

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

AND CONSOLIDATED SUBSIDIARIES

SUMNER, MARYLAND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1972

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October 31, 1972

The Board of Directors
W. C. and A. N. Miller Development Company
4701 Sangamore Road
Washington, D. C. 20016

We have examined the consolidated balance sheet of the

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

AND CONSOLIDATED SUBSIDIARIES

as of September 30, 1972 and the related consolidated statements of stockholders' equity, income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Company's financial statements for the year ended September 30, 1971.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the financial position of the W. C. and A. N. Miller Development Company and consolidated subsidiaries as of September 30, 1972, the results of their operations and the changes in financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CERTIFIED PUBLIC ACCOUNTANTS

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1972 AND 1971

ASSETS

<u>Real Estate</u>	<u>1972</u>	<u>1971</u>	<u>Increase (Decrease)</u>
Investment Property (Including Land) - at cost	\$3,956,954	\$ 3,947,913	\$ 9,041
Accumulated Depreciation	<u>1,853,637</u>	<u>1,744,573</u>	<u>109,064</u>
	2,103,317	2,203,340	(100,023)
Land	2,942,742	3,221,300	(278,558)
Investment in Joint Venture - Note 3	<u>119,173</u>	<u>58,612</u>	<u>60,561</u>
	5,165,232	5,483,252	(318,020)
<u>Trust Notes Receivable</u>			
(\$774,560 in 1972 and \$1,316,000 in 1971 relating to Installment Sale)	<u>1,080,098</u>	<u>1,613,962</u>	<u>(533,864)</u>
<u>Operating</u>			
Cash (\$152,367 held in a fiduciary capacity at September 30, 1972)	219,879	151,026	68,853
Accounts Receivable - net	363,613	190,271	173,342
Accrued Interest Receivable	64,616	15,113	49,503
Cost of Completed New Homes	449,083	852,411	(403,328)
Jobs in Progress	1,268,944	822,776	446,168
Land - Subdivided Lots	877,346	580,898	296,448
Prepaid Expenses	176,037	185,316	(9,279)
Business Realty, Equipment and Leasehold Improvements - Net of Accumulated Depreciation	187,300	163,095	24,205
Other	<u>73,607</u>	<u>59,649</u>	<u>13,958</u>
	3,680,425	3,020,555	659,870
<u>TOTAL ASSETS</u>	<u>\$9,925,755</u>	<u>\$10,117,769</u>	<u>\$ (192,014)</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	1972	1971	Increase (Decrease)
<u>Long Term - Note 2</u>			
Investment Property	\$3,034,288	\$ 3,187,275	\$ (152,987)
Land	1,586,043	1,898,192	(312,149)
Other	196,235	198,405	(2,170)
	4,816,566	5,283,872	(467,306)
<u>Deferred Income Taxes - Note 4</u>	205,676	349,447	(143,771)
<u>Operating</u>			
Accounts Payable	158,682	264,640	(105,958)
Notes Payable - Short Term	242,000	388,198	(146,198)
Construction Loans Payable	1,123,100	1,016,525	106,575
Land Loans Payable - Subdivided Lots	747,302	529,419	217,883
Deposits on Contracts	304,042	195,141	108,901
Income Taxes Payable - Note 4	163,429	5,677	157,752
Accrued Expenses	190,430	127,282	63,148
Escrow Funds, Owners' Balances and Rent Deposits	27,582	29,070	(1,488)
Deferred Commissions	13,750	13,750	-
	2,970,317	2,569,702	400,615
<u>Stockholders' Equity</u>			
Exhibit "E"	1,933,196	1,914,748	18,448
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$9,925,755</u>	<u>\$10,117,769</u>	<u>\$ (192,014)</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITYFOR THE YEARS ENDED SEPTEMBER 30, 1972 AND 1971

