

TROUT SHOP, INC.

FINANCIAL STATEMENTS
(unaudited)

AS OF SEPTEMBER 30, 1975

JORDAHL, SLITER & BRAGG

Certified Public Accountants



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Certified Public Accountants

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P. O. BOX 788

BOZEMAN, MONTANA 59715

MEMBERS AMERICAN
INSTITUTE OF
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OFFICES
KALISPELL, MONTANA
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Trout Shop, Inc.
2007 Sourdough Road
Bozeman, MT 59715

The accompanying balance sheets of Trout Shop, Inc. as of September 30, 1975, and the related statements of income and retained earnings and changes in financial position for the year then ended were not audited by us and accordingly we do not express an opinion on them.

Jordahl Sliter & Bragg

November 25, 1975

JORDAN & BROTHERS

1000 1/2 N. 1st St.
Portland, Oregon

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James H. Hays

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WE CERTIFY that we are officers and directors of Trout Shop, Inc., Bozeman, Montana, that we are familiar with the books and records of the Corporation and that, to the best of our knowledge the accompanying financial statements are true, correct and complete.

_____ Title

_____ Title

Dated: _____

WE CERTIFY that we are officers and directors of [blank]
Shop, Inc., [blank], that we are familiar with the books
and records of the Corporation and that, to the best of our know-
ledge the accompanying financial statements are true, correct and
complete.

Title

Title

Date:

TROUT SHOP, INC.

BALANCE SHEET
SEPTEMBER 30, 1975

(Unaudited)

ASSETS

CURRENT ASSETS:

| | |
|---|---------------|
| Cash | \$ 42,564 |
| Accounts receivable | 500 |
| Prepaid insurance | 641 |
| Inventory, at lower of cost (first-in, first- out) or market | <u>27,741</u> |
| Total current assets | <u>71,446</u> |

PROPERTY AND EQUIPMENT, at cost (Note 2):

| | |
|---------------------------------|--------------|
| Fixtures and equipment | 3,623 |
| Less - accumulated depreciation | <u>2,324</u> |
| | <u>1,299</u> |

ORGANIZATION COSTS

276

TOTAL ASSETS

\$ 73,021

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

| | |
|---------------------------|---------------|
| Accounts payable | \$ 9,937 |
| Travel expense payable | 600 |
| Payroll taxes payable | 2,398 |
| Income taxes payable | 6,007 |
| Bonuses payable | 4,000 |
| Total current liabilities | <u>22,942</u> |

STOCKHOLDERS' EQUITY:

| | |
|-----------------------------------|---------------|
| Common stock, \$100 stated value | |
| 500 shares authorized | |
| 300 shares issued and outstanding | 30,000 |
| Paid-in capital | 3,076 |
| Retained earnings | <u>17,003</u> |
| | <u>50,079</u> |

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 73,021

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

1987-1988
 1988-1989
 1989-1990

(Amounts in \$)

| | <u>ASSETS</u> | |
|---------------|---|------------------|
| | <u>CURRENT ASSETS:</u> | |
| \$ 42,584 | Cash | |
| 100 | Accounts receivable | |
| 100 | Prepaid insurance | |
| 27,711 | Inventory, at lower of cost (first-in, first-out) or market | |
| <u>77,395</u> | Total current assets | |
| | <u>PROPERTY AND EQUIPMENT, at cost (Note 2):</u> | |
| 3,623 | Furniture and equipment | |
| 2,324 | Less - accumulated depreciation | |
| <u>1,299</u> | | |
| <u>79,694</u> | <u>ORGANIZATION COSTS</u> | |
| | <u>TOTAL ASSETS</u> | |
| | | <u>\$ 79,694</u> |
| | <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | |
| | <u>CURRENT LIABILITIES:</u> | |
| \$ 8,833 | Accounts payable | |
| 800 | Travel expense payable | |
| 2,300 | Payroll taxes payable | |
| 6,000 | Income taxes payable | |
| 4,000 | Borrowed payable | |
| <u>22,933</u> | Total current liabilities | |
| | <u>STOCKHOLDERS' EQUITY:</u> | |
| 30,000 | Common stock, \$100 stated value | |
| 4,000 | 300 shares authorized | |
| 1,000 | 300 shares issued and outstanding | |
| 1,000 | Paid-in capital | |
| <u>36,000</u> | Retained earnings | |
| <u>79,694</u> | <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | |

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1975

(Unaudited)

| | |
|------------------------------|------------------|
| BALANCE, beginning of period | \$ -0- |
| ADD: Net income | <u>17,003</u> |
| BALANCE, end of year | <u>\$ 17,003</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1978

(Amounts)

| | Balance, beginning of period |
|--|------------------------------|
| | 13,500 |
| | 13,500 |
| | 13,500 |

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
 STATEMENT OF INCOME
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1975
 (Unaudited)

| | |
|----------------------------|------------------|
| SALES | \$ 274,954 |
| COST OF SALES | <u>171,140</u> |
| GROSS PROFIT (38%) | <u>103,814</u> |
| OPERATING EXPENSES: | |
| Salaries | 28,582 |
| Officers' salaries | 18,600 |
| Rent | 5,700 |
| Advertising | 4,577 |
| Freight | 4,149 |
| Payroll taxes | 3,559 |
| Supplies | 2,943 |
| Insurance | 2,161 |
| Business taxes | 1,238 |
| Credit card charges | 1,235 |
| Travel | 1,118 |
| Repairs | 976 |
| Telephone | 766 |
| Utilities | 710 |
| Bad debts | 531 |
| Depreciation (Note 2) | 456 |
| Gas and oil | 361 |
| Interest | 356 |
| Casual labor | 340 |
| Dues and publications | 199 |
| Professional services | 60 |
| Amortization | 49 |
| Miscellaneous | 2,138 |
| | <u>80,804</u> |
| INCOME FROM OPERATIONS | 23,010 |
| PROVISION FOR INCOME TAXES | <u>6,007</u> |
| NET INCOME | <u>\$ 17,003</u> |
| EARNINGS PER SHARE | <u>\$ 56.68</u> |

The accompanying notes are an integral part of these financial statements.

TRUST CO., INC.
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1978

(Continued)

| | |
|---|--|
| <p style="text-align: right;">\$ 2,542,304</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,172,740</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,369,564</p> | <p style="text-align: right;">SALES</p> <p style="text-align: right;">COST OF SALES</p> <p style="text-align: right;">GROSS PROFIT (LOSS)</p> |
| <p style="text-align: right;">25,522</p> <p style="text-align: right;">18,800</p> <p style="text-align: right;">4,700</p> <p style="text-align: right;">4,577</p> <p style="text-align: right;">4,188</p> <p style="text-align: right;">3,859</p> <p style="text-align: right;">3,840</p> <p style="text-align: right;">3,781</p> <p style="text-align: right;">1,530</p> <p style="text-align: right;">1,328</p> <p style="text-align: right;">1,178</p> <p style="text-align: right;">878</p> <p style="text-align: right;">788</p> <p style="text-align: right;">770</p> <p style="text-align: right;">527</p> <p style="text-align: right;">458</p> <p style="text-align: right;">387</p> <p style="text-align: right;">358</p> <p style="text-align: right;">340</p> <p style="text-align: right;">1,127</p> <p style="text-align: right;">1,000</p> <p style="text-align: right;">1,000</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">2,138</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,369,564</p> | <p style="text-align: right;">OPERATING EXPENSES:</p> <p style="text-align: right;">Salaries</p> <p style="text-align: right;">Officers' salaries</p> <p style="text-align: right;">Rent</p> <p style="text-align: right;">Advertising</p> <p style="text-align: right;">Freight</p> <p style="text-align: right;">Travel/expense</p> <p style="text-align: right;">Supplies</p> <p style="text-align: right;">Insurance</p> <p style="text-align: right;">Business taxes</p> <p style="text-align: right;">Credit card charges</p> <p style="text-align: right;">Travel</p> <p style="text-align: right;">Repairs</p> <p style="text-align: right;">Telephone</p> <p style="text-align: right;">Utilities</p> <p style="text-align: right;">Gas bills</p> <p style="text-align: right;">Depreciation (Note 2)</p> <p style="text-align: right;">Gas and oil</p> <p style="text-align: right;">Interest</p> <p style="text-align: right;">Contract labor</p> <p style="text-align: right;">Dues and subscriptions</p> <p style="text-align: right;">Professional services</p> <p style="text-align: right;">Amortization</p> <p style="text-align: right;">Miscellaneous</p> |
| <p style="text-align: right;">23,010</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">2,907</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">2,138</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,369,564</p> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,369,564</p> | <p style="text-align: right;">INCOME FROM OPERATIONS</p> <p style="text-align: right;">PROVISION FOR INCOME TAXES</p> <p style="text-align: right;">NET INCOME</p> <p style="text-align: right;">EARNINGS PER SHARE</p> |

