7 and 8.

<PAGE>

OPERATING DATA:

<TABLE>

(Amounts in thousands, except per share data)

	Year Ended October 31,	Ten Months Ended October 31,	Year Ended December 31,		
	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 57,274	\$ 24,689	\$ 12,583	\$ 11,439	\$ 12,575
Income from operations	449	981	184	413	107

Discontinued operations, net of tax	(1,040)	(3,376)	--	--	--
Cumulative effect of change in accounting principle	(2,015)	--	--	--	--
Net income (loss)	(6,330)	(4,395)	48	216	74
Basic and diluted earnings (loss) per share:					
From continuing operations	(.02)	(.02)	--	.01	--
Discontinued operations	(.01)	(.05)	--	--	--
Cumulative effect of change in accounting principle	(.02)	--	--	--	--
Net income (loss) per share	(.05)	(.07)	--	.01	--

</TABLE>

BALANCE SHEET DATA:

<TABLE>

	October 31, 2002	October 31, 2001	December 31, 2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Working capital (deficit)	\$ 1,591	\$ (2,528)	\$ 864	\$ 1,896	\$ 2,864
Total assets	45,923	48,850	9,633	11,633	11,914
Long-term debt, including current portion and mandatory redeemable preferred stock	36,464	35,382	3,846	5,914	6,365
Stockholders' equity (deficit)	(689)	1,331	4,939	4,890	4,674

</TABLE>

No dividends have been declared or paid in any period presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

All dollar amounts in this Item 7 are in thousands (except for share and per share information).

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INTRODUCTION

Obsidian Enterprises, Inc. ("Company"), on June 21, 2001, closed a series of transactions pursuant to the Acquisition and Plan of Reorganization ("Reorganization") by and among the Company, Danzer Industries, Inc., a wholly owned subsidiary, and Obsidian Capital Partners, LP ("Partners"), Timothy S. Durham, and other individual owners of Partners controlled entities. At that time, the Company acquired: all of the outstanding capital stock of Pyramid Coach, Inc., in exchange for 810,099 shares of Company Series C Preferred Stock ("Series C Preferred"); all of the outstanding capital stock of Champion Trailer, Inc., for 135,712 shares of Company Preferred, and all of the outstanding capital stock of U.S. Rubber Reclaiming, Inc., for 1,025,151 shares of Series C Preferred. On July 31, 2001, the Company acquired all of the outstanding capital stock of United Expressline, Inc. from Partners for 2,593,099 shares of Series C Preferred.

After these transactions, the Company had the following subsidiaries:

- o U.S. Rubber Reclaiming, Inc. ("U.S. Rubber"), engaged in reclaiming scrap butyl reclaim for resale to manufacturers of rubber products, located in Vicksburg, Mississippi.
- o Danzer Industries, Inc. ("Danzer Industries") then principally engaged in the design, manufacture and sale of truck bodies, located in Hagerstown, Maryland. During 2002 Danzer Industries has expanded its activities to include the manufacture of cargo trailers.
- o Pyramid Coach, Inc. ("Pyramid") engaged in the leasing of coaches, designed and fitted for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases, located in Nashville, Tennessee.
- o Champion Trailer, Inc. ("Champion"), which manufactured and sold transport trailers to be used primarily in the auto racing industry, located in Lewistown, Texas. In 2002, the Company agreed to sell Champion to an entity owned by Messrs. Durham and Whitesell (Officers of the Company) and closed the sale in January 2003. Therefore, Champion is accounted for as a discontinued operation.
- o United Expressline, Inc. ("United") manufactures and sells general use cargo trailers and specialty trailers used for special purposes and in the racing industry, located in Bristol, Indiana; Elkhart, Indiana; and White Pigeon, Michigan.

During fiscal year 2002, management focused on the process of operational integration of the subsidiaries. This included the identification and implementation of individual subsidiary manufacturing and administrative efficiencies as well as marketing and cross-selling opportunities. In addition, management concentrated on ensuring adequate capital was available to operate and that liquidity issues did not detract from the operating entities.

While each of the subsidiaries markets its products or services independently,

management has taken advantage of cross-selling opportunities for each of the subsidiaries, as well as manufacturing and other operational efficiencies that can be achieved between the subsidiaries. For example, Danzer Industries, which prior to fiscal year 2002, had not manufactured cargo trailers produced cargo trailers at the rate of two per day at October 31, 2002, with a goal of producing eight per day by the end of fiscal year 2003.

<PAGE>

RESULTS OF OPERATIONS

The following table details the Company's results of operations as a percentage of sales:

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of sales	83.5	78.8	90.5
Selling, general and administrative expenses	15.0	17.2	8.0
Loss on asset impairment	1.3	--	--
Loss from discontinued operations	1.8	13.7	--
Interest expense	6.2	9.4	3.5
Interest income	--	--	(2.8)

</TABLE>

The Company operates in three industry segments, comprised of trailer and related transportation equipment manufacturing, butyl rubber reclaiming, and coach leasing. Trailer and related transportation equipment manufacturing includes the operations of United and Danzer Industries. Butyl rubber reclaiming includes the operations of U.S. Rubber and coach leasing includes the operations of Pyramid, DW Leasing, and Obsidian Leasing. The results of discontinued operations relate to Champion Trailer, which the Company agreed to sell in 2002 to an entity owned by Messrs. Durham and Whitesell and closed the sale in January 2003.

The following is a discussion of the major elements impacting the Company's operating results by segment for the year ended October 31, 2002 and the ten-month period ended October 31, 2001. The comments that follow should be read in conjunction with the Company's consolidated financial statements and related notes contained in this Form 10-K.

The results of operations of the Company for 2001 are not comparable to 2002 because the results of operations in 2001 include only ten months of operations, which affects the comparability of the two periods.

In addition, the results of operations for the trailer manufacturing segment in 2001 do not include the operations of United and Danzer Industries for the entire ten-month period. Under accounting principles generally accepted in the United States of America, U.S. Rubber is treated as the acquirer in the June 21, 2001 Reorganization, and U.S. Rubber is treated as having acquired Champion and Pyramid at the beginning of 2001. Thus, the results of operations for the ten-month period ended October 31, 2001 include the operations of the following subsidiaries from the date shown below through October 31, 2001:

Subsidiary	Date
Danzer Industries	June 21, 2001
Pyramid	January 1, 2001
U.S. Rubber	January 1, 2000
United	July 31, 2001

Since Champion is accounted for as a discontinued operation, its results of operations and cash flow have been removed from the Company's continuing operations for all periods presented.

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The following table shows net sales by product segment:

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
<S>	<C>	<C>	<C>
Trailer manufacturing	\$ 40,775	\$ 10,650	\$ --
Butyl rubber reclaiming	10,125	9,874	12,583
Coach leasing	6,374	4,165	--
Total	\$ 57,274	\$ 24,689	\$ 12,583

</TABLE>

TRAILER AND RELATED TRANSPORTATION EQUIPMENT MANUFACTURING

The following table shows sales, cost of sales and gross profit for this segment for the periods indicated (in thousands):

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
Net sales	\$ 40,775	\$ 10,650
Cost of sales	35,077	8,955
Gross profit	\$ 5,698	\$ 1,695
Gross profit %	14.0%	15.9%

YEAR ENDED OCTOBER 31, 2002 COMPARED TO THE TEN MONTHS ENDED OCTOBER 31, 2001

For the reasons noted above, operating results between these periods are not comparable. During the year ended October 31, 2002, this segment has seen increasing sales in cargo trailers due to additional demand driven by marketing efforts and availability of the product. These increases have been partially offset by a continued reduction in the demand for truck bodies.

The primary reason for truck body sales at levels below historic amounts is the continued depressed condition of the telecommunications industry that historically purchased a significant volume of this product line. Management anticipates that the overall general economic conditions and the economic state of the telecommunications industry will continue to adversely impact sales of truck bodies through the first quarter of fiscal year 2003. In addition, future sales may be adversely impacted by a Chapter 11 bankruptcy filing in 2002 by a truck body customer, who accounted for approximately \$1.7 million of sales in this segment for the year ended October 31, 2002. Management has integrated the production of cargo trailers into its truck body production facility as a means to increase production capacity of the cargo trailer product and absorb excess capacity at the truck body facility. As of October 31, 2002, the truck body facility was producing two trailers per day with plans to produce up to eight trailers per day by October 2003.

Gross profit for the year ended October 31, 2002 was impacted by the reduced volume of truck bodies sold and only partially offset by reductions in personnel at these facilities and increased volume in the cargo trailer product line.

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BUTYL RUBBER RECLAIMING

The following table shows sales, cost of sales and gross profit for this segment for the periods indicated (in thousands):

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
Net Sales	\$ 10,125	\$ 9,874	\$ 12,583
Cost of Sales	9,407	8,884	11,390
Gross Profit	\$ 718	\$ 990	\$ 1,193
Gross Profit %	7.1%	10.0%	9.5%

YEAR ENDED OCTOBER 31, 2002 COMPARED TO THE TEN MONTHS ENDED OCTOBER 31, 2001

For the reason noted above, operating results between fiscal year 2002 and fiscal year 2001 are not comparable.

Net sales in this segment for the year ended October 31, 2002 as compared to the ten-month period ended October 31, 2001 increased 2.5%. However, sales in this segment were lower than anticipated for the year ended October 31, 2002 compared to the year ended December 31, 2000 due to damage at a production facility in May 2002 as a result of a fire at an adjacent property. The damage caused the facility to be closed for approximately two months and resulted in the Company being unable to fill all outstanding customer orders. This facility resumed production during July 2002. During 2002, the Company recorded an insurance recovery for business interruption of \$325 as a reduction of general and administrative costs. In addition to the effects of the fire, sales for 2002 were below historical levels due to the factors enumerated below.

Significant portions of sales in this segment are to tire manufacturing companies. The tire manufacturers have continued to see lower volumes of tire production during 2002. Accordingly, sales to these customers are below historical levels, and current demand does not indicate a return to sales levels from the year ended December 31, 2000 in the immediate future.

The lack of consistent sources of raw materials has also been a constraint on

generating additional sales volume. The primary material used in reclaiming is scrap inner tubes. Since the introduction of the tubeless tire for automobiles in the 1970s, sources of material have declined substantially. Management has been testing other materials including butyl pad scrap as a replacement material for the past several years with some success. In addition, alternative sources of material, including overseas sources, are being pursued to provide a consistent supply of material in the future. Until such time that consistent sources of raw materials are available, sales growth in this segment will be limited.

Gross profit percentage decreased from 10% for the ten months ended October 31, 2001 to 7.1% for the year ended October 31, 2002 as a result of constraints on achieving operating efficiency including lack of consistent raw material supply and the fire discussed above.

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TEN MONTHS ENDED OCTOBER 31, 2001 COMPARED TO THE YEAR ENDED DECEMBER 31, 2000

Operating results between fiscal year 2001 are not comparable as fiscal 2000 was for a twelve-month period.

Net sales in this segment for the ten months ended October 31, 2001 as compared to the year ended December 31, 2001 decreased 21.5% in the amount of \$2,709. The reduction in sales is due primarily to considering only a ten-month period for fiscal year 2001 and to reduced sales to tire manufacturers and pipeline mastic manufacturers. The Company had scheduled a complete renovation of its 12" extruder (a key element of its manufacturing process) that began in June 2001. During this time period, widespread tire recalls increased demand for the Company's reclaimed butyl products. The 12" extruder was not fully operational until late October 2001 after the increased demand had subsided. Tire customers built up large inventories in anticipation of demand under the recalls, however, the number of tires submitted by consumers to be replaced was lower than anticipated and, as a result, tire manufacturers accumulated a large inventory of tires. Tire manufacturers reduced production in response to the inventory problem and this caused a substantial decrease in reclaimed butyl demand starting in September 2001.

The decline in the price of crude oil in September and October 2001 caused a decline in new oil exploration. As a result, the demand for pipeline mastic wraps produced with reclaim butyl rubber supplied by the Company also fell dramatically beginning in October 2001.

Gross profit percentage for the ten months ended October 31, 2001 was 10% compared to 9.5% for the year ended December 31, 2000 as a result of the improved operating efficiency. Gross profit for the year ended December 31, 2000 was slightly below historical levels as the result of an inventory obsolescence charge recorded in December 2000.

COACH LEASING

The following table shows sales, cost of sales and gross profit for this segment for the periods indicated (in thousands):

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
Net Sales	\$ 6,374	\$ 4,165
Cost of Sales	3,357	1,618
Gross Profit	\$ 3,017	\$ 2,547
Gross Profit %	47.3%	61.1%

For the reason noted above, operating results between these periods are not comparable.

YEAR ENDED OCTOBER 31, 2002 COMPARED TO THE TEN MONTHS ENDED OCTOBER 31, 2001

Sales for the year ended October 31, 2002 increased 53% in the amount of \$2,209 over the ten-month period ended October 31, 2001. The increase in sales is attributable to an additional two months in the period, an increase in the size of the coach fleet, additional revenue from the increased use of employee coach drivers versus independent contractors paid directly by the customer and due to increased utilization of the fleet in 2002. Management believes the increased utilization is a result of its marketing efforts to rock and roll, pop, touring Broadway shows and corporate customers. These customers are in addition to the traditional country and western performers who have historically been this segment's primary customer base. This business is seasonal in nature and historically is stronger in the spring, summer and fall months.

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Gross profit for this segment was 47.3% for the year ended October 31, 2002 compared to 61.1% for the comparable ten-month period ended October 31, 2001. The reduction is primarily attributable to two factors. First, during the summer, additional coaches were leased from unrelated third parties to meet

current demand. The additional lease cost has been recorded as a component of cost of sales and represents an increase of approximately 5% as a percentage of sales. This segment had no lease cost for outside coaches in the comparable period of 2001. Second, additional drivers have been added as employees during 2002 adding approximately 7% as a percentage of sales to the costs of direct wages and benefits for the quarter. In the comparable period ended October 31, 2001, a larger percentage of coach drivers were independent contractors paid directly by the customer. In addition, the two additional months of activity for the year ended October 31, 2002 include the months of November and December which are historically slower months, resulting in lower gross profits for this segment.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

For the reasons noted above, results between periods presented are not comparable.

The Company's selling, general and administrative expenses are higher for the year ended October 31, 2002 versus the ten-month period ended October 31, 2001 due to the trailer manufacturing operations added in 2002, as previously discussed.

In addition, selling, general and administrative expenses are higher for the year ended October 31, 2002 than would be expected on an ongoing basis. This is due primarily to increased administrative costs that were necessary to continue the process of creating better subsidiary reporting, the use of outside professionals for services in assisting in post acquisition activities, the cost to obtain prior year audits to meet regulatory filing requirements, and the cost of providing accounting and related services to management, that will normally be performed by Company personnel on a going forward basis. The additional costs were partially offset by a business interruption claim related to the fire at the butyl rubber reclaiming facility in the amount of \$325. In addition, on February 1, 2002, the Company changed its estimates with regard to depreciation of coaches owned by DW Leasing and Obsidian Leasing by establishing a salvage value of approximately 38%. The depreciable lives of the coaches of 15 years was not changed. This change in estimate resulted in a reduction of selling, general and administrative expenses in the year end October 31, 2002 of approximately \$200.

INTEREST EXPENSE

For the reasons noted above, results between periods presented are not comparable.

While the interest expense increased over the prior period primarily as a result of the transactions that occurred in June and July 2001, interest expense for the year ended October 31, 2002 as a percentage of average debt borrowings of \$37,158 was 9.6%. Interest expense for the ten months ended October 31, 2001 as a percentage of average debt borrowings of \$24,964 was 9.3% (11.2% on an annual basis). The decrease is primarily due to the reduction of the prime rate as well as the refinancing debt and equity transactions discussed below in "Liquidity and Capital Resources," "Refinancing Activities," and "Partners Equity Transactions."
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ASSET IMPAIRMENT

The Company adopted the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2002. The Company completed its transitional impairment test in conjunction with the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets during the quarter ended July 31, 2002. The impairment test indicated that a portion of the goodwill of Danzer Industries was impaired. Accordingly, \$2,015 has been recorded as a cumulative effect of change in accounting principle.

During the fourth quarter of 2002, the Company evaluated the recoverability of Danzer Industries' long-lived assets, including remaining goodwill, due to Danzer Industries' significant operating loss in 2002 and the Chapter 11 bankruptcy filing of a significant customer. Danzer Industries determined the estimated future undiscounted cash flows were below the carrying value of certain long-lived assets. As a result, remaining goodwill was written off and a charge of \$720 as loss on asset impairment was recorded as an operating expense.

DISCONTINUED OPERATIONS

On October 30, 2002, the Company's Board of Directors agreed to sell substantially all assets of Champion to an entity controlled by Messrs. Durham and Whitesell in exchange for assumption of all liabilities of Champion, excluding its subordinated debt. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for Impairment of Long-Lived Assets, the operating results of Champion have been classified as discontinued operations. The losses from discontinued operations for the year ended October 31, 2002 and ten months ended October 31, 2001 of \$1,040 and \$3,376, respectively, represent the losses of Champion during these periods, net of tax benefit of \$438 and \$0, respectively. The loss in 2001 includes a charge for asset impairment of \$2,305. Champion was not included in the financial statements for the year ended December 31, 2000. Sales of Champion in the year ended October 31, 2002 were \$2,884 as compared to \$3,365 for the ten months ended October 31, 2001. The decrease of \$481 or 14.3% is attributable to lower

order volume during 2002.

To facilitate the sale of substantially all assets of Champion, on January 27, 2003, the Company agreed to a settlement with Markpoint of its outstanding subordinated debt with Champion. In return for cancellation of the indebtedness and release of a pending legal action against the Company and Champion, the Company made a cash payment to Markpoint of \$675 and issued to Markpoint 32,143 shares of the Company's Series D preferred stock. In addition, the agreement provides Markpoint the option to require the Company to repurchase these shares at a price of \$21 per share. The repurchase option is available to Markpoint as follows: 16,072 shares during the period May 1, 2003 to June 1, 2003 and 16,071 shares during the period November 1, 2003 to December 1, 2003. The repurchase options expire if not exercised during the specified periods. The Company's repurchase obligation is guaranteed by Mr. Durham.

INCOME TAX PROVISION

There was income tax benefit of \$33 for the year ended October 31, 2002 due to the utilization of previously reserved net operating loss (NOL) carryforwards offset by taxable gains on debt forgiveness. The income tax benefit is created primarily through NOL carryforwards recognized to the extent they are available to offset the Company's net deferred tax liability.

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LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND WORKING CAPITAL

Each of the subsidiaries of the Company have separate revolving credit agreements and term loan borrowings through which the subsidiary finances its operations together with cash generated from operations. The principal balances of some of these loans reflect the fact that Partners, from whom four of the five subsidiaries were purchased, entered into highly leveraged acquisitions of Champion (subsequently divested), U.S. Rubber, Pyramid, and United.

This high level of debt created liquidity issues for the Company and the stringent financial covenants that are common for this type of debt increase the probability that the Company's subsidiaries may from time to time be in technical default under these loans. These risks are mitigated, in part, for the Company's United and U.S. Rubber subsidiaries by the right described below under "Guarantees of Partners." They are also mitigated by the divestiture of Champion, and the completed refinancing efforts with respect to U.S. Rubber and the coach leasing segment.

The Company's working capital position (current assets over current liabilities) was positive at October 31, 2002 by \$1,591. At the end of fiscal year 2001, the working capital position was \$(2,528). The increase in working capital is primarily attributable to the factors below.

The Company continues to address liquidity and working capital issues in a number of ways. Management believes that the following steps started in early 2002 and currently underway will improve the Company's working capital, strengthen its equity and place the Company in a position to successfully enhance its liquidity. These steps include:

- o The transactions described below under "Partners Equity Transactions" which converted approximately \$2,834 of long-term liabilities to equity. Of this amount, \$1,290 was converted to Series C Preferred Stock during the second fiscal quarter of 2002. Additionally, \$1,545 was converted to Series D Preferred Stock in October 2002.
- o The divestiture of Champion described below under "Champion Transactions" which improved the Company's overall equity and working capital position.
- o The transactions described below under "Refinancing Activities" which reduced the Company's interest costs and decreased the proportion of debt which has been classified as a current liability. The Company completed the refinancing of the United line of credit and reduced the principal payments on a term note. In addition, refinancing was completed at U.S. Rubber and on several coaches in the coach leasing group.

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As a result of the actions described above, Management believes that the Company has financing agreements in place to provide adequate liquidity and working capital for fiscal 2003. However, there can be no assurance that such working capital and liquidity will in fact be adequate. Therefore, the Company may be required to draw upon other liquidity sources. The Company has therefore secured an increased financial commitment from Fair Holdings, Inc. ("Fair Holdings"), an entity controlled by the Company's Chairman, to provide, as needed, additional borrowings under a \$5 million line of credit agreement, which expires on January 9, 2005. Currently, availability under the agreement is approximately \$3.2 million.

FINANCIAL COVENANTS

The Company and certain of its subsidiaries did not meet certain requirements and covenants in their debt agreements relating to maintenance of minimum ratios and levels of earnings to funded debt and fixed charge coverage rate. The lenders have waived or modified the covenants not in compliance as of October

31, 2002.

The Company has taken a number of actions which eliminated its defaults under agreements with certain of its lenders:

- o At October 31, 2002, U.S. Rubber had violated negative covenants with its primary lender and received a waiver of the violation and an amendment of the Credit Agreement.
- o Pyramid was a guarantor of DW Leasing's debt to Regions Bank, Nashville, Tennessee. DW Leasing and Pyramid had been in violation of the Funded Debt to EBITDA ratio in the Regions Bank Credit Facility since the inception of the loan. At the time of the Acquisition, Regions Bank granted a waiver of this violation. The covenant had not been rewritten, and Regions Bank waived the violation as of October 31, 2001. The Company refinanced the Regions Bank debt with a related party on December 19, 2002.
- o At October 31, 2002, the Company was in violation of negative covenants with Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company received a waiver of the violations as of October 31, 2002 and obtained modifications of terms with the debenture holders to provide for less stringent covenants. In exchange for the waiver and modifications, the Company issued warrants to the debenture holders to purchase up to 16,000 shares of the Company's common stock at an exercise price of \$.20 per share.
- o Danzer Industries was notified by letter dated May 28, 2002 that it was in technical default of its revolving note and term note due to nonreceipt of certain documentation and noncompliance with the debt service ratio. A forbearance agreement was completed in October 2002. As part of the forbearance agreement, the Company received a waiver through March 31, 2003, when the entire debt is due. As of October 31, 2002, \$867 of long-term debt related to these obligations has been reclassified as a current liability due to the forbearance agreement. Management is currently exploring options with regard to refinancing the outstanding debt of Danzer Industries, including extension of the current agreement with Bank of America. Should refinancing or an extension of the current agreement not be obtained by the expiration date of the forbearance agreement, the debt will be repaid through current sources of availability including borrowings under the Company's line of credit with Fair Holdings.

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- o Champion has remained in default of its subordinated debt agreement in the amount of \$1,250, and the subordinated lender sued to obtain payment. On January 27, 2003, the Company settled this liability in exchange for a cash payment of \$675 and issuance of 32,143 shares of the Company's Series D Preferred Stock. The settlement also provides for a repurchase obligation of these shares on the part of the Company at a price of \$21 per share within a specified period ending December 1, 2003. Accordingly, \$1,013 has been classified as a current liability. Champion was sold to a company owned by Messrs. Durham and Whitesell on January 30, 2003.
- o At October 31, 2002, United had violated financial covenants with First Indiana Bank and Huntington Capital Investment Company. United has received waivers of these violations through November 1, 2003 from First Indiana and a modification of covenants with Huntington Capital Investment Corporation.
- o Various subsidiary companies were in violation of requirements to provide year-end financial statements to various lenders within 90 days of the close of the 2002 year end. Management has received extensions of time from the lenders.

FUNDS AVAILABILITY

CASH AVAILABILITY

On a consolidated basis, at October 31, 2002, the Company had approximately \$920 of cash and cash equivalents. Danzer Industries, U.S. Rubber, United, and Obsidian Enterprises each have revolving credit lines available for working capital at each individual entity. Borrowings under the credit facilities are available to the lesser of the maximum amount or the borrowing base as defined in the credit agreement. At October 31, 2002, additional current availability under these credit lines and maximum availability if supported by their individual borrowing base are:

Company	Current Availability	Maximum Availability
Danzer Industries	\$ 0	\$ 0(1)
U.S. Rubber	701	2,472
United	607	662
Obsidian Enterprises	3,202(2)	3,202(2)

- (1) Additional borrowings only at the bank's discretion under the forbearance agreement
- (2) Includes additional availability of \$2,000 from an increase in the line subsequent to year end

The Company generated net cash flow of \$322 from continuing operations during the year ended October 31, 2002. Cash provided by operations during the year is primarily due to increases in accounts payable and customer deposits, offset by increases in inventories.

REFINANCING ACTIVITIES

Management refinanced certain of the currently outstanding debt of the Company:

- o U.S. Rubber refinanced its debt with a new lender on October 24, 2002 on more favorable terms than the terms with the prior lender.
- o On August 28, 2002, the Company obtained a renewal and increased maximum borrowing limit of the revolving line of credit of United with First Indiana Bank and an additional one year of amortization of its previous 2-year term debt.

<PAGE>

- o The Company refinanced certain coaches transferred from DW Leasing to Obsidian Leasing with DC Investments, LLC ("DC Investments"), an entity owned 50% by the Company's Chairman, and its various existing lenders. Two senior lenders representing approximately 80% of Obsidian Leasing Company's debt have refinanced their respective loans which included a substantial reduction in the interest rates and a longer amortization of the debt. The debt was refinanced by the existing lenders for 80% of the current amount outstanding. The remaining 20% was financed through a note payable to Fair Holdings. In addition to the above refinancing, on December 17, 2002, Obsidian Leasing sold four coaches to DC Investments Leasing, LLC ("DC Investments Leasing"), a newly created entity owned 50% by the Company's Chairman, in exchange for DC Investments Leasing's satisfaction of the debt outstanding on such coaches. DC Investments Leasing paid this debt through a refinancing at terms that included a reduction in interest rates. In addition, DC Investments Leasing also acquired five additional coaches that were previously to be purchased by the Company thereby eliminating the Company's existing purchase commitment for such coaches. DC Investments Leasing also entered into a management agreement with Pyramid under which all nine coaches described above will be leased by Pyramid.

PARTNERS EQUITY TRANSACTIONS

Partners, the major shareholder of the Company, was required under the Plan of Reorganization to fund through the purchase of additional preferred stock certain ongoing administrative expenses of the Company to complete the Plan of Reorganization, complete all required current and prior year audits to meet the regulatory filing requirements, and ensure all annual and quarterly SEC filings are completed to enable the registration of the preferred stock issued to Partners. Such amounts expended through October 31, 2002 approximated \$1,275. Pursuant to the agreement with Partners, the Company converted these amounts to equity in exchange for issuance to Partners of convertible preferred stock in October 2002. Additional expenses of \$270 in excess of amounts Partners was obligated to pay were funded by Fair Holdings, Inc. and subsequently converted to Series D Preferred Stock. The total liability of \$1,545 converted to equity was incurred as follows: \$364 capitalized in the reverse merger transaction; \$376 as expenses incurred in 2001; and \$805 as expenses incurred in 2002.

In 2002, Partners converted \$1,290 of notes payable and accrued interest from Partners to the Company to 402,906 shares of Series C Preferred Stock of the Company.

GUARANTEES OF PARTNERS

The Company has an agreement with Partners that gives the Company the right to mandate a capital contribution from the Partners if the lenders to U.S. Rubber or United were to declare a default. In either of those events, the Company has the right to enforce a capital contribution agreement with Partners up to \$1,620 on U.S. Rubber and \$1,000 on United to fund the respective subsidiary's shortfall. These payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

CHAMPION TRANSACTIONS

In 2002, the Board of Directors authorized the Chairman of the Board of the Company to explore various options to divest Champion Trailer or, at a minimum, restructure this operation of the business. As a result, DC Investments negotiated the purchase of the loans of Bank One to Champion.
<PAGE>

In 2002, Champion was also indebted to Markpoint under a subordinated credit facility in the amount of \$1,250 and was in violation of certain covenants related to the loan. Subsequent to DC Investments purchasing the Bank One debt in a nonrecourse assignment, Markpoint filed a lawsuit in Texas state court seeking payment in full for their subordinated debt from Champion or the Company under a guarantee agreement.

On January 27, 2003, Markpoint settled their lawsuit in exchange for a cash payment of \$675 and the issuance to Markpoint of 32,143 shares of the Company's Series D preferred stock. In addition, the agreement provides Markpoint the option to require the Company to repurchase these shares at a price of \$21 per share. The repurchase option is available to Markpoint as follows: 16,072 shares during the period May 1, 2003 to June 1, 2003 and 16,071 shares during the period November 1, 2003 to December 1, 2003. The repurchase options expire if not exercised during the specified periods. The Company's repurchase obligation is guaranteed by Mr. Durham. Subsequent to the settlement, the Company's Board of Directors authorized the sale of Champion, which was completed January 30, 2003.

CASH FLOWS (EBITDA)

A summary of our contractual cash obligations for the fiscal years ending 2003 through 2006 and 2007 and thereafter at October 31, 2002 is as follows:

<TABLE>

<S> Contractual Obligations	<C> Total	<C> 2003	<C> 2004	<C> 2005	<C> 2006	2007 and <C> Thereafter
Long-term debt, with covenant violations and classified as current Long-term debt, and all debt service interest payments	\$ 1,863	\$ 1,863	\$ --	\$ --	\$ --	\$ --
Operating leases	45,831	7,099	6,882	15,395	8,467	7,988
Mandatory redeemable preferred stock	1,397	450	353	274	189	131
	1,400	--	--	--	1,400	--
Total contractual cash obligations	\$ 50,491	\$ 9,412	\$ 7,235	\$ 15,669	\$ 10,056	\$ 8,119

</TABLE>

Cash flow and liquidity are discussed further below, and the footnotes to our financial statements discuss cash flow, liquidity and the current classification of debt due to loan covenant violations.

We also have a commercial commitment as described below:

<TABLE>

Other Commercial Commitment	Total Amount Committed	Outstanding at October 31, 2002	Date of Expiration
Line of credit, bank	\$ 1,000	\$ 875	March 31, 2003
Line of credit, bank	3,750	3,088	February 1, 2004
Line of credit, bank	4,000	1,528	October 1, 2005
Line of credit, related party	5,000*	1,798	January 1, 2005

</TABLE>

*Credit line with Fair Holdings increased from \$3,000 to \$5,000 subsequent to year end.

The Company's net cash provided by continuing operations for the year ended October 31, 2002 was \$322. This is comprised of a loss from continuing operations of \$4,852, offset by noncash depreciation and amortization and loss on asset impairment of \$3,288 and goodwill impairment loss of \$2,015, increases in inventories of \$1,752 and deferred taxes of \$40 and decreases in accounts receivable of \$264 and other assets of \$336, and increases in accounts payable of \$545, and customer deposits of \$473, and decreases in accrued expenses of \$339. In addition, the Company had noncash losses on debt refinancing, sale of equipment and accretion of interest of \$181, \$41, and \$162, respectively.

<PAGE>

Net cash flow provided from financing activities for the year ended October 31, 2002 was \$618. This is comprised of borrowings of long-term debt and net borrowings of short-term debt of \$3,583 and borrowings from related parties of \$628, offset by principal repayments of long-term debt of \$3,258. The Company also paid debt issuance costs of \$248 and distributions to members of DW Leasing of \$107, offset by the exercise of warrant of \$20.

Cash flow was used in investing activities for the year ended October 31, 2002 of \$587. This is comprised of purchases of property and equipment of \$909 and proceeds from the sale of property and equipment of \$322.

The total increase (decrease) in cash is summarized as follows:

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
<S> Net cash provided by continuing operations	<C> \$ 322	<C> \$ 1,763	<C> \$ 762
Net cash provided by (used in) investing activities	(588)	(17,772)	1,156
Net cash provided by (used in) financing activities	618	16,321	(2,186)
Net cash flow provided by discontinued operations	39	--	--
Increase (decrease) in cash and cash equivalents	\$ 391	\$ 312	\$ (268)

</TABLE>

EBITDA is a measure of the Company's ability to generate cash flow and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America.

EBITDA by business segment and reconciliation to net income or loss under

accounting principles generally accepted in the United States of America by segment for the applicable periods is as follows:

<PAGE>
<TABLE>

Year Ended October 31, 2002					
		Interest	Income Tax	Depreciation	Income
	<C>	<C>	<C>	<C>	(Loss) from
	EBITDA	Expense	Expense	& Amortization	Continuing
			(Benefit)		Operations
Trailer and related transportation equipment manufacturing	\$ 735	\$ 1,400	\$ 404	\$ 1,425*	\$ (2,494)
Coach leasing	1,830	1,468	(59)	779	(358)
Butyl rubber reclaiming	967	684	(152)	1,084	(649)
Corporate	--	--	(226)	--	226
Total Company	\$ 3,532	\$ 3,552	\$ (33)	\$ 3,288	\$ (3,275)

</TABLE>

* includes impairment charge of \$720

<TABLE>

Ten Months Ended October 31, 2001					
		Interest	Income	Depreciation	Income
	<C>	<C>	<C>	<C>	(Loss) from
	EBITDA	Expense	Tax	& Amortization	Continuing
			(Benefit)		Operations
Trailer and related transportation equipment manufacturing	\$ 638	\$ 369	\$ 98	\$ 365	\$ (194)
Coach leasing	1,481	1,266	--	785	(570)
Butyl rubber reclaiming	857	677	(135)	905	(590)
Corporate	--	--	(335)	--	335
Total Company	\$ 2,976	\$ 2,312	\$ (372)	\$ 2,055	\$ (1,019)

</TABLE>

<TABLE>

Year Ended December 31, 2000					
		Interest	Income	Depreciation	Income
	<C>	<C>	<C>	<C>	from
	EBITDA	Expense	Tax	& Amortization	Continuing
			Expense		Operations
Butyl rubber reclaiming	\$ 1,094	\$ 442	\$ 50	\$ 554	\$ 48

</TABLE>

The Company allocates selling, general and administrative expenses to the respective subsidiaries primarily based on a percentage of sales. Amounts allocated by segment are as follows:

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
Trailer manufacturing	\$ 934	\$ 245
Coach leasing	146	96
Butyl rubber reclaiming	232	275
Total	\$ 1,312	\$ 616

<PAGE>

EBITDA by segment, exclusive of the allocation of the above selling, general and administrative expenses, is as follows:

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
Trailer manufacturing	\$ 1,669	\$ 883
Coach leasing	1,976	1,577
Butyl rubber reclaiming	1,199	1,132

Total \$ 4,844 \$ 3,592
=====

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in the footnotes to our financial statements. Some of the most critical policies are also discussed below.

As a matter of policy, we review our major assets for impairment. Our major operating assets are accounts receivable, inventory, intangible assets and property and equipment. We have not historically experienced significant bad debts expense, although the filing of Chapter 11 bankruptcy during 2002 of a customer resulted in a bad debt charge of \$379. However, we believe our reserve for doubtful accounts of \$495 should be adequate for any exposure to loss in our October 31, 2002 accounts receivable. We have also established reserves for slow-moving and obsolete inventories and believe the reserve of \$466 is adequate. We depreciate our property and equipment and amortize intangible assets (except for goodwill) over their estimated useful lives. We have identified items that are impaired, and during the quarter ended July 31, 2002, the Company completed its transitional impairment test in conjunction with the adoption of SFAS 142. The impairment test indicated that certain goodwill related to the trailer manufacturing segment was impaired. Accordingly \$2,015 has been recorded as a cumulative effect of change in accounting principle.

During the fourth quarter, an additional review for asset impairment was conducted because of changes in circumstances that indicated potential impairment. Continuing operating losses at Danzer Industries and the filing of Chapter 11 bankruptcy by Danzer Industries' largest customer in the fourth quarter resulted in an additional impairment review. As a result, an additional \$720 of goodwill was determined to be impaired at the trailer manufacturing segment.

The realization of the remaining goodwill of \$6,434 is primarily dependent on the future operations of the operating entity where the goodwill is allocated (primarily United). Historical operating results, current product demand and estimated future results indicate the results of operations at United should be adequate to continue to realize this amount. However, future results may not meet expectations due to economic or other factors, and failure to meet expectations may result in the goodwill not being fully realizable.

In conjunction with financing of the acquisition of United, the Company issued 386,206 shares of Series C preferred stock to Huntington Capital Investment Corporation ("Huntington"). The note purchase agreement includes a provision that gives Huntington the option to require the Company to repurchase these shares at 90% of market value upon the earlier of: a) fifth anniversary of issuance of such shares, b) default under the subordinated debt agreement, c) other factors related to a sale of substantially all assets of the Company as defined in the agreement. Increases in the value of the Company's stock will result in a corresponding increase to this repurchase requirement. Accordingly, a substantial increase in stock price at the repurchase date may have an adverse impact on the Company's liquidity. At October 31, 2002, the Company had violated certain financial covenants defined in the subordinated debt agreement with Huntington. The Company received a waiver of these violations as of October 31, 2002 and a modification to the covenants.

<PAGE>

CONTINGENCIES

The Company is party to ordinary litigation incidental to its business. No current pending litigation is expected to have a material adverse effect on results of operations, financial condition or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to interest rate changes on its debt. The disclosures in Item 7 above are incorporated herein by reference.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Obsidian Enterprises, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of Obsidian Enterprises, Inc. and Subsidiaries as of October 31, 2002 and 2001, and the

related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year ended October 31, 2002, and the ten months ended October 31, 2001, and the year ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Obsidian Enterprises, Inc. and Subsidiaries as of October 31, 2002 and 2001, and the results of their operations and their cash flows for the year ended October 31, 2002, the ten months ended October 31, 2001, and the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audit of the consolidated financial statements of Obsidian Enterprises, Inc. and Subsidiaries included Schedule II, contained herein, for the year ended October 31, 2002, the ten months ended October 31, 2001, and the year ended December 21, 2000. In our opinion, such schedule presents fairly the information required to be set forth therein, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the 2001 financial statements have been restated for an error in the application of accounting principles.

/s/ McGladrey & Pullen, LLP
 McGladrey & Pullen, LLP

Elkhart, Indiana
 February 10, 2003

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (in thousands)

<TABLE>

	October 31, 2002	October 31, 2001
<hr/>		
Assets		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 920	\$ 529
Marketable securities	137	223
Accounts receivable, net of allowance for doubtful accounts of \$495 for 2002 and \$80 for 2001 (Note 9)	3,307	3,571
Accounts receivable, related parties (Note 16)	206	217
Inventories, net (Notes 7 and 9)	7,315	5,563
Prepaid expenses and other assets	384	514
Deferred income tax assets (Note 15)	665	673
	<hr/>	
Total current assets	12,934	11,290
Property, plant and equipment, net (Notes 8 and 9)	23,048	23,384
Other assets:		
Intangible assets (Notes 4 and 6):		
Goodwill not subject to amortization	6,434	5,829
Goodwill, less accumulated amortization of \$76	--	3,381
Noncompete agreements, less accumulated amortization of \$222 for 2002 and \$44 for 2001	664	842
Trade name and customer relations, less accumulated amortization of \$208 for 2002 and \$125 for 2001	719	802
Deferred debt costs, less accumulated amortization of \$97 in 2002 and \$44 in 2001	470	369
Other	116	579
Assets of subsidiary held for sale (Note 5)	1,538	2,374
	<hr/>	
	\$ 45,923	\$ 48,850
	<hr/>	

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>

	October 31, 2002	October 31, 2001
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
<S>	<C>	<C>
Current portion of long-term debt (Note 9)	\$ 5,667	\$ 7,871
Accounts payable, trade	3,450	3,126
Accounts payable, related parties (Note 16)	668	925
Accrued compensation	810	560
Accrued expenses	514	1,040
Customer deposits	234	296
Total current liabilities	11,343	13,818
Long-term debt, net of current portion (Note 9)	23,879	26,076
Long-term debt, related parties (Note 9 and 16)	5,518	--
Deferred income tax liabilities (Note 15)	1,624	1,672
Accounts payable, related parties (Note 16)	--	2,170
Liabilities of subsidiary held for sale (Note 5)	2,848	2,348
Commitments and contingencies (Note 17)		
Mandatory redeemable preferred stock (Note 12):		
Class of Series C Preferred Stock: 386,206 shares outstanding	1,400	1,435
Stockholders' equity (deficit) (Note 13):		
Common stock, par value \$.0001 per share; 40,000,000 shares authorized; 36,007,855 shares outstanding	3	3
Preferred stock, 5,000,000 shares authorized; Class of Series C Preferred Stock, par value \$.001, 4,600,000 authorized, 4,368,399 shares issued and outstanding in 2002 and 3,739,169 shares issued and outstanding in 2001; 200,000 shares of undesignated Preferred Stock authorized	5	4
Preferred stock, 200,000 shares authorized; Class of Series D convertible preferred stock, par value \$.001, 88,330 shares issued and outstanding in 2002; 0 shares issued and outstanding in 2001	--	--
Additional paid-in capital	10,184	5,682
Accumulated other comprehensive income (loss)	(49)	37
Retained earnings (accumulated deficit)	(10,832)	(4,395)
Total stockholders' equity (deficit)	(689)	1,331
	\$ 45,923	\$ 48,850

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share and share data)

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
<S>	<C>	<C>	<C>
Net sales	\$ 57,274	\$ 24,689	\$ 12,583
Cost of sales	47,841	19,457	11,390
GROSS PROFIT	9,433	5,232	1,193

Selling, general and administrative expenses	(8,589)	(4,251)	(1,009)
Loss on asset impairment (Note 4)	(720)	--	--
Insurance settlement	325	--	--

Income from operations	449	981	184
Other income (expense):			
Interest expense (Note 9)	(3,552)	(2,312)	(442)
Interest income	12	--	356
Other expense	(217)	(60)	--

Income (loss) before income taxes, discontinued operations, and cumulative effect of change in accounting principle	(3,308)	(1,391)	98
Income tax (expense) benefit (Note 15)	33	372	(50)

Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(3,275)	(1,019)	48
Loss from discontinued operations, net of tax (Note 5)	(1,040)	(3,376)	--

Income (loss) before cumulative effect of change in accounting principle	(4,315)	(4,395)	48
Cumulative effect of change in accounting principle, net of tax (Note 4)	(2,015)	--	-

Net income (loss)	\$ (6,330)	\$ (4,395)	\$ 48
=====			
Basic and diluted earnings (loss) per share attributable to common shareholders (Note 2):			
From continuing operations	\$ (.02)	\$ (.02)	\$ --
Discontinued operations, net of tax	(.01)	(.05)	--
Cumulative effect of accounting change, net of tax	(.02)	--	--

Net income (loss) per share	\$ (.05)	\$ (.07)	\$ --
=====			
Weighted average common and common equivalent shares outstanding, basic and diluted:	117,499,946	63,367,140	39,419,240
=====			

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(dollars in thousands)

<TABLE>

	Comprehensive Income (Loss)	Common Stock		Series C Convertible Preferred Stock		Series D Convertible Preferred Stock		Additional Paid-in Capital	Other Compre- hensive Income	Accumulated Retained Earnings (Accum- ulated Deficit)	Total
		Shares	Amount	Shares	Amount	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1999	\$ --	17,588,348	\$ 1	--	\$ --	--	\$ --	\$ --	\$ --	\$ 4,890	\$ 4,891
Issuance of stock under incentive plan and Parent note conversion	--	1,747,946	--	--	--	--	--	--	--	--	--
2000 net income	--	--	--	--	--	--	--	--	--	48	48

Balance at December 31, 2000	--	17,760,015	1	--	--	--	--	--	--	4,938	4,939
Conversion of debt to common stock	--	1,750,000	--	--	--	--	--	355	--	--	355
To record the effect of the reverse merger June 21, 2001 (Note 6)	--	--	1	1,970,962	2	--	--	3,760	(103)	(4,938)	(1,278)
Conversion of Series C Preferred Stock to common stock	--	16,497,840	1	(824,892)	(1)	--	--	--	--	--	--

Issuance of 2,593,099 shares of Series C Preferred Stock associated with the acquisition of United and capital contribution (Note 6)	--	--	--	2,593,099	3	--	--	1,497	--	--	1,500
Unrealized gain on available-for-sale marketable securities	140	--	--	--	--	--	--	--	140	--	140
Fair value adjustment on redeemable preferred stock	--	--	--	--	--	--	--	70	--	--	70
2001 net loss	(4,395)	--	--	--	--	--	--	--	--	(4,395)	(4,395)

Total comprehensive loss \$ (4,255)

Balance at October 31, 2001	36,007,855	3	3,739,169	4	--	--	5,682	37	(4,395)	1,331
Issuance of 30,000 shares of Series C Preferred Stock associated with U.S. Rubber, net of tax	\$ --	--	30,000	--	--	--	1,017	--	--	1,016
Issuance of 589,230 shares of Series C Preferred Stock associated with Fair Holdings and Obsidian Capital Partners, LP	--	--	589,230	1	--	--	1,885	--	--	1,886
Issuance of 88,330 shares of Series D Preferred Stock associated with Fair Holdings and Obsidian Capital Partners, LP	--	--	--	88,330	--	--	1,545	--	--	1,545
Exercise of stock warrants in exchange for 10,000 shares of Series C Preferred Stock	--	--	10,000	--	--	--	20	--	--	20
Distributions to members of DW Leasing	--	--	--	--	--	--	--	--	(107)	(107)
Unrealized loss on available-for-sale marketable securities	(86)	--	--	--	--	--	--	(86)	--	(86)
Fair value adjustment on redeemable preferred stock	--	--	--	--	--	--	35	--	--	35
2002 net loss	(6,330)	--	--	--	--	--	--	--	(6,330)	(6,330)

Total comprehensive loss \$ (6,416)

Balance at October 31, 2002	36,007,855	\$ 3	4,368,399	\$ 5	88,330	\$--	\$10,184	\$ (49)	\$ (10,832)	\$ (689)
-----------------------------	------------	------	-----------	------	--------	------	----------	---------	-------------	----------

</TABLE>

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
Cash flow from operating activities from continuing operations:			
<S> Income (loss) from continuing operations	\$ (4,852)	\$ (1,019)	\$ 48
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	2,015	--	--
Loss on asset impairment	720	--	--
Depreciation and amortization	2,568	2,055	554
Loss on debt refinancing	181	--	--
Loss (gain) on sale of equipment	41	(4)	--
Loss on sale of marketable securities	--	81	--
Accretion of interest	162	35	--
Deferred income taxes	(40)	(408)	216
Changes in operating assets and liabilities net of effect of acquisitions:			
Accounts receivable, net	264	767	(414)
Inventories, net	(1,752)	(630)	641
Other assets	336	71	(284)
Accounts payable, trade	545	810	--
Accrued expenses	(339)	321	1
Customer deposits	473	(316)	--

Net cash provided by operating activities from continuing operations	322	1,763	762

Cash flows from investing activities from continuing operations:			
Capital expenditures	(910)	(1,185)	(1,052)
Proceeds from sale of equipment	322	1,321	--
Acquisition-related closing costs	--	(146)	--
Purchase of marketable equity securities	--	(213)	--
Cash received in reverse merger and other acquisitions	--	26	--
Cash payments in connection with the purchase of U.S. Rubber, net of cash acquired	--	(5,730)	--
Cash payments in connection with the purchase of assets of United, net of cash acquired	--	(12,040)	--
Proceeds from sale of marketable equity securities	--	195	--
Repayment of affiliated company payable	--	--	2,208

Net cash provided by (used in) investing activities from continuing operations	(588)	(17,772)	1,156

</TABLE>

The accompanying notes are in integral part of the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000

Cash flows from financing activities from continuing operations:			
<S>	<C>	<C>	<C>
Advances from (repayments to) related parties	628	(238)	--
Net borrowings on lines of credit	1,265	5,226	5,226
Borrowings on long-term debt	2,318	11,220	--
Principal repayments on long-term debt, including related parties	(3,258)	(2,255)	(2,186)
Debt issuance costs	(248)	(105)	--
Distributions to members of DW Leasing	(107)	--	--
Exercise of warrant	20	--	--
Proceeds from capital contributions and sale of common stock	--	2,473	--

Net cash provided by (used in) financing activities from continuing operations	618	16,321	(2,186)
Net cash flow provided by discontinued operations	39	--	--

Increase (decrease) in cash and cash equivalents	391	312	(268)
Cash and cash equivalents, beginning of year	529	217	485

Cash and cash equivalents, end of year	\$ 920	\$ 529	\$ 217
=====			
Interest paid	\$ 3,415	\$ 2,241	\$ 485
=====			
Interest received	\$ --	\$ --	\$ 356
=====			
Taxes paid	\$ 22	\$ 44	\$ 8
=====			
Noncash:			
Refinancing of debt, including related-party amounts	\$ 12,122	\$ --	\$ --
Conversion of contributed amounts to equity	\$ 5,104	\$ 355	\$ --
Equipment purchased with debt	\$ 1,220	\$ 1,059	\$ 95
Fair value changes of mandatory redeemable preferred stock	\$ 35	\$ 70	\$ --
Purchase price adjustment and conversion of accounts payable to debt	\$ 225	\$ --	\$ --
Seller note on acquisition of United	\$ --	\$ 1,500	\$ --
Seller note on acquisition of U.S. Rubber	\$ --	\$ 2,573	\$ --

</TABLE>

The accompanying notes are an integral part of
the consolidated financial statements.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

1. DESCRIPTION OF BUSINESS AND CHANGE OF NAME

Obsidian Enterprises, Inc. (the "Company"), formerly named Danzer Corporation ("Danzer") and previously Global Environmental Corp., was incorporated on October 6, 1987. Effective August 1, 1988, the Company acquired all of the issued and outstanding common shares of Global Environmental Holdings, Inc. ("Global Holdings"). On October 7, 1999, the Company changed its name from Global Environmental Corp. to Danzer Corporation.

Danzer was reorganized through an Acquisition and Plan of Reorganization with U.S. Rubber Reclaiming, Inc. and Related Entities ("U.S. Rubber Companies"), which was consummated on June 21, 2001. In addition, Danzer changed its name to Obsidian Enterprises, Inc. However, the operating company, Danzer Industries, Inc., retained its name. The operating company will continue to be referred to as Danzer Industries, Inc. The Acquisition and Plan of Reorganization of Danzer with U.S. Rubber Companies (see Note 6, the "Acquisition and Plan of Reorganization") was accounted for as a reverse acquisition as the shareholders of the U.S. Rubber Companies owned a majority of the outstanding stock of Danzer subsequent to the Acquisition and Plan of Reorganization. For accounting purposes, U.S. Rubber Reclaiming, Inc. is deemed to have acquired Danzer. Accordingly, the fiscal 2000 financial information presented herein represents only the financial results of U.S. Rubber Reclaiming, Inc.

Pursuant to the Plan of Acquisition and Reorganization described further in Note 6, United Expressline, Inc. was acquired July 31, 2001.

The resulting entities, considered accounting subsidiaries of U.S. Rubber Reclaiming, Inc. (the accounting acquirer) and legal subsidiaries of Obsidian Enterprises, Inc. (formerly Danzer) after the Acquisition and Plan of Reorganization, are as follows:

U.S. Rubber Reclaiming, Inc. ("U.S. Rubber", the accounting acquirer), which is engaged in reclaiming scrap butyl rubber into butyl reclaim for resale to manufacturers of rubber products.

Obsidian Enterprises, Inc. (formerly Danzer, the legal acquirer), a holding company.

Danzer Industries, Inc. ("Danzer Industries"), which is principally engaged in the design, manufacture and sale of truck bodies and cargo trailers.

Pyramid Coach, Inc. ("Pyramid"), which is engaged in the leasing of coaches, designed and fitted out for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases. The financial statements of Pyramid are presented on a combined basis. The combined financial statements of Pyramid also include the assets, liabilities, equity and results of operations of DW Leasing, LLC ("DW Leasing") and Obsidian Leasing Co., Inc. ("Obsidian Leasing"). DW Leasing is controlled by individuals which are also controlling shareholders of Obsidian Enterprises, Inc. and, accordingly, Pyramid. All coaches owned by DW Leasing are operated by Pyramid. Obsidian Leasing is also a wholly owned subsidiary of the Company. As part of the Plan of Reorganization, certain assets and liabilities of DW Leasing were to be transferred to Obsidian Leasing; however, the transfers could not be completed without lender approvals. On November 1, 2001, the Company completed the tax-free exchange contemplated by the Acquisition Agreement whereby all but seven coaches and the liabilities thereon were transferred to Obsidian Leasing. All intercompany transactions are eliminated in combination of this entity.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

1. DESCRIPTION OF BUSINESS AND CHANGE OF NAME, CONTINUED

Champion Trailer, Inc. ("Champion"), which manufactures and sells transport trailers to be used primarily in the auto racing industry. Effective October 2002, the Company's Board of Directors agreed to a plan to dispose of Champion as further described in Note 5. The sale of Champion was completed January 30, 2003. Accordingly, the operations of Champion are classified as discontinued operations in the accompanying financial statements.

United Expressline, Inc. ("United") manufactures and sells general use cargo trailers and specialty trailers used in the racing industry and for other special purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION:

The accompanying 2002 consolidated financial statements present the accounts of Obsidian Enterprises, Inc. and its wholly owned subsidiaries described in Note 1

for the fiscal year ended October 31, 2002. The entities are collectively referred to herein as the "Company." All significant intercompany transactions and balances have been eliminated in consolidation. The accompanying 2001 financial statements include the operations of U.S. Rubber, Champion, Pyramid and its related entity (DW Leasing) for the ten-month period ended October 31, 2001. January 1, 2001 was the beginning of the calendar year of the accounting acquirer U.S. Rubber. U.S. Rubber changed its fiscal year end to adopt Danzer's (legal acquirer and previous registrant) year end. The 2001 financial statements also include the operating results of Obsidian Enterprises, Inc. (formerly Danzer Corporation) and Danzer Industries, its wholly owned subsidiary, from June 21, 2001 (date of acquisition) through October 31, 2001. In addition, they include the results of United from July 31, 2001 (date of acquisition) through October 31, 2001. See Note 6 for further discussion.