<u>Common Stock - Par Value - \$100.00</u>	<u>1972</u>	<u>1971</u>
Authorized (10,000 Shares)	\$ 1,000,000	\$ 1,000,000
Less: Unissued - 1,778 Shares	<u>177,800</u>	<u>177,800</u>
Issued - 8,222 Shares	822,200	822,200
Less: Issued Stock Repurchased and Held in Treasury - 220 Shares	<u>22,000</u>	<u>22,000</u>
<u>Common Stock Outstanding - 8,002 Shares</u>	<u>800,200</u>	<u>800,200</u>
<u>Retained Earnings</u>		
<u>Balance - At Beginning of Year</u>	1,114,548	706,909
Net Income for the Year - Exhibit "C"	218,498	567,679
Dividends Declared	<u>(200,050)</u>	<u>(160,040)</u>
<u>Balance - At End of Year</u>	<u>1,132,996</u>	<u>1,114,548</u>
<u>Total Stockholders' Equity</u>	<u>\$ 1,933,196</u>	<u>\$ 1,914,748</u>
To Exhibit "A"		

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

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCONSOLIDATED INCOME STATEMENTFOR THE YEARS ENDED SEPTEMBER 30, 1972 AND 1971

<u>Departmental Operating Income</u>	<u>1972</u>	<u>1971</u>	<u>Increase (Decrease)</u>
<u>Construction and Development</u>			
Land Development Fee - Internal	\$ 118,349	\$ 69,003	\$ 49,346
New Homes - Gross Profit	313,463	143,534	169,929
Contracting and Remodeling - Gross Profit	129,850	143,102	(13,252)
	561,662	355,639	206,023
Departmental Expenses	392,617	291,497	101,120
	169,045	64,142	104,903
<u>Sales Department</u>			
Brokerage Commissions	715,533	311,069	404,464
New Home Commissions	203,075	96,711	106,364
	918,608	407,780	510,828
Departmental Expenses	738,643	395,369	343,274
	179,965	12,411	167,554
<u>Property Management</u>			
Brokerage Commissions	31,896	31,540	356
Internal Commissions	62,593	59,471	3,122
	94,489	91,011	3,478
Departmental Expenses	42,478	38,452	4,026
	52,011	52,559	(548)
<u>Insurance</u>			
Brokerage Commissions	13,747	15,513	(1,766)
Departmental Expenses	6,677	5,923	754
	7,070	9,590	(2,520)
<u>Other Income (Expense)</u>			
Interest Income	118,749	34,953	83,796
Purchase Discounts	17,167	12,792	4,375
Group Life Insurance Expense	(12,989)	(14,025)	1,036
Miscellaneous	6,211	(5,406)	11,617
	129,138	28,314	100,824
<u>Public Relations Expense</u>			
Subdivision Maintenance	(8,730)	-	8,730
Leaves - Net Expense	(14,599)	(2,672)	11,927
Bus	(10,194)	(11,812)	(1,618)
Contributions	(2,165)	(1,504)	661
	(35,688)	(15,988)	(19,700)
<u>Net Departmental Operating Income - Forward</u>	<u>501,541</u>	<u>151,028</u>	<u>350,513</u>

	1972	1971	Increase (Decrease)
<u>Net Departmental Operating Income</u>			
Forwarded	\$ 501,541	\$ 151,028	\$ 350,513
<u>Investment Property</u>			
Rental Income	944,298	885,487	58,811
Less: Expenses (Excluding Depreciation and Interest)	425,962	394,197	31,765
	518,336	491,290	27,046
<u>Land</u>			
Sales	872,000	513,181	358,819
Less: Cost of Sales	398,604	237,168	161,436
	473,396	276,013	197,383
Expenses			
Land Development Fee - Internal	118,349	69,003	49,346
Property and Transfer Taxes	115,775	128,243	(12,468)
Maintenance and Other Expenses	24,581	8,982	15,599
Farm Expense - Net	37,071	20,361	16,710
	295,776	226,589	69,187
	177,620	49,424	128,196
<u>Total Operating Income</u>	1,197,497	691,742	505,755
Less:			
General and Administrative Expenses	358,246	350,075	8,171
<u>Net Operating Income Before Other</u>			
<u>Income and Expense</u> - Forward	839,251	341,667	497,584