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1975

(Unaudited)

SOURCE OF WORKING CAPITAL:

| | |
|--|---------------|
| Operations - | |
| Net income | \$ 17,003 |
| Add expenses not requiring outlay of working capital in the current period: | |
| Amortization | 49 |
| Depreciation | 456 |
| Working capital provided by operations | <u>17,508</u> |

APPLICATION OF WORKING CAPITAL:

| | |
|-----------------------|--------------|
| Organization costs | 325 |
| Purchase of equipment | 1,480 |
| | <u>1,805</u> |

INCREASE IN WORKING CAPITAL \$ 15,703

INCREASE (DECREASE) IN WORKING CAPITAL,
by major component:

| | |
|-----------------------|----------------|
| Cash | \$ 30,349 |
| Accounts receivable | 170 |
| Prepaid insurance | 641 |
| Inventory | 3,119 |
| Accrued expenses | (570) |
| Accounts payable | (9,137) |
| Payroll taxes payable | 1,138 |
| Income taxes payable | (6,007) |
| Bonuses payable | <u>(4,000)</u> |

INCREASE IN WORKING CAPITAL \$ 15,703

The accompanying notes are an integral part of these financial statements.

FRONT SHOP, INC.
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE NINE MONTHS-ENDED SEPTEMBER 30, 1978

(Continued)

| | |
|-----------------|--|
| | SOURCE OF WORKING CAPITAL: |
| | Net income |
| | Add expenses not requiring outlay of |
| | working capital in the current period: |
| | Depreciation |
| | Amortization |
| | Working capital provided by operations |
| 2,17,003 | |
| <u>1,17,503</u> | |

| | |
|-----------------|---------------------------------|
| | APPLICATION OF WORKING CAPITAL: |
| | Purchase of equipment |
| | Prepaid expenses |
| | Inventory |
| | Accounts payable |
| | Accounts receivable |
| | Cash |
| 2,18,503 | |
| <u>1,18,503</u> | |

| | |
|-----------------|--|
| | INCREASE (DECREASE) IN WORKING CAPITAL |
| | by major components: |
| | Cash |
| | Accounts receivable |
| | Prepaid expenses |
| | Inventory |
| | Accounts payable |
| | Accounts receivable |
| | Current taxes payable |
| | Income taxes payable |
| | Borrowings payable |
| 2,30,503 | |
| 170 | |
| (50) | |
| (15) | |
| (15) | |
| (15) | |
| (15) | |
| (15) | |
| <u>2,18,503</u> | |

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1975

(Unaudited)

(1) INCORPORATION AND ACCOUNTING POLICIES

On January 2, 1975, the owners of Bud Lilly's Trout Shop, a sole proprietorship, transferred certain of its assets to the Trout Shop, Inc. in exchange for 300 shares of the corporation's common stock. The transfer was made in accordance with Section 351 of the Internal Revenue Code as a tax free exchange.

The Company's major accounting policies are as follows:

- A. Revenues and costs are recorded on the accrual basis for both financial and income tax reporting purposes.
- B. Merchandise inventories are recorded at the lower of cost or market.
- C. Depreciation has been provided as described in Note 2.
- D. Organization costs are being amortized over five years.