BASIS OF PRESENTATION:

During 2002, the Company has undertaken various actions to improve its operations and liquidity. Such actions as described below include the sale of Champion, conversion of debt to equity and refinancing of certain of its debt agreements as described in Note 9. Management believes that the Company has financing agreements in place to provide adequate liquidity and working capital throughout fiscal 2003. However, there can be no assurance that such working capital and liquidity will in fact be adequate. Therefore, the Company may be required to draw upon other liquidity sources. The Company has therefore secured an increased financial commitment from Fair Holdings, Inc. ("Fair Holdings"), an entity controlled by the Company's Chairman, to provide, as needed, additional borrowings under a \$5 million line of credit agreement, which expires January 9, 2005. Currently, availability under the agreement is approximately \$3.2 million.

The Company incurred a net loss in 2002 of \$6,330, which included an asset impairment charge of \$720, cumulative effect of change in accounting principle of \$2,015 and a loss from discontinued operations of \$1,040. Several of the Company's subsidiaries were acquired in highly leveraged transactions and this factor combined with the loss has contributed to its failure to meet certain financial covenants required by the lenders. As a result of these covenant violations, \$1,863 of long-term debt has been reclassified as a current liability as of October 31, 2002.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In view of these matters realization of assets and satisfaction of liabilities in the ordinary course of business is dependent on the Company's ability to generate sufficient cash flow to satisfy its obligations on a timely basis, maintain compliance with its financing agreements and continue to receive financing support from Fair Holdings, Inc. ("Fair Holdings") an entity controlled by the Company's Chairman, to provide liquidity if needed.

Management, as a part of its plan towards resolving these issues and generating positive cash flow and earnings, has taken the actions as described below during and subsequent to the year ended October 31, 2002. Although management believes these actions will improve operations and liquidity, there can be no assurance that such actions will sufficiently improve operations or liquidity.

- o On March 7, 2002, the Company completed a series of transactions with the subordinated lender at U.S. Rubber resulting in an increase in equity and a decrease in liabilities of \$1,017. The subordinated lender received 30,000 shares of Series C Preferred Stock in this transaction.
- o On March 20, 2002, DC Investments LLC ("DC Investments"), an entity controlled by the Company's Chairman, acquired all outstanding debt due to the senior lender of Champion in the amount of \$602 in a nonrecourse assignment. Under the terms of the Company's agreement with DC Investments, this amount has been reclassified as a long-term liability.
- o On April 30, 2002, the Company converted \$1,290 of debt and accrued interest due to Obsidian Capital Partners, LP ("Partners"), majority owner of the Company, to equity in exchange for 402,906 shares of Series C Preferred Stock.
- o On April 30, 2002, the Company converted \$596 of debt and accrued interest due to Fair Holdings to equity in exchange for 186,324 shares of Series C Preferred Stock.
- o On August 28, 2002, the Company completed refinancing of the Line of Credit facility and a term loan at United. The amount of maximum borrowings on the line of credit facility was increased and the maturity date extended to February 1, 2004. In addition, the maturity date of the term note was extended to July 1, 2004 and monthly principal payments were reduced by approximately 50%.
- o On October 24, 2002, the Company refinanced the outstanding bank debt at U.S. Rubber with a new lender at terms more favorable than the previous lender.

- o During 2002, the Board of Directors authorized the Chairman of the Board to explore various options regarding the operations at Champion. Options included divestiture, restructuring of operations or closing the facility. It was determined in the best interests of the Company to sell Champion. On January 30, 2003, the Company completed the sale of substantially all assets of Champion to an entity owned by Messrs. Durham and Whitesell, Chairman and President of the Company, respectively.
- o During the months of September through December 2002, the Company refinanced certain coaches of Obsidian Leasing with existing lenders and DC Investments at terms more favorable than the previous terms.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- o On October 24, 2002, the Company converted \$1,275 of debt to Partners in exchange for 72,899 shares of Series D Convertible Preferred Stock.
- o On October 24, 2002, the Company converted \$270 of debt to Fair Holdings in exchange for 15,431 shares of Series D Convertible Preferred Stock.
- o On January 2, 2003, the Company obtained an increase in its available line of credit with Fair Holdings to \$5,000 from \$3,000.
- o During January 2003, United and U.S. Rubber obtained modifications to provide less stringent requirements on certain financial covenants with their respective lenders.

The above factors combined with additional actions by management at the operating subsidiaries have contributed to a reduction in the Company's working capital deficit from \$2,528 at October 31, 2001 to a positive \$1,591 at October 31, 2002.

REVENUE RECOGNITION:

Sales are recorded when title passes to the customer (FOB shipping point) or when services are performed in accordance with agreements with customers. The Company accumulates costs of trailers in work-in-process inventory until completion. The Company recognizes repair revenue when services are provided to the customer. Shipping and handling charges billed to the customers are included in net sales. Shipping and handling costs incurred by the Company are included in cost of sales.

For operating leases, income is recognized on a straight-line basis over the lease term. Recognition of income is suspended when management determines that collection of future income is not probable (generally after 90 days past due). Recognition is resumed if the receivable becomes contractually current and the collection of amounts is again considered probable. Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the lease term or projected economic life of the asset.

FAIR VALUE OF FINANCIAL INVESTMENTS:

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as the effective rates for these instruments are comparable to market rates at year end. The carrying amount of investments approximate fair market value. The carrying amount of debt approximate fair value, as a result of the current interest rates paid on the Company's borrowings being at market. The carrying value of mandatory redeemable preferred stock approximate market value determined based on the thirty-day average closing price of the Company's common stock.

MARKETABLE SECURITIES:

The Company classifies its marketable securities as available for sale. The securities consist of equity securities, which are stated at fair value, with net unrealized gains or losses on the securities recorded as accumulated other comprehensive income (loss) in stockholders' equity (deficit). Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of the securities.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY, PLANT AND EQUIPMENT:

Building, equipment, furniture and fixtures are recorded at historical cost with depreciation taken using primarily the straight-line method over their estimated useful lives. Life ranges for property and equipment are as follows:

Buildings and improvements	30 - 39 years
Plant machinery and equipment	5 - 7 years
Furniture and fixtures	5 - 7 years
Coach fleet and vehicles	5 - 15 years

Effective February 1, 2002, the Company changed its estimate with regard to depreciation of coaches owned by Obsidian Leasing and DW Leasing by establishing a salvage value for the coaches of approximately 38% of original cost. The depreciable lives of the coaches of fifteen years was not changed. This change in estimate resulted in a reduced depreciation expense during the year ended October 31, 2002 of approximately \$200.

CONCENTRATION OF CREDIT RISK:

The Company maintains cash balances at a bank, which at various times throughout the year exceeded the Federal Deposit Insurance Corporation (FDIC) limit.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's customers are not concentrated in any one specific geographic region. The credit risk associated with trade receivables within the various industries may be affected by changes in economic or other conditions and may, accordingly, impact the Company's overall credit risk. The Company reviews a customer's credit history before extending credit. Allowances for doubtful accounts are established based on specific customer risk, historical trends and other information. Also see major customers described below.

Certain of Danzer Industries' employees, which represent 10% of total employees, are currently represented by the United Brotherhood of Carpenters and Joiners of America, Local Union No. 340, whose contract is in effect to January 2004. The contract contains provisions that affect compensation to be paid to employees included in the union.

GOODWILL, INTANGIBLE ASSETS AND DEFERRED COSTS:

Goodwill, net was \$6,434 and \$9,210 at October 31, 2002 and 2001, respectively. Accumulated amortization amounted to \$76 at October 31, 2001. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, goodwill associated with acquisitions consummated after June 30, 2001 in the amount of \$5,829 was not being amortized in the 2001 financial statements. All other goodwill was being amortized on a straight-line basis over 15 years through October 31, 2001. Effective November 1, 2001, the Company adopted SFAS No. 142 and completed transitional impairment testing during the third quarter. This transitional test resulted in an impairment charge of \$2,015 that has been recorded as a change in accounting principle as discussed in Note 4.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Other intangible assets, net were \$1,383 and \$1,644 at October 31, 2002 and 2001, respectively. These amounts include trade names, customer relations and backlogs and other items, which are being amortized on a straight-line basis over lives ranging from three months to 15 years. At October 31, 2002 and 2001, accumulated amortization amounted to \$430 and \$169, respectively.

Deferred debt issuance costs are amortized over the term of the related debt, primarily four to five years.

Amortization of goodwill and other intangible assets described above for the year ended October 31, 2002 and the ten months ended October 31, 2001 was \$440 and \$303, respectively. Accumulated amortization on goodwill in the amount of \$76 was written off in 2002 with the impairment discussed in Note 4.

INCOME TAXES:

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, as required. Under SFAS No. 109, deferred tax assets and liabilities are recorded for any temporary differences between the financial statement and tax bases of assets and liabilities, using the enacted tax rates and laws expected to be in effect when the taxes are actually paid or received. (See Note 15.)

USE OF ESTIMATES:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires

management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, inventories and deferred tax assets, the fair values of assets and liabilities when allocating the purchase price of acquisitions, and the carrying value of property and equipment and goodwill. Actual results may differ from those estimates.

CASH EQUIVALENTS:

For purposes of the statement of cash flows presentation, cash equivalents are unrestricted, highly liquid short-term cash investments with an original maturity of three months or less.

IMPAIRMENT OF LONG-LIVED ASSETS, INCLUDING INTANGIBLES:

The Company evaluates the carrying value of long-lived assets whenever significant events or changes in circumstances indicate the carrying value of these assets may be impaired. The Company evaluates potential impairment of long-lived assets by comparing the carrying value of the assets to the expected future cash flows resulting from the use of the assets. In addition, the Company adopted SFAS No. 142 effective November 1, 2001 and completed transitional impairment testing that resulted in an impairment charge of \$2,015, which is recorded as a cumulative effect of change in accounting principle. In addition, the Company completed additional impairment testing in the fourth quarter, as further discussed in Note 4, resulting in an impairment charge of \$720.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

MAJOR CUSTOMERS:

The following is a list of the Company's customers that represent 10% or more of consolidated net sales:

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
Butyl rubber sales:			
<S>	<C>	<C>	<C>
Customer (1)	--	13%	34%
Customer (2)	---	8%	22%

</TABLE>

There were no sales to individual customers in 2002 that accounted for more than 10% of consolidated net sales.

EARNINGS PER SHARE:

Basic per-share amounts are computed, generally, by dividing net income or loss attributable to common shareholders by the weighted-average number of common shares outstanding. Diluted per-share amounts are computed similar to basic per-share amounts except that the weighted-average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

In arriving at the weighted average number of common shares outstanding for basic income (loss) per share, the Company's Series C Preferred Stock and Series D Preferred Stock, which have all the rights and privileges of the Company's common stock, have been reflected as equivalent common shares based on their conversion rates of 20 to 1 and 175 to 1, respectively. Therefore, for the year ended October 31, 2002 and the ten-month period ended October 31, 2001, the Series C Preferred Stock has been reflected on a weighted average basis outstanding as common stock equivalent shares of 81,194,826 and 39,782,638, respectively. The Series D Preferred Stock has been reflected on a weighted average basis outstanding as common stock equivalent shares of 297,264 for the year ended October 31, 2002. There were no Series D Preferred Stock shares issued or outstanding during the ten-month period ended October 31, 2001. The weighted average common shares outstanding for the year ended December 31, 2000 reflect the 1,970,962 shares of Series C Preferred Stock issued to the former stockholders of the companies acquired in the reverse merger, as if such shares had been converted into their equivalent number of common shares of 39,419,240. Furthermore, because no other common equivalents were issued to the former stockholders of the acquired companies, the basic and diluted weighted average common shares outstanding for 2000 are the same.

As described in Note 9, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share. In addition, and as described in Note 13,

the Company has options outstanding to purchase a total of 800,000 shares of common stock, at a weighted average exercise price of \$0.09. However, because the Company incurred a loss for the periods ended October 31, 2002 and 2001, respectively, the inclusion of those potential common shares in the calculation of diluted loss per share would have an antidilutive effect.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basic and diluted earnings (loss) per share have been computed as follows:

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
Income (loss) before discontinued operations and cumulative <S> effect of accounting change	<C> \$ (3,275)	<C> \$ (1,019)	<C> \$ 48
Change in fair value of mandatory redeemable preferred stock	35	70	--
Income (loss) attributable to common shareholders before discontinued operations and cumulative effect of accounting change	(3,240)	(949)	48
Loss from discontinued operations, net of tax	(1,040)	(3,376)	--
Cumulative effect of change in accounting principle	(2,015)	--	--
Net income (loss) attributable to common shareholders	\$ (6,295)	\$ (4,325)	\$ 48
Weighted average common and common equivalent shares outstanding, basic and diluted	117,499,946	63,367,140	39,419,240
Earnings (loss) per share, basic and diluted, attributable to common shareholders:			
From continuing operations	\$ (.02)	\$ (.02)	\$ --
Discontinued operations	(.01)	(.05)	--
Cumulative effect of accounting change	(.02)	--	--
Net income (loss) per share	\$ (.05)	\$ (.07)	\$ --

</TABLE>

INSURANCE RECOVERY:

On May 16, 2002, U.S. Rubber was damaged by a fire at an adjacent property. The Company completed processing its claims with its insurance carrier for damaged equipment and facilities and business interruption losses on August 16, 2002. There was no material gain or loss on involuntary conversion as a result of this fire. An insurance recovery related to the business interruption claim, net of incurred and anticipated costs, in the amount of \$325 has been recognized as reduction of operating costs.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

COMPREHENSIVE INCOME:

SFAS No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income and its components in financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income consists of net earnings, the net unrealized gains or losses on available-for-sale marketable securities and is presented in the consolidated statement of stockholders' equity.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

In June 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business

combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No. 142, goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company implemented the remaining provisions of SFAS No. 142 on November 1, 2001. Since adoption, existing goodwill is no longer amortized but instead will be assessed for impairment at least annually. The adoption of this pronouncement resulted in \$5,829 of goodwill not being amortized and the elimination of approximately \$225 of amortization annually on another \$3,381 of goodwill previously being amortized. The adoption of SFAS No. 142 also resulted in an impairment charge of \$2,015 recorded as cumulative effect of change in accounting principle as further described in Note 4.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets," which requires a single accounting model to be used for long-lived assets to be sold and broadens the presentation of discontinued operations to include a "component of an entity" (rather than a segment of a business). A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity that is classified as held for sale, or has been disposed of, is presented as a discontinued operation if the operations and cash flows of the component will be (or have been) eliminated from the ongoing operations of the entity and the entity will not have any significant continuing involvement in the operations of the component.

The Company adopted SFAS No. 144 effective October 31, 2002. Consequently, the operating results of Champion, which were held for sale at October 31, 2002, are included as discontinued operations. Assets and liabilities of Champion are included in "Assets of subsidiaries held for sale" and "Liabilities of subsidiaries held for sale," respectively, at October 31, 2002 and 2001, as discussed in Note 5.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145, among other technical corrections, rescinds SFAS No.'s. 4 and 64 which required gains and losses from the early extinguishment of debt be classified as extraordinary items in the statement of operations. This statement is effective for fiscal years beginning after May 15, 2002 although early application is encouraged. The Company adopted SFAS No. 145 effective August 1, 2002. Accordingly, losses on early extinguishment of debt in the amount of \$181 have been included in other expense in 2002.

In June 2002, the FASB issued Statement 146, Accounting for Costs Associated with Exit or Disposal Activities. This Statement requires the recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred versus the date the Company commits to an exit plan. In addition, this Statement states the liability should be initially measured at fair value. The Statement is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

In January 2003, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in the financials statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement is effective for the October 31, 2003 financial statements. The interim reporting disclosure requirements will be effective for the Company's January 31, 2003 10-Q. Because the Company continues to account for employee stock-based compensation under APB opinion No. 25, the transitional guidance of SFAS No. 148 has no effect on the financial statements at this time.

3. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In December 2002, the Company became aware of an error related to the accounting for the redeemable preferred stock issued in connection with subordinated debt pertaining to the United acquisition on July 31, 2002. The Company is restating its previously issued financial statements for the ten months ended October 31, 2001 for this error.

Below is a comparison of previously reported and restated balances included in the Consolidated Balance Sheet and Statement of Operations as of and for the ten months ended October 31, 2001. The amounts included as previously reported exclude the effect of classification of Champion in discontinued operations.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

3. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS, CONTINUED
<TABLE>

	Previously Reported	Change	As Restated
Income Statement:			
<S>	<C>	<C>	<C>
Interest expense	\$ 2,277	\$ 35	\$ 2,312
Loss from continuing operations	(984)	(35)	(1,019)
Net loss	(4,360)	(35)	(4,395)
Earnings (loss) per share from continuing operations	(.02)	--	(.02)
Net loss per share	(.07)	--	(.07)
Balance Sheet:			
Net deferred tax assets	538	14	552
Deferred tax valuation reserve	(1,537)	(14)	(1,551)
Long-term debt	27,546	(1,470)	26,076
Mandatory redeemable preferred stock	--	1,435	1,435
Additional paid-in capital	5,612	70	5,682
Retained earnings (deficit)	(4,360)	(35)	(4,395)

The restated balances arise from the allocation of the proceeds to Series C Preferred Stock issued in conjunction with the related debt. The change in interest expense is related to accretion of interest resulting from the allocation of the mandatory redeemable preferred stock. The change in additional paid-in capital is the result of fair value changes on the redeemable preferred stock, as further described in Note 12.

4. CHANGE IN ACCOUNTING PRINCIPLES, GOODWILL AND INTANGIBLE ASSETS, AND IMPAIRMENT OF LONG-LIVED ASSETS

As discussed in Note 2, the Company adopted the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2002. Accordingly, effective with the November 1, 2001 adoption of SFAS No. 142, goodwill is no longer amortized but is instead subject to an annual impairment test. The Company completed its transitional impairment test in conjunction with the adoption of SFAS No. 142 during the quarter ended July 31, 2002. The impairment test indicated that a portion of the goodwill related to the trailer manufacturing segment was impaired. Accordingly, \$2,015 has been recorded as a cumulative effect of change in accounting principle. This charge was reflected in the first quarter pursuant to the implementation guidelines.

The Company reviews the recoverability of the carrying value of long-lived assets, primarily property, plant and equipment and related goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment losses are recognized when the fair value is less than the asset's carrying value. When indicators of impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying business. The net book value of the underlying assets is adjusted to fair value if the sum of expected future undiscounted cash flows is less than book value. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

4. CHANGE IN ACCOUNTING PRINCIPLES, GOODWILL AND INTANGIBLE ASSETS, AND IMPAIRMENT OF LONG-LIVED ASSETS, CONTINUED

During October 2002, the Company also evaluated the recoverability of the long-lived assets, including the remaining goodwill associated with Danzer. Deteriorating performance, including reduced sales and the bankruptcy of a major customer, brought the recoverability of those assets into question. The evaluation resulted in an additional goodwill impairment charge of \$720.

During October 2001, the Company completed an evaluation of the recoverability of the assets (primarily goodwill) of Champion. Certain events occurred during the period ended October 31, 2001 which caused the full recoverability of those

assets to be brought into question. Deterioration of the performance of Champion, including lower overall sales demand and difficulties in achieving manufacturing efficiencies, resulted in the investment in Champion becoming impaired. Accordingly, during fiscal 2001, Champion recorded charges of \$2,305 related to the impairment of goodwill. This charge was based on the estimated fair value of the long-lived assets of Champion. Operations of Champion have been classified as discontinued operations as further described in Note 5.

The changes in the carrying amounts of goodwill related to continuing operations are as follows:

<TABLE>

	Trailer Manufacturing	Holding Company	Total
<S>	<C>	<C>	<C>
Balance as of January 1, 2001	\$ --	\$ --	\$ --
Goodwill arising from 2001 acquisitions	8,636	650	9,286
2001 amortization	(76)	--	(76)
Balance, October 31, 2001	8,560	650	9,210
Purchase price adjustment	(41)	--	(41)
Impairment charges	(720)	--	(720)
Cumulative effect of change in accounting principle	(2,015)	--	(2,015)
Balance, October 31, 2002	\$ 5,784	\$ 650	\$ 6,434

</TABLE>

Had SFAS No. 142 been effective at the beginning of 2001, the nonamortization provisions would have reduced the net loss for the ten months ended October 31, 2001 by \$76, resulting in an adjusted net loss of \$4,319 and no change in earnings per share.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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5. DISCONTINUED OPERATIONS

On October 30, 2002, the Company's Board of Directors agreed to sell the assets of Champion to an entity controlled by Messrs. Durham and Whitesell (Officers of the Company) for the assumption of all liabilities of Champion excluding its subordinated debt. The decision to divest Champion was based on the entity's inability to achieve profitable operations in the foreseeable future without substantial cash infusion. The Company also agreed in principal to settle the outstanding subordinated debt of Champion in exchange for a cash payment of \$675 and issuance to the debt holder of 32,143 shares of the Company's Series D Preferred Stock. In addition, the agreement provides Markpoint the option to require the Company to repurchase these shares at a price of \$21 per share. The repurchase option is available to Markpoint as follows: 16,072 shares during the period May 1, 2003 to June 1, 2003 and 16,071 shares during the period November 1, 2003 to December 1, 2003. The repurchase options expire if not exercised during the specified periods. The Company's repurchase obligation is guaranteed by Mr. Durham. The sale of Champion was completed on January 30, 2003. Champion is accounted for as a discontinued operation and therefore the results of operations and cash flows have been removed from the Company's continuing operations for all periods presented. In addition, assets and liabilities of Champion are included in the consolidated balance sheet as of October 31, 2002 and 2001 as "Assets of subsidiary held for sale" and "Liabilities of subsidiary held for sale," respectively.

A summary of the Company's discontinued operations for the year ended October 31, 2002 and ten months ended October 31, 2001 follows. There were no discontinued operations for the year ended December 31, 2000.

<TABLE>

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
<S>	<C>	<C>
Net sales	\$ 2,882	\$ 3,365
Operating expenses	4,066	4,148
Impairment loss	--	2,305
Interest	290	288
Net loss	(1,040)	(3,376)

</TABLE>

A summary of assets and liabilities of subsidiary held for sale at October 31, 2002 and 2001 are as follows:

<TABLE>

October 31, 2002 October 31, 2001

Assets of subsidiary held for sale:

	<C>	<C>
Inventories	\$ 551	\$ 1,131
Other current assets	177	261
Property and equipment, net	715	848
Other	95	134
	\$ 1,538	\$ 2,374

</TABLE>
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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

5. DISCONTINUED OPERATIONS, CONTINUED

<TABLE>

Liabilities of subsidiary held for sale

	<C>	<C>
Accounts payable and accrued expenses	\$ 709	\$ 603
Customer deposits	313	383
Long-term debt	--	1,362
Long-term debt, related parties	1,826	--
	\$ 2,848	\$ 2,348

</TABLE>

6. ACQUISITIONS AND PLAN OF REORGANIZATION

As previously discussed in Notes 1 and 2, on June 21, 2001, a change of control of the Registrant occurred through an Acquisition Agreement and Plan of Reorganization by and among Danzer, Danzer Industries, Inc., a wholly owned subsidiary of Danzer, and Partners, Timothy S. Durham (the newly elected Chairman of the Board of Danzer), and other individual owners of Pyramid and Champion. On the Acquisition Date, Danzer acquired: all of the outstanding capital stock of Pyramid in exchange for 810,099 shares of Danzer Series C Preferred Stock ("Danzer Preferred"); all of the outstanding capital stock of Champion for 135,712 shares of Danzer Preferred and all of the outstanding capital stock of U.S. Rubber for 1,025,151 shares of Danzer Preferred. On July 31, 2001, Danzer acquired all of the outstanding capital stock of United Acquisition, Inc. ("UAI"), the holding company formed to acquire assets of United, from Partners for 2,593,099 shares of Danzer Preferred.

After the series of transactions were completed on July 31, 2001, Partners owned 75.42% of the total voting, convertible capital stock (Preferred) of Danzer. The preacquisition Danzer shareholders and their successors owned the remaining capital stock representing 24.58% of the total voting capital stock (Common). Since the U.S. Rubber Companies are so much larger than Danzer, and the existing U.S. Rubber shareholders obtained a majority interest in the stock of Danzer, they have been treated, for accounting purposes, as the acquirer in the Reorganization (reverse merger). In addition, on July 31, 2001, Partners, through UAI, acquired substantially all of the assets of United, an Indiana-based manufacturer of enclosed cargo and specialty trailers, for approximately \$15,358. The purchase price and purchase accounting has been allocated to the assets and liabilities of United based on their fair values. Partners exchanged 100% of its shares of UAI for shares of Series C Preferred Stock of Danzer. As a result, UAI became a wholly owned subsidiary of Danzer and will operate under the name of "United Expressline, Inc."

ACQUISITION OF DANZER AND SUBSIDIARY:

The purchase price and purchase accounting was allocated to the assets and liabilities of Danzer based on their fair values. The purchase price was based on the value of Danzer's equity determined by a third-party appraisal company of \$3,257 plus acquisition costs of \$964.

An independent third-party appraisal company conducted a valuation of Danzer's stock. The valuation allocation to tangible assets included \$2,300 and \$1,536 of net liabilities assumed. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets of \$3,457 was allocated to goodwill. Of this amount, \$650 was allocated to Danzer and \$2,807 allocated to Danzer Industries, its subsidiary.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

6. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

ACQUISITION OF UNITED EXPRESSLINE, INC.:

An independent third-party appraisal company conducted a valuation of United's intangible assets. These intangibles include existing brand name, noncompete, and the customer base. The valuation of intangibles included \$822 for brand name, \$886 for noncompete, and \$105 for the customer base. The excess of the purchase price of \$15,358 over the fair value of the identifiable tangible and intangible net assets of \$5,821 has been allocated to goodwill. The value assigned to tangible assets totaled \$7,563.

The following schedule is a description of acquisition costs of Danzer and United Expressline, Inc. and the respective purchase price allocations:

<TABLE>

	Danzer	United
Purchase price:		
<S>	<C>	<C>
Preferred stock	\$ 3,257	\$ --
Cash to seller	--	11,050
Seller note	--	1,500
Liabilities assumed	--	1,670
Acquisition costs, including amounts to related parties (see Note 16)	964	1,138
Total purchase price	\$ 4,221	\$ 15,358
Purchase price allocation:		
Current assets, including accounts receivable and inventory, net of current liabilities assumed	\$ 329	\$ 5,559
Land, property and equipment	2,300	2,004
Goodwill	3,457	5,829
Intangible assets	--	1,813
Other assets	65	153
Less debt assumed	(1,930)	--
Total purchase price allocation	\$ 4,221	\$ 15,358

</TABLE>

PRO FORMA INFORMATION:

The unaudited condensed consolidated results of operations on a pro forma basis as if the reorganization had occurred as of the beginning of the periods projected are as follows:

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

6. ACQUISITIONS AND PLAN OF REORGANIZATION, CONTINUED

The unaudited condensed consolidated results of operations shown below are presented on a pro forma basis and represent the results of Danzer, Danzer Industries, U.S. Rubber, Pyramid, DW Leasing and Obsidian Leasing on a combined basis. Champion has been excluded from the amounts below, as it is currently shown as discontinued operations. In addition, United is treated as if the business combinations of these entities occurred at the beginning of the periods presented. The schedule below includes all depreciation, amortization and nonrecurring charges for all entities for the periods shown.

	Ten Months Ended October 31, 2001	Year Ended December 31, 2000
Net sales	\$ 49,830	\$ 61,320
Income (loss) from continuing operations	\$ (491)	\$ 150
Income (loss) from continuing operations per share - basic and diluted	\$ (.01)	\$.00

The pro forma financial information is presented for informational purposes only and is not indicative of the operating results that would have occurred had the Reorganization been consummated as of the above dates, nor are they necessarily indicative of future operating results.

7. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out method) or market and are comprised of the following components:

<TABLE>

	October 31, 2002	October 31, 2001
<S>	<C>	<C>
Raw materials	\$ 3,655	\$ 3,470
Work-in-process	709	604
Finished goods	3,417	2,322
Valuation reserve	(466)	(833)
Total	\$ 7,315	\$ 5,563

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands, except per share and share data)

7. INVENTORIES, CONTINUED

The Company provides valuation reserves for inventory considered obsolete or not currently available for use in production. Inventory reserves at U.S. Rubber are related to excess scrap butyl rubber not currently available for use without further processing; therefore, it has minimal value. Changes in the valuation reserve are as follows:

<TABLE>

	U.S. Rubber	United	Total
<S>	<C>	<C>	<C>
Balance at January 1, 2001	\$ (1,338)	\$ --	\$ (1,338)
Provision for losses	(60)	(13)	(73)
Use of reserved inventory	578	--	578
Balance at October 31, 2001	(820)	(13)	(833)
Provision for losses	(50)	--	(50)
Use of reserved inventory	404	13	417
Balance at October 31, 2002	\$ (466)	\$ --	\$ (466)

</TABLE>

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized by major classification as follows:

<TABLE>

	October 31, 2002	October 31, 2001
<S>	<C>	<C>
Land and improvements	\$ 488	\$ 488
Buildings and improvements	3,520	3,557
Plant machinery and equipment	9,767	8,016
Furniture and fixtures	334	247
Coach fleet and vehicles	13,312	13,407
Total	27,421	25,715
Less accumulated depreciation	(4,373)	(2,331)
Net property, plant and equipment	\$ 23,048	\$ 23,384

</TABLE>

Depreciation expense of property, plant and equipment for the year ended October 31, 2002, the ten months ended October 31, 2001, and the year ended December 31, 2000 included in continuing operations was \$2,128, \$1,752, and \$548, respectively.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in thousands, except per share and share data)

9. FINANCING ARRANGEMENTS

The Company has the following outstanding debt as of October 31, 2002 and 2001:
<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
U.S. Rubber		
Line of credit to a bank, bearing interest at prime (4.75% at October 31, 2002), borrowings not to exceed the greater of \$4,000 or the borrowing base (85% of eligible accounts receivable and 42% of eligible inventories), interest payable monthly, balance due October 2005, collateralized by		
<S> substantially all assets of U.S. Rubber*	<C> \$ 1,528	<C> \$ --
Note payable to a bank, interest payable monthly at prime plus .50% (5.25% at October 31, 2002), monthly principal payments of \$48, due October 2005, collateralized by substantially all assets of U.S. Rubber.*	4,000	--
Note payable to DC Investments, LLC, interest payable monthly at 15%, balloon payment due March 2007, subordinate to bank debt.	700	--
Other	76	88
Line of credit	--	1,732
Notes payable to a bank	--	2,861
Notes payable to former owner (SerVaas, Inc.)	--	2,480
	-----	-----
Subtotal U.S. Rubber	6,304	7,161
	-----	-----

</TABLE>

*U.S. Rubber was in technical default of a loan covenant with its primary lender at October 31, 2002. The Company has obtained a waiver of the violation from its lender and a modification to the covenant requirements.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

9. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
Champion		
Note payable to The Markpoint Company, interest payable monthly at 13.50%, commencing June 1, 2000, balloon payment of outstanding principal balance due May 2005, collateralized by substantially all assets of Champion and		
<S> subordinate to notes payable to DC Investments LLC *	<C> \$ 1,250	<C> \$ 1,250
Notes payable to DC Investments, LLC, interest payable monthly at rates ranging from 5.25% to 5.50%, balloon payments due January 2004 and June 2005	1,794	--
Other	32	15
Line of credit, to bank	--	200
Notes payable to a bank	--	1,147
	-----	-----
Subtotal Champion	3,076	2,612
	-----	-----

</TABLE>

*Champion was in technical default of all its debt with The Markpoint Company in 2002. The Company has reached agreement with The Markpoint Company to settle the debt as further discussed in Note 17. As a result of this agreement, \$1,013 of the debt due The Markpoint Company has been classified as current.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

9. FINANCING ARRANGEMENTS, CONTINUED
<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
Pyramid, DW Leasing and Obsidian Leasing		
Various installment loans, repayable in monthly installments totaling \$135 including interest ranging from the three-month LIBOR rate plus .12% (1.82% at October 31, 2002) to 13.1% through November 2007 and applicable balloon payments thereafter through December 2007, less unamortized discount (\$387 at October 31, 2002) first lien on assets financed (finance acquisition and asset purchases). A portion of the borrowings guaranteed by the members of	<C>	<C>
<S> DW Leasing.	\$ 10,170	\$ 12,929
Former shareholders of Pyramid and related companies installment loans, repayable in monthly installments of interest at 9% through December 2002 with a balloon payment in January 2003, collateralized by Security Agreements for Pyramid, DW Leasing and the members of DW Leasing (finance acquisition), refinanced subsequent to year end.	928	928
Note payable to Fair Holdings, Inc., repayable in monthly installments of interest ranging from 10% to 14% through October 2012 and applicable balloon payments through November 2012.	2,138	--
Other	37	31
Subtotal Pyramid, DW Leasing, and Obsidian Leasing	13,273	13,888

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
Danzer Industries		
Line of credit to a bank, maximum borrowing equal to \$1,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at the LIBOR Daily Floating Rate plus 3.2% (4.94% at October 31, 2002), due March 2002, collateralized by substantially all assets of Danzer Industries	<C>	<C>
<S> and guaranteed by Obsidian Enterprises, Inc.*	\$ 875	\$ 75
Note payable to a bank, requires monthly principal installments of \$6 plus interest at the LIBOR Daily Floating Rate plus 3.2% (4.94% at October 31, 2002), due August 15, 2006. Collateralized by substantially all assets of Danzer Industries and guaranteed by Obsidian Enterprises, Inc.*	917	983
Term loans payable to US Amada, Ltd. Monthly payments currently aggregating \$13 including interest at 10%, loans due January 2003, collateralized by equipment financed	157	285
Equipment loans payable--monthly payments currently aggregating \$2 including interest of 9.50% to 11.30% through November 2006. Collateralized by equipment financed.	88	53
Other	27	10
Subtotal Danzer Industries	2,064	1,406

</TABLE>

*In 2002, Danzer Industries was in technical default of certain loan covenants, as well as being in excess of borrowing base amounts in its credit agreement related to the line of credit and \$1,000 note payable. Danzer and the bank have entered into a forbearance agreement which requires payment of these amounts by March 31, 2003. Accordingly, all related debt has been classified as current.

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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9. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
United		
Line of credit to a bank, maximum borrowing equal to \$3,750, with a base of 80% of eligible accounts receivable plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at prime plus .75% (5.50% at October 31, 2002), due February 1, 2004. Collateralized by substantially all assets of United and guaranteed by		
<S> Obsidian Enterprises, Inc.*	<C> \$ 3,088	<C> \$ 3,111
Notes payable to a bank, requires monthly principal installments of \$48 plus interest ranging from prime plus 1% (5.75% at October 31, 2002) to prime plus 2% (6.75 at October 31, 2002), due through July 2006, collateralized by substantially all assets of United and guaranteed by Obsidian Enterprises, Inc.*	2,054	2,989
Subordinated note payable to Huntington Capital Investment Company, interest payable quarterly at 14% per annum, balloon payment of outstanding principal balance due July 26, 2006, less unamortized discount (\$1,309 and \$1,470 at October 31, 2002 and 2001, respectively). Unsecured and subordinate to line of credit and notes payable above.*	2,191	2,030
Note payable to former shareholder, interest payable monthly at 9% per annum, balloon payment of outstanding principal balance due July 27, 2006. Unsecured and subordinate to line of credit, notes payable and Huntington debt above.*	1,500	1,500
Note payable to Renaissance (formerly parent Danzer Corporation), interest payable monthly at 8% per annum, with monthly principal payments beginning July 2004 at a rate of \$10 for each \$1,000 of outstanding principal, due July 2008. Convertible at the option of the holder to common stock of Obsidian Enterprises at a conversion price of \$.10 per share. The loan agreement also restricts dividend payments without the prior consent of the lender.*	500	500
Note payable to a former shareholder, requires monthly principal installments of \$16 including interest at 9%, due March 2003*	77	--
Other	83	112
Subtotal United	9,493	10,242

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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9. FINANCING ARRANGEMENTS, CONTINUED

<TABLE>

	Debt Amount	
	October 31, 2002	October 31, 2001
United, continued		
*United was in technical default of certain loan covenants with its senior and subordinated lender at October 2002. United has obtained waivers of the violations from the lenders and modifications of various covenants with these lenders.		
Obsidian Enterprises, Inc.		
Line of credit to Fair Holdings, maximum borrowing equal to \$5,000, interest		
<S> payable monthly at 10%, due January 2005	<C> 1,798	<C> --

Note payable to Fair Holdings, interest payable monthly at 15%, balloon payment due March 2007	774	--
Note payable to Fair Holdings, interest payable monthly at 5.25%, due October 2005	108	--
	-----	-----
Subtotal Obsidian Enterprises, Inc.	2,680	--
	-----	-----
Total all companies	36,890	35,309
Less liabilities of subsidiary held for sale	(1,826)	(1,362)
Less related-party amounts presented separately	(5,518)	--
Less current portion	(5,667)	(7,871)
	-----	-----
	\$ 23,879	\$ 26,076
	=====	=====

</TABLE>

Following are the maturities of long-term debt for each of the next five years and thereafter:

2003	\$ 5,329***
2004	5,588
2005	11,977
2006	6,581
2007	2,050
Thereafter	3,539

	\$ 35,064
	=====

***The current portion of long-term debt includes \$1,863 of amounts in default and classified as current.

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9. FINANCING ARRANGEMENTS, CONTINUED

Various subsidiary companies were in violation of requirements to provide year-end financial statements to various lenders within 90 days of the close of the 2002 year end. Management received an extension of time from the lenders.

At October 31, 2002, the Company was in violation of negative covenants with Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, the holders of debentures that completed the financing of United. The Company received a waiver of the violations as of October 31, 2002 and obtained modifications of terms with the debenture holders to provide for less stringent covenants. In exchange for the waiver and modifications, the Company issued warrants to the debenture holders to purchase up to 16,000 shares of the Company's common stock at an exercise price of \$.20 per share.

The Company has an agreement with Partners that gives the Company the right to mandate a capital contribution from Partners if the lenders to U.S. Rubber and/or United were to declare a default. In that event, the Company has the right to enforce a capital contribution agreement with Partners up to \$1,620 on U.S. Rubber and \$1,000 on United to fund the respective subsidiary's shortfall. Those payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

The following details significant changes in debt during the year ended October 31, 2002:

U.S. RUBBER:

During February 2002, U.S. Rubber entered into a "Second Amendment to Credit Agreement" with its then primary lender. The terms of the amendment required scheduled debt service payments under substantially the same terms through November 1, 2002 when all debt outstanding with the primary lender was to become due. The agreement also modified the terms of an operating lease with the lender requiring payment in full of the remaining lease obligation as of November 1, 2002.

During October 2002, this debt was refinanced with a new lender. In addition, the equipment that related to the operating lease was repurchased and the equipment, the unamortized loss related to the 2001 transaction, as discussed in Note 10, and its related debt has been recorded at October 31, 2002.

On March 7, 2002, the Company completed a series of transactions with U.S. Rubber, SerVaas, Inc. ("SerVaas"), the former owner of U.S. Rubber, and DC

Investments, LLC ("DC Investments"), an entity controlled by the Company's Chairman, whereby certain existing debt of U.S. Rubber was acquired from SerVaas. DC Investments acquired the SerVaas interest in the debt agreement with a remaining balance of \$730, plus accrued interest of \$123, for \$700. U.S. Rubber then acquired this agreement in exchange for a new note payable to DC Investments with a face amount of \$700. The note requires monthly interest payments at 15% per annum with the principal payable March 2007. The note is subordinate to debt outstanding with the senior lender of U.S. Rubber.

The Company also acquired the SerVaas interest in the U.S. Rubber \$1,750 subordinated note payable, plus accrued interest of \$255, in exchange for \$700 and 30,000 shares of Series C Preferred Stock. The cash portion of the transaction was from the proceeds of a note payable in the amount of \$700 issued to DC Investments. The note requires monthly interest payments at 15% per annum with the principal payable March 2007.

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9. FINANCING ARRANGEMENTS, CONTINUED

No gain or loss was recognized in the SerVaas transactions because of the involvement of related parties. The transaction resulted in an increase in equity of the Company of \$1,016, consisting of a \$1,463 reduction of liabilities, offset by a tax impact of \$447.

CHAMPION:

After October 31, 2001, Champion was in violation of its Senior Credit facility with Bank One. Champion was working under a forbearance agreement through March 15, 2002. Champion paid down the Bank One debt by \$570 to Champion as consideration for such agreements. The Company made a capital contribution of \$570 from loan proceeds from DC Investments. On March 20, 2002, DC Investments acquired the senior lender's loan to Champion in the amount of \$602 in a nonrecourse assignment of the debt.

PYRAMID, DW LEASING AND OBSIDIAN LEASING:

During October 2002, Obsidian Leasing refinanced debt in the amount of \$4,666 with Old National Bank. The refinancing was completed through both the existing lender at 80% of the then-outstanding balance and Fair Holdings. The new terms with the existing lender include interest at rates ranging from LIBOR plus .12% to LIBOR plus 5.65% and a maturity of December 2004. The remaining 20% of the then-outstanding term notes was paid by borrowings from Fair Holdings of approximately \$1,004. The transaction resulted in a discount on the new term loans in the amount of \$387 and a loss on refinancing of \$182.

During October 2002, Obsidian Leasing also refinanced debt in the amount of \$2,836 with Edgar County Bank through borrowings from both Edgar County and Fair Holdings. Terms of the new term note with Edgar County include an 80% payoff of the then-outstanding term notes, interest at a rate of prime plus 2.75% and a maturity of September 2007. The remaining 20% of the then-outstanding term notes was paid by borrowings from Fair Holdings of approximately \$584. The transaction did not result in a gain or loss.

UNITED:

On August 28, 2002, the agreements for one of the notes payable and the revolving line of credit were amended to extend the final maturities from July 1, 2003 to July 1, 2004 for the note payable and July 1, 2002 to February 1, 2004 for the revolving line of credit. In addition, the monthly principal installments on the note payable were decreased by \$36 to \$36 and maximum borrowings on the revolving line of credit were increased from \$3,500 to \$3,750.

10. LEASING ARRANGEMENTS

In October 2001, the Company entered into a sales-leaseback arrangement. Under the arrangement, the Company sold equipment and leased it back for a period of five years. The leaseback has been accounted for as an operating lease. The loss of \$218 realized in the transaction was deferred and was being amortized to income in proportion to rental expense over the term of the lease. Proceeds from the sale of \$1,050 were used to reduce borrowings under the line of credit.

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10. LEASING ARRANGEMENTS, CONTINUED

During October 2002, in conjunction with the refinancing described in Note 9,

the Company repurchased the equipment. The unamortized loss of \$175 as of October 24, 2002 was included as part of the equipment purchase price capitalized.

The Company has various operating lease commitments, principally related to machinery and equipment, office equipment, and facilities. The approximate future minimum annual rentals for the years under the terms of these leases, which expire on various dates through the year ending October 31, 2008, are as follows:

Year Ending October 31,		
2003	\$	450
2004		353
2005		274
2006		189
2007		124
Thereafter		7

	\$	1,397
		=====

Rental expense under operating leases for the year ended October 31, 2002, ten months ended October 31, 2001 and year ended December 31, 2000, in thousands, was \$562, \$514 and \$130, respectively.

11. EMPLOYEE BENEFIT PLANS

The Company, through certain of its subsidiaries, has defined contribution 401(k) plans which permit voluntary contributions up to 20% of compensation and which provide Company-matching contributions of up to 10% of employee contributions not to exceed 6% of employee compensation. 401(k) plan expense for the year ended October 31, 2002, the ten-month period ended October 31, 2001 and the year ended December 31, 2000 was approximately \$148, \$35 and \$25, respectively.

12. MANDATORY REDEEMABLE PREFERRED STOCK

In conjunction with the United acquisition described in Note 6, the Company issued 386,206 shares of Series C Preferred Stock to Huntington Capital Investment Corporation ("Huntington"), the senior subordinated lender of United. The note purchase agreement included a provision giving Huntington the option to require the Company to repurchase the Series C Preferred Stock. Under the terms of the agreement, Huntington has the option of requiring the Company to repurchase these shares at 90% of market value at the date of redemption upon the earlier of: a) fifth anniversary of issuance of such shares, b) default under the subordinated debt agreement, c) other factors related to a sale of substantially all assets of the Company as defined in the agreement. At October 31, 2002, the Company had violated certain financial covenants defined in the subordinated debt agreement with Huntington. The Company received a waiver of these violations as of October 31, 2002 and a modification to the covenants.

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12. MANDATORY REDEEMABLE PREFERRED STOCK, CONTINUED

A portion of the note purchase agreement proceeds of \$3,500 was allocated to the stock issued based on the thirty day average closing value of the Company's common stock prior to the transaction. As the redemption value is variable, the Company recognizes changes in the estimated fair value each quarter. Changes in fair value are adjusted through additional paid in capital. At October 31, 2002, the estimated redemption requirement is \$1,400 to be paid July 2006.

13. STOCKHOLDERS' EQUITY

PREFERRED STOCK:

The original capital structure of Danzer prior to the merger was comprised of the following: 5,000,000 authorized shares of \$.001 par value preferred stock; 10,500 shares authorized of the Class of 10% Cumulative Senior Preferred Stock (Series A) with no shares issued or outstanding as 7,650 shares were retired; (Series B) Cumulative Convertible Senior Preferred Stock with 16,000 shares authorized and no shares issued or outstanding as 16,000 shares were retired. In addition, the Company had 20,000,000 authorized shares of common stock with 17,760,015 shares outstanding at December 31, 2000.

In June 2001, Danzer issued an aggregate of 1,750,000 shares of Danzer unregistered common stock in connection with the exchange of \$355 of debt. On June 21, 2001, Danzer amended its articles of incorporation to authorize up to 4,500,000 shares of Series C Preferred Stock. In conjunction with the merger and acquisitions (described in Note 6) of June 21, the Company issued 1,970,962 of Series C Preferred Stock. The shareholders of Pyramid and Champion then converted 824,892 shares of preferred stock to 16,497,840 of common stock. In addition, on July 5, 2001, the Company increased the authorized shares of common stock by 20,000,000 to 40,000,000. On July 31, 2001, the Company issued 2,593,099 shares of additional Series C Preferred Stock related to the United acquisition.

As a result of the reverse merger, U.S. Rubber became the accounting acquirer and accordingly, under purchase accounting, became the Registrant. Therefore, the 2000 financial statements became those of U.S. Rubber. However, under purchase accounting for a reverse merger, the stockholders' equity section of the Registrant (formerly Danzer Corporation) became the equity of the merged entity. Accordingly, the statement of changes in stockholders' equity reflects that purchase accounting.

On October 4, 2001, the Company changed its name from Danzer Corporation to Obsidian Enterprises, Inc. In addition, 5,000,000 shares of Preferred Stock were authorized with the domestication of Obsidian Enterprises, Inc. in Delaware. On October 9, 2001, the Company filed designation of preferences, rights and limitations of 4,600,000 shares of Series C Preferred Stock. This transaction results in 400,000 shares of authorized but undesignated preferred stock and cancellation of the Series A and B shares.

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13. STOCKHOLDER'S EQUITY, CONTINUED

The Series C Preferred Stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 20 shares of common stock for each share of convertible stock. However, the convertible preferred stock may not be converted prior to the corporation filing a registration statement of such shares. Holders of the convertible preferred stock have voting rights which entitle them to cast on each matter submitted to a vote of the stockholders of the Company the number of votes equal to the number of shares of common stock into which such shares of Series C Preferred could be converted.

As previously discussed in Note 9, on March 7, 2002, the Company completed a series of transactions with the subordinated lender at U.S. Rubber resulting in an increase in equity and a decrease in liabilities of \$1,016. The subordinated lender received 30,000 shares of Series C Preferred Stock in this transaction.

On April 30, 2002, the Company converted \$1,290 of debt and accrued interest owed to Partners and \$596 of debt and accrued interest owed to Fair to equity through the issuance to Partners and Fair of 402,906 shares and 186,324 shares, respectively, of Series C Preferred Stock which are convertible into an aggregate of 11,784,600 shares of common stock of the Company.

In August 2002, warrants for 10,000 shares of Series C Convertible Stock were exercised. The shares were issued in exchange for a cash payment of \$20.

On October 24, 2002, the Company amended its Articles of Incorporation to authorize 200,000 shares of Series D Preferred Stock. The Series D Preferred Stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 175 shares of common stock for each share of Series D Preferred Stock. However, the stock may not be converted prior to the Company filing a registration statement for such shares. Holders of the Series D Preferred Stock have voting rights which entitle them to cast on each matter submitted to a vote of the stockholders of the Company the number of votes equal to the number of shares of common stock into which such shares of Series D Preferred could be converted.

On October 24, 2002, 88,300 of the Series D Preferred Stock shares were sold in the transactions described below which were exempt from Securities Act registration under Section 4(2) of the Securities Act, relating to sales by an issuer not involving a public offering.

On October 24, 2002, the Company converted \$1,276 of debt to Partners in exchange for 72,899 shares of Series D Preferred Stock. The conversion was the result of Partners' requirement under the Plan of Reorganization to fund through the purchase of additional preferred stock certain ongoing administrative expenses of the Company to complete the Plan of Reorganization, complete all required current and prior year audits to meet the regulatory filing requirements, and ensure all annual and quarterly SEC filings are completed to enable the registration of the preferred stock issued to Partners.

On October 24, 2002, the Company converted \$270 of debt to Fair in exchange for 15,431 shares of Series D Preferred Stock. The conversion was the result of Fair's agreement to cover similar expenses as Partners as described above in excess of the amount Partners was obligated to pay.

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13. STOCKHOLDER'S EQUITY, CONTINUED

STOCK OPTIONS:

On May 7, 1990, Danzer's stockholders approved a stock option plan to issue both "qualified" and "nonqualified" stock options. Under the plan, 800,000 options to purchase shares of the Company's common stock may be issued at the discretion of the Company's Board of Directors. The option price per share is determined by the Company's Board of Directors, but in no case will the price be less than 85% of the fair value of the common stock on the date of grant. Options under the plan will have a term of not more than ten years with accelerated termination upon the occurrence of certain events.

In April 1998, Danzer granted 600,000 stock options, exercisable at \$.10 per share, to its president. The options vest over two years and expire in April 2004. None of these options have been exercised as of October 31, 2002.

In September 1998, Danzer adopted a qualified incentive stock option plan under Section 422 of the Internal Revenue Code. Options granted under the plan will be granted at prices not less than fair value of the Company's stock at the date of grant, have a term not more than ten years and have other restrictions as determined by statute.

In September 1998, Danzer granted a total of 604,500 stock options, exercisable at \$.10 per share, to certain employees. The options expired November 2001. As a result of voluntary termination, 75,000 options expired in 1999 and 192,000 options expired in 2000. The balance of 247,500 options outstanding expired November 1, 2002.

On July 24, 2001, the Board adopted, and on October 5, 2001, the Company's stockholders approved, the 2001 Long Term Incentive Plan (the "2001 Plan"). The 2001 Plan authorizes the granting to the Company's directors, key employees, advisors and consultants of options intended to qualify as Incentive Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options that do not so qualify ("Non-Statutory Options"), restricted stock and Other Stock-Based Awards that are not Incentive Options or Non-Statutory Options. The awards are payable in Common Stock and are based on the formula which measures performance of the company. There was no performance award expense in 2002 or 2001. No options under this plan were granted to any employees. Options are exercisable for up to 10 years from the date of grant.

The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation expense has been recognized for the stock option plans. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income (loss) for the year ended October 31, 2002, ten months ended October 31, 2001, and the year ended December 31, 2000 would have been \$(6,330), \$(4,395), and \$3, respectively. Basic and diluted net income (loss) per share as reported would not have changed in any period presented had such compensation expense been recorded.

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13. STOCKHOLDER'S EQUITY, CONTINUED

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000 (no options were granted during the year ended October 31, 2002 and the ten months ended October 31, 2001), respectively: risk-free interest rates of 6.4 and 5.5 percent; dividend yield of 0 percent in both years; expected lives of 5 years; and volatility of 978 and 170 percent. The estimated weighted average fair value of options granted during 2000 and 1999 were \$0.10 and \$0.05 per share, respectively.

Following is a summary of transactions of granted shares under option for the year ended October 31, 2002, the ten months ended October 31, 2001, and year ended December 31, 2000:

<TABLE>

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding, beginning of year	1,047,500	.09	1,137,500	.09	1,029,500	.09
Issued during the year	---	--	--	--	450,000	.10
Canceled or expired during the year	(247,500)	.10	(90,000)	.10	(192,000)	.09
Exercised during the year	--	--	--	--	(150,000)	.10

Outstanding, end of year	800,000	.09	1,047,500	.09	1,137,500	.09
Eligible, end of year for exercise	800,000*	.09	1,047,500	.09	1,137,500	.09

</TABLE>

A further summary about fixed options outstanding at October 31, 2002 is as follows:

<TABLE>

	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S> <C>	<C>	<C>	<C>	<C>	<C>
Exercise price of \$.10	600,000*	1.5 yr.	.10	600,000	.10
Exercise price of \$.05	200,000	1.2 yr.**	.05	200,000	.05

</TABLE>

* In accordance with the Plan of Reorganization and Merger and the related "Letter agreements," the above options cannot be exercised until the Company amends its articles of incorporation to authorize shares of approximately 120,000,000 and has registered such shares.

** Includes extension of expiration date from December 31, 2002 to December 31, 2003 approved by the Company's Board of Directors on December 13, 2002.

