

DBT Co.
275 WEST 2230 NORTH
PROVO, UTAH 84601

REC'D
FEB. 04 1978

January 31, 1978

Dear Partner,

Please find enclosed:

1. DBT's Income Statement for the year ended December 31, 1976 and for the ten-month's ended October 31, 1977.
2. A schedule K-1, which is your share of DBT's earnings for 1977.
3. Forms 3468 and 5884 for your convenience in filing your 1977 1040.
4. A few bar charts which show the growth of DBT's earnings and book value.
5. A five-year comparative DBT Balance Sheet and Income Statement for the years 1973 to 1977.

Sincerely yours,

Bill J. Pope
President

LMP:ybs

Enclosures

FEB. 04 1978

SCHEDULE K-1
(Form 1065)Department of the Treasury
Internal Revenue Service**Partner's Share of Income, Credits, Deductions, etc.—1977**

For Calendar year 1977 or fiscal year

beginning January 1, 1977, ending October 31, 1977

Copy B

(For partner)

Partner's identifying number ▶ **529-10-1716**

Partner's name, address, and ZIP code

Ida Rose L. Hall
1711 North Lambert Lane
Provo, UT 84601Partnership's identifying number ▶ **87-0300671**

Partnership's name, address, and ZIP code

DBT Co.
275 West 2230 North
Provo, UT 86401A Date(s) partner acquired any partnership interest during the year ▶ 5/31/73Yes No
☒ ☐B Is partner a nonresident alien? ☒C Is partner a limited partner (see General Instruction S(2))? ☒D (i) Did partner ever contribute property other than money to the partnership (if "Yes," complete line 20)? ☐
(ii) Did partner ever receive a distribution other than money from the partnership (if "Yes," complete line 21)? ☐
(iii) Was any part of the partner's interest ever acquired from another partner? ☐E (i) Did partnership interest terminate during the year? ☒(ii) Did partnership interest decrease during the year? ☒

F Enter Partner's percentage of:

	(i) Prior to decrease or termination	(ii) End of year
Ownership of capital	225%	225%
Profit sharing	225%	225%
Loss sharing	225%	225%
Time devoted to business	0%	0%

G IRS Center where partnership return filed ▶

H Partner's share of liabilities (see instructions):

	(i) Incurred prior to 1/1/77	(ii) Incurred after 12/31/76
Nonrecourse	\$	\$
Other	\$ 6,405.65	\$ 720.71

I Enter total amount of liabilities other than nonrecourse in respect of which the partner is protected against loss through guarantees, stop loss agreements, or other similar arrangements to which the partnership is a party or has knowledge:

Incurred prior to 1/1/77	\$
Incurred after 12/31/76	\$

J Partner's share of any pre-1976 loss(es) resulting from a section 465 activity for which there existed a corresponding amount of nonrecourse liability at the end of the year in which loss(es) occurred \$

K Reconciliation of partner's capital account:

a. Capital account at beginning of year	b. Capital contributed during year	c. Ordinary income (loss) from line 1(b)	d. Income not included in column c, plus non-taxable income	e. Losses not included in column c, plus unallowable deductions	f. Withdrawals and distributions	g. Capital account at end of year
23,492.51		36,345.40			22,793.10	37,044.82

