

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES
BETHESDA, MARYLAND

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

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Certified Public Accountants

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WASHINGTON, D.C. 20016

202-244-6500

November 12, 1985

The Board of Directors
W.C. and A.N. Miller
Development Company
4701 Sangamore Road
Bethesda, Maryland 20816

We have examined the consolidated balance sheet of the W.C. and A.N. Miller Development Company and consolidated subsidiaries as of September 30, 1985 and 1984 and the related consolidated statements of stockholders' equity, income and changes in financial position for the years 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.

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, 1985 and 1984 and the results of their operations and the changes in financial position for the years then ended, applied on a consistent basis.

Bond, Beebe, Barton + Muckelbauer, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1985 AND 1984

ASSETS

REAL ESTATE - At cost	1985	1984	Increase (Decrease)
Investment property	\$ 7,530,477	\$ 7,302,893	\$ 227,584
Accumulated depreciation	(3,569,534)	(3,395,107)	174,427
	3,960,943	3,907,786	53,157
Unimproved land	2,006,869	2,017,413	(10,544)
	5,967,812	5,925,199	42,613
OPERATING ASSETS			
Cash (\$425,582 and \$431,621 held in a fiduciary capacity at September 30, 1985 and 1984)	1,582,887	2,015,169	(432,282)
Accounts receivable	405,994	591,260	(185,266)
Income tax refunds receivable	19,658	-	19,658
Notes receivable - Note 4	402,878	173,256	229,622
Completed homes for sale	1,308,520	240,833	1,067,687
Jobs-in-progress	1,438,188	1,458,562	(20,374)
Land - subdivided lots (construction not started)	2,393,999	1,261,143	1,132,856
Prepaid expenses	89,162	110,017	(20,855)
Business realty, equipment and lease- hold improvements (net of accumulated depreciation of \$604,735 in 1985 and \$613,568 in 1984)	337,108	212,539	124,569
Other	205,455	174,701	30,754
	8,183,849	6,237,480	1,946,369
TOTAL ASSETS	\$ 14,151,661	\$ 12,162,679	\$ 1,988,982

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>1985</u>	<u>1984</u>	<u>Increase (Decrease)</u>
LONG-TERM LIABILITIES - Note 5			
Investment property notes payable	\$ 3,981,358	\$ 4,098,026	\$ (116,668)
Other	<u>2,351</u>	<u>2,939</u>	<u>(588)</u>
	<u>3,983,709</u>	<u>4,100,965</u>	<u>(117,256)</u>
OPERATING LIABILITIES			
Dividends payable	24,006	24,006	-
Accounts payable	479,343	313,756	165,587
Notes payable - Note 6			
Construction loans	530,000	-	530,000
Line of credit loan	950,992	-	950,992
Demand note	54,565	54,565	-
Deposits on contracts	828,189	696,834	131,355
Income tax payable	-	278,377	(278,377)
Accrued expenses	596,512	602,001	(5,489)
Escrow funds, owners' balances and rent deposits	<u>67,780</u>	<u>31,785</u>	<u>35,995</u>
	<u>3,531,387</u>	<u>2,001,324</u>	<u>1,530,063</u>
DEFERRED INCOME TAXES	<u>248,658</u>	<u>175,053</u>	<u>73,605</u>
MINORITY INTEREST - In net assets of consolidated entity (Sumner Development & Investment Company)	<u>71,754</u>	<u>54,997</u>	<u>16,757</u>
STOCKHOLDERS' EQUITY - Exhibit B	<u>6,316,153</u>	<u>5,830,340</u>	<u>485,813</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 14,151,661</u>	<u>\$ 12,162,679</u>	<u>\$ 1,988,982</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