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13. STOCKHOLDER'S EQUITY, CONTINUED

STOCK WARRANTS:

Danzer issued warrants to purchase common stock to several parties. The following table summarizes the outstanding warrants for the year ended October 31, 2002 and the ten-month period ended October 31, 2001:

<TABLE>

	Outstanding Warrants October 31, 2001	Issued During the Year	Exercise Price	Warrants Exercised in Period	Outstanding Warrants October 31, 2002
Common Stock:					
<S>	<C>	<C>	<C>	<C>	<C>
Renaissance US Growth & Income Trust PLC	--	8,000	\$.20	--	8,000
BFSUS Special Opportunities Trust PLC	--	8,000	\$.20	--	8,000
Series C Preferred Stock:					
Duncan-Smith Co., 10,000 shares, expired August 31, 2002	10,000	--	\$2.00	(10,000)	--
Markpoint financing agreement expiring May 2008 associated with Champion**	Zero**	--	\$.01	--	Zero**

</TABLE>

** The number of warrants available under the agreement with Markpoint is based on twenty-five percent of the fair market value of Champion to be determined based on a formula including a multiple of EBITDA. No warrants are currently available under this agreement based on the operating results and stockholder's deficit of Champion. As discussed in Notes 5 and 17, the Company has agreed to a settlement with Markpoint. Accordingly, these warrants have been terminated.

In January 2003, the Company agreed to a modification of terms with the debenture holders to provide for less stringent covenants. In exchange for this modification, the Company issued warrants to each of the debenture holders to purchase up to 8,000 shares of the Company's common stock at an exercise price of \$.20 per share. These warrants expire January 24, 2006. The issuance of the warrants had no material impact on earnings.

CONVERTIBLE DEBT:

As described in Note 9, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share.

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(all amounts in thousands, except per share and share data)

14. BUSINESS SEGMENT DATA AND GEOGRAPHIC DATA

The Company operates in three industry segments comprised of trailer and related transportation equipment manufacturing; coach leasing; and butyl rubber reclaiming. All sales are in North and South America primarily in the United States, Canada and Brazil. Selected information by segment follows (in thousands):

<TABLE>

	Year Ended October 31, 2002			
	Trailer Manufacturing	Coach Leasing	Butyl Rubber Reclaiming	Total
Sales:				
<S>	<C>	<C>	<C>	<C>
Domestic	\$ 38,911	\$ 6,374	\$ 9,336	\$ 54,621
Foreign	1,864	--	789	2,653
Total	\$ 40,775	\$ 6,374	\$ 10,125	\$ 57,274
Cost of goods sold	\$ 35,077	\$ 3,357	\$ 9,407	\$ 47,841
Loss before taxes	\$ (2,089)	\$ (417)	\$ (802)	\$ (3,308)
Identifiable assets	\$ 20,155	\$ 11,760	\$ 11,391	\$ 43,306*
Depreciation and amortization expense	\$ 705	\$ 779	\$ 1,084	\$ 2,568
*Identifiable assets, as stated above				\$ 43,306
Assets of subsidiary held for sale				1,538
Corporate-level goodwill				650
Other corporate-level assets				429
Total assets				\$ 45,923

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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14. BUSINESS SEGMENT DATA AND GEOGRAPHIC DATA, CONTINUED

<TABLE>

	Ten Months Ended October 31, 2001			
	Trailer Manufacturing	Coach Leasing	Butyl Rubber Reclaiming	Total
Sales:				
<S>	<C>	<C>	<C>	<C>
Domestic	\$ 10,100	\$ 4,165	\$ 9,253	\$ 23,518
Foreign	550	--	621	1,171
Total	\$ 10,650	\$ 4,165	\$ 9,874	\$ 24,689
Cost of goods sold	\$ 8,955	\$ 1,618	\$ 8,884	\$ 19,457
Loss before taxes	\$ (96)	\$ (570)	\$ (725)	\$ (1,391)
Identifiable assets	\$ 22,941	\$ 13,330	\$ 10,205	\$ 46,476*
Depreciation and amortization expense	\$ 365	\$ 785	\$ 905	\$ 2,055
*Identifiable assets, as stated above				\$ 46,476
Assets of subsidiary held for sale				2,374
Total assets				\$ 48,850

</TABLE>

For the calendar year ended December 31, 2000, the Company operated in only one segment (butyl rubber reclaiming), which was the segment of the accounting acquirer U.S. Rubber. U.S. Rubber had foreign sales of \$943 for 2000.

Obsidian Enterprises, Inc. (legal parent) allocates selling, general and administrative expenses to the respective companies primarily based on a percentage of sales. For the year and ten months ended October 31, 2002 and 2001, respectively, allocated corporate expenses by segment were as follows:

	Year Ended October 31, 2002	Ten Months Ended October 31, 2001
Trailer manufacturing	\$ 934	\$ 245
Coach leasing	146	96
Butyl rubber reclaiming	232	275
	-----	-----
	\$ 1,312	\$ 616
	=====	=====

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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15. INCOME TAXES

The Company files a consolidated federal tax return. The parent and each subsidiary record their share of the consolidated federal tax expense on a separate-return basis. Any additional income tax expense on recovery realized as a result of filing a consolidated tax return is recorded in consolidation. The Company and each subsidiary file separate state income tax returns. The Company accounts for income taxes in compliance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are recorded for any temporary differences between the financial statement and tax bases of assets and liabilities, using the enacted tax rates and laws expected to be in effect when the taxes are actually paid or recovered.

The provision for (expenses) benefit for income taxes consists of the following:

	2002	2001	2000
	-----	-----	-----
Current:			
<S>	<C>	<C>	<C>
Federal	\$ --	\$ --	\$ 152
State	(15)	(36)	14
	-----	-----	-----
	(15)	(36)	166
	-----	-----	-----
Deferred:			
Federal	41	350	(187)
State	7	58	(29)
	-----	-----	-----
	48	408	(216)
	-----	-----	-----
Total	\$ 33	\$ 372	\$ (50)
	=====	=====	=====

</TABLE>

A reconciliation of income tax benefit (expense) from continuing operations at U.S. statutory rates to actual income tax benefit (expense) is as follows:

	2002	2001	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Benefit (tax) at statutory rate (34%)	\$ 1,125	\$ 1,609	\$ (33)
Effect of nontaxable combined entity	(18)	(166)	--
State income tax	(15)	(36)	(5)
Goodwill amortization	--	(26)	--
Non-deductible goodwill	(245)	--	--
Valuation reserve applied to equity	(1,267)*	--	--
(Increase) decrease in valuation reserve	380	(1,038)	--
Other	73	29	(12)
	-----	-----	-----
	\$ 33	\$ 372	\$ (50)
	=====	=====	=====

</TABLE>

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OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

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15. INCOME TAXES, CONTINUED

*On November 1, 2001, 27 coaches owned by DW Leasing were transferred to

Obsidian Leasing in a tax-free exchange, as further described in Note 1. DW Leasing recorded a charge to equity as a deemed distribution of \$1,590 on the date of the transaction, representing the deferred tax liability associated with the coaches transferred. A reduction of deferred tax valuation reserve of \$(1,267) was also recorded in the consolidated financial statements as an increase in equity, as the addition of the above deferred tax liability resulted in the Company's ability to realize additional deferred tax assets on a consolidated basis.

Deferred income taxes represent the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

<TABLE>

	2002	2001	2000
Deferred tax assets (liabilities):			
<S>	<C>	<C>	<C>
Accounts receivable	\$ 199	\$ 32	\$ --
Inventories	307	472	517
Accrued expenses	158	117	15
Intangibles	1,004	791	--
Operating loss carryforwards	2,961	1,474	--
Property and equipment	(4,497)	(2,267)	(171)
Other	80	(81)	--
	212	538	361
Less valuation reserves	(1,171)	(1,537)	--
Deferred tax assets (liabilities), net	\$ (959)	\$ (999)	\$ 361

</TABLE>

Included in the accompanying balance sheet under the following:

<TABLE>

	2002	2001	2000
<S>	<C>	<C>	<C>
Deferred tax assets	\$ 665	\$ 673	\$ 532
Deferred tax liabilities	(1,624)	(1,672)	(171)
	\$ (959)	\$ (999)	\$ 361

</TABLE>

The amount of federal tax net operating loss carryforwards available at October 31, 2002 was \$8,100. Certain of these loss carryforwards were generated by certain subsidiaries prior to the reverse merger transaction in June 2001 and have expiration dates through the year 2021. The use of preacquisition operating losses is subject to limitations imposed by the Internal Revenue Code. Utilization of these loss carryforwards is impacted by such limitations. Accordingly, the deferred tax assets related to premerger operating losses have been reserved with a valuation allowance to the extent they are not offset by deferred liabilities.

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15. INCOME TAXES, CONTINUED

Federal tax net operating loss carryforwards and expiration dates as of October 31, 2002 are as follows:

<TABLE>

<S>	<C> Premerger	<C> Expiration Dates	<C> Postmerger	<C> Expiration Dates
	\$ 3,105	2008 through 2021	\$ 4,995	2021 through 2022

</TABLE>

Cash payments of income taxes for the year ended October 31, 2002, ten months ended October 31, 2001 and for the year 2000 were \$22, \$44 and \$8, respectively.

16. RELATED PARTIES

The Company makes advances, receives loans and conducts other business transactions with affiliates resulting in the following amounts for the periods ended:

<TABLE>

	October 31, 2002	October 31, 2001
Balance sheets:		
Current assets:		
<S>	<C>	<C>
Accounts receivable, Obsidian Capital Partners	\$ 181	\$ ---
Accounts receivable, Obsidian Capital Company	13	217
Accounts receivable, other affiliated entities	12	---
Long-term portion:		
Investment banking fees, purchase accounting*	--	1,960
Total assets	\$ 206	\$ 2,177
Current liabilities:		
Accounts payable, Obsidian Capital Company	\$ 279	\$ 625
Accounts payable, stockholders	338	300
Accounts payable, DC Investments and Fair Holdings	42	--
Accounts payable, other affiliated entities	9	--
Long-term portion:		
Accounts payable, Obsidian Capital Partners	--	2,170
Notes payable, DC Investments	700	--
Notes payable, Fair Holdings	3,020	--
Line of credit, Fair Holdings	1,798	--
Total liabilities	\$ 6,186	\$ 3,095
Statements of Operations:		
Interest expense, DC Investments and Fair Holdings	\$ 322	\$ --
Interest expense, Obsidian Capital Partners	58	--
Rent expense, Obsidian Capital Company	56	15

</TABLE>

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16. RELATED PARTIES, CONTINUED

Related-party amounts classified as current reflect those portions of the total receivable or payable that were currently due in accordance with the terms, or were collected or paid subsequent to year end. Amounts classified as long term represent amounts not currently due or amounts that were converted to equity subsequent to year end as discussed in Note 18.

On February 13, 2002, DC Investments, LLC, a related party 50% owned by Mr. Durham (Chairman of the Company), purchased accounts receivable from DW Leasing, recorded by DW Leasing as deposits on trailers, in the amount of \$1,051. DW Leasing used the proceeds from the purchase of the accounts receivable to pay off the accounts payable due Obsidian Capital Company in the amount of \$624 and the amount due shareholders and other related parties in the approximate amount of \$300.

The Company was obligated to the stockholders and certain employees (that were formerly stockholders of subsidiary companies) under note payable agreements acquired as part of the acquisitions. In addition, the Company has entered into note payable agreements with other affiliated entities. The details of these notes payable are included in Note 9.

*Subsidiaries of the Company paid Obsidian Capital Company, an entity controlled by Mr. Durham (Chairman of the Company), investment banking fees associated with the acquisitions and related financing on the Danzer and U.S. Rubber merger and the United acquisition. Amounts paid by U.S. Rubber, United, and Danzer in 2001 were \$760, \$600, and \$600, respectively.

17. COMMITMENTS AND CONTINGENCIES

On April 29, 2002, Markpoint Equity Fund J.V. ("Markpoint"), a Texas joint venture for which The Markpoint Company serves as Managing Venturer, filed an action in the Texas District Court, Dallas County seeking payment of \$1,250 owed by Champion under the subordinated credit facility described in Note 9. On January 27, 2003, the Company reached an agreement to settle this liability for a cash payment in the amount of \$675 and the issuance to Markpoint of 32,143 shares of the Company's Series D Preferred Stock. In addition, the agreement provides Markpoint the option to require the Company to repurchase these shares at a price of \$21 per share. The repurchase option is available to Markpoint as follows: 16,072 shares during the period May 1, 2003 to June 1, 2003 and 16,071 shares during the period November 1, 2003 to December 1, 2003. The repurchase options expire if not exercised during the specified periods. The Company's repurchase obligation is guaranteed by Mr. Durham. The sale of Champion was completed on January 30, 2003.

It is customary practice for companies in the cargo trailer industry to enter into repurchase agreements with lending institutions which have provided wholesale floor-plan financing to dealers. A portion of the wholesale sales of

United are made pursuant to these agreements, which generally provide for purchase of United's products from the lending institutions for the balance due them in the event of repossession upon a dealer's default. The contingent liability is spread over many dealers and financial institutions and is reduced by the resale value of the products, which are required to be repurchased. Expenses incurred in connection with these agreements have been immaterial. The maximum potential repurchase commitment at October 31, 2002 was approximately \$2,000.

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position or results of operations.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

18. SUBSEQUENT EVENTS

On October 30, 2002, the Company's Board of Directors agreed to sell the assets of Champion to an entity controlled by Messrs. Durham and Whitesell for the assumption of all liabilities of Champion. The sale of Champion was completed on January 30, 2003.

Subsequent to year end, United amended its credit agreement to provide additional working capital during the winter months. The amendment included a "temporary overline" line of credit with maximum borrowings not to exceed the lesser of \$650 or the remainder of the borrowing base less the outstanding principal amount of the revolving line of credit. Interest is payable monthly at a rate of prime plus 3/4%. The temporary overline line of credit matures on March 31, 2003.

During January 2003, Obsidian Leasing refinanced debt in the amount of \$928 to former shareholders of Pyramid and related companies. Terms of the new note with Fair Holdings include monthly interest payments of 13% of the outstanding principal amount and a balloon principal payment in January 2006. Accordingly, this debt has been classified as long term at October 31, 2002.

On December 17, 2002, Obsidian Leasing sold four coaches to DC Investments Leasing, LLC ("DC Investments Leasing"), a newly created entity owned 50% by Mr. Durham (Chairman of the Company) in exchange for DC Investments Leasing's satisfaction of the debt outstanding on such coaches. In addition, DC Investments Leasing also acquired five additional coaches that were previously to be purchased by the Company thereby eliminating the Company's existing purchase commitment for such coaches. DC Investments Leasing also entered into a management agreement with Pyramid under which all nine coaches described above will be leased by Pyramid.

On January 2, 2003, Obsidian Enterprises, Inc.'s line of credit with Fair Holdings was amended. Maximum borrowings were increased from \$3,000 to \$5,000.

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

19. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(dollars in thousands, except per share amounts)

YEAR ENDED OCTOBER 31, 2002

<TABLE>

	First Qtr. Ended 1/31/02	Second Qtr. Ended 4/30/02	Third Qtr. Ended 7/31/02	Fourth Qtr. Ended 10/31/02
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 11,466	\$ 15,598	\$ 15,239	\$ 14,971
Gross profit	1,518	2,625	2,839	2,653
Income (loss) from continuing operations***	(1,207)	(570)	471	(1,531)**
Income (loss) from continuing operations per basic common and common equivalent share***	(.01)	(.00)	.00	(.01)

TEN MONTHS ENDED OCTOBER 31, 2001

	First Qtr.* Ended 1/31/01	Second Qtr. Ended 4/30/01	Third Qtr. Ended 7/31/01	Fourth Qtr. Ended 10/31/01
Net sales	\$ 3,626	\$ 4,014	\$ 4,685	\$ 14,474

Gross profit	408	911	1,260	2,764
Loss from continuing operations***	(218)	(408)	(196)	(541)
Loss from continuing operations per common and common equivalent share***	(.01)	(.01)	.00	(.01)

</TABLE>

<PAGE>

OBSIDIAN ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands, except per share and share data)

YEAR ENDED DECEMBER 31, 2000

<TABLE>

	First Qtr. Ended 3/31/00	Second Qtr. Ended 6/30/00	Third Qtr. Ended 9/30/00	Fourth Qtr. Ended 12/31/00
<S> Net sales	<C> \$ 3,059	<C> \$ 3,024	<C> \$ 3,233	<C> \$ 3,267
Gross profit (loss)	301	372	373	147
Net income (loss)	86	(118)	146	(66)
Net income (loss) per common and common equivalent share	--	--	--	--

</TABLE>

* The first quarter for U.S. Rubber includes the first and second month (November and December) of 2000.

** The fourth quarter includes the charge for the impairment of goodwill of \$720 for October 31, 2002.

*** Income (loss) from continuing operations for the quarter ended October 31, 2001 and for the quarters ended January 31, 2003, April 30, 2003, and July 31, 2003 have been restated due to factors discussed in Note 3. Changes in the income (loss) in each of these quarters ranged from \$33 to \$42. This restatement had no impact on earnings per share.

<PAGE>

SCHEDULE II--VALUATION AND QUALIFYING OF ACCOUNTS

Year Ended October 31, 2002
(in thousands)

<TABLE>

Column A--Description	Column B--Balance at Beginning of Period	Column C--Additions		Column D--Deductions--Describe	Column E--Balance at End of Period
		(1)--Charged to Costs and Expenses	(2)--Charged to Other Accounts--Describe		
Allowance for doubtful accounts	<C> \$ 80	<C> \$ 415	<C> \$ --	<C> \$ --	<C> \$ 495
Inventory valuation allowances	\$ 833	\$ 50	\$ --	\$ 417*	\$ 466
Deferred tax valuation reserve	\$ 1,551	\$ --	\$ --	\$ 380***	\$ 1,171

</TABLE>

Ten Months Ended October 31, 2001
(in thousands)

<TABLE>

Column A--Description	Column B--Balance at Beginning of Period	Column C--Additions		Column D--Deductions--Describe	Column E--Balance at End of Period
		(1)--Charged to Costs and Expenses	(2)--Charged to Other Accounts--Describe		
Allowance for doubtful					

Allowance for doubtful

<S>	<C>	<C>	<C>	<C>	<C>
accounts	\$ --	\$ 80	\$ --	\$ --	\$ 80
=====					
Inventory valuation allowances	\$ 1,338	\$ 73	\$ --	\$ 578*	\$ 833
=====					
Deferred tax valuation reserve	\$ --	\$ 1,038	\$ 513**	\$ --	\$ 1,551
=====					

</TABLE>

*Use of inventory previously reserved.
**Valuation reserve of acquired companies recorded in purchase accounting.
***Realization of operating losses against deferred tax liabilities.

<PAGE>

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously reported in a Current Report Form 8-K filed on November 13, 2001, the Audit Committee of the Company's Board of Directors decided on November 7, 2001, to dismiss Linton, Shafer & Company, P.A. ("Linton Shafer") as the Company's independent auditors. The audit reports of Linton Shafer on the consolidated financial statements of the Company as of and for the years ended October 31, 2000 and 1999 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended October 31, 2000 and 1999 and the period following October 31, 2000, there were no disagreements between the Company and Linton Shafer on any matter regarding accounting principles or practices, financial statement disclosure, or auditing scope or procedure. A letter from Linton Shafer confirming the statements set forth in this Item 9 was attached as Exhibit 16 to the Current Report on Form 8-K filed on November 13, 2001.

On November 7, 2001, the Board of Directors engaged McGladrey & Pullen, LLP ("McGladrey") as the Company's new independent auditors. During the fiscal years ended October 31, 2000 and 1999 and during the period following October 31, 2000, the Company did not consult McGladrey regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice provided that McGladrey concluded was an important factor considered by the Company in reaching a decision as to an accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information with respect to all Directors of the Company, including their ages, present principal occupations, other business experience during the last five years, membership on committees of the Board and directorships in other publicly held companies.

<TABLE>

Name	Age	Position	Director Since
<S>	<C>	<C>	<C>
Timothy S. Durham	40	Chief Executive Officer and Chairman of the Board	2001
Terry G. Whitesell	63	President, Chief Operating Officer and Director	2001
Jeffrey W. Osler	34	Executive Vice President, Secretary, Treasurer and Director	2001
Goodhue W. Smith, III+	51	Director	1997
John A. Schmit**	33	Director	2001
D. Scott McKain*	47	Vice Chairman and Director	2001
Daniel S. Laikin+	40	Director	2001

</TABLE>

*Members of the Compensation Committee
+Members of the Audit Committee
<PAGE>

Mr. Durham has served as the Chief Executive Officer and Chairman of the Board and as a director of the Company since June 2001. He has served as a Managing Member and Chief Executive Officer of Obsidian Capital Company LLC, which is the general partner of Obsidian Capital Partners LP, since April 2000. Beginning in 1998, Mr. Durham founded and maintained a controlling interest in several investment funds, including Durham Capital Corporation, Durham Hitchcock Whitesell and Company LLC, and Durham Whitesell & Associates LLC. From 1991 to 1998, Mr. Durham served in various capacities at Carpenter Industries, Inc., including as Vice Chairman, President and Chief Executive Officer. Mr. Durham also serves as a director of National Lampoon, Inc. Mr. Durham is Mr. Osler's

brother-in-law.

Mr. Whitesell has served as the President and Chief Operating Officer and as a director of the Company since June 2001. Prior to that time he co-founded several entities with Mr. Durham, including Obsidian Capital Company, LLC, Durham Hitchcock Whitesell and Company LLC and Durham Whitesell & Associates LLC. Mr. Whitesell also is a Managing Member of Obsidian Capital Company LLC. From April 1992 until September 1998, Mr. Whitesell served as Executive Vice President of Carpenter Industries, Inc.

Mr. Osler has served as the Executive Vice President, Secretary and Treasurer and as a director of the Company since June 2001. He also is a Managing Member of Obsidian Capital Company LLC. and has served as Senior Vice President at Durham Whitesell & Associates LLC and Durham Capital Corporation since September 1998. Prior to that time, Mr. Osler served as the General Manager of Hilton Head National Golf Club. Mr. Osler is Mr. Durham's brother-in-law.

Mr. Smith has been a director of the Company since 1997. Mr. Smith founded Duncan-Smith Investments, Co., an investment banking firm in San Antonio, Texas, in 1978 and since that time has served as its Secretary and Treasurer. Mr. Smith also is a director of Citizens National Bank of Milam County, and Ray Ellison Mortgage Acceptance Co.

John A. Schmit has been a director since July 2001. Mr. Schmit joined Renaissance Capital Group, Inc. in 1997 and is a Vice President--Investments. Prior to joining Renaissance Capital Group, Mr. Schmit practiced law with the law firm of Gibson, Ochsner & Adkins in Amarillo, Texas from September 1992 to September 1994. Between August 1994 and May 1996, Mr. Schmit attended Georgetown University where he earned his L.L.M. in International and Comparative Law.

Mr. McKain has been a director of the Company since September 2001. He has served as the Chairman of McKain Performance Group since 1981. Mr. McKain also has been the Vice Chairman of Durham Capital Corporation since 1999. From 1983 to 1998, Mr. McKain was a broadcast journalist and television commentator. Mr. McKain has also authored several books and is a keynote speaker who presents high content workshops across the nation.

Mr. Laikin has served as a director of the Company since September 2001. Mr. Laikin is Chief Operating Officer and a director of National Lampoon, Inc., the owner of the "National Lampoon" trademark and engaged in the entertainment business. He has been a Managing Member of Fourleaf Management LLC, a management company of an investment fund that invests in technology related entities, since 1999. Mr. Laikin served as the Chairman of the Board of Biltmore Homes from 1993 to 1998.

<PAGE>

EXECUTIVE OFFICERS

The Company's executive officers are appointed by the Board of Directors and hold office at the pleasure of the Board until successors are appointed and have qualified. Compliance with Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and persons who own more than ten percent of the Company's Common Stock ("10% Shareholders") to file reports of ownership and reports of changes in ownership of the Company's Common Stock with the Securities Exchange Commission ("SEC"). Officers, Directors and Shareholders are required by SEC regulation to furnish the Company with copies of all forms they file under Section 16 (a). Based solely on its review of the copies of such forms received by it with respect to its fiscal year ended October 31, 2002, and written representations from certain reporting persons that no other reports were required to those persons, the Company believes that its officers, directors and 10% Shareholders have complied with all Section 16(a) requirements.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth certain information concerning the compensation paid or accrued by the Company for services rendered during the Company's past three fiscal years ended October 31, 2001 by the CEO and executive officers.

<TABLE>

Name and Principal Position	Annual Compensation			Long Term Compensation Awards	
	Year	Salary	Bonus	Securities Underlying Options/SARs	All Other Compensation
<S>	<C>	<C>	<C>	<C>	<C>
Timothy S. Durham, Chief Executive Officer(1)	2002	\$75,000	\$0	\$0	\$0
	2001	\$27,404	\$0	\$0	\$0
	2000	N/A	N/A	N/A	N/A
M. E. Williams, Chief Executive Officer(2)	2002	N/A	N/A	\$0	\$0
	2001	\$110,000	\$12,824	\$0	\$0
	2000	\$107,609	\$9,375	\$0	\$3,125

</TABLE>

- (1) Mr. Durham was elected Chief Executive Officer and Chairman of the Board on June 21, 2001.
(2) Mr. Williams resigned as Chief Executive Officer on June 21, 2001.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

No grants were made during fiscal 2002 pursuant to the Company's 1999 Stock Option Plan or the Company's 2002 Long Term Incentive Plan.

On December 13, 2002, the Company's Board of Directors approved the extension of options to acquire 200,000 shares of common stock from December 31, 2002 to December 31, 2003.

<PAGE>

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth information for 2002 with respect to Option/SAR exercises by the executive officers named in the Summary Compensation Table and the value of unexercised options and SARs as of October 31, 2002.

<TABLE>

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options/SARs at Fiscal Year-End (#)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (\$)
			Exercisable/Unexercisable	Exercisable/Unexercisable
<S>	<C>	<C>	<C>	<C>
M. E. Williams	-0-	-0-	725,000/0	\$78,750/01

</TABLE>

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company are entitled to a board meeting attendance fee of \$750 plus reimbursement of expenses.

EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

The Company currently does not have any employment agreements with any of the Company's executive officers.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to beneficial ownership of common stock as of January 22, 2003, by (i) all persons known to the Company to be the beneficial owner of five percent or more of the common stock, (ii) each director of the Company, (iii) the chief executive officer and each of the Company's other most highly compensated executive officers whose total annual compensation for 2002 based on salary and bonus earned during 2002 exceeded \$100,000 (the "named executive officers"); (iv) the current executive officers; and (v) all Company directors and executive officers as a group. This table does not include shares of common stock that may be purchased pursuant to options not exercisable within 60 days of the record date. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

<TABLE>

Name and Address of Beneficial Owner	Common Stock		Series C Preferred Stock		Series D Preferred Stock	
	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Executive Officers and Directors:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Timothy S. Durham (1)	103,755,219	79.6%	3,942,193	90.2%	88,330	100.0%
D. Scott McKain	810,100	2.2%	--	--	--	--
Jeffrey W. Osler (2)	87,874,705	71.6%	3,755,869	86.0%	72,899	82.5%
John A. Schmit (3)	5,000,000	13.9%	--	--	--	--
Goodhue W. Smith, III (4)	298,334	*	5,000	*	--	--
Terry G. Whitesell (5)	94,787,685	76.5%	3,755,869	86.0%	72,899	82.5%
All current officers and directors as a group	117,576,693	90.2%	3,947,193	90.4%	88,330	100.0%
Other 5% Owners:						
Fair Holdings, Inc. (6)	6,426,905	15.1%	186,324	4.3%	15,431	17.5%
Huntington Capital	-	-	-	-	-	-
Investment Company (7)	-	--	386,206	8.8%	--	--
Obsidian Capital Partners, L.P. (8)	87,874,705	70.9%	3,755,869	86.0%	72,899	82.5%

Richard W. Snyder 1,946,667 5.4% -- -- -- --
</TABLE>

The number of shares of common stock above also includes the preferred stock converted to common equivalents.

*less than one percent

- (1) Includes 7,338,103 shares of common stock directly owned by Mr. Durham; 2,088,366 shares held by Diamond Investments, LLC, for which Mr. Durham serves as Managing Member and for which shares Mr. Durham may be deemed to share voting and dispositive power; 3,755,869 shares of Series C preferred stock and 72,899 shares of Series D preferred stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; 186,324 shares of Series C preferred stock and 15,431 shares of Series D preferred stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as an executive officer and shareholder of Fair Holdings, Inc. which directly owns such shares; and 27,140 shares of common stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Durham is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.
- (2) Includes 827,200 shares of common stock directly owned by Mr. Osler; and 3,755,869 shares of Series C preferred stock and 72,899 shares of Series D preferred stock over which Mr. Osler shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Osler due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares. The address of Mr. Osler is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.
- (3) Represents shares that may be acquired pursuant to convertible debentures issued by the Registrant on July 19, 2001, to Renaissance US Growth Investment Trust PLC ("RUSGIT") and BFSUS Special Opportunities Trust PLC ("BFS"). Mr. Schmit is Vice President of Renaissance Capital Group, Inc., the investment manager of RUSGIT and BFS. Mr. Schmit disclaims beneficial ownership as to the shares beneficially owned by RUSGIT and BFS. The address of Mr. Schmit is 8080 North Central Expressway, Suite 210, Dallas, Texas 75206.
- (4) Includes 81,667 shares of common stock and 5,000 shares of Series C Preferred Stock directly owned by Mr. Smith. The address of Mr. Smith is 711 Navarro, San Antonio, Texas 78205.

<PAGE>

- (5) Includes 6,885,840 shares of common stock directly owned by Mr. Whitesell; 3,755,869 shares of Series C preferred stock and 72,899 shares of Series D preferred stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; and 27,140 shares of common stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Whitesell is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.
- (6) Consists of 186,324 shares of Series C preferred stock and 15,431 shares of Series D preferred stock directly owned by Fair Holdings, Inc.
- (7) Based on the information reported in a Schedule 13G filed with the SEC on August 6, 2001.
- (8) Consists of 3,755,869 shares of Series C preferred stock and 72,899 shares of Series D preferred stock directly owned by Obsidian Capital Partners, L.P. Voting and dispositive power over the shares may be deemed to be held by Obsidian Capital Partners, LP, Obsidian Capital Company, LLC and the managing members of Obsidian Capital Company LLC, which include Messrs. Durham, Whitesell and Osler.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All dollar amounts in this Item 13 are in thousands (except for share and per share information).

A number of related party transactions occurred in connection with the change in control and reorganization of the Company in 2001. The reorganization transactions occurred in two parts:

- o On June 21, 2001, the Company acquired from Obsidian Capital Partners, L.P., Mr. Durham and certain other shareholders all of the shares of Pyramid Coach, Inc. ("Pyramid"); Champion Trailer, Inc. ("Champion") and U.S. Rubber Reclaiming, Inc. ("U.S. Rubber").
- o On July 31, 2001, the Company acquired from Obsidian Capital Partners, L.P.

and Mr. Durham substantially all of the assets of United Acquisition, Inc., which the Company now operates as United Expressline, Inc. ("United").

Prior to these transactions, DW Leasing, LLC ("DW Leasing"), a company owned by Messrs. Durham and Whitesell had entered into a number of transactions with Pyramid whereby coaches owned by DW Leasing were operated by Pyramid and the debt on these coaches were cross guaranteed by DW Leasing and Pyramid. Although the Company does not own any interest in DW Leasing, the accounts of DW Leasing are included in the financial statements of the Company (see Note 1 to the Company's Financial Statements).

The agreements entered into at the time of the Reorganization contemplated that the coaches and related debt would be promptly transferred by DW Leasing to the Company's subsidiary, Obsidian Leasing Co., Inc. ("Obsidian Leasing"). Twenty seven coaches were transferred by DW Leasing to Obsidian Leasing in November 2001 in consideration of the assumption of the related debt. Pyramid continues to operate the remaining seven coaches for DW Leasing pursuant to a management agreement. Prior to the Reorganization described above, DW Leasing and Pyramid were privately owned and structured in a tax-efficient manner. Because of the nature of this structure, transfer of the remaining seven coaches owned by DW Leasing would have adverse tax consequences to the owners of DW Leasing which were not contemplated in the Reorganization. Accordingly, the Company has agreed to continue to operate these coaches through DW Leasing. During 2002, the Company received gross revenue of \$674 from the coaches operated by Pyramid for DW Leasing and paid fees of \$538 to DW Leasing for the use of the coaches.

<PAGE>

During 2002 and 2001, Obsidian Capital Partners, LP, the majority shareholder of the Company, advanced funds to the Company. These funds were advanced to fund losses of Champion and to fund the professional fees with respect to the filings with the Securities and Exchange Commission in connection with the reorganization in 2001, and closing costs in connection with the reorganization and the closing of the purchase of United. The maximum amount outstanding during 2002, related to funding of Champion losses and funding professional fees was \$1,290 and \$1,275, respectively. On April 25, 2002, \$1,290 of the amounts advanced was converted to Series C Preferred Stock. On October 24, 2002, \$1,275 of the amounts advanced was converted to Series D Preferred Stock. Advances during 2002 were as follows:

<TABLE>

	Balance at October 31, 2001	Additional Advances and Interest Accrued	Amounts Converted to Equity for Preferred Stock	Balance at October 31, 2002
<S>	<C>	<C>	<C>	<C>
Advances to fund Champion	\$ 1,222	\$ 68	\$ (1,290)	\$ --
Advances to fund professional fees	\$ 948	\$ 327	\$ (1,275)	\$ --

</TABLE>

During 2002, Fair Holdings, Inc. advanced funds to the Company to fund a debt reduction at Champion and to fund certain professional fees with respect to the filing with the Securities and Exchange Commission. The maximum amount outstanding in 2002 to Fair Holdings related to debt restructuring at Champion and funding certain professional fees was \$596 and \$270, respectively. On April 25, 2002, \$596 of the amounts advanced was converted to Series C Preferred Stock. On October 24, 2002, \$270 of the amounts advanced was converted to Series D Preferred Stock. Advances during 2002 were as follows:

<TABLE>

	Balance at October 31, 2001	Additional Advances and Interest Accrued	Amounts Converted to Equity for Preferred Stock	Balance at October 31, 2002
<S>	<C>	<C>	<C>	<C>
Advances for debt reduction	\$ --	\$ 596	\$ (596)	\$ --
Advances for professional fees	\$ --	\$ 270	\$ (270)	\$ --

</TABLE>

In addition to the advances, Fair Holdings, Inc. has provided a \$5,000 line of credit to the Company. The maximum amount outstanding in 2002 was \$1,798. The line of credit is unsecured, bears interest at 10% per annum and matures in January 2005.

Fair Holdings, Inc. has also leased certain computer equipment to the Company on a short-term basis commencing on August 1, 2002. The rental paid in 2002 was \$1.

Fair Holdings, Inc. lent Obsidian Leasing an aggregate of \$1,588 in connection with the refinancing of coaches. The maximum amount outstanding during 2002 for this refinancing was \$1,588. The loans are ten year, interest only loans, subordinate to the bank debt on the coaches and bear interest at 14% per annum.

<PAGE>

The Company subleases its headquarters space from Fair Holdings, Inc. under a sublease with a monthly rental of \$3,675. Prior to the sublease with Fair, the Company sublet space from Obsidian Capital Company and paid \$56 to Obsidian Capital Company for its space in 2002.

Fair Holdings, Inc. leased certain computer equipment to Danzer under a twelve month lease effective August 1, 2002. The aggregate rental due under the twelve month lease is \$8.

DW Trailer, a company owned by Messrs. Durham and Whitesell, has leased a forklift to Danzer under a 38 month lease at \$1 per month.

United advanced Obsidian Capital Company \$216, as a part of the closing of the purchase of the United transaction. The amount was paid back to United in 2002.

DC Investments, a company controlled by Mr. Durham, lent U.S. Rubber \$700 pursuant to a subordinated note which bears interest at 15% per annum with the principal payable in March 2007. The loan was made to permit the Company to complete the elimination of the interest of SerVass, Inc. in U.S. Rubber.

During 2002 DC Investments purchased the senior secured loans to Champion from the bank which held them. The maximum amount outstanding to DC Investments in 2002 was \$602. The loans bear interest at 5.5%.

On October 30, 2002, the Company entered into a Memorandum of Agreement with Messrs. Durham and Whitesell pursuant to which Champion agreed to sell all of its assets to an entity to be designated by Messrs. Durham and Whitesell subject to the payment by Messrs. Durham and Whitesell of \$1.00 and the assumption by the entity acquiring the assets of all of the liabilities of Champion except for the liability of Champion to Markpoint Equity Growth Fund IV, which was settled by the Company. This transaction closed on January 30, 2003.

Management believes that the transactions described in this Item were on terms no less favorable to the Company and its subsidiaries than would have been the case for transactions with unrelated third parties.

PART IV

ITEM 14. CONTROLS AND PROCEDURES.

Within the 90 days prior to the filing of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in this report. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation.

<PAGE>

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this Annual Report on Form 10-K:

(1) Financial Statements.

See the Financial Statements included in Item 8.

(2) Financial Statement Schedules Required to be Filed by Item 8 on this Form.

See Item 8

(3) Exhibits.

The exhibits filed as part of this Annual Report on Form 10-K are identified in the Exhibit Index, which Exhibit Index specifically identifies those exhibits that describe or evidence all management contracts and compensating plans or arrangements required to be filed as exhibits to this Report. Such Exhibit Index is incorporated herein by reference.

(b) Reports on Form 8-K

The following Reports on Form 8-K were filed during the last quarter of the fiscal year ended October 31, 2001:

(1) Report on Form 8-K regarding July 31, 2001 acquisition of substantially all of the assets of United Expressline, Inc. (filed August 15, 2001).

(2) Report on Form 8-K regarding change in independent auditors (filed November 13, 2001).

<PAGE>

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

Dated: February 11, 2003

OBSIDIAN ENTERPRISES, INC.

By /s/ Timothy S. Durham

Timothy S. Durham
Chief Executive Officer

In accordance with the Exchange Act, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: February 11, 2003

/s/ Timothy S. Durham

Timothy S. Durham
Chief Executive Officer
(Principal Executive Officer)
and Chairman of the Board and
Director

Dated: February 11, 2003

/s/ Jeffrey W. Osler

Jeffrey W. Osler, Executive
Vice President, Secretary and
Treasurer, (Principal
Financial and Accounting
Officer) and Director

Dated: February 11, 2003

/s/ Terry G. Whitesell

Terry G. Whitesell, Director

Dated: February 11, 2003

/s/ Goodhue W. Smith, III

Goodhue W. Smith, III,
Director

Dated: February 11, 2003

/s/ John A. Schmit

John A. Schmit, Director

Dated: February 11, 2003

/s/ D. Scott McKain

D. Scott McKain, Vice Chairman
and Director

Dated: February 11, 2003

/s/ Daniel S. Laikin

Daniel S. Laikin, Director

<PAGE>

CERTIFICATIONS

I, Timothy S. Durham, certify that:

1. I have reviewed this annual report on Form 10-K of Obsidian Enterprises, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its

consolidated subsidiaries, is made known to use by others within those entities, particularly during the period in which this annual report is being prepared;

- b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

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6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

OBSIDIAN ENTERPRISES, INC.

By: /s/ Timothy S. Durham

Timothy S. Durham
Chairman and Chief Executive Officer

<PAGE>

I, Barry S. Baer, certify that:

1. I have reviewed this annual report on Form 10-K of Obsidian Enterprises, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to use by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to

record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

<PAGE>

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

OBSIDIAN ENTERPRISES, INC.

By: /s/ Barry S. Baer

Barry S. Baer
Executive Vice President/Chief
Financial Officer

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EXHIBIT INDEX

<TABLE>

<S> Exhibit No.	<C> Description	<C> Incorporated by Reference/Attached
2.1	Acquisition Agreement and Plan of Reorganization, dated June 21, 2001, by and among Registrant, Danzer Industries, Inc., Pyramid Coach, Inc., Champion Trailer, Inc., United Acquisition, Inc., U.S. Rubber Reclaiming, Inc., Obsidian Capital Partners, L.P. and Timothy S. Durham	Incorporated by reference to Exhibit 2.1 to the Registrant's Report on Form 8-K filed on August 15, 2001
2.2	Memorandum of Agreement between Champion Trailer, Inc. and Timothy S. Durham and Terry G. Whitesell	Incorporated by reference to Exhibit 2.1 to the Registrant's Report on Form 8-K filed on November 6, 2002
3.1	Certificate of Incorporation (filed with Delaware Secretary of State on October 4, 2001)	Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
3.2	Certificate of Designations, Preferences, Rights and Limitations of Series C Preferred Stock	Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
3.3	Bylaws of the Registrant (Restated Effective as of September 27, 2002)	Attached
3.4	Certificate of Designations, Preferences, Rights and Limitations of Series D Preferred Stock	Attached
4.1	Registration Rights Agreement, dated June 21, 2001	Incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
4.2	Amendment and Joinder to Registration Rights Agreement, dated July 27, 2001	Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
4.3	8.00% Convertible Debenture Issued by Registrant on July 19, 2001 to HSBC Global Custody Nominee Due July 19, 2008	Incorporated by reference to Exhibit 2 to Schedule 13D filed September 20, 2001 by Russell Cleveland, Renaissance Capital Group, Inc.
4.4	8.00% Convertible Debenture Issued by Registrant on July 19, 2001 to Renaissance US Growth & Income Trust PLC Due July 19, 2008	Incorporated by reference to Exhibit 3 to Schedule 13D filed September 20, 2001 by Russell Cleveland, Renaissance Capital Group, Inc.
4.5	Convertible Loan Agreement, dated July 19, 2001, Among Registrant, BFSUS Special Opportunities Trust PLC, Renaissance US Growth & Income Trust PLC and Renaissance Capital Group, Inc.	Incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.1	2001 Long Term Incentive Plan*	Incorporated by reference to Appendix E to the Registrant's Proxy Statement filed on September 18, 2001

10.2	Asset Purchase Agreement, dated April 20, 2000, between Champion Trailer Company, L.P. and Harold Peck, Mary Peck, Champion Trailer, Ltd. (f/k/a) Champion Trailer, LLC, Champion Collision, Ltd. (f/k/a) Champion Collision, L.L.C. and Brandonson, Inc.	Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.3	Stock and Asset Purchase Agreement, dated December 20, 1999, among Timothy S. Durham, Terry Whitesell, DW Leasing, LLC, Bobby Michael, Becky Michael, Jennifer George, Pyramid Coach, Inc., Precision Coach, Inc., American Coach Works, Inc., Transport Trailer Service, Inc., Rent-A-Box, Inc. and LBJ, LLC	Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.4	Assumption Agreement and Second Amendment to Credit Agreement, dated June 18, 2001, among Bank One, Indiana, N.A., Champion Trailer, Inc. and Champion Trailer Company, L.P.	Incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.5	Credit Agreement, dated December 29, 2000, between USRR Acquisition Corp. and Bank One, Indiana, N.A.	Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.6	First Amendment to Credit Agreement, dated June 20, 2001, between U.S. Rubber Reclaiming, Inc. and Bank One, Indiana, N.A.	Incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.7	Note Purchase Agreement, dated May 2, 2000, between Champion Trailer, Inc. and Markpoint Equity Growth Fund, J.V., and Related Documents	Incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.8	Warrant, dated May 2, 2000, from Champion Trailer Company, LP to Markpoint Equity Growth Fund, J.V.	Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.9	Management Agreement, dated December 29, 2000, between Obsidian Capital Company, LLC and USRR Acquisition Corp.	Incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.10	Management Agreement, dated June 16, 2001, between Pyramid, Inc. and D.W. Leasing	Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.11	Promissory Note, dated June 1, 2001, from Obsidian Capital Company, LLC to U.S. Rubber Reclaiming, Inc.	Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.12	Promissory Note, dated June 11, 2001, from Champion Trailer, Inc. to Obsidian Capital Partners, LP	Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.13	Purchase Agreement, dated June 5, 2001, between United Expressline, Inc., United Acquisition, Inc., J.J.M. Incorporated and the Shareholders of United Expressline, Inc. and J.J.M. Incorporated	Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.14	Promissory Note, dated July 27, 2001, from United Acquisition, Inc. to United Expressline, Inc.	Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.15	Credit Agreement, dated July 27, 2001, between United Acquisition, Inc. and First Indiana Bank	Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.16	Loan and Security Agreement, dated January 21, 2000, between Danzer Industries, Inc. and Banc of America Commercial Finance Corp.	Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.17	Warrant, dated August 1997, by Danzer Corp. to Duncan-Smith Co. and Letter Agreement, dated June 21, 2001, between Danzer Corp. and Duncan-Smith Co.	Incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.18	Stock Purchase Agreement, dated December 29, 2000, between USRR Acquisition Corp. and SerVaas, Inc.	Incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.19	Subordinated Secured Promissory Note, dated December 29, 2000, from USRR Acquisition Corp. to SerVaas, Inc.	Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001

10.20	Supply and Consignment Agreement, dated December 29, 2000, between U.S.R.R. Acquisition and SerVaas, Inc.	Incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.21	Form of Installment Loan from Edgar County Bank & Trust Co. to DW Leasing Company, LLC, Related Documents and Schedule Identifying Material Details	Incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.22	Loan Agreement, dated December 10, 1999, between Old National Bank and DW Leasing Company, LLC, and Related Documents	Incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.23	Form of Promissory Note from DW Leasing Company, LLC, to Former Shareholders of Pyramid Coach, Inc., Related Security Agreement, and Schedule Identifying Material Details	Incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.24	Form of Promissory Note from DW Leasing Company, LLC to Star Financial Bank, Related Documents and Schedule Identifying Material Details	Incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.25	Form of Lock-Up Agreement, dated July 19, 2001, and Schedule Identifying Material Details	Incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.26	Master Lease Agreement, dated May 17, 2000, between Old National Bank and DW Leasing Company, LLC, and Related Documents	Incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.27	Loan Agreement, dated June 1, 2000, between DW Leasing Company LLC and Regions Bank and Security Agreement	Incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.28	Business Loan Agreement (Asset Based), dated August 15, 2001, between Danzer Industries, Inc. and Bank of America, N.A.	Incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.29	1999 Stock Option Plan*	Incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.30	Amendment to Acquisition Agreement and Plan of Reorganization, dated December 28, 2001, between Registrant and Obsidian Leasing Company, Inc.	Incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.31	Agreement and Plan of Reorganization and Corporate Separation, dated December 28, 2001, between DW Leasing LLC and Obsidian Leasing Company, Inc.	Incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the Year Ended October 31, 2001
10.32	Assignment and Assumption Agreement, dated February 19, 2002, between Champion Trailer, Inc. and DW Leasing, LLC	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002
10.33	Assignment and Assumption Agreement, dated February 20, 2002, between DW Leasing, LLC and Fair Holdings, Inc.	Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002
10.34	Agreement to Purchase Subordinated Secured Promissory Note and Supply and Consignment Agreement, dated February 26, 2002, among SerVaas, Inc., the Beurt SerVaas Revocable Trust, U.S. Rubber Reclaiming, Inc., Obsidian Enterprises, Inc. and DC Investments, LLC	Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002
10.35	Replacement Promissory Note, dated February 26, 2002, from Obsidian Enterprises, Inc. to Fair Holdings, Inc. in the principal amount of \$700,000 due March 1, 2007	Attached
10.36	Promissory Note from Obsidian Enterprises, Inc. in favor of Fair Holdings, Inc. in the principal amount of \$570,000 due February 1, 2007	Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002
10.37	Subscription Agreement of Fair Holdings, Inc. for 186,324 shares of Series C Preferred Stock	Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002
10.38	Subscription Agreement of Obsidian Capital Partners, LP for 402,906 shares of Series C Preferred Stock	Incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the Quarter Ended April 30, 2002

10.39	Second Amendment to Credit Agreement, dated August 28, 2002, between United Expressline, Inc. and First Indiana Bank, N.A.	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed for the Quarter Ended July 31, 2002
10.40	Promissory Note, dated January 17, 2002, from DW Leasing Company, LLC, to Fair Holdings, Inc.	Attached
10.41	Promissory Note, dated September 3, 2002, from Obsidian Enterprises, Inc., to Fair Holdings, Inc.	Attached
10.42	Promissory Note, dated January 9, 2002, from Obsidian Enterprises, Inc. to Fair Holdings, Inc.	Attached
10.43	Credit Agreement, dated October 31, 2002, between Obsidian Leasing Company, Inc. and Old National Bank, N.A. and Related Documents	Attached
10.44	Stock Purchase Agreement, dated July 27, 2001, between Danzer Corporation and The Huntington Capital Investment Company.	Incorporated by reference to Exhibit A to the Schedule 13G filed by The Huntington Capital Investment Company on August 6, 2001
10.45	Loan Agreement, dated September 24, 2002, between Edgar County Bank & Trust Co. and Obsidian Leasing Company, Inc.	Attached
10.46	Term Promissory Note, dated September 26, 2002, from Obsidian Leasing Company, Inc. to Fair Holdings, Inc.	Attached
10.47	Note Purchase Agreement, dated July 27, 2001, between United Acquisition, Inc. and The Huntington Capital Investment Company.	Attached
10.48	Limited Forbearance Agreement, dated October 14, 2002, among Danzer Industries, Inc., Obsidian Enterprises, Inc. and Bank of America, N.A.	Attached
10.49	Revolving Credit, Term Loan and Security Agreement, dated October 25, 2002, between PNC Bank, N.A. and U.S. Rubber Reclaiming, Inc. and Related Documents	Attached
10.50	Term Promissory Note, dated October 31, 2002, from DW Leasing Company, LLC to Fair Holdings, Inc.	Attached
10.51	Rental Agreement, dated October 1, 2002, between DW Trailer, LLC and Danzer Industries, Inc.	Attached
10.52	Commercial Equipment Lease Agreement, dated August 1, 2002, between Fair Holdings, Inc. and Danzer Industries, Inc.	Attached
10.53	Commercial Equipment Lease Agreement, dated August 1, 2002, between Fair Holdings, Inc. and Obsidian Enterprises, Inc.	Attached
21	List of Subsidiaries	Attached
99.1	Certification of Timothy S. Durham	Attached
99.2	Certification of Barry S. Baer	Attached

</TABLE>

*Indicates Exhibits that describe or evidence management contracts or compensatory plans or arrangements required to be filed as Exhibits to this Annual Report on Form 10-K.

</TEXT>

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EXHIBIT 10

Memorandum

To: Tim
CC:
From: Terry
Date: 4/6/2005
Re: Obsidian Budget

I fully realize our principal need is to cut the cash flow from you to the operating companies and we possibly need to take steps which are more as a turn around or die approach than a concern for worrying about building for the future. These steps include people and expenditure cuts at each company until then get healthy. These items need reviewed in more detail and we should discuss in the near future.

This memo however relates to our office and cash flows from and to here. While I understand it is a small portion of the total it still needs review and definitely more controls. Please review the following list which if you desire we can discuss but in any respect please keep this confidential.

Based on a budget put together by Rick the following are my thoughts:

1. Auto allowance -\$38,400 --Possibly we need to reduce to one car the reimbursement and not pay any portion of registration, plates or insurance for additional car. I believe this just affects Jeff and I but feel it needs consideration. Personal use of the one remaining car should carry a reimbursement amount to the company.
2. Delivery charges of \$4,250 I assume are for overnight delivery-not much but everyone should be made to understand the cost and to minimize this cost.
3. Insurance \$42,000, liability \$ 13,500, and workers comp at \$1,500 total \$55,515. We have via our new program with Marsh gained on this for liability, workman's comp and auto insurance to \$20,917 and the balance is health insurance for employees.
 - We need to make sure we are billing to Plopper his share and other similar groups.
 - At present you are paying the full policy premium for all of us. We should consider making all of us pay a portion.
4. Meals and entertainment of \$150,000 apparently includes the fall managers meeting which I suggest we may want to cut back this year to maybe only a meeting here in Indy.
5. Parking \$13,500-why not have us each pay at least half if not all.
6. Salaries and wages of \$759,500 (Obviously this not all of it):
 - Jeff and I should take a reduction from 10-20%
 - If we go private Erin may not be required.
 - We could eliminate Thetchen

April 6, 2005

7. Professional services over all of \$692,000 will greatly be reduced if we go private however we all too frequently use various attorneys with out adequate review. The use of an attorney should only be authorized by one person.

8. Cellular phone bills of \$20,584 sound horrible. If nothing else someone should be appointed to investigate what is paid, for whom and can we get better rates.

9. I am not sure where we have paid and budgeted expense for the suite at Conseco but we should consider selling this or getting a partner.

10. The Christmas party , again not sure wher charged but it's a costly item and untile we get more stable lets not continue.

These are a few items among what I sure are many others we should do or consider. You have been super to support this and us but obviously you are under attack and we need to help as much as possible.

Othe areas include the conference and catering-if it is not making cash flow lets shut it down.

EXHIBIT 11



Certified Public Accountants
and Business Consultants

April 5, 2005

Mr. Tim Durham
Mr. Jim Cochran
Fair Holdings, Inc.
111 Monument Circle, Suite 4800
Indianapolis, IN 46204

Dear Tim and Jim:

The purpose of this letter is to address the status of the 2003 audit of Fair Holdings, Inc. ("FHI" or the "Company") and the proposed audit of the 2004 financial statements. We have had an opportunity to review the information provided over the past several weeks regarding the proposed changes to the structure of the various related-party loans, and our observations of these changes and the impact are discussed in the following paragraphs. In addition, we have expanded our research of various accounting and related matters in an effort to ensure that we have considered all factors related to the proper treatment of audit issues as they impact your financial statements and to anticipate additional information needed. As you will see in the following pages, we believe there are many issues which have been addressed and others that have not been adequately addressed. The following discussion will provide you with our thoughts on these items.

Current Outstanding Matters

An updated list of outstanding matters includes the following:

- Obsidian cash flow projections and related impact to the loans made to Obsidian and its subsidiaries.
- Recognition of interest income on related-party loans
- Loan impairment analysis and loss reserves
- Related-party nature of loans and the impact thereto
- Fiduciary responsibility to investment certificate holders
- Collateral value
- Goodwill impairment testing
- Response to points raised in our correspondence to you dated February 21, 2005 and March 5, 2004 in regards to the Company's loan origination, credit monitoring, loan loss reserve, income recognition and impairment policies
- Material weaknesses in internal control over accounting and reporting for loans of FHI
- Potential violations of certain laws and regulations

Each of these matters is addressed in more detail in the following pages.

