

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

AND CONSOLIDATED SUBSIDIARIES

SUMNER, MARYLAND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1970

TABLE OF CONTENTS

	<u>P a g e</u>
LETTER OF TRANSMITTAL	1
EXHIBIT "A" - Comparative Consolidated Balance Sheet September 30, 1970 and 1969	2
EXHIBIT "B" - Consolidated Stockholders' Equity For the Year Ended September 30, 1970	3
EXHIBIT "C" - Comparative Consolidated Income Statement For the Years Ended September 30, 1970 and 1969	4
NOTES TO FINANCIAL STATEMENTS	5 - 6

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December 14, 1970

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

Gentlemen:

We have examined the consolidated balance sheet of the

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

AND CONSOLIDATED SUBSIDIARIES

as of September 30, 1970 and the related consolidated statements of stockholders' equity and income 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, 1969.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the W. C. and A. N. Miller Development Company and consolidated subsidiaries as of September 30, 1970 and 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Bond Beebe Bond & Bond
CERTIFIED PUBLIC ACCOUNTANTS

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

COMPARATIVE CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1970 AND 1969

ASSETS

<u>Real Estate (at Cost)</u>	<u>1970</u>	<u>1969</u>	<u>Increase (Decrease)</u>
Investment Property - net	\$2,349,756	\$2,488,840	\$ (139,084)
Land - Held for Development and Sale	3,597,706	4,475,819	(878,113)
Land Under Development	379,512	425,459	(45,947)
	<u>6,326,974</u>	<u>7,390,118</u>	<u>(1,063,144)</u>
<u>Current</u>			
Cash (\$71,707 held in a fiduciary capacity at September 30, 1970)	238,208	197,881	40,327
Accounts Receivable - net	216,057	140,303	75,754
Notes Receivable including Accrued Interest	223,240	4,310	218,930
Cost of Completed New Houses	568,215	227,819	340,396
Jobs in Progress	519,845	864,495	(344,650)
Lots Under Contract	34,368	-	34,368
Federal Income Tax Refund - Based on Carry Back Loss/Investment Credit	3,995	49,995	(46,000)
Prepaid Expenses	195,037	163,151	31,886
	<u>1,998,965</u>	<u>1,647,954</u>	<u>351,011</u>
<u>Fixed (at cost)</u>			
Business Realty, Equipment and Leasehold Improvements - net	143,499	154,474	(10,975)
<u>Other</u>			
Investment in Joint Venture (at cost) - Note 3	128,391	125,553	2,838
Second Trust Notes - Less Current Portion	237,926	113,621	124,305
Other	62,210	52,321	9,889
	<u>428,527</u>	<u>291,495</u>	<u>137,032</u>
<u>TOTAL ASSETS</u>	<u>\$8,897,965</u>	<u>\$9,484,041</u>	<u>\$ (586,076)</u>

The accompanying notes are an integral part of this financial statement

LIABILITIES AND STOCKHOLDERS' EQUITY

	1970	1969	Increase (Decrease)
<u>Long Term - Note 2</u>			
Investment Property	\$2,779,204	\$2,799,228	\$ (20,024)
Other Real Estate	2,313,600	3,174,327	(860,727)
Other	353,400	11,592	341,808
	5,446,204	5,985,147	(538,943)
<u>Current</u>			
Accounts Payable	430,877	327,782	103,095
Notes Payable - Short Term	387,885	336,000	51,885
Construction Loans Payable	531,000	426,000	105,000
Deposits on Contracts	173,954	265,929	(91,975)
Accrued Expenses	120,745	168,218	(47,473)
Escrow Funds, Owner's Balances and Rent Deposits	27,581	19,257	8,324
	1,672,042	1,543,186	128,856
<u>Other</u>			
Provision for Loss on Joint Venture - Note 3	258,860	214,899	43,961
Deferred Commissions	13,750	13,750	-
	272,610	228,649	43,961
<u>Stockholders' Equity - Exhibit "B"</u>			
Common Stock	822,200	822,200	- -
Treasury Stock	(22,000)	(22,000)	- -
Retained Earnings	706,909	926,859	(219,950)
	1,507,109	1,727,059	(219,950)
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$8,897,965</u>	<u>\$9,484,041</u>	<u>\$ (586,076)</u>

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCONSOLIDATED STOCKHOLDERS' EQUITYFOR THE YEAR ENDED SEPTEMBER 30, 1970Common Stock - Par Value - \$100.00

Authorized (10,000 Shares)	\$1,000,000
Less: Unissued - 1,778 Shares	<u>177,800</u>
Issued - 8,222 Shares	822,200
Less: Issued Stock Repurchased and Held in Treasury - 220 Shares	<u>22,000</u>