	<u>1985</u>	<u>1984</u>
COMMON STOCK - Par value \$100		
Authorized - 10,000 shares	\$ 1,000,000	\$ 1,000,000
Unissued - 1,778 shares	<u>(177,800)</u>	<u>(177,800)</u>
Issued - 8,222 shares	822,200	822,200
Issued stock repurchased and held in treasury - 220 shares	<u>(22,000)</u>	<u>(22,000)</u>
COMMON STOCK OUTSTANDING - 8,002 shares	<u>800,200</u>	<u>800,200</u>
RETAINED EARNINGS		
Balance - Beginning of year	5,030,140	4,444,431
Net income for the year - Exhibit C	773,885	873,781
Dividends declared	<u>(288,072)</u>	<u>(288,072)</u>
Balance - End of year	<u>5,515,953</u>	<u>5,030,140</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 6,316,153</u>	<u>\$ 5,830,340</u>

To Exhibit A

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

INCOME	Construction and Development		
	New Homes and Lots	Contracting and Remodeling	Total
Sales, commissions and rents	\$ 6,837,004	\$ 1,444,150	\$ 8,281,154
Cost of sales	(4,616,206)	(1,056,209)	(5,672,415)
Other direct expenses	(851,395)	(150,607)	(1,002,002)
Property taxes	-	-	-
Operating income before interest and depreciation	\$ 1,369,403	\$ 237,334	1,606,737
Interest			(17,300)
Depreciation			(48,984)
NET OPERATING INCOME - 1985			\$ 1,540,453
NET OPERATING INCOME - 1984			\$ 1,302,377
GAIN ON SALE OF INVESTMENT PROPERTY			
INTEREST INCOME			
MISCELLANEOUS INCOME			
TOTAL INCOME			
EXPENSE			
General and administrative			
Salaries and payroll expense			
Professional and directors' fees			
Group life insurance			
Interest - general			
Depreciation			
Provision for profit sharing - Note 2			
Other			
Carrying charges - land			
Property taxes			
Depreciation and amortization			
Other			
TOTAL EXPENSE			
NET INCOME BEFORE INCOME TAXES			
Provision for income taxes - Note 3			
NET INCOME			

See Notes to Financial Statements

Sales	Property Management	Insurance	Investment Property	Total		Increase (Decrease)
				1985	1984	
\$ 3,288,795	\$ 219,208	\$ 13,583	\$ 2,972,199	\$ 14,774,939	\$ 13,795,892	\$ 979,047
(2,478,227)	(45,457)	-	-	(8,196,099)	(7,593,404)	(602,695)
(461,569)	(90,849)	(6,227)	(1,381,886)	(2,942,533)	(2,848,884)	(93,649)
-	-	-	(352,703)	(352,703)	(333,356)	(19,347)
348,999	82,902	7,356	1,237,610	3,283,604	3,020,248	263,356
-	-	-	(406,108)	(423,408)	(457,432)	(34,024)
(13,586)	-	-	(212,289)	(274,859)	(235,992)	38,867
\$ 335,413	\$ 82,902	\$ 7,356	\$ 619,213	2,585,337		
\$ 366,972	\$ 92,267	\$ 8,920	\$ 556,288	-	2,326,824	258,513
				-	284,890	(284,890)
				61,179	150,179	(89,000)
				168,763	146,348	22,415
				2,815,279	2,908,241	(92,962)
				427,810	414,772	13,038
				78,398	108,955	(30,557)
				29,119	25,641	3,478
				34,610	49,663	(15,053)
				29,984	18,737	11,247
				190,042	179,730	10,312
				401,254	271,157	130,097
				1,191,217	1,068,655	122,562
				223,320	221,181	2,139
				9,307	7,121	2,186
				5,186	12,425	(7,239)
				237,813	240,727	(2,914)
				1,429,030	1,309,382	119,648
				1,386,249	1,598,859	(212,610)
				612,364	725,078	(112,714)
				\$ 773,885	\$ 873,781	\$ (99,896)

W.C. AND A.N. MILLER DEVELOPMENT COMPANYCONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