300 N. Meridian Street, Suite 1100
Indianapolis, IN 46204

625 N. Madison, Suite A
Greenwood, IN 46142

Mr. Tim Durham
Mr. Jim Cochran
Fair Holdings, Inc.
April 5, 2005
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Obsidian Cash Flow Projections

The information we received shows the Obsidian's original projected overall consolidated free cash flow for 2005 at a negative \$(2,388,000) and includes pro forma changes to bring this number to \$(322,000). Included in both scenarios is the collection of \$550,000 of shareholder receivables currently held at DW Leasing.

General commentaries by company are:

Danzer: The projection includes negative cash flow of \$531,000. This may be difficult to achieve based on recent history, cash flow of the first quarter of negative \$266,000 and additional projected losses throughout the year.

United: Projection has not been updated. The original includes gross profit percentage of 11.9%. First quarter of 2005 was reported at 7.2% with an EBITDA of \$(135,000). Obviously the first quarter is the slowest for the company and not all changes were yet in place fully. However, to reach the projected cash flow would require EBITDA of over \$2,000,000 for the remainder of the year. The company did perform at this level in 2002 but has not shown this level of performance since that time. However, all indications are that United should have positive cash flow and be able to service their portion of the FHI debt to be restructured through Obsidian as part of the company's plan.

Classic: No specific comments

Coach Group: Projection shows EBITDA of \$2,250,000 for 2005 or a little more than double that achieved in 2004 which was an off year. Although recovery is expected, full recovery to pre-2004 results may be optimistic; however, we have no individual assumptions to analyze. At the projected level of EBITDA, the Coach Group still is short on cash flow and uses the assumption that collection of \$550,000 of shareholder receivables will provide the needed cash flow. Given that the receivables have been outstanding since the purchase date, this may not be realistic. Accordingly, we conclude, without further information to analyze the future operations, the Coach Group will continue to operate at a negative cash flow perspective.

U.S. Rubber: EBITDA plan is to reach \$1,600,000 or approximately double of what they produced in 2003. USRR has been on a downward trend and the projected reversal is based on higher selling prices and on \$900,000 of sales from the new Cryo line. We believe EBITDA in the range of \$1,000,000 to \$1,200,000 is more realistic based on the first quarter results, historical 2nd, 3rd and 4th quarter results and the likely hurdles to overcome in the new line of business. The estimated EBITDA of \$1,600,000 would produce an estimated \$460,000 in cash flow based on the pro forma information, which includes \$550,000 of capital expenditures. At a reduced EBITDA and with increased capital expenditures to a level of \$1,000,000 based on the company's plan, cash flow would be a negative \$400,000 to \$600,000.

Obsidian Enterprises: Projection puts cash flow deficit essentially equal to the pro forma net loss of \$1,100,000. For 2005, the loss will likely be larger than the pro forma based on a first quarter loss of \$1,200,000.

Overall the pro forma presentation blends proposed transactions with the individual company budgets for the coming year. This presentation shows a cash loss of approximately \$300,000 if all items go as planned. In addition, other economic indicators not currently factored in the

Mr. Tim Durham
Mr. Jim Cochran
Fair Holdings, Inc.
April 5, 2005
Page 3

projection may impact Obsidian's operations. These factors include current trends of increasing interest rates, as well as increasing fuel and energy costs. Because of the number of assumptions inherent in this process that must go well in order to achieve the projected level of cash flow, it is considered more likely than not that Obsidian will not be able to service its debt with FHI and would require further infusions of cash from some source.

Interest Income Recognition

FHI does not have a policy to determine factors requiring the suspension of interest income. Accordingly, interest is recognized on all loans outstanding through the year, and no reserve is established and no loans are placed on nonaccrual status. Although GAAP does not establish set criteria as to when to suspend interest recognition, it does provide various indicators that should be noted. These include deteriorating financial condition of the borrower, not making payments within terms and collateral-dependent loans. Based on review of the 2003 lending activity, we preliminarily would propose a minimum reserve of interest recognized in the amount of \$1,352,000. This amount would be subject to change based on the resolution of other factors discussed in this letter. A schedule of the specific loans and the factors considered in the preliminary analysis are attached.

Loan Impairment Analysis and Loss Reserves

FHI does not document the monitoring of credit status or any decision related to such items. Our preliminary estimate of loan loss reserves as of December 31, 2003 is approximately \$11,500,000. This amount would also be subject to change based on the resolution of other factors discussed in this letter. Such reserves relate primarily to the loans to Obsidian and its subsidiaries. The operating results of the Obsidian group raise significant doubt regarding the entities' ability to repay its debt. Subsequent events indicate the losses have continued and without the support of FHI, the Obsidian group may not have been able to continue in its current form. Because of the losses, lack of cash flow and the second position of assets held by the Coach Group, we believe a reserve is warranted. The collateral for the Coach Group loans was valued based on an appraisal that is several years old. In 2004, changes in market conditions result in the appraisal being less reliable. Such changes include a softening of the market for touring as discussed in the company's 10-K filing. In addition, a liquidation analysis is appropriate given the current financial status and operating results since 2003.

Management has represented that the allowance for loan losses at Fair Finance ("FFC") is in excess of the amount considered necessary and that the excess is adequate to cover any potential reserves required at FHI. Based on the audit procedures performed at FFC, we have concluded that the reserves recorded are adequate and reported consistently with the company's past practices, and no such excess is available to FHI. The reserve calculation from management was based on a percentage of write-offs over the last several years. GAAP does not permit loan reserves to be determined based on a percentage of historical amounts. Rather, the determination should be made by analysis of the loan portfolios individually or by group if a homogenous population. Accordingly, we cannot accept this analysis.

Related-party Matters

The nature of related-party activity provides for many challenges in both the accounting and documentation of the related transactions. The majority of these challenges relates to the generally accepted accounting principle (GAAP) definition that related-party transactions are not arm's length transactions and should not be presumed to be representative of a transaction that would be entered into by unrelated third parties. In this instance matters

Mr. Tim Durham
Mr. Jim Cochran
Fair Holdings, Inc.
April 5, 2005
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such as no requirement for payment until maturity, frequent changes in loan terms, insufficient or nonstandard collateral, and no monitoring are strong indicators of transactions that are not at arm's length. Accordingly, GAAP requires additional disclosures of related-party transactions. In addition, auditing standards require auditors to be aware of the substance of particular transactions and to recognize that the financial statements should recognize the economic substance of the transactions rather than merely their legal form. This is an area very relevant given the nature and materiality of the related-party balances on FHI's financial statements. GAAP also requires that related-party transactions be recorded based not solely on the legal structure of the transaction but also on the substance. The substance versus form issue is also in question given the nature of the terms, financial performance and amounts advanced to related companies.

The significance of the related-party balances of FHI as of December 31, 2002, 2003, 2004, and 2005 (as projected by management) are shown in the following table:

	2002	2003	2004	2005 (projected)
Related-party loans as a percentage of total consolidated assets	22%	35%	45%	32%
Related-party interest income as a percentage of total interest income	4%	20%	25%	22%
Related-party interest income as a percentage consolidated net income	61%	1,879%	376%	338%

The material nature of the income related to these loans makes the accounting for income recognition and the substance over form matters extremely significant. In addition, the size of the related-party loans in relation to the total assets also is significant. Addressing the substance over form issue and developing an opinion on whether the loans and related interest income are accounted for and reported in accordance with GAAP had continued to become more difficult given the nonliquid nature of much of the collateral, the second position in a significant portion of assets, transactions that do not appear at arm's length as noted above, and the continued expansion of these advances. Such issues are further compounded by a lack of internal controls over these loans.

Collateral Value

Many of the related-party loans meet the qualification as being collateral-dependent for repayment. When assessing the future collectibility of such loans, the nature of and access to the collateral should be addressed. Several factors impact the current collateral base and need to be analyzed. These factors include the recovery value of nonliquid assets, the time and costs to recover value, if necessary, access to collateral based on FHI being behind senior lenders, future value of collateral based on potential access by other lenders. In addition to these items, realization of certain collateral could be at risk based on the current going concern uncertainty included in the audit report of Obsidian and the technical default of the debt agreements of certain of its subsidiaries. A portion of the loans of Obsidian are guaranteed by officers of Obsidian, who have also provided significant personal assets as collateral to FHI. Should the guarantees on the Obsidian debt be acted on by the lenders, the collateral to FHI could be at risk.

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Fiduciary Responsibility to Investors

An audit in accordance with generally accepted auditing standards requires that the auditor review compliance with laws and regulations that may have a material impact on the financial statements. The Board of Directors of FHI should question whether there is a fiduciary responsibility of the owners, officers and directors of FHI and FFC to the holders of the FFC subordinated investment certificates. We are not in a position to render an opinion on this matter, but consider it to be a relevant question based on the lack of controls in place, nature and materiality of related-party lending practices, and the potential for material impact to the Company should this matter apply. Accordingly, we strongly encourage the Company to engage outside counsel competent in these matters to provide a legal opinion regarding such items.

Goodwill Impairment Testing

The uncertainties regarding the collection of related-party loans and the recognition of interest income on such loans impacts the collectibility of the receivable of the books of FFC from FHI. This uncertainty also then raises the question of potential impairment of the goodwill related to the acquisition of FFC. Since the acquisition in 2002, the subordinated debt of FFC has risen from approximately \$43,000,000 to \$82,000,000 at the end of 2003 and to \$110,000,000 at the end of 2004. During the same period, the receivable from FHI has grown to \$83,000,000. As a portion of the interest and principal due to FFC is not certain as to repayment, while the debt service related to the subordinated debt is certain, the value of the enterprise compared to the purchase date may have changed negatively indicating a potential impairment. A goodwill impairment test needs to be performed by management or an outside consultant after the amount of collection of the receivable from FHI has been reasonably estimated.

Response to Certain Matters from Prior Correspondence

In our prior correspondence, we have requested the Company provide documentation related to controls in place covering the lending activity. Such controls would include policies related to loan underwriting, loan monitoring and collateral review. These matters are still at issue today. The lack of procedures and policies has resulted in an inability to effectively consider creditworthiness, income recognition and financial reporting on a timely basis. In addition, a lack of internal control over lending activities calls into question "the substance over form issue" of the various loan documents, as well as the fiduciary responsibility noted above. Although advances are treated as loans based on the credit documents, the substance of these transactions could be questioned as to whether such advances are actually additional investments in these companies or distributions to the shareholders given a lack of documented procedures to evaluate the loans, lack of follow-up on noncompliance, lack of payment of interest and the absence of other factors normally found in companies engaged in the lending industry.

Material Weaknesses in Internal Control over Accounting and Reporting for Loans

Generally accepted auditing standards require communication to management matters which come to the auditors' attention that may be considered material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

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within a timely period by employees in the normal course of performing their assigned functions. We have issued a separate letter addressing such items for your attention.

Potential Violations of Laws and Regulations

As noted above, an audit in accordance with generally accepted auditing standards requires that the auditor review compliance with laws and regulations that may have a material impact on the financial statements. In that regard we previously requested an opinion letter from counsel regarding the Company's compliance with Ohio securities laws. We have received a copy of the opinion letter of Riley Bennett and Egloff which opines as to the Company's compliance with the exemption criteria for debt offerings. In addition to this opinion, the Company should also obtain the opinion of counsel on compliance with other facets of Ohio securities law or, at a minimum, consult with counsel as to whether there may be areas of the law that could create a potential issue based on the lending practices at FHI and the significant lending to related parties. The Company should also consult with counsel regarding any potential issues with the loans made to Obsidian. A specific issue to be addressed is FHI's position with all its creditors and the subordinated debenture holders of FFC should Obsidian not be able to repay its loans and be considered technically insolvent at the date of the loans.

Conclusion

The events subsequent to 2003, the significance of the related-party transactions, the material weaknesses in the loan process and potential legal matters have led us to a point where we are not in a position to issue an unqualified audit report on Fair Holdings and Subsidiary as of and for the year ended December 31, 2003. The increasing magnitude of these items in 2004 and through the current date would place us in a similar position were we to be engaged to audit the 2004 financial statements.

We have and will continue to work with the Company to address these items in the most diligent manner possible. However, we are not in a position to provide any guarantee regarding the type of opinion we would reach, if any, or the time frame to which we would be in position to render our opinion on the financial statements of FHI and Subsidiary. We believe the Company is at a crucial stage and continuing actions need to be taken to address the financial and other risks outstanding to protect FHI and Subsidiary as a long-term operating entity.

Sincerely,

BGBC Partners, PC

BGBC Partners, PC

EXHIBIT 12

From: Daniel Belliel [DBelliel@bdo.com]
Sent: Friday, October 21, 2005 9:59 AM
To:
Subject: Re: FW: Obsidian 8-K - Somerset new auditors

Very interesting, thanks for passing it along. I'll watch things here.

Dan

>>> 10/21/2005 9:41:13 AM >>>

Dan speaking of Somerset , I think you should be aware of this . This is the job (Obsidian) we used to be involved with that we brought to BDO a few years back and BDO resigned from. Looking back that was the correct thing to do . McGladery also resigned. Sommerset has no business taking this .. Also to add fuel to the fire . We were doing the audit of a related party (Fair Finance) that at first was clean. Then it became a problem and we resigned. Sommerset took that one also . These companies have serious issues . Sommerset just issued a clean opion on Fair. There is no way that should have been clean . Jack London (alliance firm in Chattanooga) did out peer review and said get as far away from these as possible.

If Sommerset brings any of this to BDO you will not want any part of it . Also this put into question they intent and client acceptance process

From:
Sent: Friday, October 21, 2005 9:19 AM
To:
Subject: Obsidian 8-K - Somerset new auditors

8-K 1 obsidian8k.htm OBSIDIAN FORM 8K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 14, 2005

OBSIDIAN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of

0-17430
(Commission File
Number)

35-2154335
(I.R.S. Employer
Identification No.)

10/21/2005

From: "Tim Durham" <tsdurham1@msn.com>
 To: [REDACTED], <JimC@fairfinance.com>
 Date: 3/4/05 1:04PM
 Subject: Re: Audit

we are already moving on all the items. las we get these things accomplished we will meet then tsd

----- Original Message -----

From: [REDACTED]
 To: <JimC@fairfinance.com>; <tsdurham1@msn.com>
 Sent: Friday, March 04, 2005 12:55 PM
 Subject: Re: Audit

Tim & Jim:


I got your e-mail Jim. I think we should touch base next week either on Tuesday the 8th or Thursday the 10th. Please let me know if you guys are available on either of those days. Afternoons are better than mornings for me.

>>> "Jim Cochran" <JimC@fairfinance.com> 03/04/05 11:43AM >>>
 This is a crucial month for all of us to get this 2003 audit completed. I am working on a few items I want to see get accomplished along with the list from [REDACTED]

Tim, you and I need to have weekly meetings to discuss all companies involved with FHI issued debt.

We need to put controls in place regarding any future issued debt.

We need to have formal schedule agreements with all the OBSD and personal debtors in place. Since all the OBSD debt is personally guaranteed, we need to have start and stop dates included in the agreements.

I believe a substantial cash infusion (as stated in my email of 2/25/05) is important to bring FHI back to the company it should be. We can't continue to hold our breadth every year with the State of Ohio. 

These are a few items off the top of my head. I am working on a list to present at our next meeting. I believe the next meeting with [REDACTED] should only be [REDACTED] Steve, you, & me.

Another item of importance is to have the company return your \$2 million.

Lets not forget to have someone work on the FHI/DCI Resolution. This

From: [REDACTED]
To: FairfinanceJFC@aol.com
Date: 3/3/05 4:39PM
Subject: Re: Audit Continued Confidentiality: Sending via personal E-mail

Jim,

I got your e-mail. Please find attached a "preliminary" Notes, Loans Receivable and Advances that can provide you with information on where certain transactions are as of 12/31/04.

Please keep in mind that the collateral backing up certain assets is a soft estimate (we haven't tested nor have documentation thereon). It could be substantially higher or even lower.

In addition, we did not put loans or notes on the schedule that there is a current plan to replace with an asset with a fair market value (Speedster loans replaced with National Lampoon stock).

Please review. [REDACTED] is working with Rick Snow and Gary Sallee to resolve certain of the issues of replacement of assets by Tim. We will keep both you and Tim abreast of these changes.

Obviously, we all have a lot more to do to get to an issuance of the audit report for the year ended 12/31/03 and 12/31/04. I would suggest to you and Tim conduct a weekly meeting with all parties to keep momentum on this important project.

[REDACTED]
>>> <FairfinanceJFC@aol.com> 03/03/05 12:56PM >>>

[REDACTED]f:

We had a confidential discussion regarding the above subject. I would like to continue that discussion, with all confidentiality, outlining my points of concern in order to (hopefully) receive [REDACTED] blessing.

As discussed, [REDACTED] will not bless all the asset movement and any other "fixed" problems without both our signatures on the "resolution". Most of the debt is from Obsidian Companies and I have outlined what I need to have happen.

We need to let TSD move forward and start getting things worked out without knowing about the "Resolution" early in his finagling of assets. This information about the "Resolution", should come toward at the end of what TSD feels is enough movement of assets or stock to get things in line for FHI. Obviously, he knows about the Resolution, just not my demands.

1. All Companies associated with Tim and I to have dual line check signatures

All companies require Two approvals over \$50K
Two approvals for any type wire for \$50K & over
Applies to past debtors, current debtors, & new debtors
Applies to all companies DCI, FHI FFC & etc.

2. Infusion of Cash from TSD back to FHI

All the debt is because of Obsidian Companies
I get a lower position due to TSD borrowings (stock gains) and OBSD non-performing debt and continued debt

Need to get back to Back to 50/50

(By the way [REDACTED] did he pledge stock or really put money in) ?

3. Need TSD personal guarantee's in writing on all debtors to FHI

companies with a drop dead date. At drop dead date, and assuming debtor has not been paid back accordingly, TSD must supply the debt personally. The debt must come from the particular debtor company, not from TSD direct.

So, TSD will have to fund the debtor company and the debtor company will pay FHI back

4. Speedster: NPLN stock to continue infusion if stock falls, TSD to have all

upside, transfer stock to FHI name

5. Any automobile transfers to cover assets will have to title in FHI name,

same w/buildings and titling or any other type transfer

6. Should FHI have a loss due to OBSD companies, the infusion will come via the .

OBSD companies via TSD to the Companies.

Should you have any questions, please do not hesitate to call me.

Jim

PS: Tim said he would buy me out. A fair buy-out evaluation would be to evaluate the company without any ODSD debt, since it was all his and future earnings and present value basis. Anyway, I told him "no".

CC: [REDACTED]

EXHIBIT 13

ASSUMPTIONS USED IN FORECAST

MEMO

The following is an input sheet and assumptions used to forecast the Finance Receivable growth at Fair Finance along with the growth of Sub Debt for 2006 and 2007. The assumptions used are documented below and the items in red are the inputs. The Forecast tab uses the assumptions to project the future cash flow of FFC and the repayment of interest on the sub debt. Based upon the assumptions and the projections FFC operations will need to receive approximately \$2.0 million in 2006 and \$2.4 in 2007 in support from FHI assuming an increase in sub debt rates to 6.75%.

Assumptions

Portfolio assumptions - Assumes a 2006 and 2007 portfolio growth rate based upon 2005 and expectations.

Fair Finance Cash Flow - ' Projected based upon 2005 and estimated based on the portfolio growth

Sub Debt - ' Average rate is based upon projection from current portfolio. Growth rate based on average increases through February 2006.

FHI Advances - 'Assumes FHI advances of \$7.6 and \$6.2 million for 2006 and 2007.

PORTFOLIO	DATA	INPUT
FFC Net Outstanding 12/31/05	ACTUAL	62,337,978
FFC Cash Flow 12/31/05	ACTUAL	6,808,305
Cash Flow as % of Net Outstanding 12/31/05	ACTUAL	10.92%
Principal Portfolio Growth Rate 2006	FORECAST	15.00%
Principal Portfolio Growth Rate 2007	FORECAST	15.00%

IB
60,704,591

SUB DEBT	DATA	INPUT
Sub Debt 12/31/05	ACTUAL	136,578,805
FHI Advances as of 12/31/05	ACTUAL	92,747,138
2006 Avg Int Rate	FORECAST	6.53%
2007 Avg Int Rate	FORECAST	6.75%
Sub-Debt New Money Growth/\$ Mo 2006	FORECAST	1,500,000
Sub-Debt New Money Growth/\$ Mo 2007	FORECAST	1,500,000

IB
138,707,007
106,659,099

Fair Finance Cash Flow	DATA	INPUT
Net Income 12.31.05	\$4,487,634	4,487,634
Add: Certificate Interest	\$7,553,141	7,540,951
Bad debt provision	\$728,392	731,765
Amortization	\$200,000	200,000
Depreciation	\$396,969	396,968
Less: FHI Interest	(\$6,557,832)	(6,456,809)
FFC Cash Flow	↑ ① \$6,808,305	6,900,509

R

not Based on this, appears FF would not be able to pay sub debt int owed & sub debt maturities from cash inflow on dealer recv w/o relying on 3rd party lines of credit. Somerset will consider this when performing going concern test.

PBC
4/13/06
2/13/09
2-12-11 1/2

EXHIBIT 14

<DOCUMENT>
<TYPE>DEF 14A
<SEQUENCE>1
<FILENAME>proxy.txt
<DESCRIPTION>SCHEDULE 14A INFORMATION
<TEXT>

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to

Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to ss.240.14a-12

OBSIDIAN ENTERPRISES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:

<PAGE>

5) Total fee paid:

- Fee paid previously with preliminary materials.
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

- 2) Form, Schedule or Registration Statement No.:

- 3) Filing Party:

- 4) Date Filed:

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DEFINITIVE PROXY SOLICITATION MATERIALS -
INTENDED TO BE RELEASED TO STOCKHOLDERS
ON OR ABOUT AUGUST 30, 2002

[Obsidian Enterprises, Inc. Letterhead]

August 30, 2002

Dear Stockholder:

You are cordially invited to attend the 2002 Annual Meeting of Stockholders of Obsidian Enterprises, Inc. to be held at the Company's offices, 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204 on Friday, September 27, 2002, at 10:00 a.m. (local time). To ensure that a quorum will be represented at the meeting, we encourage you to complete, sign, date and return the enclosed proxy card promptly in the enclosed postage prepaid envelope. This will not limit your right to attend the meeting and vote in person.

The enclosed Notice of Annual Meeting and the Proxy Statement cover the business to come before the meeting, which will include the election of directors. We urge you to read these materials carefully.

Your management team has decided not to print a separate annual report but, instead, to use our annual report on Form 10-K for the year ending October 31, 2001, that was filed with the SEC earlier this year. Utilizing this format allowed Obsidian to take advantage of significant cost saving measures, while allowing us to provide you with important information you need in order to cast your vote at the Annual Meeting. The Annual Report is not to be considered part of the Proxy Statement.

We look forward to meeting our stockholders and welcome the opportunity to discuss the business of your company with you.

Timothy S. Durham
Chairman and Chief Executive Officer

<PAGE>

[Obsidian Enterprises, Inc. Letterhead]

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

The Annual Meeting of Stockholders of Obsidian Enterprises, Inc. (the "Company") will be held on Friday, September 27, 2002, 10:00 a.m. (local time), at the Company's offices, 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204, for the purpose of considering and voting upon the following matters:

- 1) The election of seven directors to hold office until the 2003 Annual Meeting of Stockholders and until their successors are elected and have qualified.
- 2) To ratify the appointment of McGladrey & Pullen, LLP as the independent auditors of the Company for the fiscal year ending October 31, 2002.
- 3) To transact such other business as may properly come before the meeting or any adjournment thereof.

Only Stockholders of record at the close of business on August 20, 2002, the record date fixed by the Board of Directors, are entitled to notice of and to vote at the Annual Meeting.

Your attention is directed to the accompanying Proxy Statement and Proxy.

Even if you plan to attend the meeting, please mail your Proxy promptly so that there may be proper representation at the meeting. You are urged to complete, sign, date and return the enclosed Proxy in the envelope provided. No postage is required if mailed in the United States.

By Order of the Board of Directors

Jeffrey W. Osler
Secretary

August 30, 2002

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PROXY STATEMENT
OBSIDIAN ENTERPRISES, INC.
ANNUAL MEETING OF STOCKHOLDERS
September 27, 2002

This Proxy Statement is furnished to the stockholders of Obsidian Enterprises, Inc., a Delaware corporation (the "Company"), in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on Friday, September 27, 2002, at 10:00 a.m. (local time), and at any adjournment thereof. The meeting will be held at the Company's offices, 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204. This Proxy Statement and accompanying form of proxy have been mailed to stockholders on or about August 30, 2002.

GENERAL INFORMATION

Who can vote at the Annual Meeting?

Only stockholders of record as of August 20, 2002, are entitled to notice of, and to vote at, the Annual Meeting. The holders of the Company's Common Stock and the holders of the Company's Series C Preferred Stock will vote together as a class on the matters to be considered. Each share of the Company's Common Stock is entitled to one vote and each share of Series C Preferred Stock is entitled to 20 votes on the matters to be voted on at the Annual Meeting.

How do I vote by proxy?

The enclosed proxy is designed to permit each stockholder of record of the Company's Common Stock at the close of business on August 20, 2002, to vote at the Annual Meeting. All properly executed proxies delivered pursuant to this solicitation will be voted at the meeting in accordance with the instructions of the stockholders given in the proxies. In the absence of such instructions, the shares of the Company's Common Stock represented by proxy will be voted FOR the election of the seven nominees for director and FOR the ratification of the appointment of the independent auditors. The named proxies will vote the proxy in their discretion on other matters that may properly come before the meeting. A proxy may be revoked any time before the meeting by delivering to the Company's Secretary a written notice of revocation or a later-dated proxy. A stockholder of record also may revoke a proxy by voting in person at the meeting.

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What will the stockholders vote on at the Annual Meeting?

The only items of business will be the election of directors and the ratification of the appointment of the independent auditors.

Will there be any other items of business to vote on?

Management is not aware of any other matters to be presented at the meeting and has not received notice from any stockholders requesting that other matters be considered.

What constitutes a quorum?

A majority of the outstanding shares of the Company entitled to vote at the meeting, present or represented by proxy, constitutes a quorum for the Annual Meeting. As of August 20, 2002, the record date, 36,007,855 shares of the Company's Common Stock, and 4,425,274 shares of the Company's Series C Preferred Stock (having 20 votes per share), were issued and outstanding.

How many votes are required for the election of directors?

The nominees for election as directors of the Company named in the Proxy Statement will be elected by a plurality of the votes cast. Abstentions are counted for purposes of determining the presence or absence of a quorum but are not considered votes cast. Brokerage firms generally have authority to vote customers' shares held in street name for the election of directors and on other matters that are considered "routine." Shares held by brokers in street name and for which the brokers do not have discretion to vote are called "broker non-votes." Broker non-votes are counted to determine if a quorum is present but are not considered votes cast. Broker non-votes will not affect the determination of whether a nominee has received a plurality of the votes cast.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Board of Directors consists of seven members. The members of the Board of Directors are elected to serve one-year terms. Each director serves

until the next Annual Meeting of Stockholders or until the director's successor has been elected and has qualified. The following table presents biographical information on the seven nominees.

The Board of Directors unanimously recommends that the stockholders vote FOR the election of the seven nominees.

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<TABLE>

BOARD OF DIRECTORS		
<S>	<C>	<C>
Name	Age	Business Experience and Service as a Director
Timothy S. Durham	40	Mr. Durham has served as the Chief Executive Officer and Chairman of the Board and as a director of the Company since June 2001. He has served as a Managing Member and Chief Executive Officer of Obsidian Capital Company LLC, which is the general partner of Obsidian Capital Partners LP, since April 2000. Beginning in 1998, Mr. Durham founded and maintained a controlling interest in several investment funds, including Durham Capital Corporation, Durham Hitchcock Whitesell and Company LLC, and Durham Whitesell & Associates LLC. From 1991 to 1998, Mr. Durham served in various capacities at Carpenter Industries, Inc., including as Vice Chairman, President and Chief Executive Officer. Mr. Durham also serves as a director of J2 Communications. Mr. Durham is Mr. Osler's brother-in-law.
Daniel S. Laikin	40	Mr. Laikin has served as a director of the Company since September 2001. Mr. Laikin is Chief Operating Officer and a director of J2 Communications, the owner of the "National Lampoon" trademark and engaged in the entertainment business. He has been a Managing Member of Fourleaf Management LLC, a management company of an investment fund that invests in technology related entities, since 1999. Mr. Laikin served as the Chairman of the Board of Biltmore Homes from 1993 to 1998.
D. Scott McKain	47	Mr. McKain has been a director of the Company since September 2001. He has served as the Chairman of McKain Performance Group since 1981. Mr. McKain also has been the Vice Chairman of Durham Capital Corporation since 1999. From 1983 to 1998, Mr. McKain was a broadcast journalist and television commentator. Mr. McKain has also authored several books and is a keynote speaker who presents high content workshops across the nation.
Jeffrey W. Osler	33	Mr. Osler has served as the Executive Vice President, Secretary and Treasurer and as a director of the Company since June 2001. He also is a Managing Member of Obsidian Capital Company LLC. and has served as Senior Vice President at Durham Whitesell & Associates LLC and Durham Capital Corporation since September 1998. Prior to that time, Mr. Osler served as the General Manager of Hilton Head National Golf Club. Mr. Osler is Mr. Durham's brother-in-law.
John A. Schmit	34	John A. Schmit has been a director since July 2001. Mr. Schmit joined Renaissance Capital Group, Inc. in 1997 and is a Vice President--Investments. Prior to joining Renaissance Capital Group, Mr. Schmit practiced law with the law firm of Gibson, Ochsner & Adkins in Amarillo, Texas from September 1992 to September 1994. Between August 1994 and May 1996, Mr. Schmit attended Georgetown University where he earned his L.L.M. in International and Comparative Law.
Goodhue W. Smith, III	52	Mr. Smith has been a director of the Company since 1997. Mr. Smith founded Duncan-Smith Investments, Co., an investment banking firm in San Antonio, Texas, in 1978 and since that time has served as its Secretary and Treasurer. Mr. Smith also is a director of Citizens National Bank of Milam County, and Ray Ellison Mortgage Acceptance Co.
Terry G. Whitesell	62	Mr. Whitesell has served as the President and Chief Operating Officer and as a director of the Company since June 2001. Prior to that time he co-founded several entities with Mr. Durham, including Obsidian Capital Company, LLC, Durham Hitchcock Whitesell and Company LLC and Durham Whitesell & Associates LLC. Mr. Whitesell also is a Managing Member of Obsidian Capital Company LLC. From April 1992 until September 1998, Mr. Whitesell served as Executive Vice President of Carpenter Industries, Inc.

</TABLE>

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Each of the nominees has agreed to serve the term for which he has been nominated. It is intended that the proxies solicited by the Board of Directors will be voted for the nominees named above. If any nominee is unable to stand for election, the Board of Directors may designate a substitute nominee or adopt a resolution reducing the number of members on the Board. If a substitute nominee is designated, shares represented by proxy would be voted for the substituted nominee.

Nomination of Directors

The Company's Board of Directors does not have a nominating committee. The functions customarily performed by a nominating committee are performed by the Board as a whole.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During fiscal 2001, the Company's Board of Directors held five meetings and took action by unanimous consent on two occasions. All the Company's directors attended 75% or more of the aggregate of the meetings of the Board of the Company and all committees upon which the Directors served except that Mr. Laikin and Mr. Smith were unable to attend the only meeting that was held in fiscal 2001 after their election to the Board. The Company has two standing committees, the Audit Committee and the Compensation Committee.

THE AUDIT COMMITTEE

The Audit Committee members for fiscal 2001 were Messrs. Russell Cleveland and Goodhue W. Smith, III through October 5, 2001 and Messrs. Goodhue W. Smith, III, John A. Schmit and Daniel S. Laikin thereafter. The Audit Committee met one time in fiscal 2001. The Audit Committee aids management in the establishment and supervision of the Company's financial controls, evaluates the scope of the annual audit, reviews audit results, makes recommendations to the Board regarding the selection of independent auditors, consults with management and the independent auditors prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of the Company's financial affairs. The members of the Audit Committee are independent as defined by the National Association of Securities Dealers' ("NASD") listing standards. The Company's Board of Directors adopted a written charter for the Audit Committee in 2001. A copy of the Audit Committee Charter was attached as Appendix A to last year's proxy statement.

<PAGE>

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information concerning the compensation paid or accrued by the Company for services rendered during the Company's past three fiscal years ended October 31, 2001 by the Company's Chief Executive Officer.

<TABLE>

<S> Name and Principal Position	<C> Year	<C> Salary	<C> Bonus	Long-Term	
				Options/SARs	All Other <C> Compensation
Timothy S. Durham, Chief Executive Officer(1)	2001 2000 1999	\$27,404 N/A N/A	\$0 N/A N/A	\$0 N/A N/A	\$0 N/A N/A
M. E. Williams, Chief Executive Officer(2)	2001 2000 1999	\$110,000 \$107,609 \$105,000	\$12,824 \$9,375 \$8,386	0 0 0	0 \$3,125 0

</TABLE>

- (1) Mr. Durham was elected Chief Executive Officer and Chairman of the Board on June 21, 2001.
- (2) Mr. Williams resigned as Chief Executive Officer on June 21, 2001.

Option/SAR Grants in Last Fiscal Year

No grants were made during fiscal 2001 pursuant to the Company's 1999 Stock Option Plan or the Company's 2001 Long Term Incentive Plan.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth information for 2001 with respect to Option/SAR exercises by the executive officers named in the Summary Compensation Table and the value of unexercised options and SARs as of October 31, 2001.

Name	Number of Unexercised Options/SARs at Fiscal Year-End (#)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (\$)
Name	Exercisable/Unexercisable	Exercisable/Unexercisable
M. E. Williams	882,000/0	\$138,550/0 (1)

(1) Represents the difference between the last reported sales price per share of the Company's common stock as reported on the OTC Bulletin Board on October 31, 2001, and the exercise price of the option.

<PAGE>

EMPLOYMENT AND CONTROL AGREEMENTS

The Company currently does not have any employment agreements with any of the Company's executive officers.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company are entitled to a board meeting attendance fee of \$750 plus reimbursement of expenses.

REPORT OF THE AUDIT COMMITTEE

This report is being provided to inform stockholders of the Audit Committee's oversight with respect to the Company's financial reporting.

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements for the year ended October 31, 2001. The Audit Committee also has discussed with the Company's independent auditors, McGladrey & Pullen, LLP, the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU ss.380). The Audit Committee has received from McGladrey & Pullen, LLP, the written report, the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has reviewed, evaluated and discussed with McGladrey & Pullen, LLP its independence. The Audit Committee also has discussed with management and with McGladrey & Pullen, LLP, such other matters and received such assurances from them as the Audit Committee has deemed appropriate.

In reliance upon the reviews and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended October 31, 2001, that was filed with the Securities and Exchange Commission.

This Report is submitted by the members of the Audit Committee:

Goodhue W. Smith, III
John A. Schmit
Daniel S. Laikin

COMPENSATION COMMITTEE

REPORT OF THE COMPENSATION COMMITTEE

October 31, 2001

Compensation Policies and Determination of Compensation Subsequent to the Reorganization

In connection with the change of control and reorganization of the Company that occurred on June 21, 2001 (the "Reorganization"), Timothy S. Durham became Chief Executive Officer and Chairman of the Board of the Company. Mr. Durham replaced M.E. Williams, who resigned as Chief Executive officer on that date. The other executive officers of the Company also were replaced in the Reorganization. In addition, Mr. Durham and the other new executive officers acquired in the Reorganization beneficial ownership of more than a majority of the voting power of the Company's capital stock. Given the Reorganization, his beneficial ownership interest and the Company's financial concerns, Mr. Durham recommended to the Compensation Committee that he and the other new executive officers receive only nominal salaries for the 2001 fiscal year and that no bonuses or other incentive compensation packages be approved for fiscal 2001. The Compensation Committee adopted Mr. Durham's recommendations. As a consequence, Mr. Durham's total compensation for the more than four months that he served during the 2001 fiscal year was only \$27,404 and none of the other new executive officers received compensation in an amount requiring the compensation to be reported in the Summary Compensation Table.

<PAGE>

Compensation Policies and Determination of Compensation Prior to the Reorganization

As mentioned above, M.E. Williams, the Company's former Chief Executive Officer, served in that capacity until June 21, 2001. Mr. Williams' compensation for the 2001 fiscal year was based on the compensation policies in place prior to the Reorganization. Those prior compensation policies were focused on integrating annual base compensation with bonuses based upon a variety of factors that could include the Company's operating performance and an individual's initiative and performance. In measuring operating performance, the Compensation Committee could consider, among other things, the Company's attainment of gross margin, operating profit and growth targets, limits on corporate general and administrative expenses, net income and earnings per share targets and debt to capital ratio levels. The Compensation Committee did not apply a formula that assigned specific weights to any such factors.

Prior to the Reorganization, the compensation of the Company's executive officers generally consisted of base salary, annual cash bonuses and long-term incentive compensation in the form of stock options. In determining salaries for the executive officers for fiscal 2001, the Compensation Committee took into account the individual experience and performance of its executive officers. In determining whether to make stock option grants for the executive officers, the Board evaluated a number of criteria, including the recipient's level of cash compensation, years of service and position with the Company. Based on these policies and considerations, Mr. Williams received for the nearly eight months he served as Chief Executive Officer during fiscal 2001 the amount of \$110,000 as salary and the amount \$12,824 as a bonus. Mr. Williams was not granted any stock options during fiscal 2001.

This report is submitted by the members of the Compensation Committee:

John A. Schmit
D. Scott McKain

COMPENSATION COMMITTEE INTERLOCKS AND
INSIDER PARTICIPATION

On August 1, 1997, Danzer Industries, Inc., ("DII"), a subsidiary of the Company, entered into a loan agreement with Duncan-Smith Investments, Co. Goodhue Smith, is a founder and officer of Duncan-Smith Investments, Co. The terms of the \$650,000 loan included an interest rate of 11% with payments due quarterly and a final payment on June 15, 2002. Duncan-Smith Investments, Co. received a cash fee of \$32,500 and a warrant to purchase 650,000 shares of common stock at \$0.25 per share with an expiration date of August 2002. In February 1999, Duncan-Smith Investments, Co. agreed to temporarily defer principal repayments on the note for February and May 1999. In consideration, the interest rate was increased to 13% until such time as the original payment schedule became current. Effective January 21, 2000, DII entered into a loan with Banc of America Commercial Finance Corporation ("BACFC") and repaid the indebtedness to Duncan-Smith Investments, Co. in full. However, as an accommodation to the Company, Duncan-Smith Investments, Co. pledged a certificate of deposit for \$150,000 to BACFC to secure the loan. During 2001, DII paid a fee to Duncan-Smith Investments, Co. of \$2,812.50 for providing this collateral and the pledge was released in August 2001. In June 2001, Duncan-Smith Investments, Co.'s warrant to purchase 650,000 shares of common stock at \$0.25 per share was exchanged for a warrant to purchase 10,000 shares of Series C preferred stock at \$2.00 per share.
<PAGE>

A number of related party transactions occurred in connection with the change in control and reorganization of the Company in 2001. The reorganization transactions occurred in two parts:

- o On June 21, 2001, the Company acquired from Obsidian Capital Partners, L.P., Mr. Durham and certain other shareholders all of the shares of Pyramid Coach, Inc. ("Pyramid"); Champion Trailer, Inc. ("Champion") and U.S. Rubber Reclaiming, Inc. ("U.S. Rubber").
- o On July 31, 2001, the Company acquired from Obsidian Capital Partners, L.P. and Mr. Durham substantially all of the assets of United Acquisition, Inc., which the Company now operates as United Expressline, Inc. ("United").

Prior to these transactions, U.S. Rubber and United had incurred fees due to Obsidian Capital Company, a company controlled by Messrs. Durham and Whitesell, in connection with the transactions by which those companies were acquired by Obsidian Capital Partners, LP. In addition, Danzer incurred a fee to Obsidian Capital Company in connection with the reorganization transactions. The fees for the acquisition and financing of the Danzer transaction was \$600,000. The fee for the U.S. Rubber transaction was \$760,000. The fee for the United acquisition was \$600,000.

At October 31, 2001, the Company owed Obsidian Capital Partners, LP, the majority shareholder of the Company, the approximate amount of \$2,170,000. The advances made to the Company by Obsidian Capital Partners, LP were comprised of \$1,222,000 in advances to provide working capital and to fund losses of Champion, \$279,806 to fund the professional fees with respect to the Forms 8-K and 10-Q that were filed with the SEC in connection with the reorganization, \$363,919 to pay the cost of closing the reorganization transactions on June 21, 2001, and \$293,652 to complete the closing of the purchase of United.

At October 31, 2001, the Company owed Obsidian Capital Company \$624,317 for

funds advanced to Champion to fund the completion of trailers for resale to third party customers.

DW Leasing owed Messrs. Durham, Whitesell and Osler, officers and directors of the Company, the total amount of approximately \$300,000 at October 31, 2001. These amounts were advanced by them to DW Leasing prior to the purchase by the Company of Pyramid and the DW Leasing coach assets.

United advanced Obsidian Capital Company \$216,000, as a part of the closing of the purchase of the United transaction. The amount was paid back to United subsequent to year-end.

For the year ended October 31, 2001, the Company paid Obsidian Capital Company rent expense of \$15,000 for the use of office space.

COMMON STOCK OWNERSHIP BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth information with respect to beneficial ownership of common stock as of August 20, 2002, by (i) all persons known to the Company to be the beneficial owners of five percent or more of the common stock, (ii) each director of the Company, (iii) the chief executive officer and each of the Company's other most highly compensated executive officers whose total annual compensation for 2001, based on salary and bonus earned during 2001, exceeded \$100,000 (the "named executive officers"); (iv) the current executive officers; and (v) all Company directors and executive officers as a group. This table does not include shares of common stock that may be purchased pursuant to options not exercisable within 60 days of the record date. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

<PAGE>

<TABLE>

Name and Address of Beneficial Owner	Common Stock		Series C Preferred Stock	
	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Executive Officers and Directors:				
<S>	<C>	<C>	<C>	<C>
Timothy S. Durham (1)	88,267,469	76.9%	3,942,193	89.1%
Terry G. Whitesell (2)	82,030,360	73.8%	3,755,869	84.9%
D. Scott McKain	810,100	2.2%	--	--
Jeffrey W. Osler (3)	75,944,580	68.3%	3,755,869	84.9%
Goodhue W. Smith, III (4)	298,334	*	5,000	*
John A. Schmit (5)	5,000,000	13.9%	--	--
All current officers and directors as a group (6)	102,088,943	88.8%	3,947,193	89.2%
Former Chief Executive Officer:				
M. E. Williams (7)	971,206	2.6%	44,125	*
Other 5% Shareholders:				
Obsidian Capital Partners, L.P. (8)	--	--	3,755,869	84.9%
Richard W. Snyder	1,946,667	5.4%	--	--
Huntington Capital Investment Company (9)	--	--	386,206	8.7%

*less than one percent

- (1) Includes 7,308,103 shares of common stock directly owned by Mr. Durham; 2,088,366 shares held by Diamond Investments, LLC, for which Mr. Durham serves as Managing Member and for which shares Mr. Durham may be deemed to share voting and dispositive power; 3,755,869 shares of Series C preferred stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; 186,324 shares of Series C preferred stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as Chairman and fifty percent owner of Fair Holdings, Inc.; and 27,140 shares of common stock over which Mr. Durham shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Durham due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Durham is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.
- (2) Includes 6,889,840 shares of common stock directly owned by Mr. Whitesell; 3,755,869 shares of Series C preferred stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares; and 27,140 shares of common stock over which Mr. Whitesell shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Whitesell due to his position as a managing member of Durham Whitesell and Associates, LLC, which directly owns such shares. The address of Mr. Whitesell is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.

- (3) Includes 827,200 shares of common stock directly owned by Mr. Osler; and 3,755,869 shares of Series C preferred stock over which Mr. Osler shares voting and dispositive power and that may be deemed to be beneficially owned by Mr. Osler due to his position as a managing member of Obsidian Capital Company, LLC, which is the general partner of Obsidian Capital Partners, LP, which directly owns such shares. The address of Mr. Osler is 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204.
- (4) Includes 81,667 shares of common stock directly owned by Mr. Smith; 116,667 shares of common stock owned by Duncan-Smith Investments, Inc., of which Mr. Smith is an owner; and 5,000 shares of Series C preferred stock directly owned by Mr. Smith. The address is Mr. Smith is 711 Navarro, Suite 740, San Antonio, Texas 78205.
- (5) Consists of shares that may be acquired pursuant to convertible debentures issued by the Company on July 19, 2001, to two trusts of which Renaissance Capital Group, Inc., serves as investment manager and investment advisor. Mr. Schmit is an executive officer of Renaissance Capital Group, Inc. He disclaims beneficial ownership of any securities of Registrant held by Renaissance Capital Group, Inc. The address of Mr. Schmit is 8080 North Central Expressway, Suite 210, Dallas, Texas 75206.
- (6) Includes 3,755,869 shares of Series C preferred stock over which Obsidian Capital Company, LLC shares voting and dispositive power and that may be deemed to be beneficially owned by Obsidian Capital Company, LLC due to its position as the general partner of Obsidian Capital Partners, LP, which directly owns such shares; and 186,324 shares of Series C preferred stock directly owned by Fair Holdings, Inc.
- (7) Includes 88,706 shares of common stock directly owned by Mr. Williams; and 44,125 shares of Series C preferred stock owned by Mr. Williams. Mr. Williams resigned as Chief Executive Officer on June 21, 2001.
- (8) Includes 3,755,869 shares of Series C preferred stock directly owned by Obsidian Capital Partners, LP. Voting and dispositive power over the shares of Series C preferred stock may be deemed to be held by Obsidian Capital Partners, LP, Obsidian Capital Company, LLC and the managing members of Obsidian Capital Company LLC, which include Messrs. Durham, Whitesell and Osler.
- (9) Based on the information reported in a Schedule 13G filed with the SEC on August 6, 2001.

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PERFORMANCE GRAPH

The Securities and Exchange Commission requires the Company to include in this Proxy Statement a line graph comparing the Company's cumulative five-year total stockholder returns on Common Stock with market and industry returns over the past five years. The following chart compares the yearly percentage change in the cumulative total shareholder return on the common stock from October 31, 1997 through October 31, 2001, with the cumulative total return on the Nasdaq Stock Market and issuers with similar market capitalizations. The Company does not believe it is feasible to provide a comparison against a group of peer companies on an industry or line-of-business basis, as there is an insufficient number of similar publicly traded companies with businesses comparable to the Company's business. The comparison assumes \$100 was invested immediately prior to such period in common stock and in each of the foregoing indices and assumes reinvestment of dividends. Dates on the following chart represent the last day of the indicated fiscal year. The Company paid no dividends during the period.

[Graph Not Included in Edgar Filing]

<TABLE>

<S> Company Name / Index	Base Period	Years Ending				
	<C> Oct96	<C> Oct97	<C> Oct98	<C> Oct99	<C> Oct00	<C> Oct01
OBSIDIAN ENTERPRISES INC	100	40.06	27.24	19.23	67.31	80.13
NASDAQ INDEX COMPOSITE	100	130.46	145.02	242.85	275.86	138.37
PEER GROUP	100	96.72	49.55	37.79	37.03	5.71

</TABLE>

CHANGE IN INDEPENDENT ACCOUNTANT

As previously reported in a Current Report Form 8-K filed on November 13, 2001, the Audit Committee of the Company's Board of Directors decided on November 7, 2001, to dismiss Linton, Shafer & Company, P.A. ("Linton Shafer") as the Company's independent auditors. The audit reports of Linton Shafer on the consolidated financial statements of the Company as of and for the years ended October 31, 2000 and 1999 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended October 31, 2000 and 1999 and the period following October 31, 2000, there were no disagreements between

the Company and Linton Shafer on any matter regarding accounting principles or practices, financial statement disclosure, or auditing scope or procedure. A letter from Linton Shafer confirming the statements set forth in this Item 9 was attached as Exhibit 16 to the Current Report on Form 8-K filed on November 13, 2001.

On November 7, 2001, the Board of Directors engaged McGladrey & Pullen, LLP ("McGladrey") as the Company's new independent auditors. During the fiscal years ended October 31, 2000 and 1999 and during the period following October 31, 2000, the Company did not consult McGladrey regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice provided that McGladrey concluded was an important factor considered by the Company in reaching a decision as to an accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

McGladrey & Pullen LLP's fees for the calendar year 2001 audit, other audit work in connection with other filings with the Securities and Exchange Commission, and review of Forms 10-Q were \$407,371 all of which has been paid. McGladrey & Pullen, LLP did not render any services related to financial systems design and implementation or any other non-audit services for the year ended October 31, 2001.

<PAGE>

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Upon the recommendation of the Audit Committee, the Board of Directors has selected McGladrey & Pullen, LLP as the Company's independent auditors for the fiscal year ending October 31, 2002. This selection is being presented to the Stockholders for their approval at the Annual Meeting. If the stockholders do not approve this selection, the Board of Directors will reconsider its choice. Representatives of McGladrey & Pullen, LLP will be present at the Annual Meeting to respond to appropriate questions and to make such statements as they may desire.

The Board of Directors Recommends that stockholders vote For the ratification of the appointment of McGladrey & Pullen, LLP as the Company's independent auditors for fiscal year 2002.

ADDITIONAL INFORMATION

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Executive officers and directors of the Company and owners of more than 10 percent of the Company's Common Stock are required to file reports of their ownership and changes in their ownership of the Company's Common Stock with the Securities and Exchange Commission. Copies of these reports also must be furnished to the Company. Based solely upon a review of copies furnished to the Company through the date of this Proxy Statement or written representations that no reports were required, the Company believes that its executive officers, directors and 10% stockholders complied with the 2001 filing requirements except that the Form 3 Initial Statement of Beneficial Ownership of Securities for Mr. Schmit was filed late.

EXPENSES

In addition to solicitation by mail, proxies may be solicited personally or by telephone or facsimile or electronic mail, by certain directors, officers and employees of the Company, who will not be specially compensated for such solicitation. No solicitation of proxies will be made by paid solicitors. The Company will bear all expenses in connection with the solicitation of proxies.

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STOCKHOLDER PROPOSALS FOR 2003 ANNUAL MEETING

Any stockholder who wishes to have a proposal considered for inclusion in the Company's Proxy Statement for the fiscal 2003 annual meeting of stockholders must submit the proposal in writing so that the Company receives it by May 2, 2003. Proposals should be addressed to the Company's Secretary, 111 Monument Circle, Suite 4800, Indianapolis, Indiana 46204. Stockholders who wish to bring proposals before the annual meeting without having the proposals considered for inclusion in the proxy statement must submit the proposals in writing to the Company's Secretary no later than July 17, 2003.

ANNUAL REPORT

The Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001 accompanies this Proxy Statement. The Annual Report includes the audited balance sheets of the Company and its subsidiaries on a consolidated basis for the fiscal years ended October 31, 2000 and 2001, and the audited statements of income and cash flow for the fiscal years ended October 31, 1999, 2000 and 2001, and the report thereon of the independent auditors.

OTHER MATTERS

Then in July 2001, Partners completed the acquisition of the assets of United Expressline, Inc., a trailer manufacturer with operations in Bristol, Indiana and White Pigeon, Michigan. Partners then exchanged its shares in United for additional Danzer Corporation stock, resulting in Partners and its affiliates owning a majority of the issued and outstanding voting shares of Danzer Corporation.

Also in 2001, the shareholders approved a name change from Danzer Corporation to Obsidian Enterprises, Inc. We completed fiscal 2001 with five operating entities (including Danzer Industries). These entities had combined gross revenues on a pro forma basis for the ten-month period ended October 31, 2001 exceeding \$53 million.

The details for the 2001 fiscal year are shown in the Form 10-K that we filed with the Securities and Exchange Commission, which is attached.

In addition to the change of our official headquarters to Indianapolis, Indiana and the continued service of our senior management team, we have added Barry S. Baer as our EVP/Chief Financial Officer to ensure we meet the rapidly evolving fiscal reporting requirements. The entire Obsidian Enterprises team is dedicated to profitably growing your company and enhancing shareholder value.

To achieve this goal, we have put in place a number of management tools to monitor individual operating entity progress and fully utilize the assets available to us. We are also in the process of refinancing our companies to put them on a stronger long-term financial footing.

We are excited about the prospects for the continuing growth of all of our operating subsidiaries. While continuing to focus on the growth and profitability of these Companies, we will also focus on new acquisitions that are compatible with our existing operations and on identifying acquisitions in new industries.

We look forward to our collective future and are hopeful we will see you at our Shareholder Meeting in Indianapolis, Indiana on September 27, 2002.

Sincerely,

Obsidian Enterprises, Inc.