(2) DEPRECIATION

Depreciation has been charged to operations as follows:

| | <u>DEPRECIATION METHOD</u> | <u>USEFUL LIFE</u> | <u>EXPENSE</u> | <u>ACCUMULATED DEPRECIATION</u> |
|-----------------------|---------------------------------|------------------------|---------------------|-------------------------------------|
| Boats and trailers | Straight-line & dec. balance | 5-6 years | \$ 422 | \$ 1,768 |
| Equipment | Straight-line & dec. balance | 3-10 years | 34 <u>\$ 456</u> | 556 <u>\$ 2,324</u> |

Investment credit, if any, is used to offset the income tax liability.

FROST SHOP, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1975

(Unaudited)

(1) INCORPORATION AND ACCOUNTING POLICIES

On January 2, 1975, the owners of Frost Shop, Inc. sold their ownership interest in the assets of the Frost Shop, Inc. in exchange for 300 shares of the corporation's common stock. The transfer was made in accordance with Section 351 of the Internal Revenue Code as a tax free exchange.

The Company's major accounting policies are as follows:

- A. Revenues and costs are recorded on the accrual basis. The books, financial and income tax reporting purposes.
- B. Merchandise inventories are recorded at the lower of cost or market.
- C. Depreciation has been provided as described in Note 2.
- D. Organization costs are being amortized over five years.