CASH PROVIDED	1985	1984
Net income - Exhibit C	\$ 773,885	\$ 873,781
Items not requiring (generating) cash		
Depreciation and amortization	314,150	261,850
Land and land development costs of lots sold	488,727	320,684
Deferred income tax	73,605	(21,298)
Gain on sale of investment property	-	(284,890)
	<u>1,650,367</u>	<u>1,150,127</u>
Curtail of notes receivable	26,724	395,414
Increase in deposits on contracts	131,355	152,154
Addition to long-term notes payable	150,000	-
Increase in line of credit loan payable	950,992	-
Increase (decrease) in construction loans payable	530,000	(81,250)
Decrease (increase) in accounts receivable	185,266	(441,203)
Increase (decrease) in other operating liabilities	196,093	(144,601)
Increase (decrease) in minority interest	16,757	(7,317)
Proceeds from sale of investment property	-	943,473
	<u>3,837,554</u>	<u>1,966,797</u>
CASH APPLIED		
Additions and improvements to investment property	306,801	194,034
Land and land development costs	1,545,262	400,146
Equipment purchased	250,852	77,192
Reduction of long-term debt	267,256	623,897
Additions to notes receivable	256,346	253,890
Dividends	288,072	288,072
Increase in other operating assets	9,899	8,639
Increase in income tax refund receivable	19,658	-
Decrease in accrued income tax payable	278,377	238,999
Increase (decrease) in cost of completed homes and jobs-in-progress	<u>1,047,313</u>	<u>(594,892)</u>
	<u>4,269,836</u>	<u>1,489,977</u>
INCREASE (DECREASE) IN CASH	(432,282)	476,820
CASH AT BEGINNING OF YEAR	<u>2,015,169</u>	<u>1,538,349</u>
CASH AT END OF YEAR	<u>\$ 1,582,887</u>	<u>\$ 2,015,169</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

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 subsidiary, W.C. and A.N. Miller Insurance Agency, Inc. and its 85% owned joint venture, Sumner Development & Investment Company.

Operations of W.C. and A.N. Miller Insurance Agency, Inc. are presented in Exhibit C under "Insurance."

Operations of Sumner Development & Investment Company, which consist of the operations of a shopping center/office building complex known as "Little Falls Mall," have been included with the Company's "Investment Properties."

(b) Depreciation

The Company primarily uses straight-line depreciation methods.

(c) Investments

Investment property is carried at cost less accumulated depreciation.

(d) Inventory

The Company's unimproved land is carried at historical cost. Completed homes and jobs-in-progress are carried at cost determined under the specific cost method of accounting including a provision for construction and development department overhead. Income on lot and home sales is recognized at settlement.

(e) Real Estate Tax and Insurance Expense

The Company expenses property taxes when levied and insurance premiums for policy periods of one year or less on the date the policy becomes effective.

NOTE 2 - PROFIT SHARING PLAN

The Company contributes to a defined contribution profit sharing plan which covers all salaried employees. The annual contribution is based on Company earnings, but may not exceed 12% of the compensation of all participants.

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 3 - INCOME TAXES

Income taxes for the periods are as follows:

	<u>1985</u>	<u>1984</u>
Provision for income taxes on current year income - Exhibit C	\$ 612,364	\$ 725,078
Changes in deferred income taxes resulting from		
Different methods of depreciation used for financial statements and for tax purposes	(27,818)	(470)
Income from sales of homes reported under the installment sales method for tax purposes	(45,787)	27,267
Other timing differences	-	(5,499)
Net decrease (increase) in deferred income taxes	<u>(73,605)</u>	<u>21,298</u>
Total current income taxes	538,759	746,376
Taxes paid	(558,417)	(467,934)
Gas tax credit	-	(65)
Income tax payable (refund receivable) - Exhibit A	<u>\$ (19,658)</u>	<u>\$ 278,377</u>

The provision for income taxes is net of investment tax credits of \$18,780 in 1985 and \$7,936 in 1984.

