

TROUT SHOP, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 1980

Scully and Lilly
Attorneys at Law

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September 21, 1981

Wild Wings Orvis Shop
2720 West Main
Bozeman, MT 59715

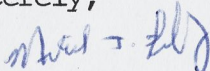
Dear Dave and Bill:

The purpose of this letter is to formalize the Trout Shop's offer for sale to you. In exchange for all authorized and issued shares of common stock of Trout Shop, Inc., we are prepared to accept a total purchase price of three hundred thousand dollars (\$300,000.00). The terms for the sale would be as follows: downpayment of seventy five thousand dollars (\$75,000.00) with the balance amortized over a ten (10) year period at thirteen percent (13%) interest with semi-annual payments of twenty thousand four hundred and twenty dollars and twenty cents (\$20,420.20). The semi-annual payments would be due and payable the first on August 1, 1982, and the second due and payable on the thirty-first day of December, 1982, and like semi-annual payments on the first day of August and the thirty-first day of September, on each year thereafter until the full amount is paid.

As I have informed you in the past, this offer has been made exclusively to you. No other buyers will be consulted until you notify me that you are not interested or before October fifth, 1981, whichever date occurs first. I sincerely hope that we can work out the terms for this sale.

Thank you for your consideration.

Sincerely,



Michael J. Lilly

MJL:rlr

TROUT SHOP, INC.
SEPTEMBER 30, 1980

T A B L E O F C O N T E N T S

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Trout Shop, Inc.
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A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review of the September 30, 1980 and 1979 financial statements, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Neil, Williamson & Co.

November 14, 1980

TROUT SHOP, INC.
BALANCE SHEET
SEPTEMBER 30 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

	1980	1979
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and savings	\$ 121,498	\$ 80,539
Accounts receivable	300	300
Prepaid insurance	2,170	1,668
Inventory	62,641	57,418
Other receivables	-0-	1,384
Total Current Assets	186,609	141,309
PROPERTY AND EQUIPMENT, at cost, (Note 2):		
Furniture and fixtures	2,032	2,032
Boats and trailers	8,174	8,174
Transportation equipment	6,650	6,650
Total	16,856	16,856
Less - accumulated depreciation	13,237	11,764
Total Property and Equipment	3,619	5,092
ORGANIZATION COSTS	-0-	16
 TOTAL ASSETS	 \$ 190,228	 \$ 146,417
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 34,158	\$ 14,189
Payroll taxes payable	2,826	4,158
Income taxes payable	4,535	582
Bonuses payable	34,300	32,500
Total Current Liabilities	75,819	51,429
STOCKHOLDERS' EQUITY:		
Common stock, \$100 stated value		
500 shares authorized, 300 shares		
issued and outstanding	30,000	30,000
Paid-in capital	3,076	3,076
Retained earnings	81,333	61,912
Total Stockholders' Equity	114,409	94,988
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ 190,228	 \$ 146,417

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

TROUT SHOP, INC.
STATEMENT OF INCOME
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

	<u>1980</u>	<u>1979</u>
SALES, net of refunds	\$ 525,051	\$ 501,038
COST OF SALES (Note 4)	<u>302,736</u>	<u>309,601</u>
GROSS PROFIT	<u>222,315</u>	<u>191,437</u>
OPERATING EXPENSES:		
Officers' salaries	71,600	59,950
Salaries	61,923	59,731
Rent (Note 3)	10,436	10,323
Payroll taxes	8,081	11,138
Insurance licenses and bond	7,536	6,841
Bank and charge card costs	6,840	5,607
Freight and postage	6,507	6,847
Advertising	5,423	4,392
Vehicle costs	3,601	3,029
Supplies	3,506	2,424
Utilities	3,288	2,568
Casual labor	2,563	962
Depreciation (Note 2)	1,473	2,504
Telephone	1,349	1,866
Travel	1,342	1,275
Dues and publications	1,296	713
Business taxes	699	55
Professional services	675	699
Repairs	577	1,523
Miscellaneous	358	122
Amortization	16	65
Interest	-0-	249
Total Operating Expenses	<u>199,089</u>	<u>182,883</u>
INCOME FROM OPERATIONS	23,226	8,554
OTHER INCOME	<u>2,114</u>	<u>828</u>
TOTAL	25,340	9,382
PROVISION FOR INCOME TAXES	<u>5,919</u>	<u>785</u>
NET INCOME	<u>\$ 19,421</u>	<u>\$ 8,597</u>

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

TROUT SHOP, INC.
STATEMENT OF RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

	<u>1980</u>	<u>1979</u>
BALANCE, beginning of period	\$ 61,912	\$ 53,315
ADD:		
Net Income	<u>19,421</u>	<u>8,597</u>
BALANCE, end of period	<u>\$ 81,333</u>	<u>\$ 61,912</u>

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

TROUT SHOP, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

	1980	1979
SOURCE OF WORKING CAPITAL:		
Operations -		
Net income	\$ 19,421	\$ 8,597
Add expenses not requiring an outlay of working capital in the current period:		
Amortization	16	65
Depreciation	1,473	2,504
Working Capital Provided By Operations	20,910	11,166
APPLICATION OF WORKING CAPITAL:		
Purchase of equipment	-0-	2,668
 INCREASE IN WORKING CAPITAL	 \$ 20,910	 \$ 8,498
INCREASE (DECREASE) IN WORKING CAPITAL, by major component:		
Cash	\$ 40,959	\$ 21,376
Other receivables	(1,384)	(1,930)
Prepaid insurance	502	473
Inventory	5,223	4,806
Accounts payable	(19,969)	(5,909)
Payroll taxes payable	1,332	(2,161)
Income taxes payable	(3,953)	93
Bonuses payable	(1,800)	(8,250)
 INCREASE IN WORKING CAPITAL	 \$ 20,910	 \$ 8,498

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

TROUT SHOP, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Assets and Liabilities, and 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 (first-in, first-out) or market.
- C. Depreciation has been provided as described in Note 2.
- D. Organization costs are being amortized over a period of five years.
- E. Property and equipment are recorded at historical cost.
- F. Investment and jobs tax credits, if any, are used to offset the current year's income tax liability.

NOTE 2 DEPRECIATION

	DEPRECIATION METHOD	USEFUL LIFE	EXPENSE		ACCUMULATED DEPRECIATION
			1980	1979	
Boats and trailers	Straight-line & Declining bal.	5-6 yrs.	\$ 736	\$ 1,502	\$ 6,336
Transportation equipment	Declining balance	7 yrs.	495	693	5,414
Equipment	Straight-line & Declining bal.	3-10 yrs.	<u>242</u>	<u>309</u>	<u>1,487</u>
TOTALS			<u>\$ 1,473</u>	<u>\$ 2,504</u>	<u>\$ 13,237</u>

TROUT SHOP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1980 AND 1979

(SEE ACCOUNTANT'S REVIEW REPORT)

NOTE 3 RENT EXPENSE

The corporation has a rental agreement with Walen and Pat Lilly which calls for six monthly payments of \$150.00 each for the use of their property for the operation of the corporation's catalog business.

NOTE 4 COST OF SALES

The cost of sales were computed as follows:

	<u>1980</u>	<u>1979</u>
Beginning inventory	\$ 57,418	\$ 52,612
Purchases - merchandise	246,131	238,197
Purchases - licenses	37,176	49,552
Guide costs	8,001	13,045
Catalog costs	<u>16,651</u>	<u>13,613</u>
Total Available	365,377	367,019
Less - ending inventory	<u>62,641</u>	<u>57,418</u>
 COST OF SALES	 <u>\$ 302,736</u>	 <u>\$ 309,601</u>

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