

H. TRACY HALL, INCORPORATED

UNAUDITED

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 1975 AND 1974

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, 1975 and August 31, 1974 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 8, 1975

H. TRACY HALL, INCORPORATED

BALANCE SHEET

(Unaudited)

ASSETS

	<u>August 31,</u>	
	<u>1975</u>	<u>1974</u>
Current assets:		
Cash	\$24,800	\$24,768
Prepaid expenses	<u>135</u>	<u>200</u>
Total current assets	<u>24,935</u>	<u>24,968</u>
Property and equipment, at cost:		
Machinery and equipment	30,108	31,562
Less accumulated depreciation	<u>6,727</u>	<u>5,700</u>
	<u>23,381</u>	<u>25,862</u>
	<u>\$48,316</u>	<u>\$50,830</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Accounts payable	\$ 168	\$ 521
Federal taxes on earnings - Note 1	-	-
Notes payable to stockholders	11,426	11,426
Debentures payable	<u>2,500</u>	<u>2,500</u>
Total liabilities	<u>14,094</u>	<u>14,447</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>9,222</u>	<u>11,383</u>
	<u>34,222</u>	<u>36,383</u>
	<u>\$48,316</u>	<u>\$50,830</u>

The accompanying note is an integral part of the financial statements.

H. TRACY HALL, INCORPORATED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

(Unaudited)

	Fiscal year ended	
	August 31,	
	<u>1975</u>	<u>1974</u>
Net sales	\$27,095	\$145,885
Cost of sales	<u>8,252</u>	<u>62,060</u>
Gross margin on sales	<u>18,843</u>	<u>83,825</u>
Other earnings:		
Interest income	1,441	3,381
Gains on sale of equipment	<u>36,117</u>	<u>-</u>
	<u>37,558</u>	<u>3,381</u>
Gross earnings	<u>56,401</u>	<u>87,206</u>
Operating expenses:		
Salaries and wages	7,885	5,911
Insurance	374	33
Freight and express	1,773	213
Supplies	8,516	4,007
Interest expense	1,555	5,843
Travel expense	3,589	629
Taxes and licenses	2,598	966
Dues and subscriptions	413	262
Rent	2,900	5,237
Depreciation	4,178	3,945
Utilities	809	810
Miscellaneous expense	<u>1,472</u>	<u>350</u>
	<u>36,062</u>	<u>28,206</u>
Net earnings before Federal taxes on earnings	<u>20,339</u>	<u>59,000</u>
Federal taxes on earnings - Note 1	-	-
Net earnings	<u>20,339</u>	<u>59,000</u>
Retained earnings (deficit) at beginning of year	11,383	(11,117)
Dividends paid	<u>(22,500)</u>	<u>(36,500)</u>
Retained earnings at end of year	<u>\$ 9,222</u>	<u>\$ 11,383</u>
Net earnings per share of outstanding stock	<u>\$.81</u>	<u>\$2.36</u>

The accompanying note is an integral part of the financial statements.

H. TRACY HALL, INCORPORATED

NOTE TO FINANCIAL STATEMENTS

August 31, 1975

1. Taxes on earnings

Stockholders of the corporation made an election dated September 5, 1972 under the provisions of Sec. 1372(a) of the Internal Revenue Code of 1954, as amended by the Technical Amendments Act of 1958, to have the corporation treated as a Subchapter S corporation. No Federal income taxes are therefore payable by the corporation.