At September 30 of the respective years, the components of the balance of deferred income taxes were:

Depreciation related	\$ 171,120	\$ 143,302
Installment sale related	<u>77,538</u>	<u>31,751</u>
	<u>\$ 248,658</u>	<u>\$ 175,053</u>

NOTE 4 - NOTES RECEIVABLE

At September 30, 1985, the Company held two non-interest bearing notes totalling \$6,346 and three notes totalling \$396,532, with interest rates ranging from 10% to 15%. Maturities on these notes are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
1986	\$ 267,266
1987	<u>135,612</u>
	<u>\$ 402,878</u>

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 5 - LONG-TERM LIABILITIES

This balance consists of trust notes payable which are secured as follows:

Investment Property	Terms	September 30,	
		1985	1984
Commercial property			
Little Falls Mall	Due \$19,001 monthly including 6 3/4% interest, due 10-31-93	\$ 1,417,083	\$ 1,544,727
4300 Fordham Road N.W. and 4820, 4860, 4866 and 4872 Massachusetts Avenue, N.W.	Due \$14,790 monthly including 12.5% interest, balance due 6-1-93	1,125,985	1,160,349
49th and Massachusetts Avenue, N.W.	2nd trusts, 16 notes at \$10,000, due 10-1-85, 14% interest, payable quarterly	160,000	160,000
Sumner Apartments	Due \$5,968 monthly including 6.5% interest, due 5-9-87	110,859	168,027
		2,813,927	3,033,103
Rental houses	Various	1,167,431	1,064,923
Total investment property		3,981,358	4,098,026
Other			
Special assessment - improvements, various districts, Montgomery County, Maryland	Due \$588 annually, including 9% interest	2,351	2,939
Total long-term liabilities		\$ 3,983,709	\$ 4,100,965

Maturities on long-term liabilities for the next five years are as follows:

Year Ended September 30,	Amount
1986	\$ 550,462
1987	296,883
1988	426,161
1989	304,050
1990	333,584
	<u>\$ 1,911,140</u>

NOTE 6 - OPERATING NOTES PAYABLE

At September 30, 1985, the Company had construction loans totalling \$530,000, secured by four jobs-in-progress, and bearing interest at 1/2 of 1% above prime rate. The Company had drawn \$950,992 on a \$1,000,000 line of credit with Riggs National Bank. This loan matures in June 1986, and bears interest at 1/4 of 1% above prime rate. The Company had one loan of \$54,565, which is due on demand.

NOTE 7 - LITIGATION

At September 30, 1985, the Company was a co-defendant in a lawsuit brought by the owners of a condominium project built by the Company. The suit was subsequently settled and has been referred to the Company's insurance carrier for reimbursement. The ultimate cost to the Company after insurance reimbursement cannot reasonably be estimated at this time but in any event will not exceed \$79,500.

SUPPLEMENTAL INFORMATION

Our examination of the consolidated financial statements of W.C. and A.N. Miller Development Company for the years ended September 30, 1985 and 1984 was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying comments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bond, Beebe, Barton + Muckelbauer, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 12, 1985
Washington, D.C.

COMMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1985 AND 1984

Presented below are analyses of certain assets and liabilities and a summary of gross profit on new homes and lots.

REAL ESTATE

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

Unimproved parcels of land are as follows (size of parcels indicated is as of September 30, 1985):

Maryland	<u>1985</u>	<u>1984</u>
Darnestown, Montgomery County - 434.7687 acres	\$ 1,107,786	\$ 1,060,082
Potomac, Montgomery County - 12.969 acres	54,093	52,958
Other tract, Montgomery County - 4.9 acres	<u>60,872</u>	<u>59,902</u>
	1,222,751	1,172,942
District of Columbia		
Spring Valley - 1,311,787 square feet	631,555	691,908
Virginia		
Fauquier County - 359.8582 acres	<u>152,563</u>	<u>152,563</u>
	<u>\$ 2,006,869</u>	<u>\$ 2,017,413</u>