	1972	1971	Increase (Decrease)
<u>Net Operating Income Before Other</u>			
<u>Income and Expense</u>			
Forwarded	\$ 839,251	\$ 341,667	\$ 497,584
<u>Other (Income) and Expense</u>			
Gain on Sale of Rental Homes	(30,281)	(41,935)	11,654
Interest Expense	483,127	452,014	31,113
Depreciation - Investment Property	112,616	117,795	(5,179)
Venture Loss - Little Falls Mall - Note 3	5,439	460	4,979
Miscellaneous - Other	(114)	213	(327)
Provision for Profit Sharing Contribution	30,308	-	30,308
	601,095	528,547	72,548
<u>Net Income (Loss) Before Income Taxes and</u>			
<u>Extraordinary Item</u>	238,156	(186,880)	425,036
<u>Provision for Income Taxes - Note 4</u>	(98,198)	(5,688)	92,510
<u>Net Income (Loss) Before Extraordinary Items</u>	139,958	(192,568)	332,526
<u>Extraordinary Items</u>			
Net Gain on Sale of Undeveloped Land	-	760,247	(760,247)
Current Year Reduction in Income Taxes as a result of carryforward of prior years' operating losses and related contributions and investment credits	78,540	-	78,540
<u>Net Income</u>	\$ 218,498	\$ 567,679	\$ (349,181)

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

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED SEPTEMBER 30, 1972Cash Provided by Operations

Net Income			\$ 218,498
Add: Depreciation	\$ 152,627		
Land and Development Costs of Lots Sold	293,476		
Book Value of Assets Sold	15,323		
Venture Loss	5,439		
Increase in Deposits on Contract	108,901		
Increase in Income Taxes Payable	\$ 157,752		
Less: Reduction in Deferred Income Taxes	143,771	13,981	589,747
			308,245
Deduct: Land Development Costs	323,420		
Increase in Accounts and Accrued Interest Receivable	222,845		
Increase in Homes Completed or in Process (Net of Land)	36,377		
Increase in Other Operating Assets - Net	4,679		
Decrease in Other Operating Liabilities - Net	76,305	(663,626)	
<u>Net Cash Provided by Operations</u>			144,619
<u>Cash Provided by Other Sources</u>			
Reduction in Trust Notes Receivable			562,614
<u>Total Cash Provided</u>			707,233
<u>Cash Applied To</u>			
Reduction in Loans Payable	289,046		
Dividends Paid	168,042		
Capital Expenditures	86,542		
Addition to Trust Notes Receivable	28,750		
Addition to Investment - Joint Venture	66,000	638,380	
<u>Increase in Cash</u>			68,853
<u>Cash - September 30, 1971</u>			151,026
<u>Cash - September 30, 1972</u>			\$ 219,879

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The W. C. and A. N. Miller Development Corporation of Virginia and The W. C. and A. N. Miller Insurance Agency, Inc.

Operations of The W. C. and A. N. Miller Insurance Agency, Inc. are presented in Exhibit "C" under "Insurance." The W. C. and A. N. Miller Development Corporation of Virginia is not currently engaged in any operations.

(b) Depreciation

The Company primarily uses accelerated depreciation methods. The excess of accelerated over straight line depreciation is immaterial in relation to current year's operations.

(c) Investments

The Company's investment in the Summer Development and Investment Company, as detailed in Note 3, is accounted for by use of the equity method.

Investment property is carried at cost less accumulated depreciation.

(d) Inventory

The Company's unimproved land is carried at cost. Completed homes and work in process are carried at cost and include a provision for Construction and Development Department overhead. Profit on lot and home sales is recognized at settlement.

Note 2 - Long Term Liabilities

Approximately \$355,000 in annual curtail is required for fiscal year 1973. Of this amount \$140,497 pertains to investment property long term debt. The remainder, \$214,503, applies to land loans payable and the amount of this curtail is contingent upon lot settlements.

The comparable curtail requirement for fiscal year 1972 was \$381,000 of which \$138,279 pertained to investment property.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investment in Joint Venture

W. C. and A. N. Miller Development Company has an 85% interest in Summer Development & Investment Company, a joint venture begun February 15, 1966. The joint venture has built a shopping center-office building called "Little Falls Mall".

The investment as reported on the balance sheet consists of:

	<u>9-30-72</u>	<u>9-30-71</u>
Site of Shopping Center-Office Building, at cost	\$ 32,417	\$ 32,417
Capital Contributed by the Company	99,888	99,888
Funds Advanced by the Company	<u>251,627</u>	<u>185,627</u>
	383,932	317,932
Less: The Company's Share of Losses to Date (85%)	<u>264,759</u>	<u>259,320</u>
	<u>\$119,173</u>	<u>\$ 58,612</u>

The aggregate loss of this joint venture is \$311,481. This aggregate loss includes charges for construction loan interest and real estate taxes during construction of \$153,284 and accumulated depreciation of \$364,882. Depreciation of the complex is on the straight line method.