Timothy S. Durham
Chairman and CEO

</TEXT>
</DOCUMENT>

EXHIBIT 15

CT Summation Edocs

Sender:	Rick Snow <rsnow@obsidianenterprises.com>
Recipient:	"timothy durham" <tsdurham@msn.com>
Subject:	Black Rock Acquisition Corp. - Shareholder Listing and % before and after Merger.xls
Date:	Mon, 16 Nov 2009 17:21:34 -0500

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 From: Rick Snow <rsnow@obsidianenterprises.com>
 To: "timothy durham" <tsdurham@msn.com>
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 Return-Path: rsnow@obsidianenterprises.com
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Black Rock Acquisition Corp. -

Sheet1

Before-Merger						After-Merger					
Obsidian Enterprises, Inc.											
Shareholder Listing	Cert.	Certificate	Brokerage	Total		Certificate	Brokerage	Total		New Cert.	
As of 1.27.06	Number #	Held	Accounts	Shares		Held	Accounts	Shares		Number #	
(1) Jeffrey W. Osler											
111 Monument Circe Suite 4800											
Indianapolis, IN 46204	OB.01224	16,202	272	16,474	0.53%	16,202	272	16,474	0.53%	OB 01300	
(2) Terry G. Whitesell											
111 Monument Circe Suite 4800											
Indianapolis, IN 46204	OB.01171	137,717	0	137,717	4.43%	137,717	0	137,717	4.43%	OB 01301	
(3) Durham Whitesell & Associates											
111 Monument Circe Suite 4800											
Indianapolis, IN 46204	OB.01225	542	0	542	0.02%	542	0	542	0.02%	OB 01302	

CT Summation Edocs

(4)	Timothy S. Durham											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	Lost/Replace	137,717	15,305	154,862	4.98%		153,919	15,305	171,064	5.50%	OB 01303
		OB.01256	1,840					1,840				OB 01309
(5)	Diamond Investments											
	C/O Timothy S. Durham											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	OB.01257	40,759	5,508	46,267	1.49%		503,591	5,508	509,099	16.37%	To be received
(6)	Obsidian Capital Partners											
	C/O Timothy S. Durham											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	OB.01136	1,807,492	0	1,807,492	58.13%		1,807,492	0	1,807,492	58.13%	OB 01304
		OB.01138										
(7)	Fair Holdings, Inc.											
	C/O Timothy S. Durham											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	OB.01139	241,039	0	241,039	7.75%		241,039	0	241,039	7.75%	OB 01305
		OB.01137										
(8)	Huntington Capital Investment Company											
	Attn: Mark Bahlman											
	41 S. High St											
	Huntington Center											
	Columbus, Ohio 43287-001	OB.01135	154,483	0	154,483	4.97%		0	0	0	0.00%	
(9)	D. Scott McKain											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	GL.00911	16,202	0	16,202	0.52%		16,202	0	16,202	0.52%	OB 01306
(10)	Wade Wolf											
	65710 Lutz RD											
	Constantine MI, 49042-9739	OB.01188	34,090	0	34,090	1.10%		34,090	0	34,090	1.10%	OB 01307
(11)	Bradley J Baker TTEE											
	Bradley J Baker Declaration of Trust DTD 9/8/04											
	23614 Wilson Road											
	Sturgis, MI 49091	OB.01233	136,361	0	136,361	4.39%		136,361	0	136,361	4.39%	OB 01308
(12)	Steve Blaising											
	111 Monument Cirlice Suite 4800											
	Indianapolis, IN 46204	GL.00910	16,202	0	16,202	0.52%		0	0	0	0.00%	
(13)	Beurt SerVaas											
	SerVaas Inc.											
	1000 Waterway Blvd											
	Indianapolis, IN 46202-2155	OB.01134	12,000	0	12,000	0.39%		12,000	0	12,000	0.39%	OB 01310
(14)	Dan E. Butt											
	H-E-B Investment and Retirement Plan Trust											
	750 East Mulberry, Suite											

CT Summation Edocs

	410											
	San Antonio, TX 78212	OB.01185	23,599	0	23,599	0.76%		23,599	0	23,599	0.76%	OB 01311
(14)	Dan E. Butt											
H.E. Butt Foundation												
P.O. Box 290670												
	Kerrville, TX 78209	OB.01277	3,654	0	3,654	0.12%		3,654	0	3,654	0.12%	OB 01312
	Total Black Rock Acquisition Shares		2,779,899	21,085	2,800,984	90.08%		3,088,248	21,085	3,109,333	100.00%	
	Public Shares				308,349	9.92%				0	0.00%	
	Total Shares Outstanding				3,109,333	100.00%				3,109,333	100.00%	
- Highlighted shareholders currently have lost certificates.												

Sheet2 Sheet3

Document Properties	
Author:	Rick
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Company:	Obsidian Enterprises

Attachments:	Black Rock Acquisition Corp. -
---------------------	--------------------------------

EXHIBIT 16

ok but have your cell phone with you so that you can get back to us as quickly as possible or rent a pager that vibrates. also leave access to your file s open etc. i think we are far enough along we can get by. but be as available as possible. we will submit to the state and see where they go. we maybe in panic mode at that point. tsd

Subject: RE: Schedule
Date: Tue, 17 Nov 2009 12:05:09 -0500
From: josler@obsidianenterprises.com
To: tsdurham@msn.com

It is trip I have been going on for 22 years to Hilton Head obviously if I need to cancel I will.

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Tuesday, November 17, 2009 11:53 AM
To: Jeff Osler
Subject: RE: Schedule

jeff where are you going. this is the most important week of our lives . anything that can be rescheduled. tsd

Subject: Schedule
Date: Tue, 17 Nov 2009 09:10:37 -0500
From: josler@obsidianenterprises.com
To: tsdurham@msn.com; twhitesell@obsidianenterprises.com;
chermann@obsidianenterprises.com; emcclure@obsidianenterprises.com;
tschlichte@obsidianenterprises.com; rsnow@obsidianenterprises.com

I will be out of the office starting tomorrow and the remainder of the week. I will have limited cell phone and email during the day but will get back to you as soon as possible. I will be back in the office on Monday.

111 Monument Circle Ste 4800
Indianapolis, In 46204
(p)317-237-4046
(f)317-237-5135
(c)317-694-2645

EXHIBIT 17

Thanks!

I will check emails and calls recvd every chance possible

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Tuesday, December 15, 2009 11:49 AM
To: Elizabeth McClure
Subject: RE: Thursday 12/17

sure

Subject: Thursday 12/17
Date: Tue, 15 Dec 2009 10:35:33 -0500
From: emcclure@obsidianenterprises.com
To: IMCEAEX-
_O=OBSIDIAN_OU=FIRST+20ADMINISTRATIVE+20GROUP_CN=RECIPIENTS_CN=TERRY@fairfinance.com;
tsdurham@msn.com

Would it be a problem for me to be off on Thursday? A month ago I volunteered to help at my son's school and forgot about it till they called me---I can pull up cash balances first thing before I leave the house Thursday and email Tim but after that I would not have internet access and limited cell phone & email---

Elizabeth McClure
Mang of Corp Admin. Services
Obsidian Enterprises
(p) 317.472.1483
(f) 317.237.0137
emcclure@obsidianenterprises.com

EXHIBIT 18

i think so but we will finalize tomorrow tsd

From: tgwdhw@msn.com

To: tsdurham@msn.com

Subject:

Date: Sun, 6 Dec 2009 21:10:15 -0500

Is Eggloff representing Obsidian and related compaies on the SEC issue?

EXHIBIT 19

Thanks!

Sent via BlackBerry from T-Mobile

From: Elizabeth McClure <emcclure@obsidianenterprises.com>
Date: Mon, 14 Dec 2009 14:05:01 -0500
To: Cora Victoriano <cora@nationallampoon.com>
Cc: timothy durham <tsdurham@msn.com>
Subject: Wire-10k

Per Tim I am sending 10,000 to your acct right now-thanks!

Elizabeth McClure
Mang of Corp Admin. Services
Obsidian Enterprises
(p) 317.472.1483
(f) 317.237.0137
emcclure@obsidianenterprises.com

EXHIBIT 20

tell him i am still sick and ted field is radar and i canceled it anyway because of illness.
tell him i never pay for food on the road at any company unless business entertaining . thats that.
no discussion.
also how much did cora say he was still owed? tsd

To: tsdurham@msn.com
Subject: Tom - chicago - I spoke to Danny...
Date: Thu, 12 Nov 2009 20:10:31 -0500
From: shanapolis@aol.com

Danny says you eat whether you're in Cali or Chicago and that he took the stance with Tom a long time ago that you don't get paid to eat on the road.
Let me know how/what to say to Tom...he calls me at least 3x a day about this. Danny says he is beligerant when it comes to these things.

Michelle has pre-paid his hotel w/ the OBSD corp card, but I confirmed it would not be used for food/parking or incidentals. I can have her go back in and change this if need be.

Also, Tom is "very worried about you talking to Radar before he can give you description of what he is doing on the tv side of things." He wants to meet with you tomorrow/Friday.
yay or nay? I told him you were better, but not well. And I said if you had a meeting with Radar I didn't know about it. :) (white lie)

s-

Shannon Frantz
Assn't to Timothy S. Durham
1650 Marlay Drive
Los Angeles, CA 90069
317-418-4433cel

EXHIBIT 21

Hey Mike,

Per Tim, no one is to use the gold corp. amex for personal use.

He reviewed the recent statement and wants to verify that the following charges will be billed back to you personally (via Cheryl) and paid back to Obsidian as soon as possible. (If something is a business expense please let me/us know!)

Also, please call Michelle at Wagonlit and have her put your personal credit card information on file so she can hit your card if it's airfare for personal use in the future.

These listed are only charges that appear to be personal. You will still get a copy of the statement as usual to appropriately code the other charges you incurred for bill backs.

Thanks!

Shannon

10/2 - Indianapolis airport parking \$54
10/9 - Lesley Bailey IND to MIA \$332.20
10/3 - Marathon gas \$35.83
10/4 - Target - \$71.88
10/6 - Indian Garden - \$16.20
10/8 - PayPal - \$107.50
10/11 - Rok Bar Miami \$129.44
10/12 - W Hotel South Beach - 1640.95
10/12 - W Hotel South Beach - \$4.96
10/28 - Lesley Bailey IND to LAX \$428.40

Total: \$2821.36

Shannon Frantz
Assn't to Timothy S. Durham
1650 Marlay Drive
Los Angeles, CA 90069
317-418-4433cel

EXHIBIT 22

How should I record the 100k that came in to your pers acct?

Typically the money came from Fair Finance (Ohio) to Fair Holdings (Indy)...then moved to DCI and then to you all thru the loans....this time you asked Doug to send it directly to your personal acct from Fair (Ohio)

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Monday, December 14, 2009 11:27 AM
To: Elizabeth McClure
Subject: RE: Tim-La Acct

have him send it to my Indpls acct for now

Subject: Tim-La Acct
Date: Mon, 14 Dec 2009 07:44:34 -0500
From: emcclure@obsidianenterprises.com
To: shanapolis@aol.com
CC: tsdurham@msn.com

I need Tim's account info on his LA acct for a wire --- ASAP!! (Please)

Acct#

Address on the acct

Bank Name

Bank Address

Bank ABA/Routing #

Thanks!

Elizabeth McClure

Mang of Corp Admin. Services

Obsidian Enterprises

(p) 317.472.1483

(f) 317.237.0137

emcclure@obsidianenterprises.com

EXHIBIT 23

Exhibit Documents Intentionally Omitted

EXHIBIT 24

Attached per your request –need your desires

EXHIBIT 25

IN THE BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO

IN RE:) CHAPTER 11
)
FAIR FINANCE COMPANY) CASE NO. 10-50494
)
DEBTOR.)
) BANKRUPTCY JUDGE:
) MARILYN SHEA-STONUM

- - - - -

TRANSCRIPT OF PROCEEDINGS BEFORE THE HONORABLE MARILYN
SHEA-STONUM, UNITED STATES BANKRUPTCY COURT JUDGE,
COMMENCING AT 9:37 A.M.,
OCTOBER 19, 2010.

- - - - -

Proceedings recorded by mechanical stenography,
transcript produced by court reporter.



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1 PROCEEDINGS

2 THE COURT: Judge Shea-Stonum. We are doing the
3 status conference in the Fair Finance Company Chapter 7 case by
4 telephone this morning. That's Case 10-50494.

5 I'll take appearances of those participating
6 telephonically.

7 MS. BURGAN: Kelly Burgan, counsel for the
8 Trustee.

9 MR. AVENI: Carl Aveni of the law firm Carlile,
10 Patchen & Murphy on behalf of Defendants Durham, Cochran and
11 City DCI.

12 MR. MORAN: Mike Moran, your Honor, on behalf of
13 the petitioning creditors and special counsel to Mr. Bash.

14 MR. MUCKLOW: David Mucklow as well.

15 MR. MATHENEY: Matthew Matheney of Frantz Ward on
16 behalf of Schwartz Advisors DBA Capital Advisors.

17 MS. LAZICH: Good morning, your Honor. Trish
18 Lazich with Ohio Attorney General Richard Cordray on behalf of
19 the Ohio Department of Commence.

20 MS. O'NEIL: Good morning, your Honor. Michael
21 O'Neil for Fair Finance Company.

22 MS. KLEINMAN: Good morning. Lenore Kleinman on
23 behalf of Daniel McDermott, the United States Trustee.

24 Mr. MCCALLEY: John McCalley on behalf of Obsidian
25 and DCI.

1 MR. PALMER: Luke Palmer on behalf of the
2 Wayne County litigants.

3 MS. HIGHLAND: Good morning, your Honor. Leslie
4 Highland on behalf of Westchester Insurance Company.

5 THE COURT: Is that now everybody?

6 Mr. O'Neil, I noted you entered an appearance for
7 Fair Finance Company and others entered appearances for
8 Obsidian and a couple other apparent affiliates of the debtor
9 entity.

10 First, Mr. O'Neil, does Fair Finance continue to have
11 an operating -- to have a Board of Directors?

12 MR. O'NEIL: Judge, I really don't know. We have
13 not had any activity or consultation with anyone since the
14 Trustee was appointed. I do not know whether there is a Board
15 or not.

16 THE COURT: As I understand it, there's a motion
17 pending with respect to a compromise between you and the
18 Trustee as to your firm's fees. Is that correct?

19 MR. O'NEIL: That's correct.

20 THE COURT: Okay. So would it be more appropriate
21 to note your appearance more on behalf of your firm or is
22 someone else handling that matter?

23 MR. O'NEIL: Judge, that's my heart's desire.

24 THE COURT: That's not an answer to the question.
25 Are you appearing with respect to that matter or is someone

1 else in your firm addressing those matters with the Trustee?

2 MR. O'NEIL: I personally am addressing the matter
3 of the tax fees. And as your Honor is aware, we've tried to
4 resign, but that's pending.

5 THE COURT: And same question for counsel who
6 entered an appearance for Obsidian. Is there -- do you have a
7 client contact?

8 MR. MCCALLEY: Your Honor, this is John McCalley.
9 We do have a client contact for Obsidian.

10 THE COURT: And who is the client contact?

11 MR. MCCALLEY: There are a couple, but one would
12 be Elizabeth McClure, who is an employee of Obsidian, and
13 Timothy Durham.

14 THE COURT: And I confess to not being the fastest
15 note taker in the world. There were -- after Mr. O'Neil had
16 introduced his appearance, there were several appearances
17 entered for affiliates -- or apparent affiliates of the debtor
18 entity. Besides Obsidian, there was DCI. Same question to
19 counsel with respect to DCI. Do you have a client contact?

20 MR. MCCALLEY: Your Honor, this is John McCalley
21 again. For DCI, my client contact is Timothy Durham.

22 THE COURT: I'll hear from Trustee's counsel with
23 respect to the status. I have read the status report that was
24 filed and note -- and have taken note of the items therein.
25 But if there's anything you wish to call out in particular with

1 respect to any of those matters, please do so.

2 MS. BURGAN: Your Honor, Kelly Burgan. As your
3 Honor has indicated, you reviewed the report, and I don't need
4 to belabor the items in it. We would like to highlight the
5 fact that the auction of the artwork was held on Saturday,
6 after an extensive advertising campaign. We did advertisements
7 in national art publications, those particularly geared towards
8 modern art. We also advertised locally in newspapers where we
9 felt there might be the most interest due to the notoriety of
10 the case, such as Los Angeles, Indianapolis and Akron. And we
11 also liberally granted interviews with the media, both counsel
12 and our retained auctioneer, which resulted in numerous
13 published and television reports regarding the auction, which
14 resulted in a good turnout, and we feel an auction which truly
15 bested the market with respect to these pieces.

16 And based on some of the estimates and even though
17 it's very difficult if not impossible to estimate how artwork
18 will sell or what bids will be received, what the reports we
19 were seeing were pretty low. And the total received is
20 approximately 4 times the minimum -- the aggregate of the
21 minimum bids on all the pieces. All in all, although it is a
22 drop in the bucket in terms of the total claims we anticipate,
23 you know, it did well in terms of the estimated value of the
24 pieces.

25 THE COURT: And I believe that I had noted on the

1 record at the last status conference that I might simply go to
2 the website that had been set up by the auctioneer to look at
3 the pieces. One could have wished that Mr. Durham had more --
4 that his collection wasn't so dominated by Peter Max pieces, I
5 guess is the best way to say it, because those are pretty
6 easily obtainable. So I congratulate the Trustee on the
7 results of the auction. Okay.

8 (Concluded transcription, per Mr. Esmont, at 9:46 a.m.)

9 - - - - -

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CERTIFICATE

I, Cheryl L. Baker, court approved transcriber,
certify that the foregoing is a correct transcript
from the official electronic sound recording of the
proceedings in the above-entitled matter.

Cheryl L. Baker

Signature of Approved Transcriber

12-2-10
Date

Cheryl L. Baker

Typed or Printed Name

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6: 3
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4:15

EXHIBIT 26

Sender:	timothy durham <tsdurham@msn.com>
Recipient:	Terry Whitesell <twhitesell@obsidianenterprises.com>
Subject:	RE:
Date:	Wed, 18 Nov 2009 09:30:49 -0800

tomorrow or friday

Subject: RE:
Date: Wed, 18 Nov 2009 12:26:07 -0500
From: twhitesell@obsidianenterprises.com
To: tsdurham@msn.com

Ok-when do you think it will be submitted for approval to ohio

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Wednesday, November 18, 2009 11:26 AM
To: Terry Whitesell
Subject: RE:

not yet. lets get it cleared thru ohio first

Subject: RE:
Date: Wed, 18 Nov 2009 11:14:57 -0500
From: twhitesell@obsidianenterprises.com
To: tsdurham@msn.com

Ok do you want mike to change info on web site

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Wednesday, November 18, 2009 11:12 AM
To: Terry Whitesell
Subject: RE:

i cant because i have to put him on fairs brd for independence. tsd

Subject: RE:
Date: Wed, 18 Nov 2009 11:05:32 -0500
From: twhitesell@obsidianenterprises.com
To: tsdurham@msn.com

I will do anything you feel best so proceed as needed-one additional idea is make Scott chairman since he is vice chairman-I am at Classic today but available on tne cell phone as needed or e mail

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Tuesday, November 17, 2009 12:40 PM
To: Terry Whitesell
Subject:

terry part of the ohio state issue is the related party shit. if i stepped down as managuing member of obsd capital partners and made you managing member , then we are related other than i am a

significant shareholder but as it turns out still less than 50%.
i am also still chair. could you take on the managing membr role and chairmanship. then we have formal separation. call to discuss when free.
i think it will optically look better at the state andthe public. tsd

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Content-Transfer-Encoding: quoted-printable

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From: timothy durham <tsdurham@msn.com>
To: Terry Whitesell <twhitesell@obsidianenterprises.com>
Subject: RE:
Date: Wed, 18 Nov 2009 09:30:49 -0800
Importance: Normal
In-Reply-To: <05B0C9FE6A5C2B4CA69950CC1B84F46001FC154F@ffs-ex01.FFS.local>
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MIME-Version: 1.0

EXHIBIT 27

Sender:	"Terry Whitesell" <twhitesell@obsidianenterprises.com>
Recipient:	"Tim Durham (MSN)" <tsdurham@msn.com>
Subject:	RE: USSR loan Agreement.
Date:	Sat, 14 Feb 2009 10:03:47 -0500

Hers is what I think we should do to make sure all stays ok.

- I will issue a formal letter to you announcing I am resigning as President of OEI effective March 1st or as quick as I can get the company arrangements made
- You will assume on paper the additional title of president
- I will serve as a consultant to DCI receiving an office and compensation equal to the car allowance now being received and an amount for insurance (I am working on an arrangement to go on medicare and would only require a small policy amount)
- I would as a consultant continue doing what I presently do unless you feel other wise.
- I would "apply" to United, Classic and USRR for a job doing consulting work for them-they would not then have to pay tax ect for my employment

I think this would keep us clear of bank questions

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Friday, February 13, 2009 3:14 PM
To: Terry Whitesell
Subject: RE: USSR loan Agreement.

terry lets do that if it isnt too much of a pain in the ass. also will that affect yopur health ins? tsd

Subject: FW: USSR loan Agreement.
Date: Fri, 13 Feb 2009 14:08:17 -0500
From: twhitesell@obsidianenterprises.com
To: tsdurham@msn.com

Looking at my salary and trying to determine if it could be all or partially paid by United, classic or USRR I have had Tony reviewing the loan document and got his view as you can see following. I would think if I was listed as an employee it might not create much issue as I doubt it would be caught as long as the amount was not the full amount. If we did it as some form of consulting agreement paying an amount back to DCI or who ever obviously that is easier but might have questions if found. Classic docs are ok on a take out by us up to \$50,0000 (if they can afford).

Just using my total wage as below and percentaging it to each company on the basis of their sales dollar I would thing its too big of a hit to them. Think on this and let me know your view:

TW pay from OEI \$185,000
 TW pay from other \$ 31,000
 Total \$215,000

As percent of sales to total sales of total three companies it would need to be split as follows:

Classic \$32,250
 United 137,600
 USRR 45,150
 Total \$ 215,000

From: Tony Schlichte
Sent: Friday, February 13, 2009 1:44 PM
To: Terry Whitesell
Subject: RE: USSR loan Agreement.

Neither Agreement will allow money to be taken out. Having said that, if we were to try to get some money, I would use United as I doubt Mark would catch on to what we were doing. If we call any payment something other than a management fee, we could get away with it. With the sensitivity of payments to OEI that Webster has expressed, I would not recommend we attempt with USRR.

Anthony P. Schlichte
 Executive Vice President
 Obsidian Enterprises, Inc.
 (317) 237-4037
tschlichte@obsidianenterprises.com

-----Original Message-----

From: Terry Whitesell
Sent: Friday, February 13, 2009 1:31 PM
To: Tony Schlichte
Subject: RE: USSR loan Agreement.

From your analysis of the two bank docs do you feel we can have them pay to Obsidian, DC Investments or some entity a monthly fee which can be utilized to off set some of our wages? I would obviously feel we could have one of us on a payroll with them and a pay check be issued with out them in particular being alerted but that is some what a pain to who ever is on the check plus company paying out tax ect-whats your feeling?

From: Tony Schlichte
Sent: Friday, February 13, 2009 12:51 PM
To: Terry Whitesell
Subject: USSR loan Agreement.

CT Summation Edocs

I reviewed this agreement and determined the following:

Section 7.6 Prohibits loans, advances or extensions of credit to any person, affiliate or subsidiary.

Section 7.7 Prohibits dividends unless we were a sub S corporation which we are not.

Section 7.8 Prohibits compensation to the Principal (Tim) or senior management in excess of 110% of the previous year's compensation

Section 7.11 Prohibits all transactions with Affiliates not in the ordinary course of business on terms not more favorable than any transaction with any other company.

Section 7.8 may be the only one we could possibly stretch to get funds to us and that would be difficult.

If you want me to look at anything else, let me know.

Anthony P. Schlichte

Executive Vice President

Obsidian Enterprises, Inc.

(317) 237-4037

tschlichte@obsidianenterprises.com

Content-Type: text/html; charset="us-ascii"
Content-Transfer-Encoding: quoted-printable

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MIME-Version: 1.0
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Subject: RE: USSR loan Agreement.
Date: Sat, 14 Feb 2009 10:03:47 -0500
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X-MS-TNEF-Correlator:
Thread-Topic: USSR loan Agreement.
Thread-Index: AcmOGNsSVIDw6V/8S1+YvCsulF3GfAAmqQNW
References: <D663AC8030F1684792C293EC12B28C84018B056E@ms2.OBSENT.COM> <BAY104-W133D22FCD5088B9C314F33C5B80@phx.gbl>
From: "Terry Whitesell" <twhitesell@obsidianenterprises.com>
To: "Tim Durham (MSN)" <tsdurham@msn.com>
Return-Path: twhitesell@obsidianenterprises.com
X-OriginalArrivalTime: 14 Feb 2009 14:57:30.0540 (UTC) FILETIME=[8F408EC0:01C98EB4]

TW

Memorandum

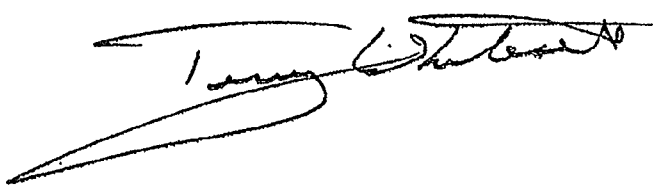
To: Timothy Durham
CC:
From: Terry Whitesell
Date: February 1, 2009
Re: Resignation notice

As we have previously discussed given the status of the present business economy it's time for my departure from Obsidian Enterprises, Inc. It has been a very enjoyable and pleasurable period working with you and all the people associated with Obsidian and the affiliate companies.

I will work with you and the staff for determination of the final date however it is projected to be between March 1st and 15th of 2009.

My immediate plans will be to once again develop my consulting business that I was involved previously and hopefully develop you as a client.

Thank you



tw

TGW CONSULTING

To: Mr. Tim Durham
CC:
From: Terry Whitesell
Date: March 3, 2009
Re: consulting services

As you are aware I recently have resigned as President of Obsidian Enterprises, Inc. and have decided that I would like to continue involvement in manufacturing and would appreciate your consideration of my credentials and ability to assist DCL.

My experience includes:

- President of Obsidian Enterprise
- Executive Vic President of Carpenter Manufacturing
- President of Wayne Corporation
- President Richmond Power and Light Board of Directors
- Member Richmond In City Council
- Member board of Directors West End Bank, Richmond, In

I have had extensive experience in manufacturing, distribution and general management including P & L responsibility for operation employing as many as 900 employees.

I would provide services as requested to you for a flat amount per month with no required benefits which we can discuss.

I will be more then happy to discuss such an arrangement with you at your pleasure

Thank you

EXHIBIT 28

IN THE UNITED STATES DISTRICT
FOR THE NORTHERN DISTRICT OF ALABAMA
NORTHEASTERN DIVISION

TAZEWELL SHEPARD, TRUSTEE
FOR THE BANKRUPTCY ESTATE OF
FLOYD RANDALL BOWERS,

Plaintiff,

vs.

DIAHOND INVESTMENTS, LLC, et al.,
Defendants.

CAUSE NO.
5:06-CV-00721-IPJ

The deposition upon oral examination of
TIMOTHY DURHAM, a witness produced and sworn before
me, Paula A. Morgan, Notary Public in and for the
County of Hamilton, State of Indiana, taken on the
20th day of December, 2006, in the offices of
Obsidian Enterprises, Inc., 111 Monument Circle,
Suite 4000, Indianapolis, Marion County, Indiana,
pursuant to the Federal Rules of Civil Procedure.
This deposition was taken on behalf of the Plaintiff
in the above-captioned matter.

ASSOCIATED REPORTING, INC.
Two Market Square Center, Suite 940
251 East Ohio Street
Indianapolis, Indiana 46204
(317) 631-0940

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EXHIBIT INDEX

For the Plaintiff:

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19	30(b)(5)&(6) Notice of Deposition	8
20	8-9-04 letter from Presidential Finance	58

APPEARANCES

FOR THE PLAINTIFF:

Sam David Knight
GORDON & ASSOCIATES, LLC
600 University Park Place, Suite 100
Birmingham, Alabama 35209

FOR THE DEFENDANTS:

Robin L. Beardsley
SIROTE & PERMUTT
2311 Highland Avenue South
Birmingham, Alabama 35205

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4

TIMOTHY DURHAM, the witness herein,
having been first duly sworn to tell the truth, the
whole truth, and nothing but the truth, was examined
and testified as follows:

EXAMINATION,

QUESTIONS BY MR. KNIGHT:

Q Mr. Durham, my name is Sam David Knight. I represent
the plaintiffs in the lawsuit we're here today. Have
you ever given a deposition before?

A Yes.

Q How many times?

A Five to ten.

Q Okay. Tell me about each of those, please, the
circumstances of the case, when they took place.

A Oh, I don't remember most of them. Several of them
were when I was the president of a company that
manufactured school buses. And I believe many of
them related to product liability issues.

Q Okay.

A There were some other cases involving the school bus
company over product supply issues. And I can't
remember the others. The most recent suit involved a
lawsuit we brought against a company that we believed
breached a non-compete when selling a company to us
about six years ago.

5

1 Q Okay. And when were you deposed? Six years ago?
 A No, no, no. We sold the company six years ago. The
 3 deposition was about a year ago.
 Q And your company brought suit?
 5 A Yes.
 6 Q You were the plaintiffs?
 7 A Uh-huh.
 8 Q On whose behalf did you bring suit in that case,
 9 Obsidian?
 10 A I think it was Obsidian, yeah.
 11 Q What was the result of that case?
 12 A The defendants settled.
 13 Q Are you currently involved in any other lawsuits
 14 other than the one we're here for today?
 15 A Yes.
 16 Q Tell me about that.
 17 A One suit, Old National Bank had a note come due on
 18 some coaches at this same company. And they just
 19 sued for that, but that probably will settle within
 20 the next week.
 21 Q Coaches at what same company?
 22 A Pyramid Coach. That's the name of the company that
 23 brought suit a year ago.
 24 Q Okay.
 25 A It's a coach-leasing company based out of Nashville.

6

1 Q Pyramid?
 2 A Uh-huh.
 3 Q And Old National Bank sued Pyramid?
 4 A No, no. Well, they have -- I'm not sure who they
 5 sued, which entity they had the debt with. I think
 6 it was with Obsidian Leasing, which owned the
 7 coaches, and I think maybe Obsidian.
 8 Q Has Obsidian been involved in any other lawsuits in
 9 the past five years other than the ones we've talked
 10 about?
 11 A Not that I recall.
 12 Q Have you personally ever sued somebody or been sued?
 13 A I don't know if I was a personal plaintiff in that
 14 lawsuit or not.
 15 Q Which one?
 16 A The one a year ago. I may have been because I owned
 17 some of the coaches personally.
 18 Q And when you say the one a year ago, I'm confused.
 19 Are you talking about the breach of the covenant not
 20 to compete?
 21 A Yes. That was Pyramid.
 Q Okay. What was Old National Bank? Who did they sue?
 A Old National Bank had just a loan that came due on
 24 some coaches at the end of November, and they just
 25 brought suit to collect the debt.

7

1 Q Okay. And then was that also with Pyramid?
 2 A I think it was with Obsidian Leasing, which owned
 3 coaches managed by Pyramid.
 4 Q Any other lawsuits that you've been involved in that
 5 we haven't talked about?
 6 A A divorce --
 7 Q Okay.
 8 A -- eight years ago.
 9 Q That's not relevant to any of this. Anything else?
 10 Any others besides that?
 11 A Not that I can think of.
 12 Q What's the name of the company Obsidian sued on the
 13 breach of the covenant not to compete? Or did you
 14 sue an individual?
 15 A I think we sued Larry Michaels.
 16 Q What state was that in?
 17 A We brought the suit, I believe, in Tennessee.
 18 Q Did you sue any corporations?
 19 A We sued his bank and about, I think, twenty-seven
 20 other defendants.
 21 Q Okay.
 22 (Plaintiff's Exhibit 18 was marked for
 23 identification.)
 24 Q I'm going to show you what I've got marked as
 25 Plaintiff's Exhibit 18. This is your deposition

8

1 notice, your individual deposition notice. Have you
 2 seen that document before?
 3 A Yes.
 4 Q You see there's a document request on, I think,
 5 Page 3 of the deposition notice?
 6 A Is there? Uh-huh.
 7 Q Did you bring those documents with you today, or have
 8 they been previously produced by your attorneys?
 9 A I assume they've been previously produced.
 10 Q All right.
 11 (Plaintiff's Exhibit 19 was marked for
 12 identification.)
 13 Q And let me show you Plaintiff's Exhibit 19. That is
 14 the 30(b)(5) and 30(b)(6) deposition notice for
 15 Diamond Investments.
 16 A Uh-huh.
 17 Q Have you seen that before?
 18 A Yes.
 19 Q Okay. And it's my understanding you're going to
 20 serve as the corporate representative of Diamond
 21 Investments today?
 22 A Yes.
 23 Q Now, can I see it back for a second?
 24 A Sure.
 25 Q I want to go through -- well, just to make this easy,

9

1 you're the only member of Diamond Investments?
 A I believe my son is a member as well.
 Q Okay. What's your son's name?
 A Timothy Durham.
 Q Junior or third or --
 A I'm Timothy Shawn. He's Timothy Scott.
 Q Okay. So neither.
 A He's a one-percent owner. He was. I'm not sure if
 he still is.
 MR. KNIGHT: Do you know?
 MS. BEARDSLEY: Do I know what his --
 THE WITNESS: Am I the sole shareholder of
 Diamond Investments, do you know?
 MS. BEARDSLEY: I thought you were.
 THE WITNESS: Maybe I am. He was when I formed
 it. I don't think he is now.
 Q If he is not, if he doesn't have any interest now,
 when would he have been divested of that interest?
 A Probably four or five years ago.
 Q Okay. At the time you formed the LLC Quality
 Trailers For Less that we're going to talk about in
 detail later, did your son have any involvement in
 Diamond Investments?
 A No.
 Q Did he ever have any voting rights in Diamond

10

1 Investments?
 A No.
 Q So are you the sole decision maker?
 A I am.
 Q Okay. Are there any employees of Diamond
 Investments?
 A No.
 Q All right.
 A I take that back. I'm not sure. I don't think so.
 I don't think so. No, I don't think there is.
 Q Anybody else affiliated with Diamond at all other
 than you?
 A No.
 Q So it's your testimony that you're the 100-percent
 owner, you make all decisions, everything, for
 Diamond Investments?
 A Yes.
 Q So I don't have to go through -- you're the guy to
 talk to about all these subjects. I've got document
 requests here that start at the bottom of Page 2.
 I've asked for all of those documents from Diamond
 Investments. Did you bring those, or have you
 produced those?
 A Already been provided. I believe so.
 Q Okay.

11

1 MR. KNIGHT: So, Robin, you're saying we have all
 2 corporate records, to the extent they exist, of
 3 Diamond Investments?
 4 MS. BEARDSLEY: When you say corporate records, I
 5 mean, that are requested there, yes.
 6 MR. KNIGHT: Okay. Or in our request for
 7 production?
 8 MS. BEARDSLEY: Yes. To the best of my
 9 knowledge, everything's been produced to me, yes.
 10 MR. KNIGHT: Okay. I think we asked for pretty
 11 much all of their corporate records, minutes, that
 12 kind of thing, didn't we?
 13 MS. BEARDSLEY: I don't know.
 14 MR. KNIGHT: I'll check. If not, we'll get out a
 15 request.
 16 MS. BEARDSLEY: I have not seen any of those.
 17 Q Okay. Tell me your full name, please.
 18 A Timothy Shawn, S-H-A-W-N, Durham, D-U-R-H-A-M.
 19 Q What is your date of birth?
 20 A 7-16-1962.
 21 Q And what is your address?
 22 A Home or business?
 23 Q Home.
 24 A 14353 East 113th Street, Fortville, Indiana.
 25 Q Fortville?

12

1 A Fortville.
 2 Q Is that all one word?
 3 A Yeah. 46040.
 4 Q Now, Terry Whitesell, who I just deposed, told me a
 5 little bit about this, but I'm going to need to go
 6 into detail about the corporate structure of
 7 Obsidian, the companies you have holdings with,
 8 interests in, that kind of thing.
 9 A Sure.
 10 Q So I can ask you specific questions, or if you want
 11 to just give me a narrative about what your main
 12 business is, who's the holding company for who, that
 13 kind of thing.
 14 A In terms of Obsidian?
 15 Q Obsidian, all of them.
 16 A Everything I'm involved in corporately?
 17 Q Yes.
 18 A What time's your flight? You want to know every
 19 investment I have?
 20 Q Every investment in which you -- not if you own stock
 21 in, you know --
 22 A Yeah, I know stock in lots of different companies.
 23 MS. BEARDSLEY: Just Obsidian. He's asking about
 24 Obsidian.
 25 Q Well, I'm eventually going to ask about any you have

13

1 any sort of controlling interest in or any you have
 any voting rights in or you're on the board of
 directors or president or CEO. And if you own stock
 in Eli Lilly or whatever, I don't care about that.

5 A Yeah. I mean, I have stock and, in several cases, a
 6 substantial holding of stock of publicly traded
 7 companies.

8 Q Okay. I don't care about that. I just want to know
 9 about the ones you help run or have some authority
 10 over or some control.

11 A All right. In terms of a public company, National
 12 Lampoon. I'm a major shareholder and on the board of
 13 directors there.

14 Q What is National Lampoon? The company that does the
 15 magazine and the movies and --

16 A Well, we don't do magazines anymore. Almost all the
 17 movie and television productions.

18 Q Okay. You're on the board of directors?

19 A Uh-huh.

20 Q Do you have a title with the company other than being
 21 on the board of directors?

22 A No.

23 Q Do you own a controlling interest of the stock?

24 A I do, with Dan Laikin. We have a voting agreement
 25 that gives us voting control.

14

1 Q With Dan Laikin?

2 A Laikin, L-A-I-K-I-N.

3 Q So the two of you own stock together?

4 A He owns stock. I own stock. We have a voting trust.

5 Q All right.

6 A And let's see. I'm forgetting all the other
 7 corporations publicly that I own investments in. I
 8 have approximately a one-third interest in a local
 9 magazine called Indy Men's Magazine. I have a 50
 10 percent interest in another magazine called Car
 11 Collector, which is based in Titusville, Florida.

12 Q Is it a national magazine?

13 A Yeah, focusing on the car collector world.

14 Q Do you collect cars?

15 A Yes, I collect antique cars.

16 Q Okay.

17 A I have about a 20 percent interest and another voting
 18 control interest of a restaurant in Miami called
 19 Touch in South Beach.

20 Q Is that a public --

21 A No, it's not public. It's private. I have -- well,
 I don't have an interest in that anymore. I've got
 to think through all these. I have an interest in a
 24 company in Florida I own 100 percent of that produces
 25 replicas of old antique cars called Speedster. I

15

1 have --

2 Q You own that personally or --

3 A I'm not sure which entity. I have 100 -- if it's
 4 through Diamond or through me personally, I own 100
 5 percent of it. I think it might be through Diamond.
 6 And a lot of my investments are held in Diamond as
 7 well. I own 50 percent of DC Investments, which owns
 8 a company called Fair Holdings, which owns another
 9 company called Fair Finance, which is a financing
 10 company.

11 Q Okay.

12 A I think it's through my Web site. I'm trying to
 13 outline all of them outside of Obsidian first.

14 Q That's fine.

15 A There's a rubber regrinding -- cryogenic rubber
 16 regrinding operation in Canada called CCG that grinds
 17 fine rubber. I own, either I do or through Diamond,
 18 about 100 percent of that.

19 Oh, I'm on the board of directors of Maguzzi,
 20 which is a software company, which is basically a
 21 spinout of Eli Lilly to do Phase 4 testing. I don't
 22 even know how much of that I own.

23 I'm also on the board of directors of a company
 24 called Digonex, which is another software company,
 25 Internet-based software company. And, again, I don't

16

1 even recall how much I own of that. Do you want
 2 not-for-profits? I'm on a lot of not-for-profit
 3 boards.

4 Q Sure. Just tell me the ones you're on the boards of.

5 A Indianapolis Symphony Orchestra, the Auburn Cord
 6 Duesenberg Museum. There's another one I can't
 7 remember. Benjamin Franklin -- no, Benjamin Harrison
 8 Society. I think that's it, those three.

9 Let's see, what else? Oh, I own a surgery center
 10 north of Indianapolis. It's a cosmetic surgery
 11 center. Or half. I think I own half of it. And I
 12 have some real estate holdings around, too. I own
 13 different buildings.

14 Q Okay.

15 A I can actually get my Christmas card. It has all the
 16 logos. I think that's it. There's some other minor
 17 investments and companies and funds that I don't
 18 really have any participation in.

19 Q And those are the ones that are outside of Obsidian;
 20 is that correct?

21 A Yes.

22 Q Now tell me about Obsidian and the companies under
 23 Obsidian.

24 A Okay. Obsidian Enterprises is a holding company, and
 25 it holds a variety of different but I'll call basic

17

1 industry companies. United Trailer being one,
 2 Classic Trailer being another, Pyramid Coach, which
 3 is a coach-leasing company, U.S. Rubber Recycling in
 4 Mississippi. We used to own a company called Danzer,
 5 but we liquidated that this year. And I believe
 6 that's it under Obsidian.
 7 Q Okay. Why did you liquidate Danzer?
 8 A It had been losing money for about four years. We
 9 didn't think it was going to be able to turn around.
 10 Q Tell me, what does Classic Trailers do?
 11 A They manufacture cargo trailers.
 12 Q And that's the same thing United does, right?
 13 A Not exactly. The trailers that Classic manufactures
 14 are a little bit more high end than the trailers that
 15 United manufactures.
 16 Q Okay.
 17 A The average sales price of a Classic Trailer, I
 18 think, is about double of the average sales price of
 19 what a United trailer is.
 20 Q What is the average sales price of a Classic trailer?
 21 A Well, they used to be around \$9,000 to \$10,000. I
 22 don't know what it is in the last year.
 23 Q That's the average price of a Classic trailer?
 24 A Yes.
 25 Q Okay. So the average price of the United trailer is

18

1 \$4,500?
 2 A \$4,000, \$4,500, somewhere in there.
 3 Q Does Classic sell to end users or to dealers?
 4 A I believe to dealers.
 5 Q Okay. Are you sure?
 6 A I don't know that they don't sell to end users, but I
 7 know they do sell to dealers.
 8 Q Okay. What is your job title with Obsidian?
 9 A Chairman and CEO.
 10 Q So you're the overall boss, man in charge at
 11 Obsidian?
 12 A Yes.
 13 Q Do you answer to anyone at Obsidian?
 14 A Shareholders and board of directors.
 15 Q Who are the shareholders?
 16 A Oh, there are a number of them, somewhere under 300.
 17 I don't know all their names.
 18 Q Are you a shareholder?
 19 A Yes.
 20 Q Do you have a controlling interest?
 21 A I don't even know what percentage I have. It was a
 22 publicly traded company at one point. We went
 23 private, and I don't even know what I ended up with.
 24 Q You don't know if you have a controlling interest?
 25 A No, I don't know.

19

1 Q So it's possible you do?
 2 A It's possible.
 3 Q Who is on the board of directors?
 4 A Me, Terry Whitesell, Jeff Osler, Dan Lalkin, Bruce
 5 Johnston, Scott McKain, M-C-K-A-I-N. John Schmidt
 6 was on the board. He resigned.
 7 Q Why did he resign?
 8 A He was in a fund. And he took a job with another
 9 fund, and that new fund didn't own any part of our
 10 company. We were going to replace him, and I don't
 11 know that we ever did.
 12 Q Okay. Do you have any involvement in the day-to-day
 13 operations of United Expressline?
 14 A No.
 15 Q None at all?
 16 A No.
 17 Q Do you have any input in the day-to-day operations of
 18 any of these other four companies that you said are
 19 held by Obsidian, which is United, Classic, U.S.
 20 Rubber Recycling, and Danzer?
 21 A No.
 22 Q And Danzer is defunct now, right?
 23 A Danzer is defunct, yes.
 24 Q When did you all end Danzer?
 25 A Oh, it would have been spring of last year. Or this

20

1 year, spring of '06.
 2 Q Okay. Tell me about Diamond Investments. We
 3 established earlier that you are the sole owner and
 4 shareholder. You make all decisions. Is it an
 5 ongoing entity?
 6 A Yes.
 7 Q What sort of entity is it?
 8 A It's mostly a personal holding company. Its primary
 9 activity right now is really in automotive sales.
 10 Q And what are the holdings of Diamond Investments?
 11 A I really don't recall at this point what's personal
 12 or what's within Diamond. I know at one point we ran
 13 most of my personal investments through Diamond. I
 14 mean, I used to have various stock holdings,
 15 different companies, things like that. And then it
 16 has the auto dealership in it now.
 17 Q What's the name of the auto dealership?
 18 A Diamond Auto Sales.
 19 Q Does it control any other companies that you know of?
 20 A Not that I know of.
 21 Q So you control one business through Diamond, the auto
 22 dealership?
 23 A Well, the auto dealership plus whatever other
 24 investments are in Diamond, which I think most of
 25 them were probably passive.

21

1 Q Okay. Do you know if you have any right of control over any of the investments you have through Diamond?

2 A Yes.

3 Q Tell me which ones you have.

4 A I have right of control over all of them.

5 Q So you're the majority owner of --

6 A 100 percent owner.

7 Q I'm talking -- I know you are of Diamond. I'm saying --

8 A Right.

9 Q -- of the things Diamond owns -- and help me out here. Diamond owns some --

10 A Well, it would own stock in, like, Eli Lilly, for example, or something like that, own different stock.

11 Q That's what I'm saying. Other than -- go ahead. I'm sorry.

12 A And then, of course, Diamond Auto Sales, which is -- really, it's a DBA. It's not a separately incorporated entity.

13 Q Okay. That's what I'm saying. I mean, other than, like, stock holdings or even real estate holdings, any ongoing businesses that are controlled --

14 A No.

15 Q -- by Diamond other than the auto dealership?

16 A No. Just really pretty much the auto dealership as a

22

1 business, yes.

2 Q Okay. Now, is Diamond -- I guess this may be a dumb question. Is Diamond capitalized?

3 A You mean is the first letter capitalized?

4 Q No, no. Is it properly capitalized as far as capital funding? What I'm getting at is, is it a legitimate corporate structure?

5 A Oh, yes.

6 Q Okay. Are there any meetings held?

7 A I think we have to have a meeting once a year for whatever's required under Indiana law.

8 Q Okay. Who comes to that meeting?

9 A It would just be me.

10 Q Okay. What do you talk about?

11 A Not much. Mostly it's just signing documents, corporate resolutions or whatever, keep your corporate existence up.

12 Q Do you maintain corporate records?

13 A Yes.

14 Q Where are those kept?

15 A I believe here, in this office.

16 MR. KNIGHT: Robin, to the extent I don't have those, I would certainly like to get copies of the corporate records of Diamond.

17

18 MS. BEARDSLEY: I'll look back. I don't remember

23

1 if those were requested or not, but I'll --

2 MR. KNIGHT: I can get out another request for

3 production before the discovery cutoff if necessary,

4 but I do want those.

5 MS. BEARDSLEY: Okay.

6 Q Does Diamond have a corporate bank account?

7 A Yes. We do carry -- by the way, one other significant asset of Diamond Investments are loan receivables from various entities. I make a lot of loans through Diamond Investments.

8 Q Okay. Do you make loans to any of the other entities, like any of the ones controlled by Obsidian or --

9 A We used to through Diamond Investments, and then we consolidated all of those loans through, I believe, Fair Holdings or DC Investments if they were to one of our subsidiaries. Usually if it's to an individual or a company not in Obsidian, it's through Diamond Investments.

10 Q Do you personally have access to the corporate funds of Diamond?

11 A Yes.

12 Q Do you spend those on personal expenses or on any personal items?

13 A No.

24

1 Q Never?

2 A No, not that I ever recall.

3 Q Okay. Are Diamond's corporate funds and any of your personal funds commingled?

4 A Are they in the same account?

5 Q Yes.

6 A No.

7 Q Are they ever intermingled or commingled in any --

8 A There's transfers from my personal to Diamond quite often.

9 Q So you're careful not to spend any Diamond corporate funds on any of your -- say you want to purchase an antique car. You don't ever spend --

10 A No.

11 Q -- Diamond funds on that?

12 A If we purchase an antique car for the dealership, Diamond does it.

13 Q What if you want one individually?

14 A I would purchase it personally.

15 Q Out of your own account?

16 A Uh-huh.

17 Q And there's never any overlap, never any commingling?

18 A There's transfers back and forth. Diamond may need money from me for this or that, and I would put money into Diamond.

25

1 Q Okay.

2 A I don't know that I've ever taken money out of Diamond.

3 Q For personal use?

4 A Probably not. Usually we have loans in Diamond for floor plans, for example, for the cars. If the car is sold, it usually pays back the floor plan.

5 Q Okay. Is it possible that you've ever used any of Diamond's funds for personal expenses or use?

6 A Not that I recall.

7 Q Do you have access to the checking account for Diamond Investments?

8 A I have access through the people in accounting who handle it. I don't actually write checks or ever actually -- I don't even know frankly where the checking account is.

9 Q That's what I was going to get at. You said there are no employees of Diamond Investments.

10 A Right.

11 Q Who does your work for Diamond?

12 A Usually Jeff Osler or Elizabeth McClure handle the bookkeeping for virtually all the entities. But I don't believe that either of them is an actual employee of Diamond.

13 Q Okay. Who are they employed by?

26

1 A Jeff is employed by Obsidian, and I believe so is Elizabeth.

2 Q What's Elizabeth's last name again?

3 A McClure, M-C-C-L-U-R-E.

4 Q Do they both work in these offices we're in today?

5 A Yes.

6 Q Okay. Does Terry Whitesell do any work on behalf of Diamond?

7 A No.

8 Q Anybody else?

9 A Well, in the auto dealership I have a personal assistant that helps with the, oh, dealership tags and transfers when we sell a car.

10 Q What about the actual the actual employees of the auto dealership, the salesmen, the manager?

11 A There really isn't. We sell maybe ten to fifteen cars a year.

12 Q So it's this one person you're talking about who's the personal assistant?

13 A Yeah.

14 Q What's her name?

15 A Shannon Frantz, F-R-A-N-T-Z. She handles most of the titling and that kind of thing, dealership tags.

16 Q Okay.

17 A I can maybe clarify this a little bit more for you.

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1 I trade in high-end automobiles a lot, and I'm usually the one that's doing the deal. If I buy a car or resell a car, I'm the one doing it. It's not like we have a salesman or anything.

2

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5 Q You're hands-on?

6 A On that part of the business, yes. That would be the only one.

7

8 Q I think I can shortcut a lot of the questions I had to go through with Terry. I'm going to come back to the corporate structure in a minute, so I'm not done with that. But I want to knock some of this out.

9 Have you had any personal dealings with Randy or Anita Bowers or any employee of Quality Trailers For Less?

10

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15 A Personal dealings?

16 Q Yes. Have you ever met them, talked to them on the phone, exchanged e-mail or correspondence with them, anything.

17

18

19 A I understand that Randy was in the office once, and I don't actually recall if I met him or not.

20

21 Q Okay.

22 A I know I couldn't pick him out of a police lineup.

23 Q So your answer is you don't know if you've ever met --

24

25 A I don't recall meeting him.

28

1 Q Other than the time Randy was in the office, would you have ever spoken to him on the phone or exchanged any correspondence or anything?

2

3

4 A Not that I remember.

5 Q Who would have handled that for you?

6 A Probably Terry or the guys at United, which would have been Dave or Gary.

7

8 Q Tell me, why was Gary Stanley fired as president of United recently?

9

10 A I'm not sure I can talk about this. Can I talk about this?

11

12 MS. BEARDSLEY: Well, Gary testified yesterday, so --

13

14 A Is this public record? I suppose it is. Terry was not happy -- let me back up. United's performance over the last couple of years had declined primarily because of increased prices in steel and other commodities. And he didn't feel Gary had stayed on top of it and reacted quick enough to the marketplace to protect margins and thought he was just being too passive in his running of United and decided to let him go. But that's about as far as I know.

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22 Terry usually handles all the operations. He may consult me and say I think we need to get rid of Gary or whatever, and I would say your call. Your

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1 decision. As I understand it, that's why Terry let
 him go. You'd have to ask Terry if you wanted any
 further information.

2 Q Okay. You say you usually let Terry handle that kind
 3 of thing. Is that just for United, or is that for
 4 all of the companies held by Obsidian?

5 A It's all of the companies held by Obsidian and a few
 6 of the other investments. For example, he has a lot
 7 of oversight of Speedster Motor Cars. He has a lot
 8 of oversight of Car Collector Magazine. He's not
 9 involved in National Lampoon at all. He's not
 10 involved in Indy Men's Magazine. He's not involved
 11 in Maguzzi, Digonex, the surgery center. He has some
 12 oversight of CCG, but primarily Tony Schlichte has
 13 oversight of CCG?

14 Q Who is Tony Schlichte in relation to Obsidian? I've
 15 heard his name a few times.

16 A He is the vice president of Corporate Finance. I
 17 think that's his title. He handles mostly the bank
 18 dealings, and he oversees -- helps Terry with
 19 oversight of CCG and U.S. Rubber.

20 Q Were you ever aware that there was an accounts
 21 receivable problem with -- I'm going to call it
 22 Quality Trailers For Less. That's what they were
 23 called before you guys formed the LLC.

30

1 A Yes.

2 Q So if I'm talking about the LLC, I'll talk about the
 3 LLC. But prior to the formation of the LLC, were you
 4 aware there was a large accounts receivable problem
 5 with United and Quality Trailers For Less?

6 A Yes.

7 Q How were you aware of that?

8 A During the audit I was informed that there was a
 9 receivable that was seriously past due with Quality
 10 Trailers. And Gary and Dave, as I recall, thought
 11 that he was a pretty good -- is his name Randy?

12 Q Randy.

13 A Randy was a pretty good dealer. And they wanted to
 14 try to help him. And I agreed to buy the receivable
 15 from United so that they wouldn't have to take a
 16 write-off for it.

17 Q Okay.

18 A So I purchased the receivable more, frankly, to
 19 accommodate United than Randy.

20 Q Okay.

21 A But before that I really didn't know anything about
 him.

22 Q So the first you knew was right before the formation
 23 of the LLC?

24 A I believe we re-incorporated a company. I think that

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1 one of our lawyers said that if we re-incorporated a
 2 company with him -- and I don't know. I think maybe
 3 I owned a percent or five percent or something of the
 4 company -- we could somehow at least protect
 5 ourselves from him going bankrupt and writing the
 6 loan off.

7 Q Okay.

8 A Which that apparently didn't work.

9 Q Okay. I'll come back to that in a minute, but you
 10 said you purchased receivables or Diamond Investments
 11 has purchased other receivables?