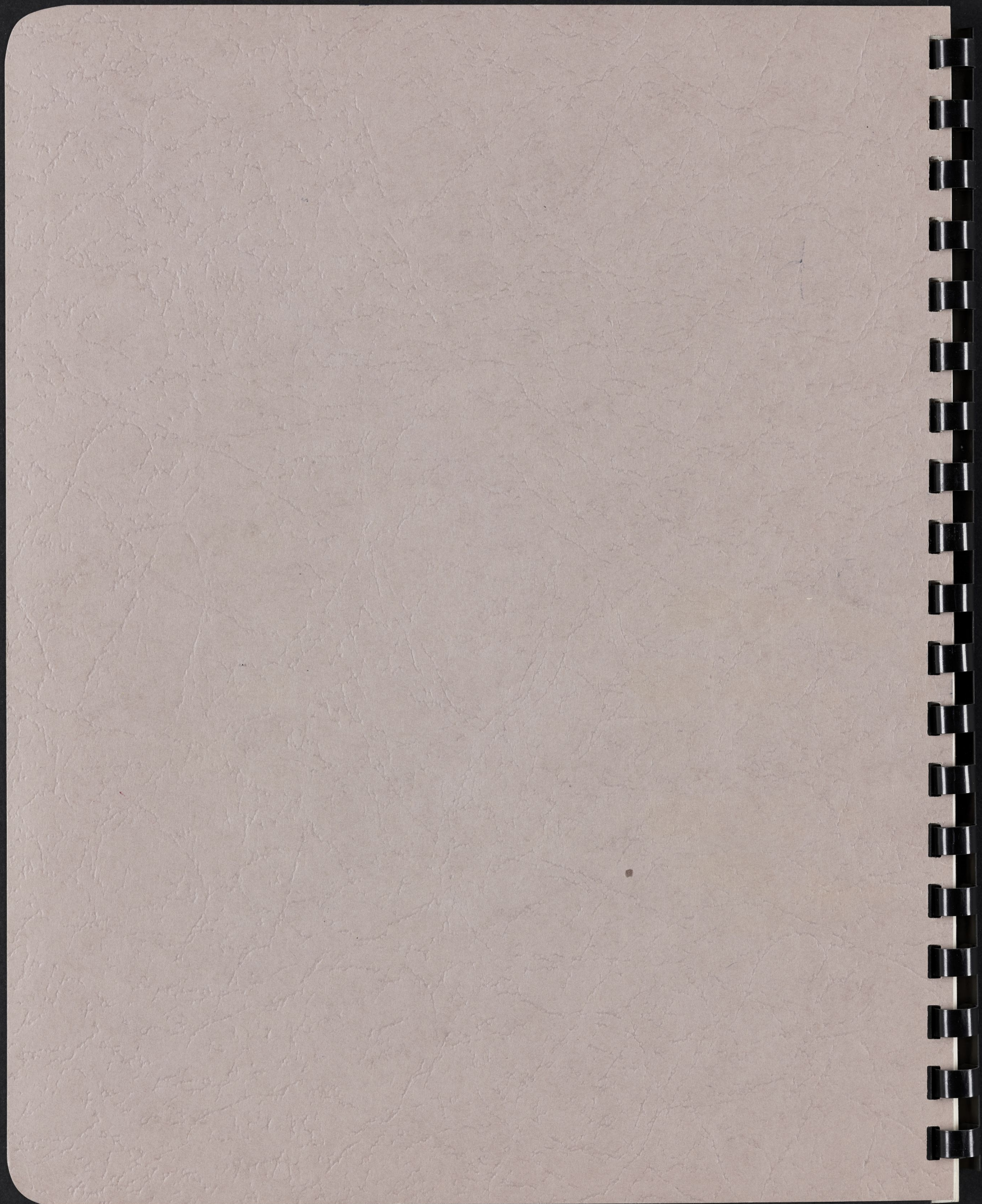
(2) DEPRECIATION

Depreciation has been charged to operations as follows:

| DEPRECIATION | EXPENSE | USEFUL LIFE | DEPRECIATION METHOD | Assets |
|-----------------|---------------|-------------|------------------------------|-------------------|
| \$ 1,788 | \$ 433 | 5-8 years | Straight-line & dec. balance | Boys and trailers |
| 226 | 34 | 3-10 years | Straight-line & dec. balance | Equipment |
| <u>\$ 2,014</u> | <u>\$ 467</u> | | | |

Investment credit, if any, is used to offset the income tax liability.





JORDAHL, SLITER & BRAGG

Certified Public Accountants

215 WEST MENDENHALL - SUITE B

P. O. BOX 788

BOZEMAN, MONTANA 59715

MEMBERS AMERICAN
INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

November 26, 1975

OFFICES
KALISPELL, MONTANA
MISSOULA, MONTANA
BOZEMAN, MONTANA

Trout Shop, Inc.
Mr. Walen F. (Bud) Lilly
2007 Sourdough Road
Bozeman, MT 59715

Dear Bud:

This letter is to confirm our understanding of the terms of our engagement and the nature and extent of the accounting services we will provide.

Our services will not constitute an audit of the financial statements of the Trout Shop, Inc.; consequently we will not be in a position to express an opinion on the financial statements and will issue a disclaimer of opinion with respect to them. Our disclaimer will disclose any departures from generally accepted accounting principles of which we become aware.

We will perform the following services:

1. We will prepare without audit a balance sheet for the Trout Shop, Inc. as of its year end, and related statements of income, retained earnings, and changes in financial position for the year then ended. These statements will be prepared from the general ledger and other information you furnish us. Before issuance, the statements will be subject to your acceptance and approval inasmuch as financial statements are the representations and the primary responsibility of company management.
2. We will discuss with you any suggestions and recommendations concerning the accounting methods and financial affairs of the company that may occur to us in the course of our work.
3. We will prepare the federal and Montana State income tax returns for the Trout Shop, Inc. for the year, and will advise you on any income tax matters which come to our attention or which you specifically request our advice.

JORDAHL, SLITER & BRAGG

Certified Public Accountants

Trout Shop, Inc.
Page two
November 26, 1975

Our engagement will not be designed, and cannot be relied upon, to disclose fraud, defalcations, or other irregularities. However, we will inform you of any matters that come to our attention which cause us to believe that such a condition exists.

Our fees for these services will be computed at our standard rates and will be billed when the yearly work is completed. Bills for services will be due when rendered.

We shall be pleased to discuss this letter with you at any time and to explain the reasons for any items.

If the foregoing is in accordance with your understanding, will you please sign the copy of this letter in the space provided and return it to us.

Sincerely,

Jordahl, Sliter & Bragg

JORDAHL, SLITER & BRAGG

Acknowledged:

President

Date

CLIENT COPY