a. Distributive share item	b. Amount	c. 1040 filers enter col. b amount as shown. All others enter on corresponding line of that form.
1 (a) Guaranteed payments to partner: (1) Deductible by the partnership (2) Capitalized by the partnership		Sch. E, Part III Sch. E, Part III
(b) Ordinary income (loss) (see instructions on back for limitations on losses)	36,345.40	Sch. E, Part III
2 Additional first-year depreciation		Sch. E, Part III
3 Dividends qualifying for exclusion		Sch. B, Part II, line 3
4 Short-term capital gain (loss)		Sch. D, line 2 (See Form 4625 Instr.)
5 Long-term capital gain (loss)		Sch. D, line 9
6 Involuntary conversions gain (loss)—casualty and theft		Form 4797, line 1
7 Other gain (loss)—from property under section 1231		Form 4797, line 3
8 Net earnings (loss) from self-employment		Sch. SE, Part I or Part II
9 Charitable contributions: 50% , 30% , 20%		Sch. A, line 21 or 22
10 Expense account allowance		
11 New jobs credit	1,654.53	Form 5884, line 19
12 Taxes paid by regulated investment company		Line 61, add words "from 1065"
13 (a) Payments on behalf of partner to a Keogh Plan		Line 25
(b) Payments on behalf of partner to an Individual Retirement Arrangement		Line 24
14 (a) Other income, deductions, etc. (specify) ▶		(Enter on applicable lines of your return)
(b) Other information (specify) ▶		
(c) Oil and gas depletion. Enter amount (not for partner's use) ▶		
15 Specially allocated items: (a) Short-term capital gain (loss)		Sch. D, line 2 (See Form 4625 Instr.)
(b) Long-term capital gain (loss)		Sch. D, line 9
(c) Ordinary gain (loss)		Form 4797, line 8
(d) Other		Sch. E, Part III
16 Tax preference items: (a) Itemized deductions		(See Form 4625 Instructions)
(b) Accelerated depreciation on real property: (1) Low-income rental housing		Form 4625, line 1(b)(1)
(2) Other real property		Form 4625, line 1(b)(2)
(c) Accelerated depreciation on personal property subject to a lease		Form 4625, line 1(c)
Amortization: (d) , (e) , (f) , (g)		Form 4625, line 1(d) thru (g)
(h) Reserves for losses on bad debts of financial institutions		Form 4625, line 1(h)
(i) Depletion		Form 4625, line 1(i)
(j) (1) Excess intangible drilling costs , (2) Net income (loss)		(See Form 4625 Instructions)

17 Interest on Investment Indebtedness: (a) Investment interest expense—									
(1) Indebtedness incurred prior to 12/17/69		Form 4952, line 1							
(2) Indebtedness incurred prior to 9/11/75, but after 12/16/69		Form 4952, line 18							
(3) Indebtedness incurred after 9/10/75		Form 4952, line 6							
(b) Net investment income or (loss)		Form 4952, line 2 or line 12(a)							
(c) Excess expenses from "net lease property"		Form 4952, lines 13 and 24							
(d) Excess of net long-term capital gain over net short-term capital loss attributable to investment property		Form 4952, line 25							
18 Property Qualified for Investment Credit:									
Basis of new investment property	(a) 3 or more but less than 5 years	Form 3468, line 1(a)							
	(b) 5 or more but less than 7 years	Form 3468, line 1(b)							
	(c) 7 or more years	Form 3468, line 1(c)							
Qualified progress expenditures	(d) 7 or more years 1974, 1975 and 1976 X	Form 3468, line 1(d)							
	(e) 7 or more years 1977	Form 3468, line 1(e)							
Cost of used investment property	(f) 3 or more but less than 5 years	Form 3468, line 1(f)							
	(g) 5 or more but less than 7 years	Form 3468, line 1(g)							
	(h) 7 or more years	Form 3468, line 1(h)							
19 Property Used in Recomputing a Prior Year Investment Credit (enter in corresponding column of Form 4255):									
(1) Description of property (also state whether new or used)	(2) Date placed in service	(3) Cost or basis	(4) Estimated useful life	(5) Applicable percentage	(6) Original qualified investment (column 3 x column 5)	(8) Date item ceased to be investment credit property	(9) Actual useful life	(10) Applicable percentage	(11) Qualified investment (column 3 x column 10)
A									
B									
20 (a) Basis to partner of contributed property (other than money) at time(s) of contribution to partnership									
(b) Value of contributed property in line 20(a) as reflected in the partner's capital account									
21 (a) Basis to partnership of distributed property (other than money) at time(s) of distribution to the partner									
(b) Value of distributed property in line 21(a) as reflected in the partner's capital account									
22 Partnership information regarding international boycotting. For partner's reporting requirements see Form 5713.									
(a) Did partnership have operations in a boycotting country?									
(b) Did partnership participate in or cooperate with an international boycott?									
(c) Did partnership file Form 5713?									