The condensed balance sheet of Summer Development and Investment Company at September 30, 1972 is as follows:

<u>ASSETS</u>		<u>LIABILITIES AND CAPITAL</u>	
Current Assets	\$ 92,779	Current Liabilities	\$ 9,516
Deferred Charges	48,286	Notes Payable - Partners	302,055
Realty	\$2,901,999	First Trust Note Payable	2,560,576
Less: Accumulated		Capital (Deficit)	(193,965)
Depreciation	<u>364,832</u>		
	<u>2,537,117</u>		
<u>TOTAL ASSETS</u>	<u>\$2,678,182</u>	<u>TOTAL LIABILITIES AND CAPITAL</u>	<u>\$2,678,182</u>

Included in the liability section of the joint venture (above) are the following amounts due to W. C. and A. N. Miller Development Company:

On Open Account	\$ 955
On Promissory Notes	251,627

NOTES TO FINANCIAL STATEMENTS

Note 4 - Income Taxes

The Company reports income for income tax purposes on the same basis as for financial reporting except for the 1971 sale of undeveloped land. The entire gain from this sale was included in income for the year ended September 30, 1971 but is being reported for income tax purposes on the installment basis.

Income taxes for the current period represent the following:

Net Income Taxes - Current Year's Income	\$ 98,198
Add: Income Taxes Applicable to 1971 Sale	143,771
Deduct: Decrease in Income Taxes Applicable to Carryforward Losses of \$159,959 and Related Investment Credit and Contribution Carryforwards	<u>(78,540)</u>
<u>Total Income Tax Liability</u>	<u>\$163,429</u>

The Internal Revenue Service has reviewed and approved as filed the federal income tax returns of the Company through the year ended September 30, 1969.

The Company has a net operating loss carryforward remaining of \$59,305 for federal income tax purposes.

COMMENTS

Real Estate Assets - \$2,942,742

The detail of Company-owned investment property is presented in the schedule on the following page.

Unimproved parcels of land held by the Company are as follows:

<u>Maryland</u>	<u>Cost</u>	<u>Debt</u>
Darnestown, Montgomery County - 723.78 Acres	\$ 1,466,850	\$ 681,649
Potomac, Montgomery County - 254.2144 Acres	722,549	654,394
Various Other Tracts - Montgomery County - 17.29 Acres	209,084	-
	<u>2,398,483</u>	<u>1,336,043</u>
<u>District of Columbia</u>		
Spring Valley - 1,974,567 Square Feet	<u>227,058</u>	<u>-</u>
<u>Virginia</u>		
Fauquier County - 764.40 Acres	<u>317,201</u>	<u>250,000</u>
<u>Total</u>	<u>\$ 2,942,742</u>	<u>\$ 1,586,043</u>

<u>Accounts Receivable</u> - \$363,749	<u>Total</u>	<u>Charged In September or Paid In October, 1972</u>	<u>Prior</u>
Remodeling	\$ 36,906	\$ 28,769	\$ 8,137
Miscellaneous	<u>5,142</u>	<u>3,601</u>	<u>1,541</u>
	42,048	\$ 32,370	\$ 9,678
Less:			
Estimated Uncollectible Accounts	<u>923</u>		
	41,125		
Internal Revenue Service - Payroll Taxes	10,714		
Officers and Employees	22,013		
Settlements Receivable from Title Companies	229,377		
Rents	<u>60,520</u>		
	<u>\$ 363,749</u>		