12 A We make loans, originate loans. In that case we
 13 purchase the receivables. It's, in essence, making a
 14 loan.

15 Q Okay. Do you always enter into an LLC with the
 16 provision that you can take over the company if they
 17 don't repay?

18 A I have in certain cases, yes.

19 Q Tell me which specific cases you've done that.

20 A It usually depends if I make a loan to someone that
 21 I'm just not familiar with. When I make it to a
 22 friend or somebody else or if we have adequate
 23 security, if we do a security agreement and we have
 24 security on the assets and I don't think it's
 25 necessary, then we wouldn't do that.

32

1 I think in this case, if I recall, he had a bunch
 2 of trailers, owed us for them but had sold all the
 3 trailers, so there were no assets. So, as I recall,
 4 it was a completely unsecured loan. So there wasn't
 5 really any other way to try to get any type of
 6 control.

7 Q Okay.

8 A But if we can get a security agreement, that's our
 9 preferred, if there is an asset, preferred way to do
 10 it.

11 Q Do you know whether Mr. Bowers pledged any assets
 12 during the formation at the time of the formation of
 13 the LLC?

14 A I think he did. As I recall, maybe some office
 15 furniture. He certainly didn't have the trailers
 16 because he sold them and spent the money or lost the
 17 money or whatever. But I think it was just various
 18 office equipment or whatever he had, maybe some
 19 computers. I don't think he had a whole lot of
 20 assets. As I recall, the loan was largely
 21 uncollateralized.

22 Q Okay. Tell me again, why did you decide to go into
 23 business with this guy who you didn't know?

24 A I really did it on behalf of United, to help them
 25 out. Mostly at the suggestion of those guys, that

1 they wanted to try to resuscitate him as a dealer.
 Q And who suggested that?
 A It would have probably been Terry at the suggestion of Gary and Dave or whoever the sales manager was at the time. I don't really remember.
 Q Was there any discussion about the Web site owned by Quality Trailers?
 A I knew that he sold trailers through a Web site, but I think a lot of our dealers sell trailers through Web sites.
 Q Okay. Did you know that Randy had a very successful Web site that ranked high in the search engines?
 A I knew that he sold a lot of trailers. I didn't know if he sold them all through the Web or if he sold them on the lot. I really wasn't sure how he did it.
 Q And then was it your decision to propose this deal to Randy, the formation of the LLC?
 A Probably. That or one of the lawyers came up with it. I don't remember who actually thought it would work.
 Q Did you and Terry Whitesell discuss it prior to Randy coming up here for the meeting to discuss that?
 A I don't know if it was decided at that meeting or if it was discussed prior to that meeting or if that structure was thought of after the meeting. I don't

1 A I'm sure I did or whoever -- yeah, our attorney probably prepared them.
 Q Okay. But in these documents it does provide that if Randy's unable to make the payments, that Diamond becomes the controlling owner of the company?
 A Okay. I know that we put in -- I asked to put in something that would give me some sort of a measure to prevent him from going into bankruptcy and writing our debt off since it was an unsecured loan. That's all I remember.
 Q Did you have any interest in his Web site at the time you bought the receivable and became partners, I guess?
 A No. I really don't see a value in a Web site. You can create one for, what, five grand or something? So I don't think we even thought of that as an asset.
 Q Do you see value in a Web site that shows up on the first page of a Google search or a Yahoo search? Do you see any value in that?
 A No, because we can do that with every company we have. I think if you pay Google or Yahoo or that kind of thing, you get moved in the top one or two. And virtually every company we have tries to do that.
 Q Okay. Do you know how much it costs to be moved into the top one or two?

1 remember.
 Q Did you have any desire, when you proposed it, to take over Randy's business if in fact he wasn't able to comply with the terms of the formation of the LLC?
 A To take over his business?
 Q Right.
 A No.
 Q Were you interested in acquiring his business at all at the time?
 A No.
 Q Okay.
 A I was interested in getting paid.
 Q Okay. But the provision is in there. And let me -- we'll go through these in more details in a minute, but have you seen these documents? I've got it marked as Plaintiff's Exhibit 3 from Terry's deposition. It's got the Articles of Organization, the operating agreement, a couple of subscription agreements, a promissory note, security agreement, all sorts of things. Have you seen those documents?
 A Oh, yeah, when I signed them. If I signed these, I, yeah, saw them at the time.
 Q Okay. Did you look over those?
 A No.
 Q Did you have your attorneys look over those?

1 A It's not very much. I don't even recall that it's a significant number.
 Q \$10,000?
 A I've heard less. I think maybe a couple hundred bucks. I don't know what it is. I think it also depends -- and I'm not as attuned to Web site stuff, but I think it depends on how popular your search is or how popular that search is or how you do it. I just know our companies have done it routinely. I don't know how they do it.
 Q Okay. Well, do you know that there's a difference between you can purchase certain results on the Web site and then you get some natural results?
 A No, I didn't.
 Q For example, in this case, are you aware that if you put in cargo trailers, you get one set of results that are just the unpaid-for results, and then on the other side of the screen, on Google, for example, you have the paid-for results? Are you aware of that?
 A You get some highlighted results, yeah.
 Q Right. Okay. And you're talking about your companies get the highlighted results, the ones you can actually purchase?
 A They should be doing that, yeah. And I'm pretty sure most of them try to do that, yes.

37

1 Q Okay.

A I don't really know how they do it.

3 Q Okay. But it's your opinion there's not much, if any, value in a Web site or having a Web site?

5 A I don't see --

6 Q -- come up on the top half of the page on the first page?

7

8 A I'm assuming anybody can do it.

9 Q Okay. By buying it, I guess?

10 A I've heard that's how you do it. You buy the position. So if he had a Web site with that position, he would have had to continue to buy that position, I assume.

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12

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14 MR. KNIGHT: Robin, can we take a quick break?

15 MS. BEARDSLEY: Sure.

16 (A recess was taken.)

17 Q Do you or any of the companies you're affiliated with own any other dealerships of cargo trailers?

18

19 A No.

20 Q Okay. Do any of your companies sell any cargo trailers to end users? I know we talked about Classic. They might sell a few; is that right?

21

22

23 A And United might. Not that I know of, though.

24 Q What about -- Terry mentioned a couple of companies. Can you tell me about Evans Trailers?

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1 A Uh-huh.

2 Q Do you still own Evans Trailers?

3 A No.

4 Q And at what time period did you own Evans Trailers?

5 A I owned it twice.

6 Q That's what I hear.

7 A I owned it in the '90s. We sold it. I can't recall -- we sold it to one of our former partners and an investment fund. The fund fired him and then sold it back to him, Terry and myself.

8

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11 Q When did they sell it back to you and Terry?

12 A I don't remember. Probably three or four years ago. Then we sold it to another group, which I can't remember.

13

14

15 Q Did Diamond have any holding in Evans Trailers?

16 A I know that when we first bought it, I believe Terry and I owned it with Roe Hitchcock. I know not then. And I don't believe when we bought it the second time that it was in Diamond's name. I think it was in my name and Terry's name, probably personally. Or another company we had called DWA, Durham Whitesell & Associates. That may have owned it.

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24 Q And do you know if Evans Trailers sold directly to any end users?

25 A Evans manufactured logging equipment trailers. And I

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1 don't know if they had dealers. I think they sold all direct.

2

3 Q Okay.

4 A Although, I really don't even remember.

5 Q Do you know if they sold any enclosed cargo trailers?

6 A No.

7 Q You don't know?

8 A No, I take that back. As I recall, Evans tried to help United or Classic sell some trailers in South Carolina. I think they tried to sell some trailers off their lot down there. I don't think that that ever worked.

9

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13 Q What about Custom Trailer?

14 A That was another one that we owned twice. It sold -- it's not a flatbed trailer. I guess it is a flatbed trailer. We, again, bought it through Durham Whitesell & Hitchcock, sold that, with Evans, to Hitchcock and his fund, bought them both back. And then I believe when we bought Custom back, it was so far gone, we just liquidated it.

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21 Q Okay. What about Champion Trailer?

22 A It built large Nascar-style trailers in Texas. We owned it -- again, I think it was through Durham Whitesell. I think it was Durham & Whitesell. Then we sold that to Obsidian, and then we bought it back

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1 out because it wasn't doing well. And then we tried to convert it to a classic cargo trailer company, and we since have shut that down.

2

3

4 Q You shut down Classic?

5 A No. We shut down Champion.

6 Q Okay. What do you mean you tried to convert it to a classic --

7

8 A Well, they were building these big cargo trailers. And Classic also, in addition to being double the price of a United trailer, sells mostly into the racing industry. And they have a lot of customers in Texas. And to try to minimize the shipping costs, they tried to produce the trailers down there to supplement Champion's -- what do you call it -- Nascar-type trailer production.

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16 Q Okay.

17 A But the mixing of the two just didn't work.

18 Q Now, help me out here. Champion sold the larger -- the one you called Nascar type?

19

20 A Yes. An average cost of a Champion trailer is about \$350,000.

21

22 Q Okay. And Classic sold -- what kind of trailers did they sell?

23

24 A Racing trailers, but not even \$10,000. And racing, in that case, may have been \$16,000 to \$20,000.

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41

1 Q Okay. And did Champion sell to end users?
 A **Champion did, the Nascar-type trailers.**
 2 Q And did Classic? Did they sell to end users?
 A **No. They were trying to set up a dealer network in
 3 and around Texas.**
 4 Q All right.
 5 A **But that really never got very far.**
 6 Q Okay. And then did Champion shut down?
 7 A **Yes.**
 8 Q When did you close Champion?
 9 A **We closed it last summer.**
 10 Q Why did you close that one?
 11 A **The racing industry for those large trailers was just
 12 hurting pretty tremendously. Not enough sponsorship
 13 dollars. People were buying big rigs. And the
 14 overhead for the place just could not be absorbed by
 15 the little amount of production that Classic was
 16 doing down there.**
 17 Q Did you or anybody at your behest ever talk to Randy
 18 Bowers about selling or pushing Champion trailers?
 19 A **I doubt Champion because those are usually -- those
 20 deals were usually negotiated directly with the
 21 racing teams and customized to each racing team to
 22 exactly what they wanted. So I don't believe
 23 Champion ever sold through a dealer.**
 24
 25

42

1 Q Okay. What about Classic? There's been some
 2 testimony or will be some testimony that I think
 3 Terry asked Randy Bowers to push -- I know Classic --
 4 to push United, Danzer, and Classic trailers. Did
 5 you know anything about that?
 6 A **No.**
 7 Q And, again, do you know if Classic sold to end users,
 8 sold any trailers at all to any end users?
 9 A **Again, they may have. I don't know. That's not
 10 their typical practice.**
 11 Q Okay. Let's talk about at some point the decision
 12 was made for Diamond Investments to enter into the
 13 formation of Quality Trailers For Less, LLC?
 14 A **Uh-huh.**
 15 Q Now, tell me how that decision was made. Did you and
 16 Terry Whitesell talk about it? Or who came up with
 17 the idea to propose this to Randy Bowers?
 18 A **Probably me.**
 19 Q Probably you. Okay.
 20 A **Yes. I may have mentioned it to Terry before, but
 21 I'm sure I thought of the structure.**
 22 Q Okay. Did you and Terry discuss how it would work
 23 prior to Randy Bowers coming up here?
 24 A **I may have told him before that. I don't remember
 25 when that decision was made.**

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1 Q Okay. Do you know when you actually entered into and
 2 became a part of Quality Trailers For Less, LLC?
 3 A **Whenever we bought the receivable from United. I
 4 don't remember the exact date.**
 5 Q Okay. You said bought the receivable. You put up or
 6 Diamond put up some money to pay off the outstanding
 7 balance of Quality Trailers?
 8 A **Yes, whatever the outstanding balance was, \$180,000
 9 or \$190,000.**
 10 Q Now, how did you decide on what date that you were
 11 going to pay their outstanding balance?
 12 A **I don't think we decided on any particular date.**
 13 Q Okay. What I'm getting at there is I think Diamond
 14 paid their debts to United as of the end of February
 15 of 2004.
 16 A **I was thinking it was in the fall.**
 17 Q Of 2004?
 18 A **'03. But that's when the transfer took place?**
 19 Q Well, that's when -- I'm not sure exactly when the
 20 transfer took place. We can look at those documents
 21 in a minute. But it's my understanding that it was,
 22 their outstanding balance as of the end of October --
 23 I mean in February 2004, that was the \$194,000.
 24 A **Yes, I remember now.**
 25 Q Okay. Now, we've talked about this meeting where

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1 Randy Bowers came up here to meet with Terry. And
 2 you don't know if you were in the meeting or not.
 3 A **I don't recall being in it.**
 4 Q Gary Stanley was here, though, right?
 5 A **I don't recall who was here, actually.**
 6 Q Did you ask Terry to have Randy Bowers come up here?
 7 A **I don't know if I asked him or Terry just suggested
 8 it.**
 9 Q But was the purpose of the meeting to pitch the LLC
 10 idea?
 11 A **Oh, I think to probably just tell him that we were
 12 going to buy the receivable and he'd end up owing us
 13 and see if he had a plan for going forward.**
 14 Q Okay. Now, it looks to me like -- well, let me show
 15 you Plaintiff's Exhibit 3. I just want you to verify
 16 that these are your signatures on some of these
 17 documents. Is this your signature? I'm on
 18 Plaintiff's Exhibit 3. It's Bates labeled DEF 78.
 19 Is that your signature?
 20 A **Yes.**
 21 Q And what's the date there?
 22 A **I can't see it. 20th day of July, 2004.**
 23 Q All right. And that document is the -- looks like
 24 the Quality Trailers Subscription Agreement for
 25 Diamond Investments. Okay. Now I'm on Bates labeled

45

1 DEF 85. Is that your signature?
 A Yes.
 3 MS. BEARDSLEY: What is that document, just for the record?
 5 MR. KNIGHT: That document is Organizational
 6 Action and Consent of Members Without Meeting.
 7 Q Okay. The next signature is DEF 87. It's a
 8 promissory note. Is that your signature under
 9 Diamond Investments, LLC there?
 10 A Yes.
 11 Q Let me go back to -- what's the date of this 85,
 12 DEF 85?
 13 A The organizational minutes?
 14 Q Yes.
 15 A 9th day of July '04.
 16 Q I'm looking at the employment agreement. And in the
 17 signature page it's DEF 95. Is that your signature?
 18 A Yes.
 19 Q Okay. What about on DEF 96? Is your signature on
 20 there?
 21 A Yes.
 22 Q And is it on the second line there where it says
 23 member?
 24 A Yes.
 25 Q What's the date of that?

46

1 A I can't read it, but it looks like June something
 2 '04.
 3 Q I can't read it either.
 4 MS. BEARDSLEY: What is that?
 5 MR. KNIGHT: That's the Alabama Department of
 6 Revenue Combined Registration/Application/Change
 7 Form.
 8 MS. BEARDSLEY: Okay.
 9 Q The next document is the operating agreement. Is
 10 that your signature on the operating agreement?
 11 A Yes.
 12 Q What's the date there?
 13 A July 20, 2004. My date, my signature date is.
 14 Q And what is Randy's signature date?
 15 A May 12, '04.
 16 Q Do you know the reason for the discrepancy in dates
 17 there, why Randy would have signed it in May and you
 18 would have signed it in July?
 19 A No.
 20 Q Okay. And, again, you said you don't know if you've
 21 read these documents?
 A I'm sure I have not.
 Q Did you have anybody read the documents?
 24 A My lawyer prepared them.
 25 Q Okay. Did Randy's lawyer at the time have anything

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1 to do with the preparation of these documents?
 2 A I don't know if Randy had a lawyer.
 3 Q But your lawyer prepared these?
 4 A I'm pretty sure.
 5 Q And was your lawyer is, I guess, Riley, Bennett &
 6 Egloff, LLP?
 7 A Yeah, I'm sure that's the law firm. Well -- yeah,
 8 probably is the law firm that we used.
 9 Q Okay. And, now, what was, as to your understanding
 10 and the extent you remember, what were Randy's
 11 responsibilities under this agreement? What did he
 12 have to put up? What did he have to do under the
 13 terms of the agreement? What was the deal?
 14 A Well, as I understand, as I recall what the deal was,
 15 we just re-incorporated a new company. He
 16 contributed whatever assets he had, tables, office
 17 equipment, whatever, building. And he would continue
 18 to run Quality Trailers For Less like he had before
 19 except this time keeping current, not selling
 20 trailers out of trust.
 21 Q All right. And then you mentioned he pledged, I
 22 guess, the assets of the previous company?
 23 A Yeah, whatever he had.
 24 Q And whatever happened to those assets, as far as you
 25 know?

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1 A I have no idea.
 2 Q Okay. Do you know if the Web site that we've
 3 discussed was one of the assets he pledged?
 4 A I don't believe that it was.
 5 Q Did you know that at the time that you signed these
 6 documents, or did you think--
 7 A I had no idea what was really pledged, what he owned,
 8 what he didn't own.
 9 Q Okay. Do you know if Diamond Investments or anybody
 10 on behalf of Diamond Investments ever made a claim
 11 for the assets pledged during the formation of the
 12 LLC?
 13 A All I know is after he got involved in bankruptcy, I
 14 believe we engaged your firm.
 15 Q And you're talking to Robin, just for the record.
 16 A Robin, not your firm. And, actually, I never paid
 17 attention to it after that.
 18 Q Okay. Do you know if anybody ever made a claim for
 19 the Web site in the bankruptcy proceedings on behalf
 20 of Diamond or --
 21 A I have no idea how they actually handled the case.
 22 Q So you just had no day-to-day involvement with any of
 23 it?
 24 A I actually forgot that we even set up a separate
 25 corporation until this suit.

1 Q Okay. Did you have any involvement whatsoever in the day-to-day operations of Quality Trailers For Less, LLC while it was an active, viable company?

2 A I don't recall if I've ever spoken to Randy.

3 Q Okay. Did you get up dates from Terry Whitesell or from Dave Wagner or Gary Stanley or anybody about Quality Trailers For Less, LLC?

4 A The only update I recall getting was that he was behind again at some point.

5 Q And what was your response to that?

6 A I was a little incredulous.

7 Q Okay. Did you give any instructions to -- well, who gave you the update?

8 A Probably Terry.

9 Q Did you give any instructions to Terry on what action to take?

10 A I probably would have said don't sell him anymore trailers until he pays up front.

11 Q So you would have said cut him off, don't make any more trailers for that company?

12 A Probably, yes.

13 Q That was your company. You were cutting off your own company, in effect.

14 A Yeah. Well, I was in deep. I wasn't going to get any deeper.

1 Q Okay. And on whose behalf were you acting when you instructed Terry to cut off production of the trailers?

2 A Well, as the president and COE of Obsidian, which owned United, I didn't want United to get any further in debt and have to buy out another receivable for him.

3 Q Okay. Did you, in your mind, looking back, did you have a conflict of interest there as between Obsidian and United on the one hand and then Quality Trailers For Less, LLC on the other?

4 A No.

5 Q No? Do you agree that it would have been better for the LLC had you not cut them off on the production of trailers and allowed them to try to get back current with United?

6 A No.

7 Q You don't agree with that?

8 A No.

9 Q Why not?

10 A Because he obviously had done it twice in terms of selling trailers, using the money, and not paying back his debtor twice. And that's not a good business practice.

11 Q Okay. Do you know anything about why he was late on

1 the payments or anything about his particular dealership and how his sales were driven and who he sold to?

2 A Not really.

3 Q So you truly weren't much of a hands-on co-owner of the LLC, were you?

4 A I didn't even remember I co-owned it.

5 Q Some of these questions, you know, I know the answer, but --

6 A Sure. Until she briefed me on the deposition.

7 Q Well, other than your lawyers, who else have you talked to about this case or about Quality Trailers For Less, LLC in the past two years?

8 A No one other than when Terry told me he was behind again.

9 Q Okay. Since the time Terry told you he was behind again and you told him cut him off, you haven't had any conversations in any way related to Quality Trailers For Less, LLC?

10 A Other than it relates to these depositions, no.

11 Q Okay.

12 A It hasn't been a high priority.

13 Q Was Quality Trailers For Less ever a high priority for you, honestly?

14 A No. It was a nuisance.

1 Q That reminds me. To the extent you know, do you plan to come to Alabama to be there for the trial of this case?

2 A I didn't know there was a trial.

3 Q Well, eventually we'll have a trial setting.

4 A I can be there, depending on the date, sure.

5 Q Okay. So, as of today, it's your intention to be there in person for the trial?

6 A If I need to be there, I will be there, yes.

7 Q Did you have the authority to tell the people at United, Gary Stanley and Dave Wagner, to continue to work with Randy and the people at Quality Trailers For Less on their debt rather than cutting them off?

8 A Yes, I had the authority to do that.

9 Q Did you ever do that?

10 A I'm not sure.

11 Q Did you ever ask them to continue to work with Randy to sort this out before you cut off the production of trailers?

12 A No. They would have come to me with their suggestions.

13 Q Okay. Did you have the authority to order any of your trailer dealerships to direct any of their end-user sales through Quality Trailers For Less?

14 Q Could you have ordered that if you wanted to? Did

53

1 you have the authority?
 2 A **To order one of our dealers?**
 3 Q Yes.
 4 A No.
 5 Q To tell your dealers to run any sales through the
 6 LLC.
 7 A No.
 8 Q And why is that?
 9 A **I don't own those dealers. I don't know who they**
 10 **are, actually.**
 11 Q When I say dealers, I guess --
 12 A **I don't know who our individual dealers are.**
 13 Q I misstated that. You're right. And I'll go through
 14 individually. Did you have the authority to order
 15 Evans, Champion, Classic or United to direct any
 16 end-user sales that they may have had or had
 17 inquiries about, to direct those end-user sales
 18 through Quality Trailers For Less rather than selling
 19 directly to the end users themselves?
 20 A **I would have had the authority to do that.**
 21 Q Did you ever do that?
 22 A **Not that I recall.**
 23 Q Okay. Do you know if you had a duty to do that under
 24 the documents you signed, a fiduciary duty to
 25 direct --

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1 A **Not that I recall.**
 2 Q Do you know what your fiduciary duties are in
 3 relation to this LLC under the Alabama Limited
 4 Liability Act?
 5 MS. BEARDSLEY: Object as a legal question.
 6 MR. KNIGHT: I just asked if he --
 7 MS. BEARDSLEY: I'm just objecting for the
 8 record. It calls for a legal conclusion.
 9 Q I'm just asking if you had any fiduciary duties --
 10 A No.
 11 Q -- or what they were.
 12 A **I'm not aware. And is that an Indiana corp?**
 13 Q No. It's in Alabama. It's an Alabama Limited
 14 Liability Corporation, right?
 15 THE WITNESS: I thought it was in Indiana.
 16 MS. BEARDSLEY: I don't know. I think it's
 17 Alabama, but we might want to check.
 18 MR. KNIGHT: I know the Articles of
 19 Organization -- and I'm looking at Plaintiff's
 20 Exhibit 3 -- say Phil Mitchell hereby forms a limited
 21 liability company under the Alabama Limited Liability
 Company Act.
 MS. BEARDSLEY: I think it's Alabama.
 24 THE WITNESS: Then it is.
 25 Q And are you aware that Diamond Investments and you

55

1 had fiduciary duties to Randy Bowers and to the
 2 corporation under the documents you signed here to
 3 form this limited liability?
 4 A **I'm not aware of any specific obligations.**
 5 Q Okay. I've got just a couple of documents. Let me
 6 show you Plaintiff's Exhibit 14. That's a memorandum
 7 to Randy from Terry Whitesell. Gary Stanley's carbon
 8 copied on it. Have you ever seen that document?
 9 A **Not that I remember.**
 10 Q Okay. Well, you're welcome to read through it if you
 11 want to. Terry Whitesell testified that that
 12 purports to lay out the general terms that were
 13 discussed in that meeting in Indianapolis, here at
 14 the offices of Obsidian, about the formation of the
 15 LLC.
 16 A Okay.
 17 Q Did you have any input into that document, or were
 18 you aware that those were what the proposed terms
 19 were?
 20 A **I would have probably had a brief conversation with**
 21 **my lawyer and said use the transaction that we've**
 22 **done before on other deals. And this probably would**
 23 **have resulted from that.**
 24 Q Okay. Let me show you Plaintiff's Exhibit 4. This
 25 is a memo from Adam Dowe to Terry Whitesell and Gary

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1 Stanley. Have you ever seen that document?
 2 A No.
 3 Q Okay. Were you aware that Adam Dowe was sent down to
 4 meet with the Bowers and review the operation of
 5 Quality Trailers For Less?
 6 A **Maybe briefly aware of it. I don't recall**
 7 **specifically being aware of it, but he goes and spots**
 8 **a lot of our companies and tries to help.**
 9 Q Did you meet with Adam about his findings in this?
 10 A **I don't recall meeting with him. I may have. I**
 11 **don't remember.**
 12 Q Okay. Let me show you Plaintiff's Exhibit 13. It's
 13 a letter July 27, 2004, to Randy Bowers from Gary
 14 Stanley. Did you have any input into the contents of
 15 that letter, or were you aware that that letter was
 16 sent?
 17 A **I wasn't aware of it and don't recall ever seeing it**
 18 **before.**
 19 Q Okay. Do you recall, to the best you can remember,
 20 what was the date that Terry Whitesell would have
 21 come to you after the formation of the LLC and said
 22 Randy's behind again?
 23 A **I don't remember. It would have been, obviously,**
 24 **sometime after he was behind again.**
 25 Q Okay. Would it have been sometime after you signed

1 these papers in Plaintiff's Exhibit 3, sometime after
 July of 2004, when you formed the LLC?

3 A I assume so, yeah.

4 Q Okay. Are you aware that there's a provision in
 5 Section 17.12 of the operating agreement that
 6 provides that the prevailing party in any action
 7 brought to enforce the provision of this agreement
 8 shall be entitled to an award of its attorney's fees,
 9 including but not limited to, any fees incurred in
 10 any appeal and any collection action?

11 A No, I don't remember that being in there. I'm
 12 assuming that it is. I remember now why it was
 13 later. It took us forever to get the documents back
 14 from Randy. I remember that. It took months and
 15 months.

16 Q Okay. Do you know what the holdup was on his end?

17 A Huh-uh. Because I remember I paid off the loan, I
 18 believe, before the audit closed in '03 because they
 19 wanted it clean and pending in the audit. And it
 20 took months and months and months to get the
 21 paperwork done, couldn't get it done. Maybe his
 22 lawyers were reviewing it. I don't know.

23 Q You think you paid off the note in 2003?

24 A No. I paid it off before the audit was finished on
 25 the 2003 year-end.

1 Q Okay. And when would that have been done?

2 A I'm thinking it was -- well, it had to be before,
 3 say, March of '04.

4 Q Okay. That actually matches up.

5 A Because otherwise they would have had to take a
 6 deduction on United's books in the '03 audit. That
 7 was what really drove most of this whole transaction.
 8 (Plaintiff's Exhibit 20 was marked for
 9 identification.)

10 Q Mr. Durham, let me show you what I've got marked as
 11 Plaintiff's Exhibit 20. It's a letter to you from
 12 somebody with Presidential Financial Corporation.
 13 What is that about?

14 A I don't really remember. It looks like it's a floor
 15 plan line for Quality Trailers.

16 Q What is a floor plan line?

17 A It's where you would use a line of credit from a bank
 18 or some institution to purchase trailers for resale.
 19 When you get -- when you sell the trailer, you're
 20 supposed to pay off the lender.

21 Q Okay. And did you sign that document attached, I
 guess the third page of it?

A Yes.

24 Q Is that what the agreement was?

25 A Is what what the agreement was?

1 Q Did Quality Trailers For Less, LLC set up a floor
 2 plan line with Presidential Financial?

3 A Apparently.

4 Q Okay. Do you know if you ever had to pay any money
 5 back to Presidential Financial personally or through
 6 Diamond Investments?

7 A I don't have any idea.

8 Q Okay.

9 A I don't think so.

10 MR. KNIGHT: Robin, I'm going to take a break.
 11 (A recess was taken.)

12 Q Mr. Durham, did you ever talk to anybody at
 13 Expressline and ask them to make building the
 14 trailers ordered by Quality Trailers For Less, LLC a
 15 priority?

16 A You mean at United?

17 Q Yes.

18 A United Expressline?

19 Q Yes. Who did I say?

20 A You said Expressline, but it's United Expressline.

21 Q I meant United Expressline.

22 A Not that I recall.

23 Q Would that be something you would normally do?

24 A No.

25 Q Tell them when to produce which trailers or -- did

1 you ever ask them to help out Quality Trailers For
 2 Less in any way, be it in handling the accounts
 3 receivable or in the production of trailers in a
 4 timely fashion?

5 A Given that I was lender to Quality Trailers, I had
 6 assumed that they were going to do all they could do
 7 to help them because they knew that I was exposed on
 8 the loan to him.

9 Q Did you have a conversation along those lines with
 10 anybody at United?

11 A I recall at one point some discussion about
 12 expediting trailers. And I don't remember if it was
 13 for him or if it was for somebody else.

14 Q Do you recall who that conversation was with?

15 A It would have probably been Gary if it was for Randy.
 16 I just don't remember.

17 Q Okay. So you had a conversation about expediting the
 18 production of trailers for somebody, on somebody's
 19 behalf?

20 A I think they called me to tell me they were
 21 expediting trailers for somebody. But I don't recall
 22 if it was Randy or somebody else.

23 Q You think Gary may have called you?

24 A Probably.

25 Q Did you ever give Gary or Dave or anybody at United

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1 orders to expedite trailers orders for Quality Trailers For Less, LLC?

3 A I don't remember.

4 Q In your opinion, did you do everything in your power to make Quality Trailers For Less, LLC a success?

5 to make Quality Trailers For Less, LLC a success?

6 A Well, in regards to lending them money to help them survive, yes.

7 survive, yes.

8 Q Okay. Beyond the lending them money, though, are there any other steps, in your opinion, you could have taken to help them make a go of it, be a success once the corporation, the LLC, was formed?

9 there any other steps, in your opinion, you could have taken to help them make a go of it, be a success once the corporation, the LLC, was formed?

10 once the corporation, the LLC, was formed?

11 A Well, I was assuming that the companies that we owned were working with them as much as they could.

12 were working with them as much as they could.

13 A Well, I was assuming that the companies that we owned were working with them as much as they could.

14 Q Okay. Did you order the companies to work with them as much as they could and to help them out and to work with them?

15 as much as they could and to help them out and to work with them?

16 work with them?

17 A At the time I paid off the loan, yes.

18 Q Okay. Who did you specifically tell, and what did you tell them to do?

19 you tell them to do?

20 A I probably had a discussion with Terry and Gary at the same time, saying help make this guy succeed so that we can get our money paid back.

21 the same time, saying help make this guy succeed so that we can get our money paid back.

22 that we can get our money paid back.

23 Q Did they follow your instructions, as far as you know?

24 know?

25 A As far as I know.

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1 Q Did you ever follow up on that?

2 A No, not at the time.

3 Q Are you aware today that you are in a fiduciary relationship with Randy and Anita Bowers and Quality Trailers For Less, LLC?

4 relationship with Randy and Anita Bowers and Quality Trailers For Less, LLC?

5 Trailers For Less, LLC?

6 A I'm aware that you have stated that I am.

7 Q Do you assert that you were not in a fiduciary relationship with him?

8 relationship with him?

9 A I'm just unfamiliar with what you're referring to under Alabama statutes.

10 under Alabama statutes.

11 Q Are you saying whatever's in the documents governs?

12 A I'm saying that I'm unaware of any statute that you're speaking of.

13 you're speaking of.

14 Q Again, you've testified you never talked to Randy Bowers possibly ever. But the only time you would have spoken to him directly would have been when he came to Indianapolis to meet with Terry and Gary?

15 Bowers possibly ever. But the only time you would have spoken to him directly would have been when he came to Indianapolis to meet with Terry and Gary?

16 have spoken to him directly would have been when he came to Indianapolis to meet with Terry and Gary?

17 came to Indianapolis to meet with Terry and Gary?

18 A No, I don't recall if I even met him then.

19 Q Okay. Once you formed this new LLC, you never talked to him on the phone?

20 to him on the phone?

21 A No. I'm saying I don't recall if I did. I don't remember talking to him, but I don't specifically recall if I did. I may have. I don't have any specific recollection.

22 I don't specifically recall if I did. I may have. I don't have any specific recollection.

23 Q Okay. And did you present all available

24 specific recollection.

25 Q Okay. And did you present all available

63

1 opportunities, of which you had control, to Quality Trailers For Less, LLC after the formation of the LLC?

2 opportunities, of which you had control, to Quality Trailers For Less, LLC after the formation of the LLC?

3 LLC?

4 A I'm sorry. Did I what?

5 Q Did you present all available business opportunities to them? Again, this is kind of along the lines of did you do everything in your power to help the LLC succeed?

6 to them? Again, this is kind of along the lines of did you do everything in your power to help the LLC succeed?

7 did you do everything in your power to help the LLC succeed?

8 succeed?

9 A I was assuming our companies were, yes.

10 Q And, again, you said you may have talked to Gary and Terry about that. Do you remember specifically what their orders would have been?

11 And, again, you said you may have talked to Gary and Terry about that. Do you remember specifically what their orders would have been?

12 their orders would have been?

13 A No. I just remember at the time stating that, you know, we were going to have an investment in this guy as a loan, and I wanted them to help him as much as they could, just in a general sense.

14 No. I just remember at the time stating that, you know, we were going to have an investment in this guy as a loan, and I wanted them to help him as much as they could, just in a general sense.

15 as a loan, and I wanted them to help him as much as they could, just in a general sense.

16 they could, just in a general sense.

17 Q You mentioned Fair Finance earlier. Is that a company that lends money?

18 You mentioned Fair Finance earlier. Is that a company that lends money?

19 A It actually buys consumer receivables, spa memberships, frozen food contracts, that kind of thing.

20 It actually buys consumer receivables, spa memberships, frozen food contracts, that kind of thing.

21 memberships, frozen food contracts, that kind of thing.

22 Q And, again, does Terry Whitesell have any official role with Diamond Investments?

23 And, again, does Terry Whitesell have any official role with Diamond Investments?

24 A No.

25 Q Does he ever act on behalf of Diamond Investments on

64

1 your orders?

2 A He may with regard to some of the investments. At times I may say can you talk to this guy and see what's going on there. For example, I don't know if Speedster's directly owned by Diamond Investments. He sometimes tries to help them out with operations.

3 He may with regard to some of the investments. At times I may say can you talk to this guy and see what's going on there. For example, I don't know if Speedster's directly owned by Diamond Investments. He sometimes tries to help them out with operations.

4 what's going on there. For example, I don't know if Speedster's directly owned by Diamond Investments. He sometimes tries to help them out with operations.

5 Speedster's directly owned by Diamond Investments. He sometimes tries to help them out with operations.

6 He sometimes tries to help them out with operations.

7 Q Okay. So, in general, you don't get involved in the day-to-day operations of a lot of the companies you own or are involved with; is that right?

8 Okay. So, in general, you don't get involved in the day-to-day operations of a lot of the companies you own or are involved with; is that right?

9 day-to-day operations of a lot of the companies you own or are involved with; is that right?

10 A None of them.

11 Q None of them. What about Obsidian?

12 A Obsidian is a holding company. I'm involved in Obsidian from a financial point of view. Mostly I get involved in the finances, bank lines, that kind of thing.

13 Obsidian is a holding company. I'm involved in Obsidian from a financial point of view. Mostly I get involved in the finances, bank lines, that kind of thing.

14 get involved in the finances, bank lines, that kind of thing.

15 of thing.

16 Q Do you run Obsidian? You're the CEO of Obsidian, right?

17 Do you run Obsidian? You're the CEO of Obsidian, right?

18 A Yes.

19 MR. KNIGHT: Robin, I think that's all I have if you want to go ahead.

20 MR. KNIGHT: Robin, I think that's all I have if you want to go ahead.

21 EXAMINATION,

22 QUESTIONS BY MS. BEARDSLEY:

23 Q I just want to ask you a couple questions about the agreements that were entered into, the formation of the LLC with Mr. Bowers.

24 I just want to ask you a couple questions about the agreements that were entered into, the formation of the LLC with Mr. Bowers.

25 the LLC with Mr. Bowers.

65

1 Do you understand that he had certain obligations
to you or to the LLC, Diamond Investments?

2 A No, I didn't know that. Well, I knew he had the
obligation to make payments and that kind of thing.

3 Q Right.

4 A Yes.

5 Q Did he make those payments?

6 A Not as far as I know.

7 Q To your knowledge, did he, in good faith attempt to
make those payments?

8 A Not as far as I know.

9 Q Was there any occasion where you were contacted by
Mr. Bowers about those payments?

10 A Not that I recall.

11 Q To your knowledge, sitting here today, did Diamond
Investments ever recoup the investment that it made
to Quality Trailers?

12 A No.

13 Q So you're out the whole \$194,000 that you loaned him?

14 A Plus United's out whatever, \$90,000.

15 MS. BEARDSLEY: I don't have anything else.

16 FURTHER EXAMINATION,

17 QUESTIONS BY MR. KNIGHT:

18 Q I'm sorry. You said United's out how much?

19 A I think \$90,000.

66

1 Q Okay. Whatever the initial --

2 A No, no. I bought out the initial amount. Then I
think they got into -- or he got into them for
another \$90,000, as I remember.

3 Q Whatever that amount was?

4 A Whatever that amount was.

5 MR. KNIGHT: I'm done.

6 AND FURTHER THE DEPONENT SAITH NOT.

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(Signature Waived)

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1 STATE OF INDIANA)
) SS:
2 COUNTY OF HAMILTON)

3

4 I, Paula A. Morgan, Notary Public in Hamilton
County, Indiana, do hereby certify that the deponent
was, by me, sworn to tell the truth in the
5 aforementioned matter;

6 That the deposition was taken on behalf of the
Plaintiff at the time and place theretofore mentioned
with counsel present as noted;

7 That the deposition was taken down by means of
Stenograph notes, reduced to typewriting under my
8 direction and is a true record of the testimony given
by said deponent; and that the reading and signing by
9 the deponent were waived, the witness being present
and consenting thereto;

10 I do further certify that I am a disinterested
person in this cause of action; that I am not a
11 relative or attorney of any of the parties or
otherwise interested in the event of this action and
12 am not in the employ of the attorneys for the
respective parties.

13

14 IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my notarial seal this _____ day of
15 January, 2007.

16

17 -----
Paula A. Morgan, Notary Public

18

19

20 County of Residence: Hamilton

21 My Commission Expires: December 8, 2008

22

23

24

25

68

Sam David Knight
GORDON & ASSOCIATES, LLC
600 University Park Place, Suite 350
Birmingham, Alabama 35209

NOTICE OF DEPOSITION FILING

IN THE UNITED STATES DISTRICT
FOR THE NORTHERN DISTRICT OF ALABAMA
NORTHEASTERN DIVISION

TAZEWELL SHEPARD, TRUSTEE
FOR THE BANKRUPTCY ESTATE OF
FLOYD RANDALL BOWERS,

Plaintiff,

vs. CAUSE NO.
5:06-CV-00721-IPJ

DIAMOND INVESTMENTS, LLC, et al.,
Defendants.

In compliance with the applicable Rules of
Procedure, you are hereby notified of the filing with
Counsel for Plaintiff of the deposition of TIMOTHY
DURHAM taken on December 20, 2006.

(Date of Filing)

cc: Robin L. Beardsley

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EXHIBIT 29

terry i agree we have to rethink our strategy. i am back friday night. do you want to get to gether sat or sund at the house(if i remeber how to get there) tsd

Subject:

Date: Mon, 2 Feb 2009 21:49:21 -0500

From: twhitesell@obsidianenterprises.com

To: tsdurham@msn.com

Realizing cash is tough and also business in general is horrible it seems every where we look companies are laying off or taking wage cuts. What do you feel about a 10% wage cut or give up 5 weekly checks (same amount over a year) with me, Tony, Rick, Jeff, Elizabeth, Cheryl and Karen?

I still feel consideration should be given to moving from 48 to a more cost effective location. We all like 48 but it is a high cost.

As time allows after you hopefully are successful with Cell Star and Lampoon we need to address this group. The companies are being narrowed down and as originally desired they are not spinning off cash back to here so it will be a continued draw. I am sure this is something which must be resolved. Rick is primarily involved with Fair and receives a portion of his wages from them so we probably need him fully paid by them. Elizabeth and Jeff are involved with handling a vast amount of your and Jims business thus they need continued (however Jeff's function could be handled by some one at much lower cost but I recognize the family issue and both understand and have no issue with it). Cheryl -no one agree we can get along with out but we probably just need to tell the group she is going to half weeks and later eliminate. While Tony and I deal with the companies they obviously can function with out us thus honestly we can be eliminated. In regard to Tony and I lets just establish a date and do it.

None of the situations are what was in mind but a continued drain on you and Fair is going to kill Fair-we can not continue with that direction thus I see no better answers.

Elizabeth in addition to handling banking handle insurances and the 401k program.

We can turn back to the companies the insurance programs to manage on their own and the 401k could be managed by Rick and Fair.

I've not been drinking just trying to look at present and long term the issues assuming we make it thru the current financial crisis.

Still awaiting word on 47th floor lease back from agent-we countered at \$15.50 sq.

EXHIBIT 30

To: Elizabeth McClure
Subject: RE: Bank Position, Invest Cert

I wired you the 70 per Tim

Thanks
Eileen

From: Elizabeth McClure [mailto:emcclure@obsidianenterprises.com]
Sent: Tuesday, April 15, 2008 10:31 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Please wire the following today:

Obsidian Ent	30,000
Pyramid	5,000
Fair Holdings	70,000

Thanks!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, April 15, 2008 10:17 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash – 1,662,290

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, May 19, 2008 1:45 PM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Importance: High

Sorry this is so late...I've been waiting on Tim-please wire the following:

US Rubber 60,000

Fair Holdings 20,000

Thank you!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Monday, May 19, 2008 10:17 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash + 150,598

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, June 03, 2008 2:28 PM
To: Lisa Mancuso
Cc: Eileen Hostetler
Subject: FW: Bank Position, Invest Cert

Importance: High

From: Elizabeth McClure
Sent: Tuesday, June 03, 2008 2:26 PM
To: 'Eileen Hostetler'
Subject: RE: Bank Position, Invest Cert
Importance: High

Ok-Tim has been busy and late getting back to me....really late! ☺

Please wire to me today:
Fair Holdings 145,000
Speedster Motorcars 5,000

Thank you!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, June 03, 2008 10:45 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash + 325,608

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Jeff Osler [josler@obsidianenterprises.com]
Sent: Thursday, October 30, 2008 4:04 PM
To: Eileen Hostetler
Subject: RE: money

Tim has been watching the cash and asked me to have you send the entire 12. He stated you 225k in invests and drew 1M and you could spare the 12. Just passing the message along. Let me know when you have sent it.

Jeffrey W Osler
111 Monument Circle
Suite 4800
Indianapolis, In 46204
317-237-4046 Phone
317-237-5135 Fax
josler@obsidianenterprises.com

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Thursday, October 30, 2008 3:43 PM
To: Jeff Osler
Subject: RE: money

OK I will wire the 6, you should have it in a few minutes.

Thanks

From: Jeff Osler [mailto:josler@obsidianenterprises.com]
Sent: Thursday, October 30, 2008 3:48 PM
To: Eileen Hostetler
Subject: RE: money

Can you spare 6k, I am pushed for time and can not find Tim

Jeffrey W Osler
111 Monument Circle
Suite 4800
Indianapolis, In 46204
317-237-4046 Phone
317-237-5135 Fax
josler@obsidianenterprises.com

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Thursday, October 30, 2008 3:15 PM
To: Jeff Osler
Subject: RE: money

If you can do without the money or get from somewhere else, we would prefer not sending any since money is going to be tight tomorrow and Monday.

Let me know.

Thanks
Eileen

From: Jeff Osler [mailto:josler@obsidianenterprises.com]

From: Jeff Osler [josler@obsidianenterprises.com]
Sent: Friday, October 31, 2008 8:53 AM
To: Eileen Hostetler
Subject: Money

Tim asked that you forward 25k to fair this morning, let me know once it has been sent. Have a nice weekend

Jeffrey W Osler
111 Monument Circle
Suite 4800
Indianapolis, In 46204
317-237-4046 Phone
317-237-5135 Fax
josler@obsidianenterprises.com

From: Jeff Osler [josler@obsidianenterprises.com]
Sent: Thursday, November 06, 2008 9:29 AM
To: Eileen Hostetler
Subject: Money
Attachments: 11-6-08.xls

I just spoke with Tim and he asked to get the following from you today. If can not send it all right away let me know and I will tell you what I need immediately.

Jeffrey W Osler
111 Monument Circle
Suite 4800
Indianapolis, In 46204
317-237-4046 Phone
317-237-5135 Fax
josler@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Wednesday, November 19, 2008 9:58 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

I know it is tight for you today.....BUT....Tim requested I get a wire to Obsidian Enterprises from you today for 50,000----let me know-Thanks!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Wednesday, November 19, 2008 9:39 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash -390,275

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emclure@obsidianenterprises.com]
Sent: Thursday, December 11, 2008 10:27 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Importance: High

Hate to send this---you know I do!!!

I need a wire to Fair Holdings today for 32,500

FYI----Per Tim I may have an additional request later today and as soon as I hear from him I will let you know---if you could send the 32,500 now though I would appreciate it----thanks!!!!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Thursday, December 11, 2008 9:40 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash -652,567

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, December 09, 2008 10:32 AM
To: Eileen Hostetler
Subject: RE: bank Position, Invest Cert

Ok---spoke to Tim----please send a total today to me for 100,000 to Fair Holdings.

Thanks! Hope you are staying dry!!!! It is very wet here today!!! Just hope it does not freeze over before we head home later!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, December 09, 2008 10:06 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: bank Position, Invest Cert

MTD Net Change in Cash -591,113

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Friday, December 12, 2008 10:25 AM
To: Eileen Hostetler
Subject: Wire 12.12

Morning.....spoke to Tim and he has requested I get a wire today for 95,000 from you----please wire to Fair Holdings

TGIF!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-5130

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, December 15, 2008 11:30 AM
To: Eileen Hostetler
Subject: Wire 12.15

Good Morning! Hope you had a great weekend!!!!
Only 10 days till Christmas!!!! Can you believe it!

Cash is sooo bad and I know I am killing you with the request!!!! BUT--- directly from the boss man--- can you please wire to Fair Holdings today 46,000
Thank you!!!!!!

Elizabeth McClure
Manager of Corporate Administrative Services
Obsidian Enterprises
P (317) 472-1483
F (317) 237-5130
emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Wednesday, December 17, 2008 2:44 PM
To: Eileen Hostetler
Subject: FW: Wire

Importance: High

Per my earlier request I know the 57 to Fair Holdings will not be done today --- however—please wire the 25,000 to Car Collector Magazine:

Car Collectors Magazine
1000005431100
Sun Trust Bank
061000104

Thanks! Please confirm when the wire is sent---

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Wednesday, December 17, 2008 2:35 PM
To: Elizabeth McClure
Subject: RE: Wire

ok get 25k from fair

From: Elizabeth McClure [emclure@obsidianenterprises.com]
Sent: Wednesday, December 31, 2008 11:22 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Thanks!!!!

Since there is no wire capability for Friday Tim has requested I get another 25,000 today for Fair Holdings...send it when you can--
-and PLEASE have a wonderful New Years!!!!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Wed 12/31/2008 10:59 AM
To: Elizabeth McClure
Subject: RE: Bank Position, Invest Cert

I just sent the wire.

I am coming in to send Town and Country's wire, but I will only be here for about ½ hour and I don't know if we will have any extra after sending Town and Country and we are already pushing back paying Summit until we get more money.

Thanks and Happy New Year!

Eileen

From: Elizabeth McClure [mailto:emclure@obsidianenterprises.com]
Sent: Wednesday, December 31, 2008 10:59 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert
Importance: High

Did you get my request for 40k for today??? Just checking because I'll be out soon....

Also-Tim has asked if anyone will be at Fair on Friday to send a wire out if needed???

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Wed 12/31/2008 10:33 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net change in Cash -1,932,059

Eileen Hostetler
Fair Finance Company
Phone: 330.376.8171
Fax: 330.376.7669

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, January 13, 2009 3:01 PM
To: Eileen Hostetler
Subject: Wire

Importance: High

We were expecting a wire today that I just found out will not be available until tomorrow---Tim has requested I get the money from you and I can send it back to you tomorrow when money post tonight—Please wire 41,000 to Fair Holdings

Thanks!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-5130

emcclure@obsidianenterprises.com

From: Doug DeRose
Sent: Thursday, January 22, 2009 2:30 PM
To: Eileen Hostetler
Cc: Keith Schaffter; 'Elizabeth McClure'
Subject: Wire

Please wire \$50k to Obsidian. We will get the funds back tomorrow, per Mr. Durham. Thanks.

Doug DeRose

Controller

Fair Finance Company / Fair Financial Services

Phone: 330-376-8171

Fax: 888-731-8028

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From: Doug DeRose
Sent: Friday, January 30, 2009 3:17 PM
To: Eileen Hostetler
Cc: 'timothy durham'
Subject: Cash

Importance: High

Per Mr. Durham, please send \$30k to FHI.

Doug DeRose

Vice President / Controller

Fair Finance Company / Fair Financial Services

Phone: 330-376-8171

Fax: 888-731-8028

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From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, February 09, 2009 4:33 PM
To: Eileen Hostetler; Doug DeRose
Subject: Wire 18k

Importance: High

Per Tim please wire 18,000 to us asap---sorry for the late request---I know it is hectic!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-5130

emcclure@obsidianenterprises.com

From: Jeff Osler [josler@obsidianenterprises.com]
Sent: Wednesday, February 11, 2009 1:47 PM
To: Doug DeRose; Eileen Hostetler
Subject: Money

I just got off the phone with Tim and he asked I contact you to get you to send us 35k. We will be able to send it back first thing in the morning. We received a check that will be available tonight at midnight. Please advice as soon as possible.

Jeffrey W Osler
111 Monument Circle
Suite 4800
Indianapolis, In 46204
317-237-4046 Phone
317-237-5135 Fax
josler@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, February 24, 2009 1:51 PM
To: Eileen Hostetler
Cc: Doug DeRose
Subject: FW: Update on cash needs

Please wire 25,000 to Fair Holdings—thanks!

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Tuesday, February 24, 2009 1:43 PM
To: Elizabeth McClure

get 25 from fair tsd

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, March 10, 2009 1:04 PM
To: Eileen Hostetler
Cc: Doug DeRose
Subject: Wire

Good afternoon---I hope you are not getting the storms that worked us over late last night and this morning...I hear there is more on the way.....Be safe!

Per Tim please wire to Fair today 11,500

Please confirm once wire is sent-thanks!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, March 17, 2009 10:18 AM
To: Eileen Hostetler
Cc: Doug DeRose
Subject: Wire 3.17

Importance: High

I just confirmed with Tim --- instead of the 35k please wire to use today 135,000

Please send the wire ASAP as I have a transfer from yesterday I was unable to do and need to get done first things---thanks!!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Friday, April 17, 2009 4:26 PM
To: Doug DeRose
Cc: Eileen Hostetler
Subject: RE: Wire. 4.17

Thank you! I will give him a call

Please confirm when wire is sent---have a great weekend!!!!!!

From: Doug DeRose [mailto:DougD@fairfinance.com]
Sent: Friday, April 17, 2009 4:17 PM
To: Elizabeth McClure
Cc: Eileen Hostetler
Subject: RE: Wire. 4.17

See below regarding Fortress/Summit.

From: Doug DeRose
Sent: Friday, April 17, 2009 3:32 PM
To: 'timothy durham'
Subject: FW: Daily Liquidity 4.17.09.xls

We have no dealer funding in this projection. We'd like to release \$50-70k if possible today. Monday we are expecting \$454k from Fortress and will have to pay \$260k to Summit.

D

From: Elizabeth McClure [mailto:emcclure@obsidianenterprises.com]
Sent: Friday, April 17, 2009 4:20 PM
To: Doug DeRose; Eileen Hostetler
Subject: Wire. 4.17
Importance: High

Hey guys!

I know---you just love emails from me so late in the day on a Friday!!!

Tim just landed and called me---said for me to get a wire today from you for 25,000---please send as soon as you can since I know we are getting close to end of than day

Also---he wants to know the Summit and Fortress funding for Monday...please let me know so I can call him back on his cell since he has no email access right now---thanks!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, April 27, 2009 1:29 PM
To: Eileen Hostetler
Cc: Doug DeRose
Subject: RE: Bank Position, Invest Cert

Per Tim please wire 60,000 to us today---thank you!!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Monday, April 27, 2009 11:59 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash -27,730

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.7669



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Wednesday, May 06, 2009 11:28 AM
To: Eileen Hostetler
Cc: Doug DeRose
Subject: Wire 5.6

Good Morning! Hope you are getting sunshine----our rain is rolling in again! ☺

Per Tim of course can you please wire 60,000 to us today---thank you!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, July 21, 2009 12:24 PM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Good Afternoon! I love when I have a meeting first thing in the day that takes a few hours---now the day is half way over!!!!
Heheheh

Can you please---per Tim---wire 7,000 to us today---thank you!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, July 21, 2009 11:03 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash + 265,411

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: Doug DeRose
Sent: Thursday, July 23, 2009 12:00 PM
To: Keith Schaffter; Bob Letham
Cc: Eileen Hostetler
Subject: FW:

FYI.
D

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Thursday, July 23, 2009 11:59 AM
To: Doug DeRose
Subject:

doug we will need 50k on friday. factor into your calcs. looks like closing is set for tuesday next week. tsd

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, July 27, 2009 12:08 PM
To: Eileen Hostetler
Subject: RE: Bank Position, invest Cert

Good Morning! Hope you enjoyed your weekend---we finally had a few good days!!!!!!