Instructions for the Partner

(References are to the Internal Revenue Code.)

Copy B of Schedule K-1 (Form 1065) is being used by the partnership to inform you of your distributive share of the partnership's income, credits, deductions, etc. It should be retained for your records, and not filed with your Form 1040. Copy A has been filed with the IRS.

Tax Preference Items.—Lines 16(j)(1) and (2) contain your share of excess intangible drilling costs and net income (loss) from oil and gas properties of the partnership. Combine these items with similar items from all oil and gas properties in which you have an interest in order to determine the amount of intangible drilling costs tax preference you are to report on Form 4625 (individuals) or Form 4626 (other taxpayers).

Partner's Own Tax Return.—Your distributive share of any partnership income, gain, loss, deduction, credit, etc. to be reported on your return should include the amount reported on line 1(b) of Schedule K-1 as well as other amounts reported elsewhere on Schedule K-1. For example, the amounts reported on lines 1(a)(1), 1(a)(2), 4, 5, 6, 7, 14, and 15. To determine the amount of a partnership loss you may claim, please read the limitation on losses and the "at risk" provisions explained below.

Depletion.—Sections 611 through 613A impose limitations on the depletion deduction allowable for oil and gas properties. If the partnership is engaged in the development of oil or gas properties, line 14(b) should contain information you need to compute your depletion deduction which each partner must determine separately.

Limitation on losses.—In determining the amount to be reported on your own return you may not claim your share of a partnership loss (including capital loss) that is in excess of the adjusted basis of your interest in the partnership at the end of the partnership's taxable year. In the case of liabilities incurred after December 31, 1976, the adjusted basis of your interest in the partnership (for determining limitations on losses) generally shall not include any portion of any partnership liability with respect to which you have no personal liability. (See section 704(d) for exceptions.)

Special "at risk" rules apply in the case of a partnership engaged in the activity of—(a) holding, producing, or distributing motion picture films or video tapes, (b) farming (as defined in section 464(e)), (c) leasing any section 1245 property, or (d) exploring for or exploiting, oil and gas resources, as a trade or business or for the production of income.

Your share of any section 465(d) loss from such activity for the taxable year shall be allowed only to the extent of the aggregate amount with respect to which you are "at risk" with respect to the activity at the close of the partnership's taxable year.

You are generally considered "at risk" with respect to an activity to the extent of the cash and the adjusted basis of other property you contributed to the activity as well as any amounts borrowed for use in the activity for which you are either personally liable or have pledged personally-owned property as security (other than property used in the activity).

You are not considered "at risk" with respect to the proceeds from your share of any nonrecourse loan used to finance the activity or the acquisition of property used in the activity. However, you are generally considered "at risk" to the extent of the net fair market value of your personal assets which secure nonrecourse loans, the proceeds of which are used in the activity.

Amounts borrowed shall not be considered to be "at risk" with respect to an activity if such amounts are borrowed from any person who has an interest (other than an interest as a creditor) in the activity, or if the lender is related to you within the meaning of section 267(b). You are not "at risk" for any amount to the extent that you (or the partnership) are protected against loss by a guarantee, stop-loss order or other similar arrangement.

Your interest in the partnership is treated as a single activity to the extent that the partnership is engaged in activities described in any one of the items (a) through (d), above. For example, if the partnership is engaged in the operation of two separate farms (within the provisions of section 464(e)), the two operations are considered a single activity for purposes of determining the amount for which you are "at risk." However, if the partnership is engaged in two (or more) different types of the "at risk" activities, you are considered to be engaged in two (or more) separate activities and you must determine the amount for which you are "at risk" for each of the separate types of activities.

If the partnership is engaged in two (or more) different types of "at risk" activities or any combination of "at risk" activities and activities other than "at risk," any loss from each "at risk" activity should be identified separately on line 14(b) or a separate statement so you can determine the amount of any such losses that you are entitled to deduct on your return for the taxable year.

