

H. TRACY HALL, INCORPORATED

UNAUDITED

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 1977 AND 1976

ELMER FOX, WESTHEIMER & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
H. Tracy Hall, Incorporated
Provo, Utah

The accompanying balance sheet of H. Tracy Hall, Incorporated as of August 31, 1977 and August 31, 1976 and the related statements of earnings and retained earnings for the fiscal years then ended were not audited by us and accordingly we do not express an opinion on them.

These statements are for internal use by management and do not include a statement of changes in financial position or all disclosures that might be required for a fair presentation to third parties.

Elmer Fox, Westheimer & Co.

Provo, Utah
October 20, 1977

H. TRACY HALL, INCORPORATED

BALANCE SHEET

(Unaudited)

ASSETS

	<u>August 31,</u>	
	<u>1977</u>	<u>1976</u>
Current assets:		
Cash	\$ 4,240	\$ 6,644
Prepaid expenses	<u>9,169</u>	<u>70</u>
Total current assets	<u>13,409</u>	<u>6,714</u>
Property and equipment, at cost:		
Machinery and equipment	32,501	32,501
Less accumulated depreciation	<u>16,074</u>	<u>10,812</u>
	<u>16,427</u>	<u>21,689</u>
	<u>\$29,836</u>	<u>\$28,403</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
9-1/2% note payable to a bank	\$10,000	\$ 5,000
Notes payable to stockholders	11,426	11,426
Debentures payable	<u>2,500</u>	<u>2,500</u>
Total liabilities	<u>23,926</u>	<u>18,926</u>
Stockholders' equity:		
Common stock, \$1 par value		
Authorized - 50,000 shares		
Issued and outstanding - 25,000 shares	25,000	25,000
Retained earnings	<u>(19,090)</u>	<u>(15,523)</u>
	<u>5,910</u>	<u>9,477</u>
	<u>\$29,836</u>	<u>\$28,403</u>

H. TRACY HALL, INCORPORATED

STATEMENT OF EARNINGS (LOSS) AND
RETAINED EARNINGS (ACCUMULATED DEFICIT)

(Unaudited)

	Year ended August 31,	
	<u>1977</u>	<u>1976</u>
Net sales	\$ 5,844	\$ 13,342
Cost of sales	<u>600</u>	<u>6,569</u>
Gross margin on sales	<u>5,244</u>	<u>6,773</u>
Other earnings:		
Interest income	<u>264</u>	<u>637</u>
Gross earnings	<u>5,508</u>	<u>7,410</u>
Operating expenses:		
Salaries and wages	-	1,100
Insurance	366	320
Freight and express	67	138
Supplies	296	-
Interest expense	594	236
Travel expense	136	2,889
Taxes and licenses	70	723
Dues and subscriptions	124	305
Rent	185	-
Depreciation and amortization	5,327	4,150
Utilities	765	719
Miscellaneous expense	<u>1,145</u>	<u>988</u>
	<u>9,075</u>	<u>11,568</u>
Net earnings (loss)	(3,567)	(4,158)
Retained earnings (deficit) at beginning of year	(15,523)	9,222
Dividends paid	-	<u>(20,587)</u>
Retained earnings (deficit) at end of year	<u>\$(19,090)</u>	<u>\$(15,523)</u>
Net earnings (loss) per share	<u>\$(.14)</u>	<u>\$(.17)</u>