Per Tim please wire us 75,000 today.....if you can confirm when sent I would appreciate it!! Thanks!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Monday, July 27, 2009 11:38 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, invest Cert

MTD Net Change in Cash +346,236

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, August 10, 2009 11:30 AM
To: Eileen Hostetler; Lisa Mancuso
Subject: FW: DailyCash.xls

Hoe you enjoyed your weekend! We finally had the heat!!!! I love it!!

Please wire us 20,000 today---please let me know when the wire is sent since I am leaving at 2pm today—thank you!!

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Monday, August 10, 2009 11:25 AM
To: Elizabeth McClure
Subject: RE: DailyCash.xls

Get 20 more from fair

From: Elizabeth McClure [emclure@obsidianenterprises.com]
Sent: Tuesday, August 11, 2009 11:32 AM
To: Eileen Hostetler
Subject: Wire

Good Morning!!! Happy Tuesday---I'm just thankful it's not Monday any more!!!

Please wire 20,000 to us today---thank you!!!

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Tuesday, August 11, 2009 11:20 AM
To: Elizabeth McClure
Subject: RE: DailyCash.xls

get 20 from fair

From: Lisa Mancuso
Sent: Wednesday, August 12, 2009 12:10 PM
To: Eileen Hostetler
Subject: FW: Bank Position, Invest Cert

From: Elizabeth McClure [mailto:emcclure@obsidianenterprises.com]
Sent: Wednesday, August 12, 2009 12:14 PM
To: Lisa Mancuso
Subject: RE: Bank Position, Invest Cert

Good Morning!!!!

Is Eileen possibly out again today---hopefully she is feeling ok!

Can you please wire another 20,000 to us today (per Tim)

Thank you!!!!

Please confirm once it has been wired-I appreciate your help!

From: Lisa Mancuso [mailto:LisaM@fairfinance.com]
Sent: Wednesday, August 12, 2009 10:40 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash +196,579

Lisa R. Mancuso

Assistant to the Controller

(330) 376-8171

(330) 376-2527 fax



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, August 24, 2009 11:50 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Good Morning----hope you are doing well!!! Ready for some football??? I have been so busy I have not watched one preseason game (for any team)....but they are just now getting interesting with the starters getting playtime---so I am sure I haven't missed much

Whose is in at QB for you guys??? Or do they know yet??

Ok---I am finishing up my response to you on the cars---you will get it shortly---

In the meantime---Per Tim please wire 20,000 to us today---Thank you!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Monday, August 24, 2009 11:28 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash +697,595

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Monday, August 24, 2009 1:05 PM
To: Eileen Hostetler
Subject: Wire--

Sorry---Tim just told me to get another 10k---sorry!!!

Please confirm---thanks!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Wednesday, August 26, 2009 11:45 AM
To: Lisa Mancuso
Cc: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Good Morning---man—you guys are killing it over there!!! Keep up the good work!!!!

Ok---per Tim—**please wire us 80,000 today**

Please confirm once it has been sent---I will be leaving early today so the sooner you can send it the happier Tim (and I) will be ☺
Thanks!!!!

From: Lisa Mancuso [mailto:LisaM@fairfinance.com]
Sent: Wednesday, August 26, 2009 11:07 AM
To: Bank Info
Cc: Elizabeth McClure; Jeff Osler
Subject: Bank Position, Invest Cert

MTD NET CHANGE IN CASH +1,152,486

Lisa R. Mancuso
Assistant to the Controller
(330) 376-8171
(330) 376-2527 fax



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Thursday, August 27, 2009 11:13 AM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Morning----Pet Tim please wire 71,000 to us today----thank you!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Thursday, August 27, 2009 10:25 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash 1,081,270

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: elizabeth mcclure [emcclure2217@yahoo.com]
Sent: Monday, August 31, 2009 11:47 AM
To: Eileen Hostetler
Cc: Elizabeth McClure
Subject: Wire

Our Outlook is down---again :-)
Hoeyou had a nice weekend!!!

Per Tim please wire us 55,000 today---thank you!

From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Friday, September 04, 2009 12:30 PM
To: Lisa Mancuso
Subject: Wire 9/4/09

Importance: High

I am sorry---Tim just called and asked me to get another 30,000 for today---sorry!!!

Please let me know as soon as it has been sent---thank you sooo much – again!!!

Elizabeth McClure

Manager of Corporate Administrative Services

Obsidian Enterprises

P (317) 472-1483

F (317) 237-0137

emcclure@obsidianenterprises.com

From: Elizabeth McClure [emclure@obsidianenterprises.com]
Sent: Tuesday, September 22, 2009 12:53 PM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Happy Tuesday!

Would you please wire to us 50,000 today per Tim---thank you veryyyy much!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, September 22, 2009 10:14 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash +1,520,263

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Friday, September 25, 2009 12:54 PM
To: Eileen Hostetler
Subject: RE: Bank Position, invest Cert

Sorry----Tim just asked me to get another 25,000
Sorry!!! Please confirm when it has been sent so I can let him know-thanks!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Friday, September 25, 2009 10:11 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, invest Cert

MTD Net Change in Cash +1,982,058

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



From: Elizabeth McClure [emcclure@obsidianenterprises.com]
Sent: Tuesday, October 06, 2009 12:12 PM
To: Eileen Hostetler
Subject: RE: Bank Position, Invest Cert

Ok----don't like the negative numbers!!!! ☹ Especially when Tim has me requesting wires!!!
It's a little one today though---please send us 30,000

Thank you!
Hope you are dry and warm today---cold and rainy here!!!!

From: Eileen Hostetler [mailto:EileenH@fairfinance.com]
Sent: Tuesday, October 06, 2009 10:35 AM
To: Bank Info
Cc: Jeff Osler; Elizabeth McClure
Subject: Bank Position, Invest Cert

MTD Net Change in Cash -786,089

Eileen Hostetler
Assistant to the Controller
Phone: 330.376.8171
Fax: 330.376.2527



EXHIBIT 31

ok

Subject: FW: Funds
Date: Thu, 23 Jul 2009 12:39:22 -0400
From: emcclure@obsidianenterprises.com
To: tsdurham@msn.com

Ok to send this to him from what I have on hand?

From: Jim Cochran
Sent: Thursday, July 23, 2009 12:31 PM
To: Elizabeth McClure
Subject: Funds

Do we have \$1,000.00 that we could wire into my account today. Trying to cover golf outing expenses I may have overshot.

Jim

EXHIBIT 32

Here is what I am looking to get paid.....

New Indy House for March	\$8,139.00	due on march 16th, pymt. inclds. late fee
Old Indy House for March	\$6,117.00	due on March 16th, pymt. inclds. late fee
Bonita house for March	\$1,474.00	due on march 16th, pymt. inclds. late fee
Property taxes	\$15,000.00	taxes from 11/05/08 ...said \$1,500 previously
Bills	<u>\$12,000</u>	
	\$42,730	

naples house and proerty taxes in arrears

bills: with 4 houses, i need to catch up on maintenance, lawn, mulch, pools, house caretakers etc

we can wait on the tax if you want. But, May 5 property txes are coming due.

Jim

EXHIBIT 33

we sold a trailer and got the funds in. inv certs sucked friday. i hope this turns soon. tsd

Subject: RE: PAyments
Date: Sat, 10 Jan 2009 10:50:37 -0500
From: JimC@fairfinance.com
To: tsdurham@msn.com

Thanks, Tim. The extra house payment has finally caught up with me. I have to clear a bank checking account overdraft of \$10,123.00 plus additional expenses of \$9,360.00. I told the bank i would have it cleared by last Friday, so I think they will automatically take the funds I just received. They have not as of this writing, but it is the weekend and i will know Monday i suppose.

Jim

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Fri 1/9/2009 2:57 PM
To: Jim Cochran
Subject: RE: PAyments

i think we are getting a wire in and going to wire you today. i will verify tsd

Subject: RE: PAyments
Date: Fri, 9 Jan 2009 14:59:00 -0500
From: JimC@fairfinance.com
To: tsdurham@msn.com

I don't have the cash flows cause computer is down. Let me know if I am going to get the funds I was looking for. i will have to make many changes with my bank.....i am on auto pay and will have to discontinue.....all mortgages are due next week. Right now, i cannot pay them

From: Jim Cochran
Sent: Fri 1/9/2009 7:28 AM
To: Tim Durham (MSN)
Subject: PAyments

I am leaving for Florida and checked with Bank. I cannot make my mortgage payments. I am going to need another wire.....and I hope we can

Jim

EXHIBIT 34

Sender:	timothy durham <tsdurham@msn.com>
Recipient:	Jim Cochran <jimc@fairfinance.com>
Subject:	RE: Expenses
Date:	Tue, 14 Oct 2008 05:45:43 -0700

did you need the 10k today or use it for the tax covering? tsd

Subject: Expenses
 Date: Mon, 13 Oct 2008 11:31:58 -0400
 From: JimC@fairfinance.com
 To: tsdurham@msn.com

Here is what I am in need of.....and of course bad timing

I cut a deal with Grey Oaks Country Club to pay the initiation fee of \$175,000.00 over 4 years with no interest. I have paid \$132,000.00 and \$43,000.00 (sent invoice to Cheryl last month) is due October 15, 2008. This is full Equity and I am assiging the full Equity Amount to FHI.

Also, will need to get a check to IRS.....see below. We are going to have to push up our Distribution or wait until we decide what we are taking from NEWCO Dallas.

Jim

From: Jim Cochran
Sent: Fri 10/10/2008 12:52 PM
To: Tim Durham (MSN)
Subject: talk about tight

i am short for IRS check.....going to need \$22,000.00.....

Jim

Content-Type: text/html; charset="iso-8859-1"
 Content-Transfer-Encoding: quoted-printable

Content-Type: multipart/alternative; boundary="_0a6d52f0-8c29-4e2e-8c42-d867aa10045a_"
 X-Originating-IP: [12.191.242.130]
 From: timothy durham <tsdurham@msn.com>
 To: Jim Cochran <jimc@fairfinance.com>
 Subject: RE: Expenses
 Date: Tue, 14 Oct 2008 05:45:43 -0700
 Importance: Normal
 In-Reply-To: <D663AC8030F1684792C293EC12B28C84010BCD0C@ms2.OBSENT.COM>
 References: <D663AC8030F1684792C293EC12B28C84010BCD05@ms2.OBSENT.COM>
 <D663AC8030F1684792C293EC12B28C84010BCD0C@ms2.OBSENT.COM>
 MIME-Version: 1.0

EXHIBIT 35

CT Summation Edocs

Sender:	"Jim Cochran" <JimC@fairfinance.com>
Recipient:	"Tim Durham (MSN)" <tsdurham@msn.com>
Subject:	FW: 2008 tax summary report and 4th quarter vouchers
Date:	Tue, 6 Jan 2009 12:11:02 -0500

From: Jim Cochran
Sent: Tue 1/6/2009 10:47 AM
To: Jim Cochran
Subject: FW: 2008 tax summary report and 4th quarter vouchers

.....somehow sent email to myself,

.....anyway the hits keep on coming.....just got this from Birk.....apparently I needed to pay \$3,600 in December '08 and have a tax bill of \$12,500 by Jan. 15 '09. I am not sure terrible things will happen if I don't pay these.....

I need to raise my gross to \$11,430.00 according to jeff birk. I have to start taking out Fed. inc. taxes. the amount includes a \$685.00 per week increase since I am always short and using credit cards. I have too many credit cards again and now living week to week paycheck to paycheck. Maybe we push up the distribution to \$10,300 and my gross weekly would be \$10,500 instead of \$11,430.00. According to Hamilton County, I have to get my nov. 7th property taxes paid by the end of january '09 or tax liens will commence. I have to clear up some overdraft issues with Key Bank by Friday.....I have been juggling my funds to make everybody happy.....you know how that works. This upcoming distribution will have to be \$30K.....(will need it no later than Friday) we can put it anywhere, DCI whatever, but, i have to get caught up and that doesn't include the Hamilton County taxes which with penalties is now \$13,860.00.

Anyway, had good preliminary meetings with our main execs. I am going to work with keith quite abit over the next 30 days. he seems to be a good enough candidate for Pres. I think we can separate finance out of the Presidency and let Derose and Snow work that end with you. Derose is definately not president material, at least not yet.

John, is going to start working with his wife. She started an insurance business a couple of years ago, and according to john is doing very well. it is a virtual business and can be done anywhere. they are having a going away party for john wed. evening.

It appears there are many new deals in the pipeline I need to sit with McCollum to get a handle on the accuracy of the deals. Many dealers are upset, a handfull appear to be walking, I believe they can be replaced. I can understand why they would be upset when they ae used to getting paid with 24 hours.....John called it our edge yesterday.....I think if dealers find funding in our arena that is their edge today.

Keith is really close to all the dealers and sales along with all our employee's. He is a good communicator even though I feel he is an introvert. This is a bit unusual for me since dealing with John. He has 30 years with Fair and John says he looks to work for 7-10 more years.

I travelled to Lakemore Plaza to view our Call Center. Real nice set up with an entire back up in North Canton. Meaning, every person in Lakemore office, who has a cubicle with phone and computer, is identical in North Canton. You walk in there and it is totally ready to go.....just empty.....no people. I was watching one of our certificate salespeople sell a certificate. A question of where do you put your money came up and she walked him thru the letter we sent in october. We should somehow memorialize the letter in a brochure or something. THE biggest question today for evreyone is WHERE do you invest OUR funds.

Tim, I would also like to get a handle on the outflow of funds from FFC every month. I now have the inflow. Meaning, I would like to know, when the money is pulled from FFC where it is all going on a monthly basis. Who do I get set up with that, Elizabeth? Don't read into this, i just want to know

By the way, we have a new girl named Stephanie (at front desk) who may be the first looker we have ever had. A cutie.....

I may have an idea regarding starting up a cash business center (since we have the room) for compan's advertising on TV and upselling their product. Rusty, used to do this for MBNA and they made a fortune.

I will look to the sales area to improve service fees this year. i need to understand how much money we will have this year to give the Sales department a goal.

I will keep you tuned in to meetings today and tomorrow.

Jim

From: Jeff Birk [mailto:jeffb@bgbc.com]
Sent: Fri 1/2/2009 9:51 AM
To: Jim Cochran
Subject: 2008 tax summary report and 4th quarter vouchers

Jim,

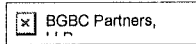
CT Summation Edocs

Attached are your 4th quarter vouchers with the required payments. In addition, for 2009 you should be withholding Federal taxes as well as State.

Any questions, give me a call next week.

Jeff

Jeffrey W. Birk, CPA
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CT Summation Edocs

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To: "Tim Durham (MSN)" <tsdurham@msn.com>
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Cochran 2008 Summary Report and 4th quarter estimates 01-02-09.pdf

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EXHIBIT 36

Sender:	timothy durham <tsdurham@msn.com>
Recipient:	Jim Cochran <jimc@fairfinance.com>
Subject:	RE: Loans, assets, LOC's, etc
Date:	Fri, 19 Sep 2008 14:17:08 -0700

as i think about it , check with birk, but probably both of us should take loans to the extent we have assets and the rest as distributions. because of pass thru taxation we are hit with taxes anyway, but at least we can avoid payroll taxes. we need to explore this in better detail. also we need to review your balance sheet and see how what we can do. ie selling assets to dci for debt forgiveness etc. tsd

Subject: RE: Loans, assets, LOC's, etc
 Date: Fri, 19 Sep 2008 17:10:40 -0400
 From: JimC@fairfinance.com
 To: tsdurham@msn.com

I with you Tim

Jim

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Fri 9/19/2008 3:02 PM
To: Jim Cochran
Subject: RE: Loans, assets, LOC's, etc

jim I dont care i just want to minimize taxes and avoid any issues with the stae. so we just need to figure out the best way possible tsd

Subject: Loans, assets, LOC's, etc
 Date: Fri, 19 Sep 2008 16:03:39 -0400
 From: JimC@fairfinance.com
 To: tsdurham@msn.com

This sounds so self serving, but instead of writing a politically correct email, i just netted it out.....didn't think you would have a problem with it

Actually, my monthly is \$8,365 and I net \$7,821.00. You mention you take 4442 before taxes and havent recd anything from obsidian for several years.....I think we know Obsidian cannot support employee's here. I understand the \$4,442, but what about the other monthly amounts that go toward personal operating expenses (sometimes \$150k or more per month).....

I am not sure about how who gets what. But, I know we are using approx. \$1mm per month to support everyone here. I also look back and see:

Danzer, Champion, and Speedster amounts over \$14 million that we'll never recover. I realize these were opportunities that didn't happen as unfortunate as they were. But, if they did, there was no benefit in it for me, except an interest percentage on a Line Of Credit to FFC. I see the purchase (\$1.4MM?) of US Rubber and glad its doing well, but no upside to me when it sells. I continue to support United Trailer.....I understand the LOC with the cars over \$5MM.....

I (you & me) basically support Obsidian and all employee's here and the loans.....

History:

I have \$39k loaned for Bonita House, \$1mm for Naples, and recently \$700k for new Indy house. I can pay back

Bonita right now, if I need too. The Indy house for sale (when it sells) should help payback funds.

My loans aren't much compared to what has happened in the past and the outstanding loans to outsiders. So, this brings me to my feelings that it is really time (since 2002) for me to bring in \$1mm per year. In retrospect, it is time for this type compensation.....as strange as that seems from me. With the new fundings, it will easily support this comp. package.

I have one more large purchase i am considering in the next few months.....

Now, as far as assets not covering loans, we can w-2 me before our audit if we have one.....which probably will never happen.....I hope.

Anyway, this isn't a rant just my net conversation.....

Love ya brother,

Jim

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Fri 9/19/2008 10:50 AM
To: Jim Cochran
Subject:

jim

saw you instruction on salary increases. currently you get 8475 a week and I borrow and repay continuously against assets on my line of credit which is collateralized.so my cash flow is really debt flows in and out. the problem, which I told jeff to resolve and reconcile is that the flows dont match. ie i sell a car and it goes agianst the auto floor plane.and if i reborrow it comes from another line. ie they dont match up. he is doing that now.thus i dont pay withholding taxes. we need to come up with a strategy like that for you to minimize withholding taxes.

the problem you have now is i am guessing that your assets dont cover your loans from fair . so if we ever got audited buy the state, i would suppose your coolateralization may be way short.
i guess the question is , is what are you trying to accomplish.If it is mortgage payment problems then maybe we have dci buy your excess homes and make those payments. just thinking about different strategies.lets figure it out the most tax effective manner.

as for fhi, talked john and doug. they are fine. they need to get more weekly just in case of redemptions. they have a borrowing base of 2.7 now with 500 still owed from summitt and 450 still to be pulled and about 1.2 in new ar this week alone that is not in that number. so all in the have in excess of 4million in availibilty if they got it all to the ape. call when free. tsd

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Content-Transfer-Encoding: quoted-printable

Content-Type: multipart/alternative; boundary="_3cff7794-d40f-4f51-9ed6-a5cd344f8336_"
X-Originating-IP: [12.191.242.130]
From: timothy durham <tsdurham@msn.com>
To: Jim Cochran <jimc@fairfinance.com>
Subject: RE: Loans, assets, LOC's, etc
Date: Fri, 19 Sep 2008 14:17:08 -0700
Importance: Normal
In-Reply-To: <D663AC8030F1684792C293EC12B28C84010BCC98@ms2.OBSENT.COM>
References: <BAY104-W3001B5DE4F6C5B5A82C4AEC54E0@phx.gbl>
<D663AC8030F1684792C293EC12B28C84010BCC97@ms2.OBSENT.COM>
<BAY104-W20BD58F0EF4E27DE20A732C54E0@phx.gbl>
<D663AC8030F1684792C293EC12B28C84010BCC98@ms2.OBSENT.COM>
MIME-Version: 1.0

EXHIBIT 37

Unknown

From: timothy durham [tsdurham@msn.com]
Sent: Tuesday, October 07, 2008 12:16 PM
To: rkaffen@hkz-law.com
Cc: Jim Cochran; JohnH@fairfinance.com
Subject: RE: Fair Finance Company

Ron

I have reviewed your comments and spoken with John Egloff, who had provided an opinion on this matter in 2004 for Textron, which I believe you may have. If not, let me know and I can forward it to you.

Although it seems no one can be completely certain with regard to this exemption because it is vague and there has been very little case law or pronouncements regarding this issue specifically.

Even so, we are comfortable that strong arguments can be set forth that our practices do fall with in this exemption.

On a cash in cash out basis, so far this year we have issued new certificates(which include renewals) of \$133,920,066.09 of which \$124,773,843.32 has been used to repay expiring certificates, or 93.17%.

Excluding the renewals, we have issued new investment certificates of \$30,826,135.37 and cashed out expiring certificates of \$27,334,638.29, or 88.67%. Using this method, we have used well over 80% of newly issued certificates in the state of Ohio.

Furthermore, all accounts receivables and loan receivables are direct assets of Fair Financial, an Ohio company, including the loan receivable of Fair Holdings, also an Ohio company. Thus we contend that 100% of are assets are held in Ohio.

However, if if this were not the case, using a measure of our current portfolio balances does not take us out of the realm of this exemption either. by way of example, assume in the first year of Fair's business, it issued \$100 million of new certificates. Also assume \$80 million were directly invested in Ohio for 12 month terms. Assume the remaining 20% was invested out of state for 5 year terms. Assume this happened again in year 2 and year 3. Then at the end of year three, you would have a portfolio balance of just under 60 million in out of state loans, because they are longer amortizing and virtually no loans in state as they had all termed out by the end of the third year. Thus a snapshot of the portfolio balance at any given time does not reflect the actual uses of cash from any particular offering.

That is why we contend that the best and truest measure is to weigh cash in from new sales and roll over's versus cash out for retiring certificates. In many ways this is the exact procedure a Bank follows. In any given year a very large portion of their new deposits are used to cash out exiting depositors.

We realize there is always much room for various arguments and understand that you may want to adjust your language to recognize this potential discrepancy of opinions in any new opinion letter you may provide for us in the future.

As always we appreciate the issues you have made us aware of and are making every effort possible to remain in any such exemption.

Sincerely Timothy S Durham, CEO of Fair Finance

From: rkaffen@hkz-law.com
To: tsdurham@msn.com
Subject: RE: Fair Finance Company
Date: Mon, 6 Oct 2008 11:55:41 -0400

Tim, I will be in the office all day tomorrow and Wednesday.

Ron

Ronald O. Kaffen
Hardesty, Kaffen & Zimmerman
520 S. Main St., Suite 500
Akron, OH 44311
Telephone: (330) 762-7477
Fax (330) 762-8059

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-----Original Message-----

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Monday, October 06, 2008 11:51 AM
To: rkaffen@hkz-law.com
Subject: RE: Fair Finance Company

ron i am not sure i agree with your logic but i also thought we rstructured everything to make sure we comply. i need to review this and discuss it with you to really grasp the nuasances here. i will call you tomorrow or wednesday if you are available tsd

From: rkaffen@hkz-law.com
To: tsdurham@msn.com
Subject: RE: Fair Finance Company
Date: Mon, 6 Oct 2008 11:17:54 -0400

Hi Tim,

The SEC has issued a few interpretations concerning the intrastate exemption. One interpretation deals with a company that purchased receivables from other states. The SEC found that so long as the company physically retained the collateral in the state of operations and at least 80% of dealings for the purchase and collection of the receivables occurred in the state, then the company was in compliance with the exemption. At the present, Fair has offices only in Ohio. All negotiations for the purchase of contracts and all of the collection efforts originate from Fair's offices within Ohio. Therefore, at least with respect to Fair's traditional business, it is in full compliance with the intrastate exemption.

When I was first advised that Fair was loaning funds to FHI, I was advised that FHI was using the funds to enter markets that were different from Fair's core business. Since FHI was an Ohio company, there seemed to be no problem with the loans. At that time, a substantial amount of Fair's investor funds were still being utilized to back Fair's core business. However, as time has passed, the FHI line of credit began to match and then exceed the investor funds used in the core business. That is when I suggested that FHI start to pay down some of its line of credit by transferring some of the loans and collateral to Fair's books. That way, it could be argued that Fair has entered into new markets and was creating a separate line of business with the investor funds.

Within the past year there have been two significant events that have caused me to review my position with regard to the continued availability of the exemption for Fair's offering. First, the Fortress agreement has substantially reduced Fair's need to offer certificates to provide liquidity to purchase consumer contracts. Second, the current economic turndown has begun to affect Fair's cash flow. I am not certain that I agree with your analysis of the current sales of certificates. Since we are dealing with short term debt, instead of equity securities, I believe that we must take a broader view of the transactions. Had this been a one time sale of equities, we would look at the initial funding of the consumer contracts to validate the use of funds. In our situation, the ongoing offering is really being used to provide the liquidity for Fair to continue to maintain its portfolio. While it is true that most of the new funds are now used to replace redeemed certificates, I am not comfortable characterizing the sales as selling certificates to pay off old certificates. Such a characterization would not be much different than a pyramid scheme. The new sales are being used to maintain the portfolio and not require Fair to sell off its portfolio every six months.

With all that being said, this issue was not the main thrust of my email to you. At present, it is my understanding that about 10% of the certificate proceeds are utilized by Fair to fund its consumer contracts. The balance is used for third party commercial loans, either directly or through FHI. Of this amount, a substantial portion of the loans are made to related businesses. The issue becomes, is Fair using the intrastate offering to fund out of state related businesses? If this is truly the purpose of more than 20% of the offering, the exemption is no longer available.

I understand that Fair now has independent directors to approve these credit extensions. Such a situation does help enforce the argument that the extensions of credit are based upon independent business judgment for the benefit of the lender. My concern is if we are heading into a prolonged recession, and Fair must enforce its policies of no early withdrawal or, worse yet, have to exercise its right to restrict payouts at maturity, we may be looking at litigation. Of course, the plaintiff's argument would be that the exemption was not available to Fair and that Fair has issued unregistered securities. If the argument is successful, there will be personal liability for all of the directors and executive officers of the company. Of course, my firm would also be joined and I would be faced with the same liability.

As I stated in my original email, I have no knowledge of your overall business strategies and the interrelation of Fair with your other holdings. All that I know is that Fair cannot obtain an audited financial statement due to interlocking ownership of other businesses. My purpose of these emails is to make you aware of the issues and ask you to consider these issues when you formulate your business strategy for the next year. Please let me know if I you have any other questions at this time.

Ron

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 520 S. Main St., Suite 500
 Akron, OH 44311
 Telephone:(330) 762-7477
 Fax (330) 762-8059

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-----Original Message-----

From: timothy durham [mailto:tsdurham@msn.com]
Sent: Friday, October 03, 2008 11:25 AM
To: rkaffen@hkz-law.com
Subject: RE: Fair Finance Company

ron

there are many ways to interpret this. i have always looked at it this way. every month we issue new certs and redeem old certs. the excess is really what you are talking about. but in reality, 90% of all new sales retires old certs and interest there on. i have always viewed it that way. otherwise almost all of our recievables are generated out of state and always have been . your thoughts? tsd

From: rkaffen@hkz-law.com
 To: tsdurham@msn.com
 Subject: FW: Fair Finance Company
 Date: Fri, 3 Oct 2008 11:21:02 -0400

Tim,

I sent this message to you last week. When I received a forward of a message that you sent to John Head today, I noticed that my Outlook contacts had a different email address for you. I never received a bounce back of the original message, but I want to make certain that you receive this message.

Ron

Ronald O. Kaffen
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 520 S. Main St., Suite 500
 Akron, OH 44311
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 Fax (330) 762-8059

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-----Original Message-----

From: rkaffen@hkz-law.com [mailto:rkaffen@hkz-law.com]
Sent: Friday, September 26, 2008 11:20 AM
To: 'Tim Durham'
Subject: Fair Finance Company

THIS COMMUNICATION IS PERSONAL AND CONFIDENTIAL AND IS INTENDED ONLY FOR THE RECIPIENT. ALL MATTERS CONTAINED WITHIN THIS COMMUNICATION ARE SUBJECT TO THE ATTORNEY-CLIENT PRIVILEGE.

Tim,

I want to discuss with you a concern that I have regarding the continued availability of the intrastate exemption for the Fair Finance variable rate certificate offering. Over the past few months, certain matters have come to my attention that have caused me to question if I can continue to offer my opinion as to the availability of the exemption for this offering. Some of my concern is driven by the changing nature of Fair's business and some is driven by the current economic condition of the country. I have no intention, at this time, of withdrawing my opinion. But, I have to admit that I am becoming increasingly uneasy about providing the opinion to the state regulators and investors.

As you know, I initially had some concern when Fair established the line of credit with Fair Holdings, Inc., since this was a new line of business for Fair and involved a substantial amount of money. As you know, the Division also had concerns about the transaction and required a substantial rewrite of the risks section of the offering, when it became aware of the line of credit. My problem was not with the new risk, but with the fact that Fair's parent was utilizing more than 20% of the offering to provide funds to affiliates that operated out of Ohio. This issue was resolved over a period of time by all of the loan documents being held in Ohio and some of the loans of FHI being transferred to Fair in partial payment of the FHI line of credit.

When I was preparing the last offering circular, I reviewed the most recent financial statements. I found that as a result of the Fortress warehousing agreement, only about \$8,000,000 of the certificate funds were being utilized by Fair to fund the installment contracts and the remainder was being used to fund the FHI line of credit and the direct loans that were now in Fair's portfolio.

As I have indicated to you in the past, there is very little guidance from the SEC with respect to the intrastate exemption. We have the statute, a 1961 SEC release and Rule 147. The

SEC has announced that it will not provide opinion letters for Section 3(a)(11) issues. Rule 147 provides the best guidance for the exemption. The rule is not definitive, since the exemption can be claimed without strict compliance with the rule. However, the burden is on the issuer to prove compliance. If we are not in strict compliance with Rule 147, we must deal with both the language and the intent of the exemption. My problem involves 147(c)(2)(iii) which provides:

'the issuer intends to use and uses at least 80 percent of the net proceeds to the issuer from sales made pursuant to this rule in connection with the operation of a business or of real property, the purchase of real property located in, or the rendering of services within such state or territory..'

If Fair is in compliance with this provision, then there is no problem. However, if it cannot comply with this provision, we must look at the intent of the exemption. The Preliminary Notes to Rule 147 states in part:

'The legislative history of that Section suggests that the exemption was intended to apply only to issues genuinely local in character, which in reality represent local financing by local industries, carried out through local investment.'

In the past we have agreed that Fair is involved in the finance business and it loans funds to dealers across the country. Therefore, there should not be a problem if it loans funds to other entities and secures the loans through UCC statements. While this is technically true, I feel uneasy when the bulk of the loans from the proceeds of the sale of the securities are made to related companies that do business outside the State. It looks too much like we are using Fair's historically local offering to fund out of state businesses.

I understand that it is not your intent to circumvent the statutes. It is for this reason that I feel compelled to advise you of my concern and provide us sufficient time to reconsider the structure of the transactions prior to the next authorization. It appears to me that recent developments have created little or no need for Fair to continue to offer investment certificates in order to expand its portfolio. There is no reason, however, that Fair cannot continue to offer its certificates to provide funding for another market or opportunity. I believe that more attention must be paid to the structure of these non traditional (for Fair) extensions of credit.

I appreciate that I am aware of only one segment of your operations and I have no knowledge of how Fair fits into your overall objectives. I am just attempting to position myself so that when needed, I can provide you with an opinion that Fair's offerings qualify for the intrastate exemption. Please consider if any changes can be made to the structure. If you believe that it would be useful, I would be happy to meet with you or discuss this matter by phone.

Ron

EXHIBIT 38

PROMISSORY NOTE (Line of Credit)

\$3,000,000.00

Indianapolis, Indiana

Dated: January 9, 2002

Final Maturity Date: January 9, 2005

On or before January 9, 2005 ("Final Maturity"), OBSIDIAN ENTERPRISES, INC., a Delaware corporation (the "Maker") promises to pay to the order of FAIR HOLDINGS, INC., an Ohio corporation, (the "Lender") at his principal office at 111 Monument Circle, Suite 3680, Indianapolis, Indiana, the principal sum of THREE MILLION AND *NO/100* DOLLARS (\$3,000,000.00) or so much of the principal amount of the Loan represented by this Note as may be disbursed by the Lender under the terms described below, and to pay interest on the unpaid principal balance outstanding from time to time as provided herein.

This Note evidences indebtedness (the "Loan") incurred or to be incurred by the Maker under a revolving line of credit extended to the Maker by the Lender as provided herein. The proceeds of the Loan may be advanced, repaid and re-advanced until Final Maturity Date. The principal amount of the Loan outstanding from time to time shall be determined by reference to the books and records of the Lender and all payments by the Maker on account of the Loan shall be recorded. Such books and records shall be deemed prima facia to be correct as to such matters. From this date and until the Final Maturity, Lender agrees to make advances from time to time to the Maker of amounts not exceeding in the aggregate at any time outstanding the amount of Three Million and *no/100* Dollars (\$3,000,000.00), provided that all of the conditions of lending stated herein have been fulfilled at the time of each advance and no default exists.

Each of the following shall constitute an Event of Default under this Note:

- (a) Nonpayment of Loan: Default in the payment when due of any amount payable under the terms of this Note, or otherwise payable to the Lender or any holder of this Note under the terms of this Note;
- (b) Bankruptcy, Insolvency, etc.: Maker admitting in writing the inability to pay his debts as they mature or an administrative or judicial order or determination of insolvency being entered against Maker; or Maker making a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee or receiver being appointed for Maker or a substantial part of his property and not being discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, or other proceeding under the bankruptcy or insolvency law, or any

dissolution or liquidation proceeding being instituted by or against Maker.

Interest on the unpaid principal balance of the Loan outstanding from time to time prior to Final Maturity will accrue at a per annum rate equal to ten percent (10%). Interest shall begin to accrue on the date of this Note and shall be due and payable on the Final Maturity. Interest will be calculated on the basis that an entire year's interest is earned in 360 days.

Upon an Event of Default, including failure to pay upon Final Maturity, Lender at his option may also, if permitted under applicable law, do one or both of the following: (a) increase the applicable interest rate on this Note two percent (2%) and (b) add any unpaid accrued interest to the principal and such sum will bear interest thereon until paid at the rate provided in this Note. The interest rate will not exceed the maximum rate permitted by applicable law.

The entire outstanding principal balance of this Note shall be due and payable, together with accrued interest, at Final Maturity. Principal may be prepaid at anytime without penalty.

If any installment of interest due under the terms of this Note is not paid when due, then the Lender or any subsequent holder of this Note may, at its option and without notice, declare the entire principal amount of the Note and all accrued interest immediately due and payable.

If payment is 10 days or more late, Maker will be charged 5% of the regularly scheduled payment. Each late payment fee assessed shall be due and payable on the earlier of the next regularly scheduled interest payment date or the maturity of this Note. Waiver by the Lender of any late payment fee assessed, or the failure of the Lender in any instance to assess a late payment fee shall not be construed as a waiver by the Lender of its right to assess late payment fees thereafter.

Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, provided, however, upon delinquency or other default, Lender reserves the right to apply payment among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine in his sole discretion.

The Maker and any endorsers severally waive demand, presentment for


payment and notice of nonpayment of this Note, and each of them consents to any renewals or extensions of the time of payment of this Note without notice.

All amounts payable under the terms of this Note shall be payable with expenses of collection, including attorneys' fees, and without relief from valuation and appraisal laws.

This Note is made under and will be governed in all cases by the substantive laws of the State of Indiana notwithstanding the fact that Indiana conflicts of law rules might otherwise require the substantive rules of law of another jurisdiction to apply.

THE MAKER AND LENDER (BY ACCEPTANCE OF THIS NOTE) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON A CONTRACT, TORT OR OTHERWISE) BETWEEN MAKER AND LENDER ARISING OUT OF OR ANY WAY RELATED TO THIS NOTE OR ANY RELATIONSHIP BETWEEN LENDER AND MAKER. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN.

"MAKER"
OBSIDIAN ENTERPRISES, INC.

By: 
Timothy S. Durham
Its: Chief Executive Officer

Security Agreement

This Agreement is made this 9th day of January 2003, by Obsidian Enterprises, Inc., ("Debtor"), in favor of Fair Holdings, Inc., an Ohio limited liability company ("Creditor").

1. Construction of Agreement and Definitions. Unless the context otherwise requires, all of the terms used herein without definition which are defined by the Indiana Uniform Commercial Code shall have the meanings assigned to them by the Indiana Uniform Commercial Code, as in effect on the date hereof. "Debtor," "Creditor" and "Obligor" shall include their respective heirs, legal representatives, successors and assigns. All words shall be deemed to refer to the singular, plural, masculine, feminine or neuter as the identity of the person or entity or the context may require. The following terms shall have the following meanings:

1.1. "Collateral" shall mean all of the property of Debtor described on Schedule A together with: (a) all substitutions, replacements, appurtenances, accessories and accessions relating to any of the property described on Schedule A and all property with which the property described on Schedule A is commingled; (b) except in the case of consumer goods, or as otherwise limited by applicable law, all after-acquired property of Debtor of the types described on Schedule A; (c) all of the books and records pertaining to any of the property described on Schedule A; and (d) all proceeds of the property listed in Schedule A.

1.2. "Loan Documents" shall mean this Agreement, and all other agreements, instruments and contracts previously, simultaneously or hereafter executed and delivered by Debtor and/or by any other Obligor or person, singly or jointly with another person or persons as evidence of, security for, as guaranty of or otherwise in connection with Obligations of Debtor to Creditor, whether or not this Security Agreement is specifically referred to therein.

1.3. "Obligations" shall mean all past, present and future obligations of Debtor to Creditor of any nature whatsoever, joint or several, now existing or hereafter arising, direct or contingent, due or to become due, which remain unpaid, except if the Collateral consists of "margin stock" as that term is defined in Regulations G and/or U, 12 C.F.R. Parts 207 and 221, or "household goods" as that term is defined in Regulation AA, 12 C.F.R. Part 227. If the Collateral consists of "margin stock" or "household goods," the term "Obligations" shall mean only all amounts that Debtor now or may in the future owe Creditor under the note for which this Security Agreement was executed (the "Note"), including any renewals, extensions and modifications of the Note and the costs of collection permitted by applicable law.

1.4. "Obligor" shall mean individually and collectively Debtor, each person who is primarily or secondarily liable for the repayment of any of the Obligations, and each person who has granted security for the repayment of any of the Obligations.

1.5. "Permitted Liens" shall mean: (a) liens and security interests of Creditor, (b) liens for taxes not delinquent, (c) mechanics', artisans', landlords', carriers' and other like liens arising in the ordinary course of business with respect to obligations which are not due, and (d) liens and security interests specifically consented to by Creditor in writing.

2. Payment and Performance. Debtor will pay the Obligations as and when due and payable, and will perform, comply with, and observe the terms and conditions of the Loan Documents to be performed, complied with and observed by Debtor. All payments made by Debtor or any Obligor may be applied by Creditor to any of the Obligations, whether matured or unmatured, as Creditor shall determine in its sole but reasonable discretion, unless otherwise required by applicable law.

3. Security Interest and Collateral. As security for all of the Obligations, Debtor grants to Creditor a lien and continuing security interest in the Collateral. Debtor agrees to execute and deliver to Creditor, whenever requested by Creditor, and to cooperate with Creditor to obtain and keep in effect one or more control agreements in investment property and letter-of-credit rights Collateral and such other documents as Creditor may request, in form and content satisfactory to Creditor, in order to confirm, preserve, protect or perfect, or to maintain the perfection of,

Creditor's security interest in any of the Collateral. Debtor authorizes Creditor to file financing statements covering the Collateral and containing such legends as Creditor shall deem necessary or desirable to protect Creditor's interest in the Collateral. Debtor shall not file any amendments, correction statements or termination statements concerning the Collateral without the prior written consent of Creditor. Debtor represents, warrants and agrees that the Collateral is and shall remain free and clear of all liens, security interests and encumbrances, except for Permitted Liens.

4. **Possession of the Collateral.** Upon the request of Creditor, Debtor will promptly deliver to Creditor, with such endorsements, assignments, stock powers, hypothecations and other documents as may be requested by Creditor, all certificates, instruments, promissory notes, chattel paper, guaranties, documents of title, certificates of origin and certificates of title, as well as other documents that may be requested by Creditor, previously or hereafter received by Debtor and constituting or evidencing the Collateral. Debtor shall promptly deliver to Creditor all money, certificates, instruments, and other such documents, and all other property of any kind, previously or hereafter received by Debtor in respect of, in evidence of, as an addition to, in substitution for, in replacement of or in exchange for any of the Collateral. Creditor shall have the right to receive and to apply to any of the Obligations, as Creditor may determine in its discretion, any money or other property payable on account of any sale, assignment or transfer of any of the Collateral, whether pursuant to a redemption or repurchase of the Collateral by the issuer thereof, or otherwise.

5. **Duty of Care.** Beyond the exercise of reasonable care to assure the safe custody of any of the Collateral while in the possession of Creditor, Creditor shall have no duty or liability to collect any cash or other property due in respect thereof or to give any notices with respect thereto or to protect or preserve any rights pertaining thereto, and shall be relieved of all responsibility for the Collateral upon surrendering the same to Debtor. Creditor shall be deemed to have exercised reasonable care with respect to any of the Collateral in its possession if Creditor takes such action as Debtor shall reasonably request in writing; but no failure to comply with any such request shall, without more, be deemed a failure to exercise reasonable care.

6. **Representations and Warranties.** Debtor represents and warrants to Creditor that, except as previously disclosed to Creditor in writing: (a) this Agreement and any other Loan Documents executed by Debtor constitute the legally binding obligations of Debtor and are fully enforceable against Debtor in accordance with their terms, subject to application of general principles of equity and laws affecting the rights of creditors generally; (b) to Debtor's knowledge, there are no judgments, injunctions or similar orders outstanding against Debtor or any of the Collateral and no actions, suits or proceedings pending or threatened against Debtor; (c) Debtor is and shall remain the owner of the Collateral and has good and marketable title to the Collateral free and clear of all liens, pledges, security interests and other encumbrances except for Permitted Liens; (d) Debtor has filed all tax returns which are required to be filed by Debtor, and Debtor has paid all taxes shown to be due thereon or which have been assessed against Debtor; (e) Debtor's name is as specified as his/her/their address for Notices pursuant to Section 18 hereof; (f) Debtor's principal residence address is as specified as his/her/their address for Notices pursuant to Section 18 hereof; (g) Debtor will immediately advise Creditor in writing of any intended change of Debtor's principal residence address and the places where the Collateral, or any part thereof, are kept; and (i) all information contained in any financial statement, application, schedule, report or any other document given to Creditor by Debtor, any other Obligor or by any other person in connection with the Obligations is in all respects true and accurate and Debtor, such other Obligor, or such other person has not omitted to state any material fact or any fact necessary to make such information not misleading.

7. **Covenants.** Until all of the Obligations have been paid in full, Debtor covenants and agrees that Debtor will, except as otherwise agreed to in writing by Creditor: (a) deliver to Creditor in writing, upon Creditor's request, and periodically if Creditor shall so request, such written statements and reports as Creditor may request concerning the Collateral, any other assets of Debtor, or the financial condition of Debtor; (b) file all tax returns which are required to be filed by Debtor and pay all taxes and assessments prior to the date on which penalties attach thereto; (c) do, make, execute and deliver all such additional and further acts, things, deeds, assurances, instruments and documents as Creditor may reasonably request to vest in and assure to Creditor its rights hereunder or in any of the Collateral, and pay to Creditor all taxes, fees and costs (including reasonable attorneys' fees) paid or incurred by Creditor in connection with the preparation, filing or recordation thereof; (e) maintain the Collateral in good repair and operating condition; (e) keep the tangible Collateral in the State specified as his/her/their address for Notices pursuant to Section 18 hereof; and (f) comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities or agencies to which Debtor is subject. Debtor covenants and agrees that Debtor will not, without Creditor's

prior written consent: (g) sell, assign, transfer or lease any of the Collateral or permit any lien, security interest or other encumbrance to attach to the Collateral, or any part thereof, other than Permitted Liens; and (h) not move Debtor's principal residence from the address specified as his/her/their address for Notices pursuant to Section 18 hereof.

8. **Insurance.** Debtor will insure such of the Collateral as specified by Creditor against such casualties and risks in such form and amounts as may from time to time be required by Creditor. All insurance proceeds shall be payable to Creditor and all policies or certificates of insurance shall be furnished to Creditor evidencing among other things notice of cancellation to be provided to Creditor. Debtor will pay all premiums due or to become due for such insurance and hereby assigns to Creditor any returned or unearned premiums which may be due upon cancellation of insurance coverage. Creditor is hereby irrevocably, (a) appointed Debtor's agent and attorney-in-fact to endorse any draft or check which may be payable to Debtor in order to collect such returned or unearned premiums or the proceeds of insurance, and (b) authorized to apply such insurance proceeds in the same manner and order as the proceeds of sale or other disposition of the Collateral are to be applied pursuant to Section 10 hereof.

9. **Default.** The occurrence of any one or more of the following events shall constitute a default under this Agreement: (a) the failure of any Obligor to pay promptly when due any sum due in respect of the Obligations; (b) the failure of any Obligor to perform, observe or comply with any of the Loan Documents; (c) the death of any Obligor; (d) the filing of any petition for relief under the United States Bankruptcy Code or any similar federal or state statute by or against any Obligor; (e) the making of an application for the appointment of a custodian, trustee or receiver for, or of a general assignment for the benefit of Creditors by, any Obligor; (f) the insolvency of any Obligor or the failure of any Obligor generally to pay debts as such debts become due; (g) any representation or information contained in any financial statement or any other document given by any Obligor to Creditor that is not in all material respects true and complete; or (h) the occurrence of any default by any Obligor under any of the Loan Documents.

10. **Effects of Default.** Upon default, Creditor may, at its option: (a) declare all or any part of the unpaid Obligations, together with all accrued and unpaid interest thereon, to be immediately due and payable without presentment, demand or notice, which are hereby waived by each Obligor; (b) repossess and sell the Collateral and hold Debtor liable for any deficiency balance; (c) take control of any of the Collateral and exercise all voting, corporate and other rights at any meeting of the shareholders or other members of the issuer of any of the Collateral and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to the Collateral as if it were the absolute owner thereof, including the right to exchange, in its discretion, any and all of the Collateral upon any merger, consolidation, reorganization, recapitalization, reclassification, stock split, liquidation or other readjustment in respect to any issuer of any of the Collateral; (d) enforce the security interest granted to Creditor hereunder by collecting or liquidating all or any part of the Collateral or selling or otherwise disposing of all or any part of the Collateral, in one or more parcels, at the same or different times, at public or private sale or disposition; (e) notify any or all obligors on the Collateral to make payments thereon directly to Creditor and demand, collect, sue for and receive any money or property at any time due, payable or receivable on account of any or all of the Collateral; (f) exercise its right of setoff against any money, funds, credits or other property of any nature whatsoever of Debtor or any other Obligor now or at any time hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with, Creditor or any affiliate of Creditor in any capacity whatsoever, including, without limitation, any balance of any deposit account and any credits with Creditor or any affiliate of Creditor; (g) terminate any outstanding commitments of Creditor to Debtor; (h) exercise any or all rights, powers and remedies provided for in any of the Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise including, but not limited to, exercising all rights and remedies of a secured party under the Indiana Uniform Commercial Code; (i) require Debtor to assemble the Collateral and make it available to Creditor at a place designated by Creditor; and (j) enter upon Debtor's premises to take possession of the Collateral, to remove it, to render it unusable or to sell or otherwise dispose of it. If Creditor takes possession of the Collateral, Creditor shall not be responsible for any of Debtor's or any other person's property not covered by this Agreement left inside the Collateral. Creditor will hold all such property at Debtor's sole risk, without liability on Creditor's part, and Debtor will be responsible for any storage charges Creditor incurs. If Debtor does not claim any such property within 90 days after repossession, Creditor may dispose of it in any manner Creditor deems appropriate. If Creditor repossesses the Collateral, Creditor may, in Debtor's name, lease, charter, operate or otherwise use the Collateral, as Creditor thinks advisable, and keep the Collateral free of charge at Debtor's premises or elsewhere, at Debtor's expense. For such purpose and subject to any applicable federal or state law or regulation, Creditor and its agents are irrevocably appointed Debtor's true and lawful agents and attorneys-in-fact to make all

necessary transfers of the Collateral upon resale after repossession, in Debtor's name and stead. Any requirements of applicable law concerning the repossession and sale of the Collateral, Debtor's right of redemption, application of sale proceeds, and Debtor's liability for any deficiency, are hereby incorporated in this Agreement.

If a default occurs, Debtor agrees to pay, in addition to (but not in duplication of) any amount payable by Debtor under any of the Loan Documents, the reasonable attorneys' fees actually incurred by Creditor if the Obligations are referred for collection to an attorney who is not a salaried employee of Creditor. All cash and non-cash proceeds of the Collateral may be applied by Creditor upon Creditor's actual receipt of cash proceeds against such of the Obligations, matured or unmatured, as Creditor shall determine in Creditor's sole discretion.

11. **Notice of Sale of the Collateral.** Any written notice of sale, disposition or other intended action by Creditor with respect to the Collateral which is required by applicable laws and is sent by regular mail, postage prepaid, to Debtor at Debtor's address specified below, or such other address of Debtor which may from time to time be shown on Creditor's records, at least 10 days prior to such sale, disposition or other action or any longer period required by applicable law, shall constitute reasonable notice to Debtor.

12. **Sale of the Collateral and Disclaimer of Warranties.** All sales or other dispositions of Collateral may be made for cash, upon credit or for future delivery. It is mutually agreed that it is commercially reasonable for Creditor to disclaim all warranties which arise with respect to the disposition of the Collateral. Creditor shall have no obligation to delay any liquidation, sale or other disposition because the same may result in the imposition of any forfeiture, premium or penalty, Debtor hereby acknowledging that the risk of such forfeiture, premium or penalty is inherent in granting a security interest in the Collateral to Creditor. In connection with any liquidation, sale or other disposition of any of the Collateral, Creditor shall have the right, in the name, place and stead of Debtor, to execute all necessary endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral. Debtor recognizes that Creditor may be unable to effect a public sale of all or a part of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act") and/or the securities laws of one or more states (the "Blue Sky Laws"), but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire all or a portion of the Collateral for their own account, for investment and without a view to the distribution or resale thereof. Debtor understands and agrees that any private sale so made may be at prices and on other terms less favorable than if the Collateral were sold in one or more public sales, and agrees that Creditor has no obligation to delay the sale of any of the Collateral for the period of time necessary to permit the issuer of the Collateral (even if the issuer agrees to register the Collateral) to register the Collateral for sale under the Act or the Blue Sky Laws. Debtor agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner. If any consent, approval or authorization of any federal, state, municipal or other governmental department, agency or authority should be necessary to effectuate any sale or other disposition of the Collateral, or any partial sale or other disposition of the Collateral, Debtor will execute all such applications and other instruments as may be required in connection with securing any such consent, approval or authorization, and will otherwise use its best efforts to secure the same. In addition, if the Collateral is disposed of pursuant to Securities and Exchange Commission Rule 144, Debtor agrees to complete and execute a Form 144, or comparable successor form, at Creditor's request, and Debtor agrees to provide any material adverse information in regard to the current and prospective operations of any corporation whose stock constitutes all or a portion of the Collateral of which Debtor has knowledge and which has not been publicly disclosed, and Debtor hereby acknowledges that Debtor's failure to provide such information may result in criminal and/or civil liability.

13. **Performance for Debtor.** Creditor shall have the right, but no obligation, to pay amounts on behalf of Debtor in order to cause Debtor to be in compliance with any of the terms of this Agreement or any of the other Loan Documents, including payment of premiums for required insurance and payment of tax obligations of Debtor. Debtor shall pay Creditor on demand for all such amounts paid by Creditor. Creditor may, in its discretion, add such amounts to the unpaid principal balance of the Obligations and charge interest at the highest rate charged on the Obligations. Debtor authorizes Creditor to request other secured parties of Debtor to provide accountings, confirmations of Collateral and confirmations of statements of account concerning Debtor. Debtor hereby designates and appoints Creditor and its designees as agents and attorneys-in-fact of Debtor, irrevocably and with power of substitution, with authority to endorse Debtor's name on requests to other secured parties of Debtor for accountings, confirmations of collateral and confirmations of statements of account.

14. **Waivers.** No failure or delay by Creditor to insist upon the strict performance of any provision of the Agreement or any of the other Loan Documents or to exercise any right, power or remedy shall constitute a waiver thereof, or preclude Creditor from exercising any such right, power or remedy. No waiver or amendment of this Agreement or any of the other Loan Documents shall be deemed to be made by Creditor unless in a writing signed by Creditor, and each such waiver, if any, shall apply only to the specific instance involved. No substitution, impairment, exchange or release of any of the Collateral shall limit or otherwise affect the liability of Debtor with respect to any of the Obligations.

15. **Invalidity of Any Part.** In the event that any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this Agreement operate or would prospectively operate to invalidate this Agreement or the Obligations, then and in any of those events, the following shall occur: (a) the provision(s) shall be enforced to the fullest extent of its validity, legality and enforceability; or, (b) if such provisions would operate so as to invalidate this entire Agreement or the Obligations, only such provision(s) shall be void as though not herein contained, and the remainder of the clauses and provisions of this Agreement will remain in full force and effect.

16. **Choice of Law, Consent to Jurisdiction.** This Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of Indiana (excluding the choice of law rules thereof). Debtor hereby irrevocably submits to the non-exclusive jurisdiction of any Indiana court or any federal court sitting in Marion County, Indiana in any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably waives any objection that Debtor may have to the laying of venue of any such action or proceeding in any such court and any claim that Debtor may have that any such action or proceeding has been brought in an inconvenient forum. A final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

17. **Miscellaneous.** The section headings of this Security Agreement are for convenience only, and shall not limit or otherwise affect any of the terms hereof. This Security Agreement and related Loan Documents, if any, constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior letters, representations or agreements, oral or written, with respect thereto. No modification, change, waiver or amendment of this Security Agreement shall be deemed to be made by Creditor unless in writing signed by Creditor.