Any loss from a section 465 activity not allowed under this section for the taxable year shall be treated as a deduction allocable to such activity in the first succeeding taxable year.

See section 465 for additional details. Special transitional rules relating to movies, video tapes, and leasing activities can be found in section 204 (c)(2) and (3) of the Tax Reform Act of 1976.

For more information, obtain Publication 541, Tax Information on Partnership Income and Losses.

DBT Company

INCOME STATEMENT

For the 12-Months Ended December 31, 1976

For the 10-Months Ended October 31, 1977

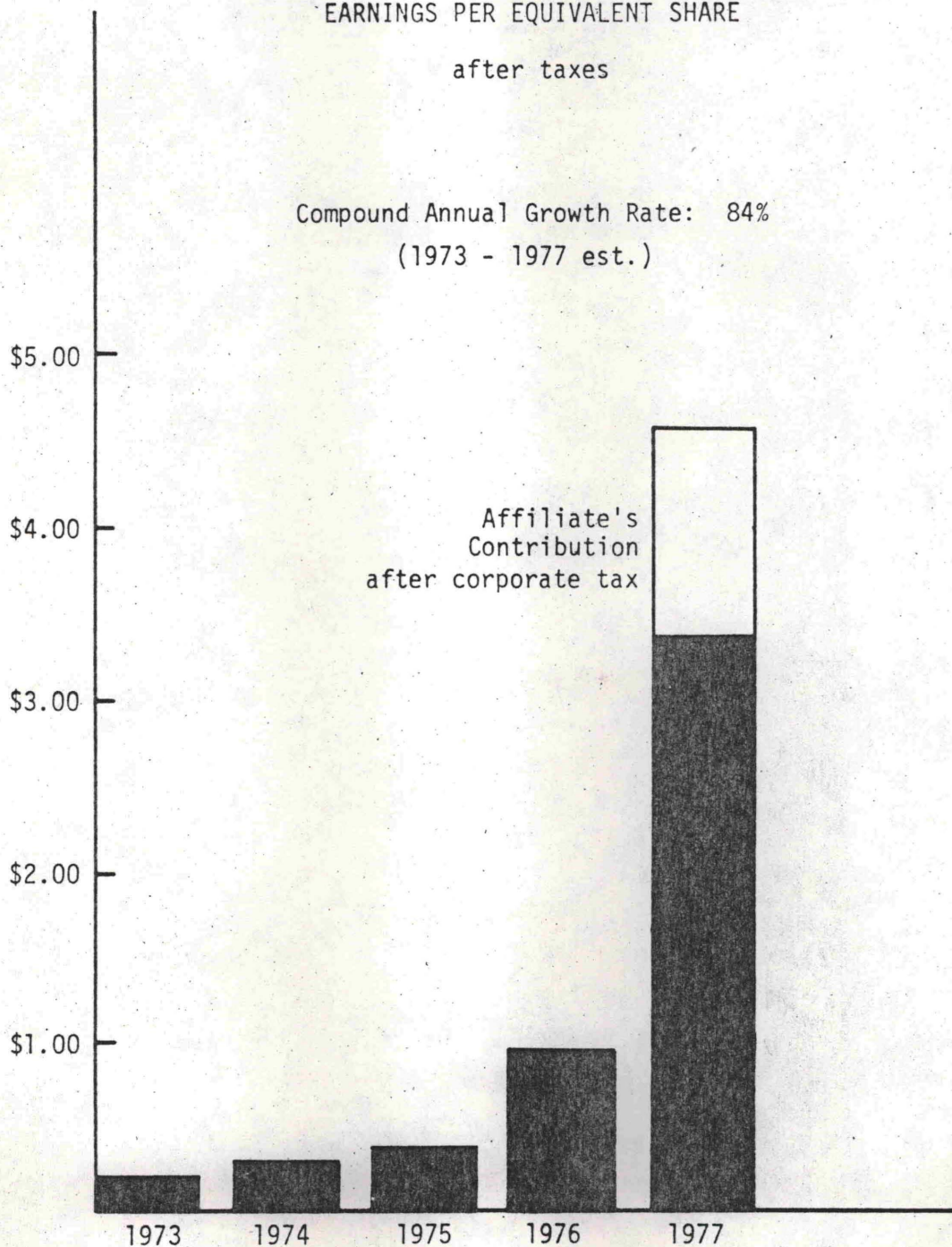
	<u>1976</u>	<u>1977</u>
Net Sales	\$480,273	\$945,046
Cost of Goods Sold	<u>267,875</u>	<u>367,424</u>
Gross Profit	\$212,398	\$577,623
Administrative Expenses	<u>41,275</u>	<u>77,804</u>
Net Income	<u>\$171,123</u>	<u>\$499,820</u>