ACCOUNTS RECEIVABLE

Remodeling	\$ 102,632	\$ 65,116
Rents due and accrued	30,773	57,749
Interest accrued	2,173	-
Miscellaneous	<u>1,751</u>	<u>8,925</u>
	137,329	131,790
Estimated uncollectible accounts	<u>(17,544)</u>	<u>(15,659)</u>
	119,785	116,131
Officers and employees	34,745	9,960
Settlements receivable from title companies	<u>251,464</u>	<u>465,169</u>
	<u>\$ 405,994</u>	<u>\$ 591,260</u>

COMPLETED HOMES FOR SALE

This account at September 30, 1985 represents the cost of 5 new homes, all of which were sold but not settled. This account at September 30, 1984 represents the cost of 2 new homes, both of which were sold but not settled.

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

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1985

COMMERCIAL PROPERTY	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Rental Income</u>	<u>Property Taxes</u>	<u>Insurance, Repairs, Commissions and Other Expenses</u>
Spring Valley Center 4300 Fordham Road, N.W.	\$ 189,795	\$ 136,108	\$ 199,392	\$ 23,496	\$ 58,088
4820 Massachusetts Avenue, N.W. (Garfinckel's)	389,093	292,005	289,462	53,559	29,408
4860 Massachusetts Avenue, N.W.	71,524	54,309	26,999	8,407	5,064
4866 Massachusetts Avenue, N.W.	19,372	19,077	51,717	7,464	8,973
4872 Massachusetts Avenue, N.W.	<u>175,725</u>	<u>125,978</u>	<u>88,137</u>	<u>25,781</u>	<u>56,925</u>
	845,509	627,477	655,707	118,707	158,458
4900 Massachusetts Avenue, N.W. and parking	678,922	456,009	320,312	32,774	164,489
Sumner Apartments	1,013,581	792,728	624,750	41,101	258,002
Little Falls Mall	<u>3,256,906</u>	<u>1,453,486</u>	<u>1,200,498</u>	<u>121,668</u>	<u>745,901</u>
	5,794,918	3,329,700	2,801,267	314,250	1,326,850
RENTAL HOUSES	<u>1,735,559</u>	<u>239,834</u>	<u>170,932</u>	<u>38,453</u>	<u>55,036</u>
TOTAL - 1985	\$ 7,530,477	\$ 3,569,534	\$ 2,972,199	\$ 352,703	\$ 1,381,886
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
TOTAL - 1984	\$ 7,302,893	\$ 3,395,107	\$ 2,844,908	\$ 333,356	\$ 1,294,200
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

<u>Total Expense</u>	<u>1985 Net Before Interest and Depreciation</u>	<u>1984 Net Before Interest and Depreciation</u>	<u>Interest</u>	<u>Depreciation</u>	<u>Profit or (Loss)</u>
\$ 81,584	\$ 117,808	\$ 89,929			
82,967	206,495	200,075			
13,471	13,528	13,510			
16,437	35,280	32,556			
<u>82,706</u>	<u>5,431</u>	<u>9,231</u>			
277,165	378,542	345,301	\$ 143,524	\$ 23,623	\$ 211,395
197,263	123,049	120,315	22,463	11,963	88,623
299,103	325,647	244,385	9,181	22,174	294,292
<u>867,569</u>	<u>332,929</u>	<u>416,112</u>	<u>100,368</u>	<u>120,847</u>	<u>111,714</u>
1,641,100	1,160,167	1,126,113	275,536	178,607	706,024
<u>93,489</u>	<u>77,443</u>	<u>91,239</u>	<u>130,572</u>	<u>33,682</u>	<u>(86,811)</u>
\$ 1,734,589	\$ 1,237,610		\$ 406,108	\$ 212,289	\$ 619,213
<u><u>1,627,556</u></u>		<u><u>1,217,352</u></u>	<u><u>456,206</u></u>	<u><u>204,858</u></u>	<u><u>556,288</u></u>

COMMENTS
(continued)

JOBS-IN-PROGRESS

Construction status	<u>September 30, 1985</u>		<u>September 30, 1984</u>	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
Homes				
Latter stages of construction	6	\$ 1,030,444	8	\$ 1,084,531
Early stages of construction	6	353,101	7	288,150
Miscellaneous jobs-in-progress	-	54,643	-	85,881
	12	\$ 1,438,188	15	\$ 1,458,562
	=====	=====	=====	=====

LAND - SUBDIVIDED LOTS

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 the job cost as development starts.