18. **Notice.** Any notice, demand, request or other communication which Creditor or Debtor may be required to give hereunder shall be in writing, and shall be by United States regular mail, postage prepaid, addressed as follows, or to such other addresses as the parties may designate by like notice:

If to Debtor:

Obsidian Enterprises, Inc.
111 Monument Circle
Indianapolis, IN 46204

If to Creditor:

Fair Holdings, Inc.
815 E. Main Street
Akron, OH 44305
Attn: John Head

19. **Transfers of Rights by Creditor.** In addition to all other rights available to Creditor under this Agreement and the other Loan Documents, under any law, or under principles of equity, Creditor shall have the right at any time to pledge or transfer this Agreement and any of the other Loan Documents, and any renewals, extensions or modifications hereof, to any person.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the date first above written.

Obsidian Enterprises, Inc.

DEBTOR

By:


Timothy S. Durham, Chairman

ACKNOWLEDGMENT

STATE OF INDIANA)
COUNTY OF Hamilton)

SS:

Before me, a Notary Public in and for said County and State, personally appeared Timothy S. Durham, who executed the foregoing document in my presence.

WITNESS my hand and Notarial Seal this 9th day of January, 2002

Nestle E. Lucas
_____, Notary Public
residing in Hamilton County, Indiana

My Commission Expires:

July 2, 2007

Exhibit A
(Description of Collateral)

All property of the Debtor consisting of:

All Accounts, Deposit Accounts, General Intangibles, Documents, Instruments, Chattel Paper and any other similar rights of the Debtor however created or evidenced, whether now existing or hereafter owned, acquired, created, used, or arising, specifically including, without limitation, claims, leases, agreements, license agreements, licensing fees, royalties, policies, credit insurance, guaranties, letters of credit, advices of credit, binders or certificates of insurance, deposits, documents of title, securities, security interests, licenses, goodwill, tax refunds (federal, state or local), customer lists, franchises, franchise rights, drawings, designs, marketing rights, computer programs, artwork, databases and other like business property rights, all applications to acquire such rights, for which application may at any time be made by the Debtor, together with any and all books and records pertaining thereto and any right, title or interest in any Inventory which gave rise to an Account, and all Intellectual Property throughout the world.

**Fifth Amendment to Promissory Note
(Line of Credit)**

THIS FIFTH AMENDMENT TO PROMISSORY NOTE dated this 30th day of December, 2006, is by and among Obsidian Enterprises, Inc., a Delaware corporation ("Borrower") and Fair Holdings, Inc. ("Fair"), an Ohio corporation. The parties agree as follows:

Recitals

WHEREAS, Borrower and Fair entered into that certain Promissory Note dated January 9, 2002, in the principal amount of \$3,000,000.00, which was previously amended by certain amendments dated January 2, 2003, April 1, 2003, February 14, 2004, and March 10, 2004 (the original Promissory Note and all amendments thereto being referred to herein as the "Note"); and

WHEREAS, Fair has agreed to amend the Note in order to increase to \$35,000,000.00 the amount which Borrower may borrow;

WHEREAS, Fair has agreed to amend the Note in order to extend the Maturity Date to January 1, 2012;

WHEREAS, Fair is willing to amend the Note subject to the terms herein and subject to the amendment of the Note as herein provided;

NOW THEREFORE, in consideration of the premises, and the mutual promises herein contained, the parties agree that the Note shall be, and hereby is, amended as provided herein and the parties further agree as follows:

The principal amount of the Note is hereby increased so that the total amount that can be borrowed under the Note is \$35,000,000.00.

The Maturity Date of the Note is hereby extended to January 1, 2012.

All interest charged under the Note shall accrue and be payable on the Maturity Date.

All other terms and conditions contained in the Note, the Security Agreement and Mortgage or other related documents shall remain the same and shall continue in full force and effect that are not specifically amended herein and shall continue during the term of the Note without change, except to reflect the increase in the amount of the Note and to provide security therefore for the entire amount that may become due under the Note.

IN WITNESS WHEREOF, Borrower, and Fair have caused this Fourth Amendment to Promissory Note to be executed as of the day first written above.

Fair Holdings, Inc.

Obsidian Enterprises, Inc.

By:


By:

EXHIBIT 39

Diamond Auto Sales Floor Plan and Security Agreement

THIS DIAMOND FLOOR PLAN AND SECURITY AGREEMENT is entered into by and between Fair Holdings, Inc., maintaining offices at 815 Market St., Akron OH 44305 ("Lender"), and Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales with its principal office at 111 Monument Circle, Suite 4800, Indianapolis, IN 46204 ("Diamond").

For and in consideration of certain advances made or to be made by Lender for the benefit of Diamond, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Scope of Agreement. This agreement sets forth the rights, obligations and duties of the parties with respect to financing by Lender to enable Diamond sell part or all of its inventory of motor vehicles from time to time ("Vehicles").

2. Financing Arrangement. Lender agrees to finance such Vehicles in Diamond's inventory as may be acceptable to Lender from time to time. Lender will give Diamond a commitment in which Lender will undertake, within the limits stated in such commitment and subject to the terms of this Agreement, to finance Vehicles that may, from time to time, be sold by Diamond.

3. Promissory Notes. Diamond covenants that it will execute and deliver to Lender a separate promissory note for the unpaid balance of Diamond's total acquisition price for each Vehicle, with such rate of interest and other financing terms as Lender may establish from time to time (the "Notes").

4. Security. Diamond hereby grants Lender a security interest in all Vehicles financed by Lender pursuant to this Agreement, and Diamond does further grant to Lender a security interest in and assigns Lender all moneys, credits, and refunds now due or hereafter becoming due to Diamond from Diamond with respect to such Vehicles. Diamond shall execute and deliver to Lender financing statements and trust receipts with respect to Vehicles to be financed under this Agreement, as and when requested by Lender, and expressly authorizes Lender to file and record such financing statements without Diamond's signature. Diamond agrees that until Lender receives payment in full of the then unpaid balance of the Note applicable to any Vehicle sold by Diamond, Lender has a security interest in the proceeds of such sale. The term "proceeds" includes cash, checks, notes, accounts receivable, contract rights, chattel paper, trade-ins and Vehicles sold by Diamond which are returned to or repossessed by Diamond.

5. Payments on Diamond's Sales. Diamond agrees that it will only hold Vehicles financed under this Agreement in a manner preliminary or necessary to their sale in the ordinary course of trade as may be determined from time to time by Diamond. Diamond agrees that it will not sell financed Vehicles for a price less than the then unpaid balance of the Notes applicable to Vehicles, except with Lender's prior written consent. On the same day Diamond sells any Vehicle financed under this Agreement, Diamond will pay Lender the then unpaid balance of the Note applicable to such Vehicle. The provisions of this section shall not limit Lender's right to

demand payment on the Notes in accordance with the terms of such Notes and this Agreement, whether or not Diamond has sold the Vehicles whose financing gave rise to such Notes. Except upon making prior payment in full of the then unpaid balance of the Notes applicable to Vehicles financed under this Agreement, Diamond will not sell Vehicles on consignment, nor exchange Vehicles with another person, nor sell or deliver Vehicles to anyone who prior to the sale or delivery has any claim or outstanding account which might be valid as a setoff or defense against Diamond.

6. Risks. Diamond assumes all responsibility for the existence, character, quality, quantity, condition, value and delivery of Vehicles financed under this Agreement. Diamond is not relieved of liability to Lender because Vehicles fail to conform to Diamond's or other applicable warranties, or because Vehicles are lost, stolen, destroyed or damaged. Diamond will promptly notify Lender in case of the loss, theft, destruction or damage of or to Vehicles financed, and will forthwith pay Lender the unpaid principal balance under the Notes applicable to such Vehicles. Diamond will, at its own expense, insure all financed Vehicles against loss by fire, theft and any other risk to which said Vehicles may be subject, in an amount sufficient to protect Lender's interests, and Diamond will deliver to Lender insurance policies with loss payable clauses in favor of Lender.

7. Further Assurances. Diamond will furnish Lender with such information concerning its financial condition as Lender may request from time to time, and will sign such additional documents or instruments as Lender may deem necessary to preserve and perfect Lender's interest in Vehicles financed under this Agreement and their proceeds; provided, however, that in the event Diamond fails or refuses to sign any such documents, Diamond hereby authorizes Lender to sign and file such documents or instruments at any time with respect to Vehicles financed under this Agreement without the signature of an authorized representative of Diamond. If Lender has a security interest in the proceeds resulting from the sale by Diamond of Vehicles financed under this Agreement: (i) Diamond will hold the proceeds in trust for Lender, separate and apart from any other property, will account to Lender for the proceeds, and will not dispose of them without Lender's prior written consent; (ii) Lender shall have the right to notify the account debtors or other obligors of Lender's interest in the proceeds and to require the account debtors or other obligors to make payments direct to Lender, and (iii) upon demand of Lender, Diamond will assign, endorse, transfer and deliver the proceeds to Lender, but no application of proceeds to Diamond's indebtedness shall be final until the proceeds are in cash form. Diamond will not lease, pledge, mortgage or otherwise encumber any Vehicle in which Lender has an interest. No Vehicle shall be driven more than six hundred (600) miles while in Diamond's possession except with Lender's prior written consent or upon payment in full of the unpaid balance of the Note applicable to such Vehicle. Diamond will pay all filing and recording expenses, taxes and assessments that may be levied on or with respect to the Vehicle and the proceeds of their sale. Lender and its agents, as frequently as Lender desires, (i) inspect, examine and verify the existence, location and condition of Vehicles in which Lender has a security interest hereunder, (ii) inspect, audit, check and make extracts from Diamond's books, accounts and other records, and (iii) enter Diamond's premises to do any of the foregoing.

8. Remedies. In the event: (i) Diamond fails to make timely payment to Lender of all amounts due and payable under the terms of ANY Note, (ii) Diamond fails to perform any of its obligations under this Agreement, or (iii) Diamond makes or is discovered by Lender to have made any misrepresentation in this Agreement or any financial statement or other provided by

Diamond to Lender, then, in addition to all other rights provided by law, Lender may, with or without process of law and without notice or demand, take possession of and remove **ALL** Vehicles in which Lender has a security interest, and for that purpose Lender may enter upon premises where Vehicles are located and may sell Vehicles at public or private sale, or elect to forfeit Diamond's interest in Vehicles as provided by law. **DIAMOND EXPRESSLY ACKNOWLEDGES AND AGREES THAT UPON THE OCCURRENCE OF ANY OF THE EVENTS DESCRIBED IN CLAUSES (i), (ii) OR (iii) ABOVE, LENDER SHALL HAVE THE RIGHTS AND REMEDIES DESCRIBED IN THIS SECTION WITH RESPECT TO ALL VEHICLES IN WHICH LENDER HAS A SECURITY INTEREST.** Pending sale, Lender may store, free of rental, Vehicles upon the premises where they are located, or conduct a sale on the premises. Diamond shall cooperate with Lender in the exercise of Lender's rights under this section, and Diamond shall bear and pay all expenses of every kind for the enforcement of any of Lender's rights herein mentioned or of any claim or demand by Lender against Diamond, including, but not limited to Lender's attorneys' fees. All remedies of Lender are cumulative and not alternative, and may be enforced successively or concurrently. The repossession, retaking or sale of Vehicles does not bar an action for the recovery of any indebtedness of Diamond to Lender, and the bringing of an action or the entry of judgment against Diamond does not bar Lender's right to repossess Vehicles.

9. Term and Termination. This Agreement shall continue in full force and effect unless and until terminated by either party upon ten (10) days prior written notice. The foregoing notwithstanding, in the event of any default by Diamond in the timely payment of any amount due under any Note, or in the event of an assignment by Diamond for the benefit of creditors, the filing by or against Diamond of a petition under state or federal bankruptcy or insolvency laws, or upon the filing by or against Diamond of a petition for a receiver or a trustee for Diamond or for any substantial part of Diamond's property, or in the event of the dissolution or the full or partial liquidation of Diamond, Lender may, at its option, immediately terminate this Agreement. The termination of this Agreement shall not affect the rights, liabilities and obligations of the parties with respect to transactions entered into before the effective date of termination.

10. Non-Waiver. No waiver by Lender of any default shall be effective unless in writing, nor shall it operate as a waiver of any other default or of the same default on a future occasion.

11. Notice. Any notices required or permitted to be given hereunder shall be deemed sufficiently given when in writing and either actually served on the party to be notified, or sent by U.S. mail, postage prepaid, to the address of such party set forth above. Either party may change the address of such party by written notice, given in the manner provided in this Section.

12. Modifications. This Agreement may not be amended or otherwise modified except by subsequent written agreement, signed by both parties.

13. Construction; Exclusive Jurisdiction. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Ohio, without giving effect to its conflicts or choice of law principles. **DIAMOND EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER DIAMOND, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. DIAMOND FURTHER AGREES THAT THE STATE AND FEDERAL**

COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

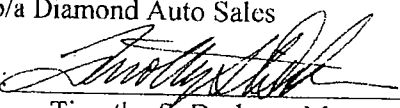
14. Severability. In the event that any provision of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

15. Assignment. The rights of Lender under this Agreement or under any Note or other document relating to or arising under this Agreement shall be assignable by Lender to such persons or firms as Lender may determine. Lender shall give Diamond notice of any such assignment.

16. Entire Agreement. THE PARTIES EXPRESSLY ACKNOWLEDGE THAT THEY HAVE READ THIS AGREEMENT, UNDERSTAND IT, AND AGREE TO BE BOUND BY ITS TERMS. Each party has had adequate opportunity to consult with legal counsel or other advisors prior to the execution of this Agreement.

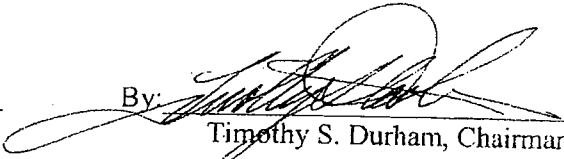
IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates set forth beneath their respective signatures.

“DIAMOND”
Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Date: 12-15-04

“LENDER”
Fair Holdings, Inc.

By: 
Timothy S. Durham, Chairman/CEO

Date: 12-15-04

Trust Receipt Form

Transaction # TSD2

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #:611M21A

Make:Packard

Year: 1933

Model: 8 Phaeton

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 611M21A
1933 Packard 8 Phaeton

PRINCIPAL AMOUNT: \$95,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Ninety-five Thousand and 00/100 US Dollars (\$95,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

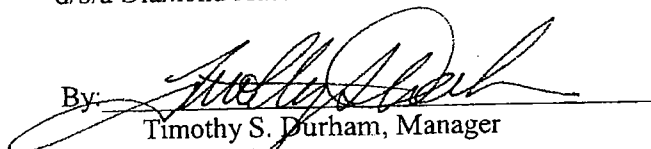
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD3

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 10867S 108808

Make: GM

Year: 1961

Model: Corvette

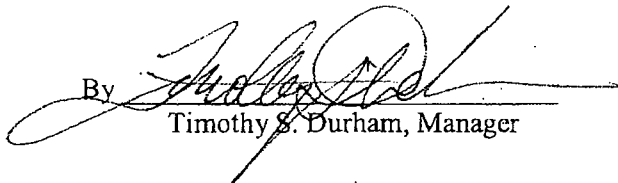
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 1961 GM Corvette

PRINCIPAL AMOUNT: \$42,750.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty-two Thousand Seven Hundred Fifty and 00/100 US Dollars (\$42,750.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD4

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 2972337

Make: Auburn

Year: 1929

Model: 8-90 Speedster McFarlan Boat Tail

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 2972337
1929 Auburn 8-90 Speedster McFarlan Boat Tail

PRINCIPAL AMOUNT: \$237,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred thirty-seven Thousand Five Hundred and 00/100 US Dollars (\$237,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD5

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # J116

Make: Duesenberg

Year: 1929

Model: Derham Dual Phaeton

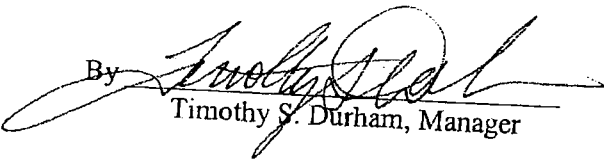
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: J116
1929 Duesenberg Derham Dual Phaeton

PRINCIPAL AMOUNT: \$617,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Six Hundred Seventeen Thousand Five Hundred and 00/100 US Dollars (\$617,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

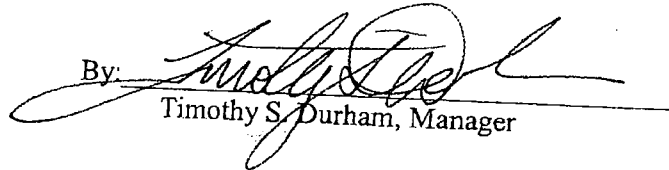
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD6

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # J103

Make: Duesenberg

Year: 1929

Model: Berline

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: J103
1929 Duesenberg Berline

PRINCIPAL AMOUNT: \$807,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Eight Hundred Seven Thousand Five Hundred and 00/100 US Dollars (\$807,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

... ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

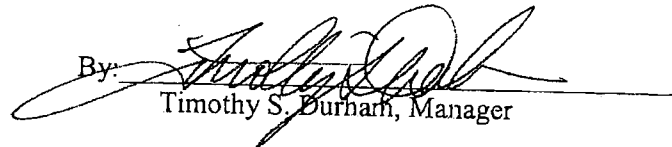
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD7

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # M867CD19S

Make: Stutz

Year: 1929

Model: Vertical 8 Town Car

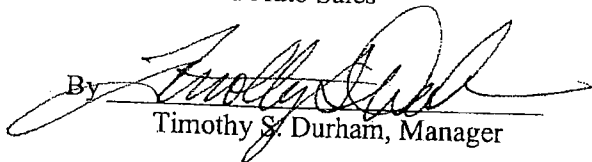
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

\\oei\My Docs\erin\Fair Holdings\2004 Audit\Floorplan Docs\Trust Receipts\1929 Stutz Vertical 8 TC rec.doc

Promissory Note

Reference Vehicle Identification Number: M867CD19S
1929 Stutz Vertical 8 Town Car

PRINCIPAL AMOUNT: \$171,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Seventy-one Thousand and 00/100 US Dollars (\$171,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

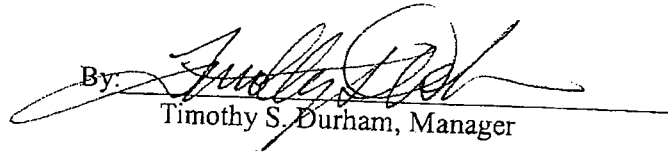
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD8

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 169841

Make: Packard

Year: 1929

Model: 645 Deluxe 8 DC Phaeton

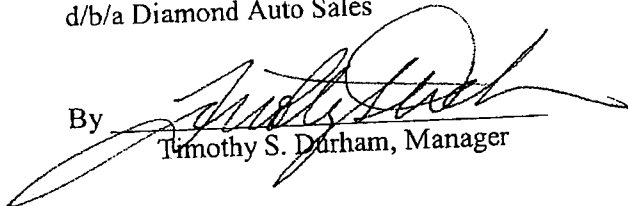
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 169841
1929 Packard 645 Deluxe 8 DC Phaeton

PRINCIPAL AMOUNT: \$133,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Thirty-three Thousand and 00/100 US Dollars (\$133,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD9

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # J254

Make: Duesenberg

Year: 1930

Model: Imperial/Town

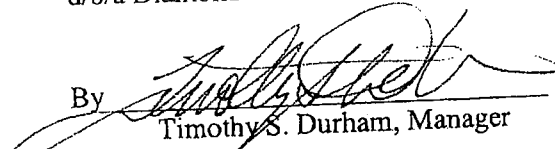
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

\\oe\My Docs\erin\Fair Holdings\2004 Audit\Floorplan Docs\Trust Receipts\1930 Duesenberg ImperialTown rec.doc

Promissory Note

Reference Vehicle Identification Number: J254
1930 Duesenberg Imperial/Town

PRINCIPAL AMOUNT: \$712,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned; Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Seven Hundred Twelve Thousand Five Hundred and 00/100 US Dollars (\$712,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

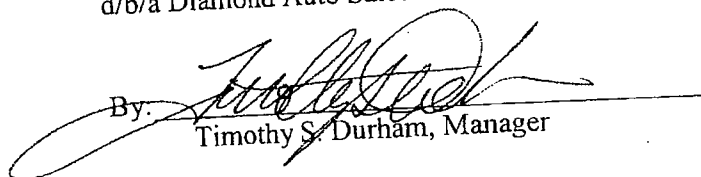
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:

A handwritten signature in black ink, appearing to read "Timothy S. Durham", written over a horizontal line.

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD10

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 1254

Make: Auburn

Year: 1930

Model: 8-125A Deluxe Sedan

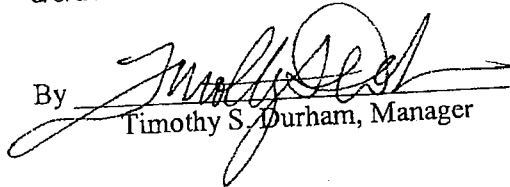
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 1254
1930 Auburn 8-125A Deluxe Sedan

PRINCIPAL AMOUNT: \$57,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Fifty-seven Thousand and 00/100 US Dollars (\$57,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

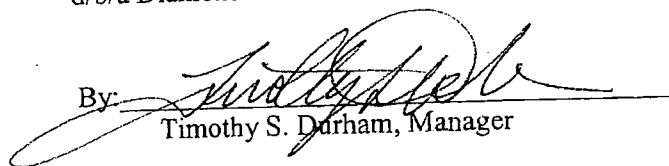
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD11

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 67218

Make: Lincoln

Year: 1931

Model: Model K 2 Window

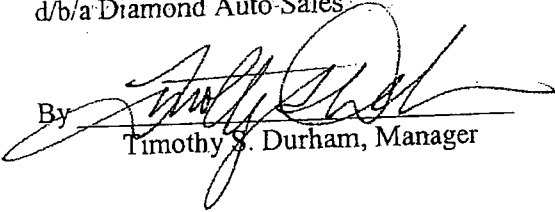
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 67218
1931 Lincoln Model K 2 Window

PRINCIPAL AMOUNT: \$83,600.00

DATE: December 15, 2004

FOR VALUE RECEIVED; the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Eighty-three Thousand Six Hundred and 00/100 US Dollars (\$83,600.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

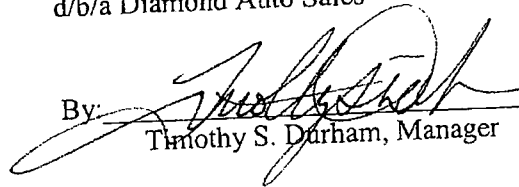
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD12

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #2148H

Make: Auburn

Year: 1933

Model: 12-161A Conv. Sedan

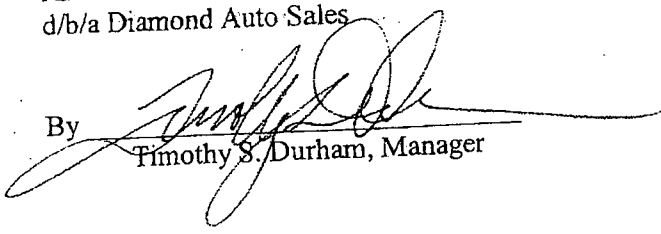
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 2148H
1933 Auburn Model 12-161A Convertible Sedan

PRINCIPAL AMOUNT: \$214,700.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Fourteen Thousand Seven Hundred and 00/100 US Dollars (\$214,700.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

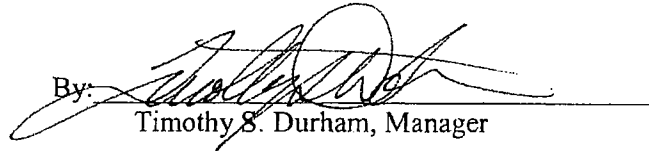
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD13

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: 2135H

Make: Auburn

Year: 1934

Model: 850Y Custom Phaeton

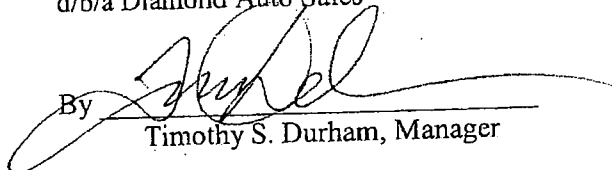
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 2135H
1934 Auburn 850Y Custom Phaeton

PRINCIPAL AMOUNT: \$118,750.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Eighteen Thousand Seven Hundred Fifty and 00/100 US Dollars (\$118,750.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

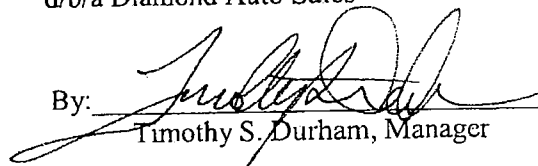
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD14

Date: December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 32304E

Make: Auburn

Year: 1935

Model: CP (Boat tail)

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 32304E
1935 Auburn CP (Boat tail)

PRINCIPAL AMOUNT: \$285,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Eighty-five Thousand and 00/100 US Dollars (\$285,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

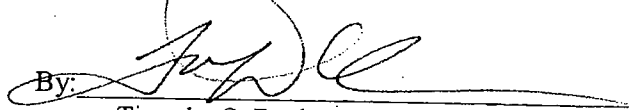
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD15

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: S811264

Make: Jaguar

Year: 1954

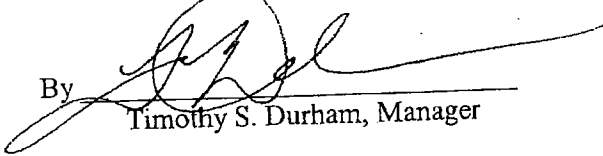
Model: XK 140MC

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 
Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: S811264
1954 Jaguar XK 140MC

PRINCIPAL AMOUNT: \$104,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Four Thousand Five Hundred and 00/100 US Dollars (\$104,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

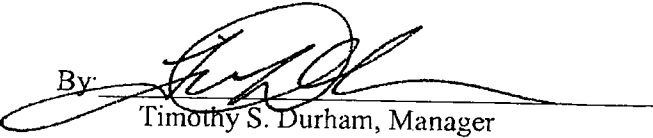
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:



Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD16

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #D7FH172490

Make: Ford

Year: 1957

Model: Thunderbird

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 
Timothy S. Burham, Manager

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Promissory Note

**Reference Vehicle Identification Number: D7FH172490
1957 Ford Thunderbird**

PRINCIPAL AMOUNT: \$57,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Fifty-seven Thousand and 00/100 US Dollars (\$57,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

**ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST**

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

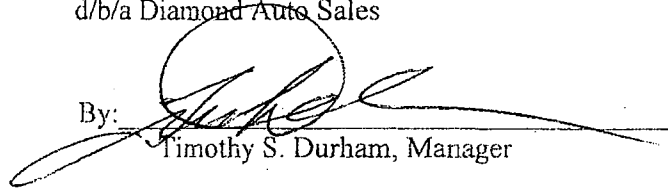
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD17

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: HDA4328764

Make: MGA

Year: 1957

Model: 1500 RDT

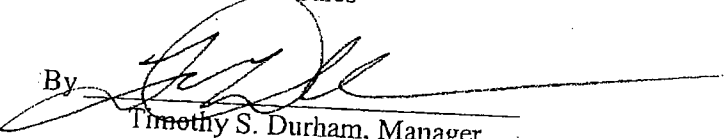
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: HDA4328764
1957 MGA 1500 Roadster

PRINCIPAL AMOUNT: \$22,990.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Twenty-two Thousand Nine Hundred Ninety and 00/100 US Dollars (\$22,990.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

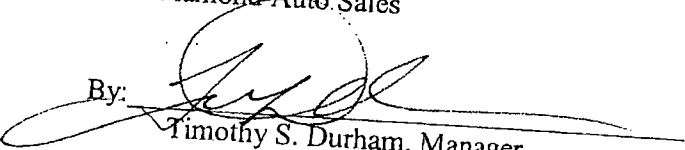
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD18

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: 879756

Make: Jaguar

Year: 1964

Model: E Type Series 1 Roadster

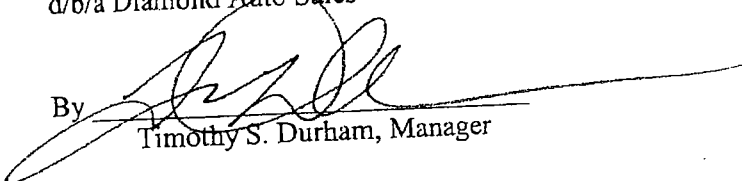
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 879756
1964 Jaguar E Type Series 1 Roadster

PRINCIPAL AMOUNT: \$95,000.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Ninety-five Thousand and 00/100 US Dollars (\$95,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD19

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: LSFUI07

Make: Rolls Royce

Year: 1964

Model: Silver Cloud

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: LSFU107
1964 Rolls Royce Silver Cloud

PRINCIPAL AMOUNT: \$42,750.00

DATE: December 15, 2004

FOR VALUE RECEIVED; the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Fourty-two Thousand Seven Hundred Fifty and 00/100 US Dollars (\$42,750.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

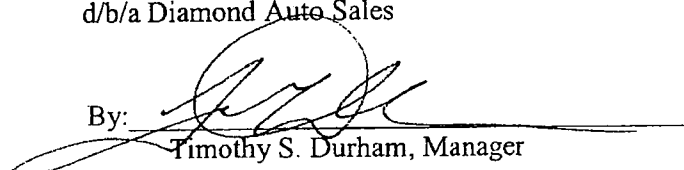
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:

A handwritten signature in black ink, appearing to read "Timothy S. Durham", is written over a horizontal line. The signature is stylized and cursive.

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD20

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: SAJNA5849KC150201

Make: Jaguar

Year: 1989

Model: A58

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: SAJNA5849KC150201
1989 Jaguar A58 (Frank Sinatra's)

PRINCIPAL AMOUNT: \$47,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty-seven Thousand Five Hundred and 00/100 US Dollars (\$47,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.


In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD21

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: WDBJF55F9TJ006115.

Make: Mercedes

Year: 1996

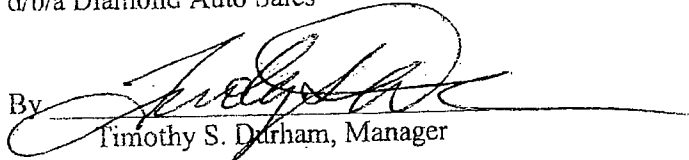
Model: E32

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender; in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 
Timothy S. Durham, Manager

H:\ERJIN\Fair Holdings\2004\Auto Floor Plans\Floorplan Docs\Trust Receipts\1996 Mercedes E32 rec.doc

Promissory Note

Reference Vehicle Identification Number: WDBJF55F9TJ006115
1996 Mercedes E32

PRINCIPAL AMOUNT: \$23,750.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Twenty-three Thousand Seven Hundred Fifty and 00/100 US Dollars (\$23,750.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD22

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: SCCDC08283HA10488

Make: Lotus

Year: 2003

Model: Esprit

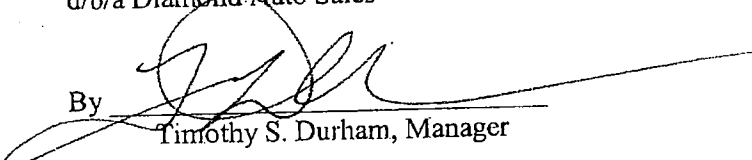
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: SCCDC08283HA10488
2003 Lotus Esprit

PRINCIPAL AMOUNT: \$89,300.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Eighty-nine Thousand Three Hundred and 00/100 US Dollars (\$89,300.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL
HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM,
COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING
OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction TSD23

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: SCA1S68404UX07162

Make: Rolls Royce

Year: 2004

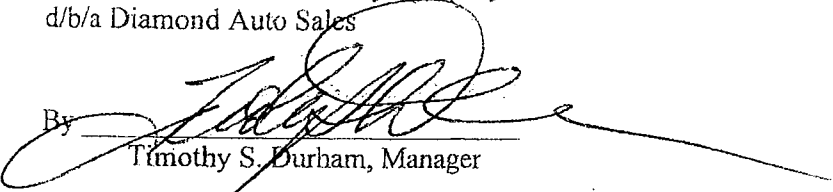
Model: Phantom

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 
Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: SCA1S68404UX07162
2004 Rolls Royce Phantom

PRINCIPAL AMOUNT: \$309,700.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Three hundred Nine Thousand Seven Hundred and 00/100 US Dollars (\$309,700.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

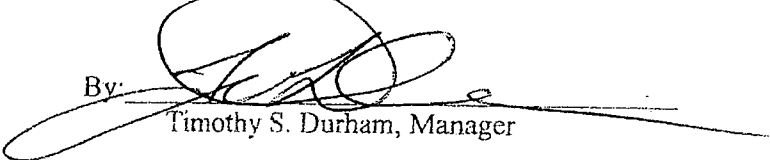
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD24

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #SCFAC23323B501060

Make: Aston Martin

Year: 2003

Model: Vanquish

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: SCFAC23323B501060
2003 Aston Martin Vanquish

PRINCIPAL AMOUNT: \$218,500.00

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC; an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Eighteen Thousand Five Hundred and 00/100 US Dollars (\$218,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC;
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD25

Date December 15, 2004

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: SCEDT26T2BD006101

Make: DeLorean

Year: 1981

Model: Gullwing

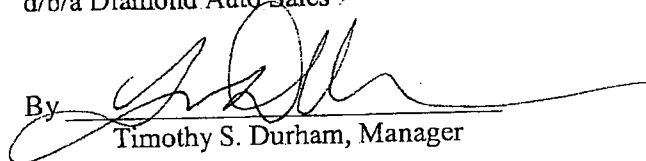
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: SCEDT26T2BD006101
1981 DeLorean Gullwing

PRINCIPAL AMOUNT: \$16,197.50

DATE: December 15, 2004

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Sixteen Thousand One Hundred Ninety-seven and 50/100 US Dollars (\$16,197.50), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof--

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC;
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # _____

Date April 25, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #SCFAE62333K800026

Make: Aston Martin

Year: 2003

Model: DB AR1

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By _____


Timothy S. Burham, Manager

Promissory Note

Reference Vehicle Identification Number: SCFAE62333K800026
2003 Aston Martin DB-ARI – not included on Floorplan, debt outstanding

PRINCIPAL AMOUNT: \$225,000.00

DATE: April 25, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Twenty-five Thousand and 00/100 US Dollars (\$225,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus one (1%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Six Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

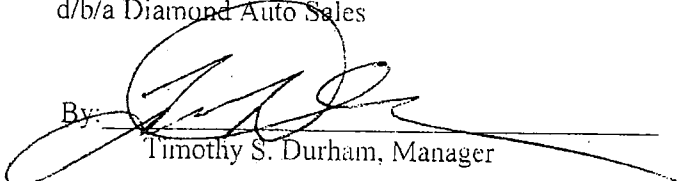
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE**

EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop1

Date June 30, 2005

Diamond Investments, LLC, an Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 100253

Make: Dodge

Year: 2004

Model: Viper

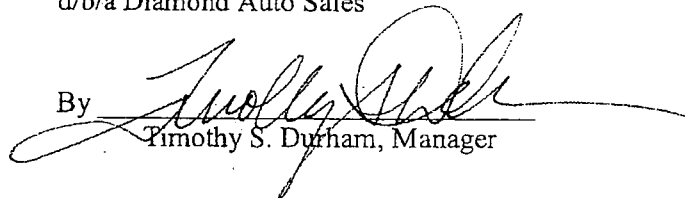
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

\\oe1\My Docs\erin\Fair Holdings\2004 Audit\Floorplan Docs\Trust Receipts\Dodge Viper rec.doc

Promissory Note

Reference Vehicle Identification Number: 100253 Dodge Viper

PRINCIPAL AMOUNT: \$40,816.75

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty Thousand Eight Hundred Sixteen and 75/100 US Dollars (\$40,816.75), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

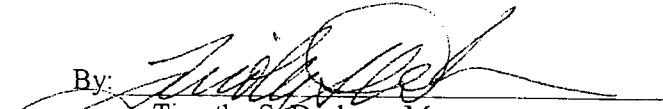
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL**

HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop2

Date June 30, 2005

Diamond Investments, LLC, an Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # A12123

Make: Lamborghini

Year: 2002

Model: Mercilago

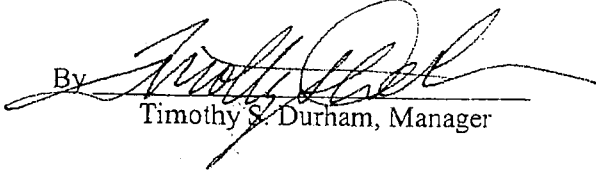
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: A12123 Lambo Mercilago

PRINCIPAL AMOUNT: \$130,639.25

(Lamborghini)

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Thirty Thousand Six Hundred Thirty-nine and 25/100 US Dollars (\$130,639.25), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

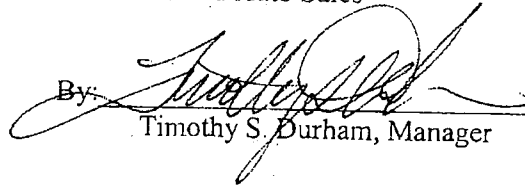
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop3

Date June 30, 2005

Diamond Investments, LLC, an Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 138749

Make: Ferrari

Year: 2004

Model: Stradale

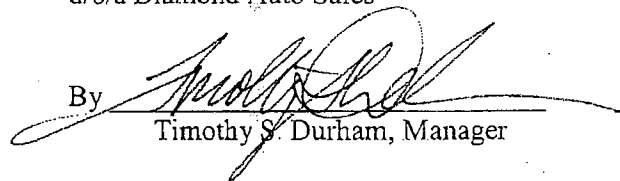
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 138749 Ferrari Stradale

PRINCIPAL AMOUNT: \$133,575.64

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Thirty-three Thousand Five Hundred Seventy-five and 64/100 US Dollars (\$133,575.64), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # INDY SHOP 4

Date June 30, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #: 49026

Make: Mercedes

Year: 2005

Model: SK

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: Indy Shop 4

PRINCIPAL AMOUNT: \$34,394.75

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Thirty Four Thousand Three Hundred Ninety Four Dollars and 75/100 (\$34,394.75), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop 5

Date June 30, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #SCCPCI1175HL30406

Make: Lotus

Year: 2005

Model: Elise

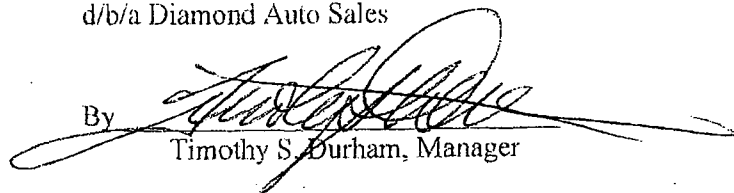
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By



Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: L30406 Lotus Elise

PRINCIPAL AMOUNT: \$34,356.75

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Thirty-four Thousand Three Hundred Fifty-six and 75/100 US Dollars (\$34,356.75), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL
HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM,
COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING
OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop 5

Date June 30, 2005

Diamond Investments, LLC, an Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle");

Serial # SCCPC11135HL30015

Make: Lotus

Year: 2005

Model: Elise

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 11135H Lotus Elise

PRINCIPAL AMOUNT: \$28,975.00

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Twenty-eight Thousand Nine Hundred Seventy-five and 00/100 US Dollars (\$28,975.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a ~~Diamond Auto Sales~~

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD 1

Date July 14, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #

Make: Auburn

Year: 2002

Model: Speedster Replica

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: TSD32

PRINCIPAL AMOUNT: \$59,422.50

DATE: July 14, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Fifty nine Thousand Four Hundred Twenty Two and 50/100 U.S. Dollars (\$59,422.50), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a ~~Diamond Auto Sales~~

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD31

Date July 14, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # A3

Make: Auburn

Year: 2003

Model: Speedster Replica

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: A3

PRINCIPAL AMOUNT: \$47,500.00

DATE: July 14, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty-Seven Thousand Five Hundred and 00/100 U.S. Dollars (\$47,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL**

HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #A51 TSD 32

Date July 14, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #23379F

Make: Cord

Year: 1937

Model: Sportsman

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 23379F

PRINCIPAL AMOUNT: \$213,750.00

DATE: July 14, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Thirteen Thousand Seven Hundred Fifty and 00/100 U.S. Dollars (\$213,750.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #A51 *Trdy Shaplo* ^{ce}

Date July 14, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial #1B3JR65Z63V500404

Make: Dodge

Year: 2003

Model: Viper

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 1B3JR65Z63V500404

PRINCIPAL AMOUNT: \$35,625.00

DATE: July 14, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Thirty-five Thousand Six Hundred Twenty-five and 00/100 U.S. Dollars (\$35,625.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

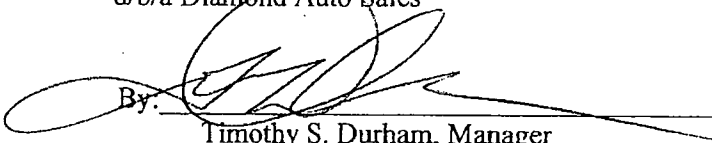
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By. 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Indy Shop8

Date June 30, 2005

Diamond Investments, LLC, an Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # SCFAC2

Make: Aston Martin

Year: 2003

Model: Vanq

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: SCFAC2 Aston Martin Vanq

PRINCIPAL AMOUNT: \$61,194.25

DATE: June 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Sixty-one Thousand One Hundred Ninety-four and 25/100 US Dollars (\$61,194.25), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #Rated X9

Date July 13, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # SCCPC11185HL30401

Make: Lotus

Year: 2005

Model: Elise (Blue)

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: SCCPC11185HL30401

PRINCIPAL AMOUNT: \$30,889.25

DATE: July 13, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Thirty Thousand Eight Hundred Eighty-Nine and 25/100 U.S. Dollars (\$30,889.25), with interest as hereinafter provided, as follows:

~~Fifth Anniversary of the date hereof --~~

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

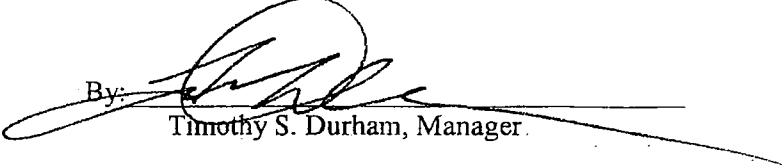
This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD26

Date July 14, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 70203

Make: BMW

Year: 1959

Model: 507 Roadster

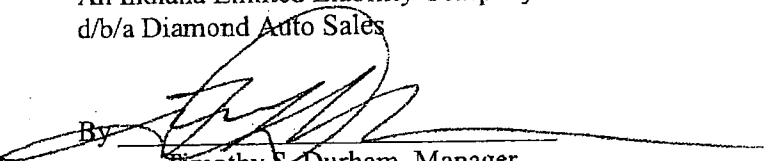
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 70203

PRINCIPAL AMOUNT: \$166,250.00

DATE: July 14, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Sixty-Six Thousand Two Hundred Fifty and 00/100 U.S. Dollars (\$166,250.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # Rated X10

Date August 2, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # WPOCA29984S653757

Make: Porsche

Year: 2004

Model: 996 C4S

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: RatedX10

PRINCIPAL AMOUNT: \$44,664.25

DATE: August 2 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty Four Thousand Six Hundred Sixty Four and 25/100 U.S. Dollars (\$44,664.25), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #Rated X11

Date August 3, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # SCBCR63W95CO25722

Make: Bentley

Year: 2005

Model: GT

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: **SCBCR63W95CO25722**

PRINCIPAL AMOUNT: \$96,639.70

DATE: August 3, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Ninety-Six Thousand Six Hundred Thirty-Nine and 70/100 U.S. Dollars (\$96,639.70), with interest as hereinafter provided, as follows:

~~Fifth Anniversary of the date hereof--~~

~~ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST~~

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD27

Date August 11, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 23379F

Make: Cord

Year: 1937

Model: Sportsman

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: 23379F

PRINCIPAL AMOUNT: \$224,675.00

DATE: August 11, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Twenty-Four Thousand Six Hundred Seventy-Five and 00/100 U.S. Dollars (\$224,675.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD29

Date September 22, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 1018E

Make: Auburn

Year: 1932

Model: 8 Speedster

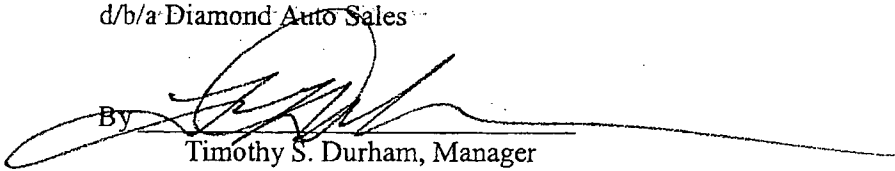
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: 1018E

PRINCIPAL AMOUNT: \$95,000.00

DATE: September 22, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Ninety-Five Thousand and 00/100 U.S. Dollars (\$95,000.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

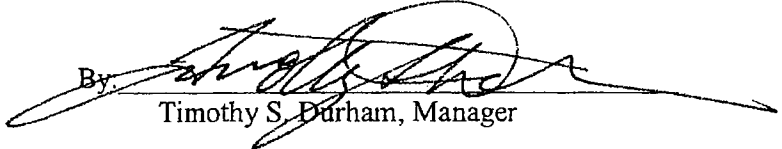
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL**

HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD30

Date September 22, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # GU67651

Make: Auburn

Year: 1933

Model: Salon Convertible Coupe

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: **GU67651**

PRINCIPAL AMOUNT: \$142,500.00

DATE: September 22, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of One Hundred Forty-Two Thousand Five Hundred and 00/100 U.S. Dollars (\$142,500.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD33

Date October 31, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # Z5
Year: 2005

Make: Zephyr
Model: Purple

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: TSD33

PRINCIPAL AMOUNT: \$61,370.00

DATE: October 31, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Sixty One Thousand Three Hundred Seventy and 00/100 U.S. Dollars (\$61,370.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

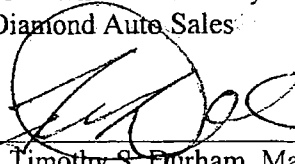
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD34

Date November 30, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # A4

Make: Auburn

Year: 2003

Model: Speedster Replica

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: TSD34

PRINCIPAL AMOUNT: \$59,612.50

DATE: November 30, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Fifty Nine Thousand Six hundred Twelve and 50/100 U.S. Dollars (\$59,612.50), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

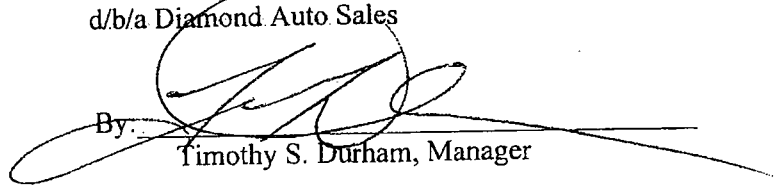
In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 
Timothy S. Durham, Manager

Trust Receipt Form

Transaction #Rated X12

Date December 31, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # 1B3JZ65Z65V500616

Make: Dodge

Year: 2004

Model: Viper (Silver)

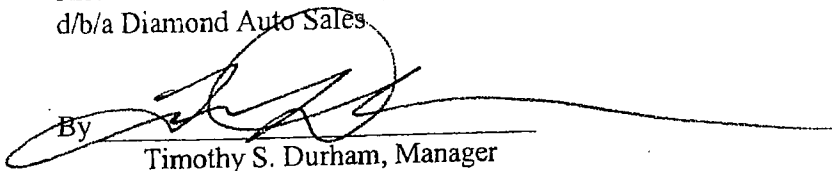
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: **1B3JZ65Z65V500616**

PRINCIPAL AMOUNT: \$41,814.25

DATE: December 31, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Forty-One Thousand Eight Hundred Fourteen and 25/100 U.S. Dollars (\$41,814.25), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #Rated X13

Date December 31, 2005

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # WP0CA298Z4L001109

Make: Porsche

Year: 2004

Model: Carrera GT

Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By 

Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: **WP0CA298Z4L001109**

PRINCIPAL AMOUNT: \$268,470.00

DATE: December 31, 2005

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Two Hundred Sixty-Eight Thousand Four Hundred Seventy and 00/100 U.S. Dollars (\$268,470.00), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction #TSD35

Date: February 8, 2006

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # Z33

Make: Zephyr

Year: 2006

Model:

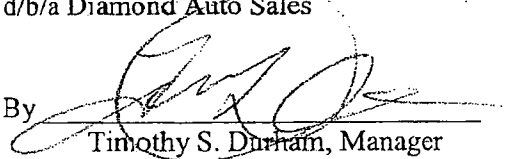
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

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Promissory Note

Reference Vehicle Identification Number: Z33

PRINCIPAL AMOUNT: \$68,835.10

DATE: February 8, 2006

FOR VALUE RECEIVED; the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"), as a holder hereof, the principal sum of Sixty-Eight Thousand Eight Hundred Thirty-Five and 10/100 U.S. Dollars (\$68,835.10), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default, and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By: 

Timothy S. Durham, Manager

Trust Receipt Form

Transaction # TSD36

Date: May 12, 2006

Diamond Investments, LLC, An Indiana Limited Liability Company d/b/a Diamond Auto Sales ("Diamond") represents to Fair Holdings, Inc. that it owns and holds in its completed vehicle inventory, the following motor vehicle ("Vehicle"):

Serial # A66

Make: Auburn

Year: 2006

Model: Speedster Replica

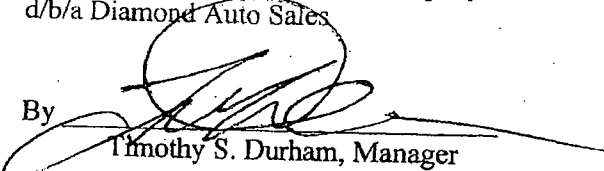
Diamond acknowledges that this Trust Receipt is executed pursuant to a Floor Plan and Security Agreement between Lender and Diamond, and that Diamond has concurrently executed and delivered to Lender promissory Note(s) with respect to the above-described Vehicles. Diamond agrees to hold Vehicles, together with all present and future attachments, accessories, replacements, equipment and additions, in trust for Lender and subject to Lender's security interest, without expense to Lender, in a manner preliminary or necessary to their sale in the ordinary course of trade but without liberty to lease, pledge, mortgage or encumber the same.

Diamond will promptly pay all expenses and charges in connection with Vehicles and proceeds of the sale and while the proceeds are in Diamond's hands will hold Vehicles and proceeds separate and apart from any property of the Diamond and capable of identification, and will at all times show separation in its records.

If Diamond defaults in payment of the Notes or fails to observe and perform its obligations hereunder or under the Diamond Floor Plan and Security Agreement, Lender may take possession and dispose of Vehicles and documents representing the Vehicles and the proceeds of any sale, wherever such Vehicles, documents or proceeds may then be found as provided for in the Diamond Floor Plan and Security Agreement.

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By


Timothy S. Durham, Manager

Promissory Note

Reference Vehicle Identification Number: TSD 36

PRINCIPAL AMOUNT: \$61,797.50

DATE: May 12, 2006

FOR VALUE RECEIVED, the undersigned, Diamond Investments, LLC, an Indiana limited liability company d/b/a Diamond Auto Sales ("Maker"), promises to pay to Fair Holdings, Inc. ("Payee"); as a holder hereof, the principal sum of Sixty One Thousand Seven Hundred Ninety Seven Dollars and 50/100 (\$61,797.50), with interest as hereinafter provided, as follows:

Fifth Anniversary of the date hereof --

ALL UNPAID PRINCIPAL AND
ACCRUED INTEREST

Interest (computed on the basis of the actual number of days elapsed over a year of 360 days) shall accrue from and after the date hereof on the aggregate unpaid principal amount on each day from time to time at the rate per annum equal to the Prime-based Rate plus two (2%) per annum, prior to default; and at the rate per annum equal to the Prime-based Rate plus 9.00% per annum on any overdue principal and interest from the due date thereof to the date of actual payment (after as well as before judgment and during any bankruptcy proceeding). "Prime-based Rate" means a variable rate per annum at which interest accrues and shall be equal at all times to the Payee's Twelve-Month Investment Certificate, as in effect from time to time. Changes in the rate of interest applicable hereto shall occur as of the first business day of each calendar month. Accrued interest shall be paid annually on or before March 31 of the year following the calendar year in which such interest accrued.

All or a portion of the unpaid principal of the Note and accrued interest thereon may be prepaid at any time without premium or penalty.

Payment of both principal and interest of this Note are to be made at 815 E. Market St., Akron, OH 44305 or at such other place as Payee shall designate to Maker in writing, in lawful money of the United States of America. All payments shall be applied first to accrued interest and then to principal.

In the event of Maker's failure to make timely payment of any amount due under this Note, or Maker's failure to make timely payment of any other amounts of any kind due from Maker to Payee, Payee may, at its option, declare all amounts under this Note to be immediately due and payable. If Payee is required to bring suit to effect collection of this Note, all costs and expenses of collection, including, but not limited to, Payee's attorneys' fees, shall be paid by Maker.

This Note shall be construed and enforced in accordance with the law of the state of Ohio, without giving effect to its conflicts or choice of law principles. **MAKER EXPRESSLY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY THE COURTS OF THE STATE OF OHIO OVER MAKER, AND WAIVES ANY OBJECTION TO THE EXERCISE OF SUCH JURISDICTION. MAKER FURTHER AGREES THAT THE**

STATE AND FEDERAL COURTS SITUATED IN THE STATE OF OHIO SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR OTHER ACTION OR DEFENSE RELATING TO OR ARISING OUT OF THIS AGREEMENT.

MAKER

Diamond Investments, LLC,
An Indiana Limited Liability Company
d/b/a Diamond Auto Sales

By:


Timothy S. Durham, Manager