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1972

<u>Commercial Property</u>	Assessed Value Real Estate Tax Purposes*	Cost	Accumulated Depreciation	Rental Income
4300 Fordham Road	\$ 255,185	\$ 153,007	\$ 66,621	\$ 61,007
4820 Massachusetts Avenue, N. W.	632,390	309,483	185,650	173,500
4860 Massachusetts Avenue, N. W.	89,586	29,871	27,239	12,000
4866 Massachusetts Avenue, N. W.	79,537	17,028	16,668	25,658
4872 Massachusetts Avenue, N. W.	187,226	148,056	73,067	37,065
4900 Massachusetts Avenue, N. W.	620,578	666,624	266,140	138,235
Sentinel Apartments	596,140	988,603	489,549	172,270
Sumner Apartments	757,700	895,953	534,978	224,446
2415 - 20th Street, N. W.	112,125	167,633	40,511	39,290
<u>Total Commercial Property</u>	3,330,467	3,376,258	1,700,423	883,471
<u>Rental Houses</u>	429,830	580,696	153,214	60,827
<u>Total</u>	\$ 3,760,297	3,956,954	\$ 1,853,637	\$ 944,298
		<u>1,853,637</u>		
Less: Accumulated Depreciation				
<u>Net</u>		<u>\$ 2,103,317</u>		
		<u>1/</u>		
<u>Rent Commissions on Own Property</u>				
<u>Net Rental Income</u>				

*Current Real Estate Tax Assessment practices in D. C. and Maryland are to assess at 50% to 60% of their appraised valuations.

1/ To Exhibit "A"

2/ Investment property interest (\$226,638) and depreciation (\$112,581) are included with other corporate interest and depreciation in the consolidated income statement, Exhibit "C", and investment property net profit accordingly is stated at \$518,336.

<u>Repairs and Maintenance</u>	<u>Insurance Taxes and Other Expense</u>	<u>Total Expense</u>	<u>Net Before Interest and Depreciation</u>	<u>Interest</u>	<u>Depreciation</u>	<u>Profit or (Loss)</u>
\$ 7,171	\$ 9,246	\$ 16,417	\$ 44,590	\$ 26,821	\$ 3,375	\$ 14,394
1,256	22,349	23,605	149,895	38,000	7,000	104,895
2,531	3,338	5,869	6,131	618	1,181	4,332
456	2,717	3,173	22,485	1,235	417	20,833
12,818	11,277	24,095	12,970	1,716	3,446	7,808
13,483	24,690	38,173	100,062	50,899	21,232	27,931
26,233	66,183	92,416	79,854	24,087	28,413	27,354
30,844	81,422	112,266	112,180	44,736	19,154	48,290
15,369	16,288	31,657	7,633	8,976	6,960	(8,303)
110,161	237,510	347,671	535,800	197,088	91,178	247,534
11,852	18,791	30,643	30,184	29,550	21,403	(20,769)
\$ 122,013	\$ 256,301	\$ 378,314	565,984	\$ 226,638	\$ 112,581	226,765

<u>47,648</u>	<u>47,648</u>
\$ 518,336	\$ 179,117
<u>2/</u>	<u>2/</u>

COMMENTS

Cost of Completed New Homes - \$449,083

This account reflects the cost of five completed homes. Three of the completed homes were sold, but not settled, as of September 30, 1972.

Jobs in Progress - \$1,268,944

<u>Construction Status</u>	<u>September 30, 1972</u>		<u>September 30, 1971</u>	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
Homes				
Latter Stages of Construction	18	\$ 1,168,270	17	\$ 672,260
Early Stages of Construction	5	70,431	4	62,661
Miscellaneous Jobs in Progress		30,243		87,855
	23	\$ 1,268,944	21	\$ 822,776

Land - Subdivided Lots - \$877,346

Land subdivided into lots includes the cost of subdivided land together with certain ground improvements. Costs, sufficient to cover the contemplated ground improvements, have been estimated. A pro-rata portion of the land and improvements is charged against income as each lot is sold.

This land is related to the Company's developments in progress known as "Sumner," "Potomac Falls," and "Overlook." The following schedule indicates lots, by location, as of September 30, 1972.

<u>Subdivisions</u>	<u>Number of Lots</u>	<u>Cost</u>	<u>Debt</u>
Overlook	63	\$ 326,885	\$ 280,400
Sumner	32	120,872	-
Potomac Falls	47	429,589	466,902
	142	\$ 877,346	\$ 747,302

Prepaid Expenses - \$176,037

Insurance	\$ 31,816
Taxes	117,072
Building Materials and Supplies	24,098
Other	3,051
	\$ 176,037