DBT Company

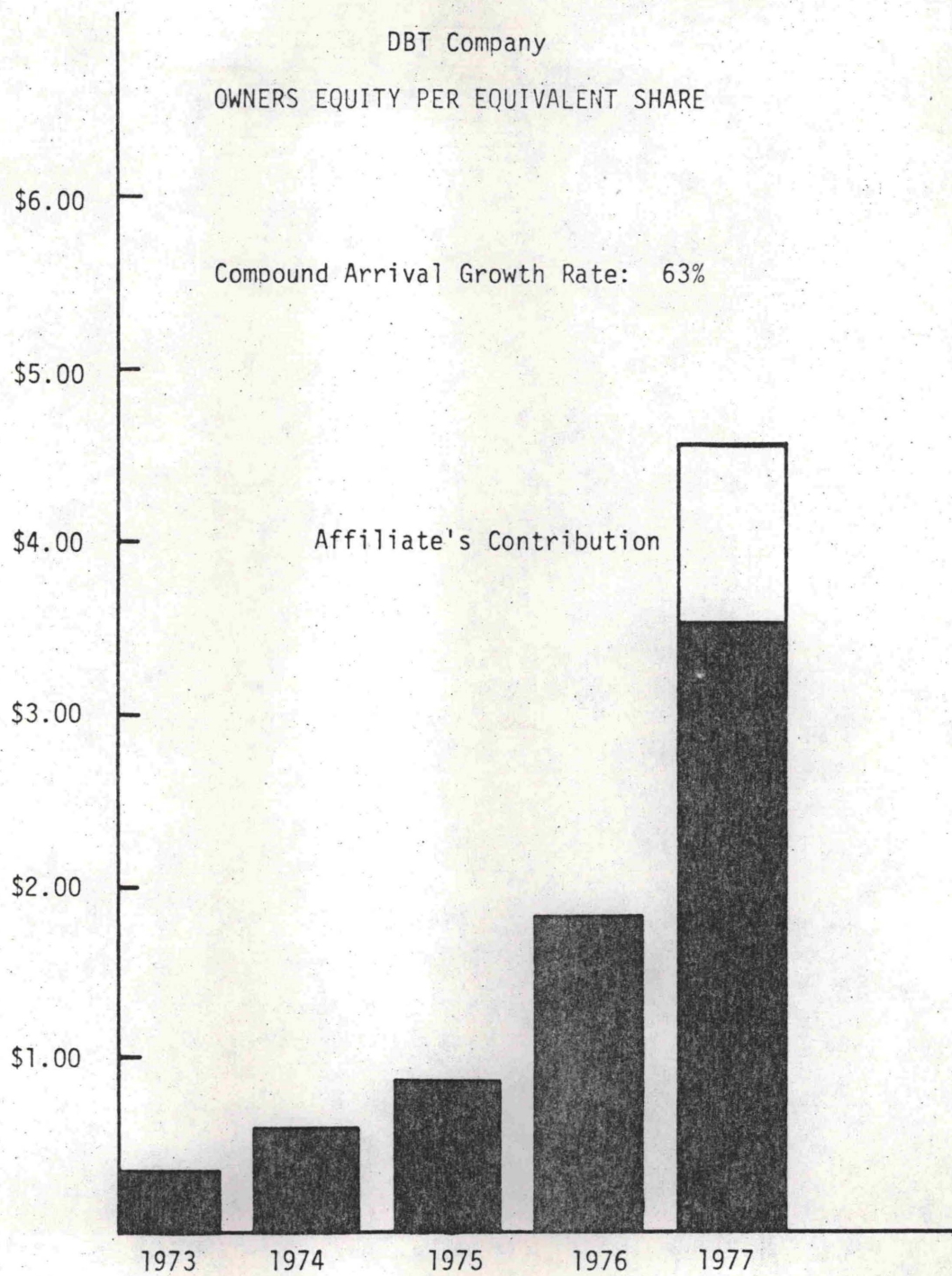
EARNINGS PER EQUIVALENT SHARE

after taxes

Compound Annual Growth Rate: 84%
(1973 - 1977 est.)



1976 example: $\frac{\text{net income 1976}}{\text{equivalent shares}} = \frac{\$171,123}{\$177,400} = \0.96