Common Stock Outstanding - 8,002 Shares

\$ 800,200

Retained EarningsBalance - September 30, 1969 926,859

Deduct:

Dividends Declared on Common Stock - Cash	\$ 160,040	
Net Loss for the Year Ended September 30, 1970 - Exhibit "C"	<u>59,910</u>	<u>219,950</u>

Balance - September 30, 1970706,909Total Stockholders' Equity\$1,507,109

To Exhibit "A"

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCOMPARATIVE CONSOLIDATED INCOME STATEMENTFOR THE YEARS ENDED SEPTEMBER 30, 1970 AND 1969

	<u>1970</u>	<u>1969</u>	<u>Increase (Decrease)</u>
<u>Net Departmental Operating Income</u>	\$ 121,640	\$ 419,842	\$ (298,202)
<u>Investment Property - Rental</u>			
Net Rental Income (Excluding Depreciation and Interest)	481,960	425,909	56,051
Net Income From Sale of Investment Land	(53,356)	6,471	(59,827)
<u>Total Operating Income</u>	550,244	852,222	(301,978)
Less: General and Administrative Expenses	354,472	374,616	(20,144)
<u>Net Operating Income Before Other Income and Expense</u>	195,772	477,606	(281,834)
<u>Other (Income) and Expense</u>			
Gain on Sale of Savage Tract	(275,432)	-	(275,432)
Gain on Sale of Rental Houses	(56,666)	(23,505)	(33,161)
Write-off of Spring Valley Project Costs	-	104,144	(104,144)
Interest Expense	411,681	336,271	75,410
Depreciation - Investment Property	126,185	127,675	(1,490)
Venture Loss - Little Falls Mall	43,961	85,079	(41,118)
Miscellaneous Other Expense	754	557	197
	250,483	630,221	(379,738)
<u>Net Income (Loss) Before Profit Sharing Contribution and Income Taxes</u>	(54,711)	(152,615)	97,904
Profit Sharing Trust Contribution	-	13,968	(13,968)
Federal and State Income Taxes (Refund)	5,199	(42,189)	47,388
<u>Net Income (Loss) for the Year</u>	\$ (59,910)	\$ (124,394)	\$ 64,484

To Exhibit "B"

NOTES TO FINANCIAL STATEMENTS

Note 1 - Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

The Westley Construction Company, Inc.,

The W. C. and A. N. Miller Development Corporation of Virginia,

The W. C. and A. N. Miller Insurance Agency, Inc.

The Westley Construction Company, Inc. was merged into the parent Corporation on December 1, 1969. Since The Westley Construction Company, Inc. was included in the consolidated statements for the prior year, no restatement was necessary.

The assets and liabilities of the wholly-owned subsidiaries are not separately disclosed in this report as they are nominal in amount.

Operation 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.

Note 2 - Long Term Liabilities

Approximately \$372,000 in annual curtail is required for fiscal year 1971; however, this amount pertains almost exclusively to rental property and land being developed in Potomac, Maryland, both of which generate sufficient funds through operations to meet curtail requirements. The comparable curtail requirement for fiscal year 1970 was \$295,000.

In addition, the note for 4820 Massachusetts Avenue, N. W. (a part of Spring Valley Shopping Center) in the amount of \$283,000 was due October 4, 1970. Refinancing for this property, in the amount of \$400,000, has been arranged as of the date of this report.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Long Term Liabilities - continued

Accordingly, no provision has been made in the current liabilities section of the balance sheet for principal payments on the above.

Note 3 - Investment in Joint Venture

W. C. and A. N. Miller Development Company has an 85% interest in Sumner Development & Investment Company, a joint venture begun February 15, 1966. The joint venture has built a shopping center-office building called "Little Falls Mall". Eighty-five per cent of the losses incurred to date by the joint venture have been provided for in the liability section of the Company's balance sheet. These losses are attributable to charging construction loan interest and real estate taxes to expense during construction and net losses from operations of \$43,961 and \$85,079 for the years ended September 30, 1970 and 1969 respectively. Depreciation of the complex is on the straight line method and amounted to \$88,838 and \$82,216 for the two years.

Note 4 - Provision for Income Taxes

The Internal Revenue Service has reviewed the Federal income tax returns of the Company through the fiscal year ended September 30, 1959. An examination is in progress for the fiscal years ended September 30, 1965 through September 30, 1969 as of this date. The examiner has not, as of the date of this report, proposed any adjustments which would have a material effect on the consolidated financial statements.

The Development Company has a net operating loss carry-forward of \$92,166 for Federal income tax purposes.