COMMENTS

Business Realty, Equipment and Leasehold Improvements (net) - \$187,300

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Business Realty	\$ 84,336	\$ 46,464	\$ 37,872
Equipment			
Office Furniture and Fixtures	75,951	59,277	16,674
Office Equipment	45,321	26,924	18,397
Trucks and Automobiles	36,977	31,179	5,798
Tractors and Trailers	101,399	65,395	36,004
Tools and Equipment	117,746	47,202	70,544
Leasehold Improvements (net)	<u>2,011</u>	<u>-</u>	<u>2,011</u>
	<u>\$ 463,741</u>	<u>\$ 276,441</u>	<u>\$ 187,300</u>

Other Assets - \$73,608

Deferred Commission Expense	\$ 6,566
Unsecured Notes Receivable - Delinquent	2,720
Deferred Construction Costs	32,066
Deferred Loan Charges on Investment Property	12,945
Utility Deposits	3,842
Livestock	13,516
Miscellaneous	<u>1,953</u>
	<u>\$ 73,608</u>

Long Term Liabilities

Investment Property - \$3,034,288

This balance consists of trust notes payable as follows:

Commercial Property

4300 Fordham Road, N. W.	\$ 343,936	
4820 Massachusetts Avenue, N. W.	400,000	
4860 Massachusetts Avenue, N. W.	10,461	
4866 Massachusetts Avenue, N. W.	20,921	
4872 Massachusetts Avenue, N. W.	29,057	
49th and Massachusetts Avenue, N. W.	665,388	
Sentinel Apartments	381,618	
Sumner Apartments	675,153	
2415 - 20th Street, N. W.	<u>109,542</u>	\$2,636,076

Residential Property

398,212

Total Investment Property

\$3,034,288

COMMENTS

Long Term Liabilities - Continued

Land - \$1,586,043

Trust Notes

Pleasant Hill - Darnestown, Maryland	\$ 681,649
Potomac Falls - Potomac, Maryland	654,394
Schwab Farm - Warrenton, Virginia	<u>250,000</u>

Total Land \$1,586,043

Other - \$196,234

Banks

Secured by Second Trust Note (Face of \$211,788)	\$ 150,000
First Trust, Sales Office, Potomac, Maryland	<u>6,725</u> \$ 156,725

Montgomery County, Maryland

Special Improvements Assessment, Various Districts	14,509
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<u>Washington Securities Company</u>	<u>25,000</u>
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Total Other \$ 196,234

Notes Payable - Short Term - \$242,000

Bank - 90 Day Loans	<u>\$ 242,000</u>
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Other Accruals - \$190,430

Profit Sharing Trust Contribution	\$ 30,308
Dividends Declared	48,364
Interest	39,658
Payroll Taxes Withheld	14,784
Payroll Taxes and Workmen's	
Compensation Insurance Accrued	16,129
Guarantee Reserves	15,808
Salaries and Wages Payable	5,994
Other	<u>19,385</u>
	<u>\$ 190,430</u>

COMMENTS

Operations

The following summary shows the gross profit on homes sold for the years ended September 30, 1972 and 1971.

		1972			1971	
	Number of Units	Sales Price	Cost Including Sales Cost	Number of Units	Sales Price	Cost Including Sales Cost
<u>Homes Sold</u>						
<u>Maryland</u>						
Potomac Falls	9	\$1,487,427	\$1,128,809	9	\$1,100,327	\$ 834,175
Spring Hill	-	-	-	-	39,500	15,012
Summer	8	649,858	518,798	6	482,735	388,348
Overlook	14	1,498,476	1,201,295	-	-	-
<u>District of Columbia</u>						
Spring Valley	-	-	-	-	50,000	15,480
<u>Total</u>	31	3,635,761	\$2,848,902	15	1,672,562	\$1,253,015
Less:						
Cost of Sales		<u>2,848,902</u>			<u>1,253,015</u>	
<u>Gross Profit</u>		\$ 786,859			\$ 419,547	

Included in the 1972 Sales and Cost Columns but not the Unit Column, are the sales of seven lots - five in Potomac and two in Sumner. Included in 1971 are the sales of six lots.

The gross profit set forth above is reflected in the comparative consolidated income statement as follows:

	<u>For the Year Ended 9-30-72</u>	<u>For the Year Ended 9-30-71</u>
Construction and Development -		
New Homes	\$ 313,463	\$ 143,534
Land	<u>473,396</u>	<u>276,013</u>
	<u>\$ 786,859</u>	<u>\$ 419,547</u>