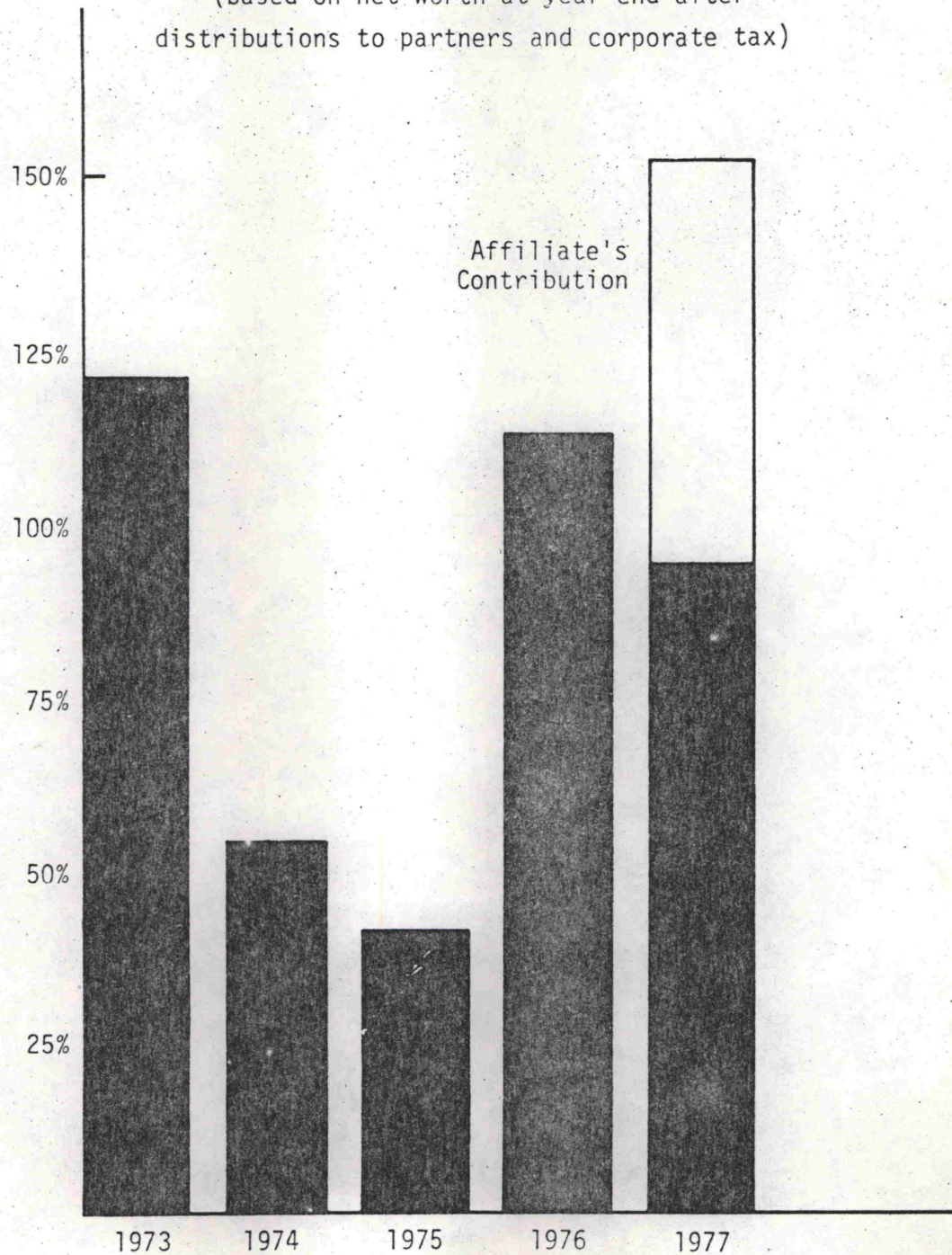


1976 example: $\frac{\text{net worth Dec. 31, 1976}}{\text{equivalent shares}} = \frac{\$323,067}{\$177,400} = \1.82

DBT Company

NET RETURN ON TOTAL CAPITAL

(based on net worth at year end after
distributions to partners and corporate tax)



1976 example:
$$\frac{\text{net worth Dec. 31, 1976, less net worth Dec. 31, 1975}}{\text{net worth Dec. 31, 1975}} = \frac{\$323,067 - \$151,925}{\$151,925} = 113\%$$

DBT Co.

BALANCE SHEET

As of December 31, 1973 - 1977

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	
					<u>DBT Co.</u>	<u>Affiliate*</u>
<u>ASSETS</u>						
Current	\$73,829	\$156,148	\$227,350	\$275,672	\$529,485	\$2,031,519
Fixed	20,865	24,791	49,978	58,820	236,766	622,584
Other	<u>1,870</u>	<u>1,760</u>	<u>1,650</u>	<u>1,540</u>	<u>1,556</u>	<u>320,921</u>
TOTAL ASSETS	<u>\$96,564</u>	<u>\$199,951</u>	<u>\$282,424</u>	<u>\$336,032</u>	<u>\$767,807</u>	<u>\$2,975,024</u>
<u>LIABILITIES</u>						
Current	\$26,568	\$ 23,107	\$130,459	\$ 7,106	\$230,323	\$1,501,029
Long Term	<u>--</u>	<u>68,743</u>	<u>40</u>	<u>4,859</u>	<u>--</u>	<u>915,419</u>
TOTAL LIABILITIES	\$26,568	\$ 91,850	\$130,499	\$ 12,965	\$230,323	\$2,416,448