The following schedule indicates lots, by location, as of September 30, 1985 and 1984:

Subdivision	<u>September 30, 1985</u>		<u>September 30, 1984</u>	
	<u>Number of Lots</u>	<u>Cost</u>	<u>Number of Lots</u>	<u>Cost</u>
Spring Valley	44	\$ 1,349,683	-	\$ -
Potomac Falls	1	7,788	3	24,057
Spring Meadows	30	556,206	30	553,068
Spring Ridge	19	480,322	27	684,018
	94	\$ 2,393,999	60	\$ 1,261,143
	=====	=====	=====	=====

BUSINESS REALTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (NET)

	<u>1985</u>			<u>1984</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Book Value</u>
Business realty	\$ 412,997	\$ 218,039	\$ 194,958	\$ 147,492
Equipment				
Office furniture and fixtures	19,881	9,847	10,034	2,552
Office equipment	172,004	103,082	68,922	21,554
Trucks and automobiles	67,458	43,135	24,323	12,109
Tractors and trailers	105,247	90,111	15,136	17,262
Tools and equipment	164,256	140,521	23,735	11,570
	\$ 941,843	\$ 604,735	\$ 337,108	\$ 212,539
	=====	=====	=====	=====

COMMENTS
(continued)

<u>OTHER ASSETS</u>	<u>September 30,</u>	
	<u>1985</u>	<u>1984</u>
Deferred leasing commission expense	\$ 28,569	\$ 24,609
Deferred construction costs	30,303	35,897
Deferred loan charges on investment property	54,004	59,333
Deposits - utility and other	33,894	18,039
Miscellaneous	58,685	36,823
	<u>\$ 205,455</u>	<u>\$ 174,701</u>

ACCRUED EXPENSES

Estimated land development costs	\$ 30,421	\$ -
Real estate taxes	167,032	158,926
Personal property tax	-	6,905
Profit sharing trust contribution	190,042	179,730
Interest	4,055	10,730
Payroll taxes withheld	36,450	44,186
Payroll taxes and workmen's compensation insurance accrued	48,291	42,540
Guarantee reserves	30,538	28,513
Wages and commissions	16,034	56,097
Other	73,649	74,374
	<u>\$ 596,512</u>	<u>\$ 602,001</u>

OPERATIONS

The following summary reflects the gross profit, by subdivision, on new homes and lots sold for the years ended September 30, 1985 and 1984.

	<u>1985</u>			<u>1984</u>		
	<u>Number of Units</u>	<u>Sales Price</u>	<u>Costs Including Sales Costs</u>	<u>Number of Units</u>	<u>Sales Price</u>	<u>Costs Including Sales Costs</u>
Maryland						
Potomac Falls	6	\$ 2,601,386	\$ 1,487,804	4	\$ 1,519,824	\$ 1,001,308
Spring Ridge	8	2,171,730	1,791,357	2	470,530	398,698
Spring Valley	3	1,265,468	811,474	2	865,934	505,908
Sumner	4	798,420	525,571	15	3,172,038	2,144,914
Spring Meadows	-	-	-	1	231,216	186,344
	21	6,837,004	\$ 4,616,206	24	6,259,542	\$ 4,237,172
Cost of sales		<u>(4,616,206)</u>			<u>(4,237,172)</u>	
Gross profit		\$ 2,220,798	32.48%		\$ 2,022,370	32.31%