

051077

DBT CO.
STATEMENT OF COST OF GOOD SOLD
For Period January 1, 1977 to April 30, 1977

MATERIALS:	DOLLARS	CARATS	\$COST/CARATS
Pyro	\$ 4,027.37		
Moly	3,299.14		
Anvils	10,576.67		
Other	7,837.58		
TOTAL MATERIALS	<u>\$ 25,740.76</u>		
LABOR:			
Direct Labor	33,336.36		
Supervision	18,937.92		
Payroll	6,967.47		
TOTAL LABOR	<u>\$ 59,241.75</u>		
OVERHEAD:			
Plating	\$ 3,750.78		
Lab	10,239.65		
Mfg. Supplies & Ex.	8,493.03		
Press	2,073.65		
Depreciation	3,200.00		
Amortization of Patents	110.00		
Miscellaneous	304.11		
Rent	6,921.60		
Personal Prep Tax	438.28		
Sales Tax	1,598.05		
Purchasing Expense	1,281.31		
TOTAL OVERHEAD	<u>\$ 38,410.46</u>		
TOTAL MANUFACTURING COSTS	\$ 123,392.97	388,735	.3174
Less: Write down of unmarketables	15,982.18	50,350*	.3174
ADJUSTED MANUFACTURING COSTS	<u>107,410.79</u>	<u>338,385</u>	<u>.3174</u>
ADD BEGINNING F/G INVENTORY	<u>210,134.00</u>	<u>320,856</u>	<u>.6549</u>
COST OF GOODS AVAILABLE FOR SALE	\$ 317,544.79	659,241	.4817
LESS ENDING INVENTORY	<u>200,528.24</u>	<u>416,308</u>	<u>.4817</u>
COST OF GOODS SOLD:			
Write off of unmarketable	\$ 15,982.18	50,350	.3174
Cost of marketables sold: mktg.	\$ 72,978.26	151,507	.4817
Written off marketable	44,038.29	91,426	.4817
	<u>\$ 117,016.55</u>	<u>242,933</u>	<u>.4817</u>
TOTAL COST OF GOODS SOLD	<u>\$ 132,998.73</u>	<u>151,507</u>	<u>.878</u>
*Write-down during period	141,776		
Sale of Unmarketables	91,426		
Net Write Down	<u>50,350</u>		

DBT CO.

INCOME STATEMENT

For Period January 1, 1977 to April 30, 1977

SALES:

Sales Lew	\$ 231,640.20	
Sales Mega	1,485.00	
Sales Super Cut	62,121.00	
Sales Other	17,351.28	
Interest Income	600.36	
Other Income	<u>1,684.17</u>	
Total Revenue		\$ 314,882.01
LESS COST OF GOODS SOLD		<u>132,998.73</u>
GROSS MARGIN		\$ 181,883.28

ADMINISTRATIVE EXPENSE

Office Salary	\$ 3,574.19	
Office Payroll	2,697.13	
Payroll Expense	789.27	
Travel Expense	1,846.31	
Professional Expense	6,727.05	
Research & Development	877.96	
Office Expense	1,507.61	
License, Dues & Subscriptions	24.00	
Interest Expense	15.56	
Rent Expense Office	1,730.40	
Management Fees	<u>4,862.81</u>	
TOTAL ADMINISTRATIVE EXPENSES		\$ <u>24,652.29</u>
NET INCOME		\$ <u><u>157,230.99</u></u>

DBT COMPANY

Income Statement
For the Years Ended December 31, 1973 - 1977

	<u>1973</u> (7 months)	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u> (4 months)
Net Sales	\$61,660	\$149,692	\$263,777	\$480,273	\$314,882
Cost of Goods Sold	<u>18,754</u>	<u>85,855</u>	<u>161,551</u>	<u>267,875</u>	<u>132,999</u>
Gross Profit	\$42,906	\$ 63,387	\$102,226	\$212,398	\$181,883
Administrative Expenses	<u>4,527</u>	<u>9,401</u>	<u>33,021</u>	<u>41,275</u>	<u>24,652</u>
Net Income	<u>\$38,379</u>	<u>\$ 54,436</u>	<u>\$ 69,205</u>	<u>\$171,123</u>	<u>\$157,231</u>

*If you want, make a copy but please
return to me, David*

Dear Family,

I am writing essentially a financial report of various corporate activities this time so that you will be more familiar with what is going on. Enclosed with this letter is (1) H.T.H. Inc. Balance sheet as of April 1977. (2) A table which illustrates the cost of DBT earnings to partners as a function of taxable income level. This data is essentially the reason for the change of DBT to a normal corporation instead of a partnership. The corporation was not paying out enough dividends to cover the cost to partners whose income was above \$20,000.00. (3) DBT Co. Balance sheet as of April 30 1977. (4) DBT company income statement (5) Detailed DBT company Income statement (6) Megadiamond statement of earnings 1977.

The change of DBT to a normal corporation is currently underway. You will each receive stock for your percentage share of the partnership plus a ten year note for one third of your capital in the corporation. The number of shares of stock for each in our family are listed below:

Sherlene and Dan	owned .61% of DBT partnership and will receive 1080 shares of stock in new corporation. Sherlene and Dan also have 1080 shares of stock in Megadiamond corporation. Their share in the \$424,097 partnership equity is \$2,587 and in addition to 1080 shares of stock they will receive a note for \$862.33.
Charlotte Hall	owned .68% of DBT and will receive 1200 shares of stock in the new corporation. Charlotte also owns 1200 shares of stock in Megadiamond. Her share of equity is \$2883.86 and in addition to the 1200 shares of stock she will receive a note for \$961.29.
David and Karen	owned .68% of DBT and will receive the same as Charlotte. I also own 1200 shares of Mega.
Ida Rose L. Hall	Owned 7.27 % of DBT partnership and will receive 12,900 shares of stock in the new corporation. Her share in the partnership equity was \$30,831.85 and so in addition to the 12,900 shares of stock she will receive a note for \$10,277.28. Mom owns 12,900 shares in Megadiamond.
Nancy & Doug	Owned .397% of DBT (Nancy and Doug sold 5/12 of their partnership to company employees several months ago) and they will receive 700 shares in the new corporation. They will also receive a note for \$561.22. Nancy and Doug own 1200 shares of Megadiamond corporation.
H.Tracy Hall Sr.	Dad held DBT ownership through the General partner which was called DION company. He will get 16,600 shares of stock in the new corporation and his share of the partnership equity was \$39,684.38 so he will receive a note for \$13,228.13. Dad owns 18,100 shares in Megadiamond.