<u>NET WORTH</u>						
Capital	\$69,996	\$108,101	\$151,925	\$323,067	\$537,484	\$ 558,576
TOTAL LIABILITIES & NET WORTH	<u>\$96,564</u>	<u>\$199,951</u>	<u>\$282,424</u>	<u>\$336,032</u>	<u>\$767,807</u>	<u>\$2,975,024</u>

* Affiliate owned 90% by DBT - acquired February 26, 1977.

DBT Co.

INCOME STATEMENT

For Seven Months Ended December 31, 1973;
for the Years Ended December 31, 1974 - 1977

	<u>1973</u> (7 Months)	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	
					<u>DBT Co.</u>	<u>Affilliate*</u>
Net Revenues	\$61,660	\$149,692	\$263,777	\$480,273	\$1,093,279	\$4,868,336
Cost of Goods Sold	<u>18,754</u>	<u>85,855</u>	<u>161,551</u>	<u>267,875</u>	<u>446,833</u>	<u>3,021,656</u>
Gross Profit	\$42,906	\$ 63,387	\$102,226	\$212,398	\$ 646,446	\$1,846,680
Administrative Expenses	4,527	9,401	33,021	41,275	88,198	1,398,637
Estimated Taxes	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>30,382</u>	<u>214,626</u>
Net Income after Tax	<u>\$38,379</u>	<u>\$ 54,436</u>	<u>\$ 69,205</u>	<u>\$171,123</u>	<u>\$ 527,866</u>	<u>\$ 233,417</u>

* Affiliate owned 90% by DBT - acquired February 26, 1977.

DBT became a Corporation on November 1, 1977.