

Tracy and Betsy Owned .56% of DBT and will receive 1000 shares in the new corporation. Their share of equity was \$2374.94 so they will receive a note for \$791.65. Tracy and Betsy own 1000 shares in Megadiamond.

Virginia and Barry Owned .68% of DBT and also owns 1200 shares of Mega. They will receive the same as Charlotte and David will.

Marty and Liz Owned .68% of DBT and also own 1200 shares of Mega. They will receive the same as Charlotte, David and Virginia will.

The new DBT corporation will have 177,400 shares of stock. Our whole family combined will own 37,080 or 20.9% of the company. We are smaller stock holders than the Popes or the Hortons because of sales which we have made in the past. We have enough stock now to guarantee ourselves one of five directors positions. If our total ownerships drops below 20% we will not be able to elect ourselves a director without help from some other stock holder. In my view it is important that we not sell any more stock until the stock is listed publically or we sell the stock in a complete block to someone else. If we sell just part of our stock we will get ourself into a position of having stock which cannot be represented. Our stock combined with other stock holders represents a majority of the stock holders. I have talked to most of the smaller stock holders and their opinions on the operation of the company agree with ours. As a block of stockholders we are going to vote in 3 of the five directors and maintain control of the company along objectives of optimizing stock value and corporate income. Most of the earnings will be put back into the corporation for increasing the companies book value so that the value of the stock increases. The company does not currently have any book value. We are in debt too much right now and so earnings will go to decreasing debt.

Megadiamond corporation also has 177,400 shares of stock right now but we are trying to purchase DDI's share of Megadiamond Industries for 33,790 shares of stock in Mega Corporation. This will increase the outstanding shares to 211,190 shares. ~~We~~ Our combined family holdings are 39,080 shares which give us 18.5% of the company. We have not sold as much Mega stock to others as we did DBT partnership ownership but the purchase of DDI's share of MI dilutes are total ownership. Owning 18% of MC is better than owning a larger share of MC when MI was  $\frac{1}{2}$  owned by DDI because all profits were controlled by MI. MI still exists as a company but is totally owned by MC now. I have been elected to the board of MC. Megadiamond Corporation has made substantial improvements in their product and things are finally looking up for them. I do not know yet how the DDI representative to the MC board will want the company to be operated so I cannot give you any indication as to the future of MC. My views are to let the company grow slowly through internal earnings and to avoid joint ventures with other companies and any further dilutions of present ownership through additional stock offerings. I will be able to tell you more in two or three months time.

I organized my own company called DHD company on June 2, 1977. My financial year will be from July 1- June 30 so I have to close my books already in just a few weeks. DHD stands for David Hall forward and backward and also stands for Down Hole Drill which I hope to be my major product eventually. (over)



I have k/projected a loss of 1300 dollars in my first month of operation and 12,000 dollars of loss during the next year. I am trying to sell these losses to someone who can use them because I don't have any income to deduct a loss from. I'll probably sell the losses to Mom or Dad at a minimum of 18% return for them. I am raising the capitol for the corporation by selling \$7,000.00 in stock and borrowing \$6,000.00 from banks against ~~1/2~~ my own net worth. During the second year of operation of the company I have projected earnings of 20,000.00 which will be used to pay myself a ~~1/2~~ salary and pay off the coppration debts.

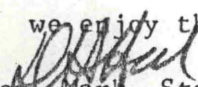
The first product that I am working on is a high pressure water pump which is considerably smaller than products which exist now. It has a limited market but will sell for a high price. After establishing the pump as a product I will start working on tools to be driven by high pressure water pumped by my pump. The first tool will be a 2-8 horsepower drill which I have designed already. By introducing tools I will expand the market for the pump plus increase my profit margin on the combined system.

The government is purchasing some of the farm land that Dad owns for a freeway access road. I have recommended that dad~~t~~ transfer that income tax free into his own company by purchasing stock which is already approved for sale but not outstanding. I have done an evaluation of the stock and on the basis of H.T.H. Inc. net worth of aproximately \$225,000 and average earnings of aproximately one dollar per share over time, the stock has a value of \$10.000 per share. There are currently 25,000 shares of stock distributed with each of us owning 1750 shares or 49% and mom and dad owning the rest. Dad could purchase 2500 additonal shares for \$25,000.00 cash which would increase the total number of shares to 27,500. Mom and dad would own 15,250 shares or 55.455% of the company. Each of us would continue to have 1750 shares but instead of 7% we would own 6.364% of the company. However, the increased earnings potential of the additional \$25,000.00 capital would more than offset our loss in share. If dad decideds to re-invest his money in H.T.H. Inc. he will offer the stock to any of us at \$10.00 per share and we can buy if we want.

I am sure that I have helped confuse you with all this data but if you study it closely you will be able to understand the financial condition of each company and what your holdings are worth. In my view the DBT stock will be worth aproximately 25 dollars per share and the Megadiamond stock will be worth aproximately 10\$ per share now but probably 25 dollars per share two years from now. If we hold our stock for awhile and sell to a rich person or persons or another company we can probably sell the whole block of DBT stock for 25 dollars per share two or three years from now and the Megadiamond stock for 25 dollars per share 3 or four years from now. It is also possible that the company if controlled properly could have its maximum value as a source of dividend income providing an annuity for years to come.

Mark, Stephen, Michael and Karen are healthy and seem to be enjoying Utah more and more. The kids have lots of friends to play with which is really good for them. Karen is doing a lot of reading as usual and becoming an expert or organizational theory.

Love to all of you, we enjoy the letters

David, Karen, , Mark, Stephen, and Michael