

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

AND CONSOLIDATED SUBSIDIARIES

SUMNER, MARYLAND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1977 AND 1976

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BOND, BEEBE, BARTON & MUCKELBAUER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS E. SEAY

October 26, 1977

The Board of Directors  
W. C. and A. N. Miller Development Company  
4701 Sangamore Road  
Summer, Maryland 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, 1977 and 1976 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, 1977 and 1976, and the results of their operations and the changes in financial position for the years then ended in conformity with generally accepted accounting principles 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, 1977 AND 1976

ASSETS

<u>Real Estate (at Cost)</u>	<u>1977</u>	<u>1976</u>	<u>Increase (Decrease)</u>
Investment Property	\$ 5,929,894	\$ 5,973,229	\$ (43,335)
Accumulated Depreciation	<u>2,386,738</u>	<u>2,268,566</u>	<u>118,172</u>
	3,543,156	3,704,663	(161,507)
Unimproved Land	<u>1,856,611</u>	<u>1,804,652</u>	<u>51,959</u>
	5,399,767	5,509,315	(109,548)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Trust Notes Receivable</u>			
(\$99,552 in 1977 and \$132,885 in 1976 Relating to Installment Sales)	146,175	204,775	(58,600)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Operating Assets</u>			
Cash			
(\$143,397 Held in a Fiduciary Capacity at September 30, 1977	874,463	448,032	426,431
Accounts Receivable (Net)	148,354	481,308	(332,954)
Cost of Completed New Homes	534,745	472,598	62,147
Jobs in Progress	1,104,733	1,516,268	(411,535)
Land - Subdivided Lots (Construction not Started)	943,024	1,324,775	(381,751)
Prepaid Expenses	58,346	57,593	753
Business Realty, Equipment and Leasehold Improvements (Net of Accumulated Depreciation)	183,429	166,844	16,585
Other	<u>142,279</u>	<u>163,767</u>	<u>(21,488)</u>
	3,989,373	4,631,185	(641,812)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL ASSETS</u>	<u>\$ 9,535,315</u>	<u>\$10,345,275</u>	<u>\$ (809,960)</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	1977	1976	Increase (Decrease)
<u>Long Term Liabilities</u> - Note 2			
Investment Property	\$ 3,891,887	\$ 4,223,047	\$ (331,160)
Unimproved Land	280,448	362,924	(82,476)
Other	10,240	11,759	(1,519)
	<u>4,182,575</u>	<u>4,597,730</u>	<u>(415,155)</u>
<u>Deferred Income Taxes</u> - Note 3	<u>56,281</u>	<u>64,631</u>	<u>(8,350)</u>
<u>Operating Liabilities</u>			
Accounts Payable	265,790	229,196	36,594
Construction Loans Payable	-	36,000	(36,000)
Demand Notes	51,200	-	51,200
Land Loans Payable - Subdivided Lots	452,291	690,492	(238,201)
Deposits on Contracts	598,388	898,966	(300,578)
Income Taxes Payable - Note 3	102,935	306,613	(203,678)
Accrued Expenses	292,791	293,286	(495)
Escrow Funds, Owners' Balances and Rent Deposits	<u>23,245</u>	<u>28,417</u>	<u>(5,172)</u>
	<u>1,786,640</u>	<u>2,482,970</u>	<u>(696,330)</u>
<u>Minority Interest</u>			
In Net Assets of Consolidated Entity (Sumner Development & Investment Company)	<u>44,015</u>	<u>42,801</u>	<u>1,214</u>
<u>Stockholders' Equity</u> - Exhibit "B"	<u>3,465,804</u>	<u>3,157,143</u>	<u>308,661</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 9,535,315</u>	<u>\$10,345,275</u>	<u>\$ (809,960)</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED SEPTEMBER 30, 1977 AND 1976

<u>Common Stock</u> - Par Value \$100.00	<u>1977</u>	<u>1976</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</u> - 8,002 Shares	<u>800,200</u>	<u>800,200</u>
 <u>Retained Earnings</u>		
<u>Balance</u> - Beginning of Year	2,356,943	2,204,878
Net Income for the Year - Exhibit "C"	524,715	344,113
Dividends Declared	<u>(216,054)</u>	<u>(192,048)</u>
<u>Balance</u> - End of Year	<u>2,665,604</u>	<u>2,356,943</u>
<u>Total Stockholders' Equity</u>	<u>\$ 3,465,804</u>	<u>\$ 3,157,143</u>

To Exhibit "A"

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED SEPTEMBER 30, 1977 AND 1976

<u>Income</u>	<u>Construction and Development</u>		
	<u>New Homes and Lots</u>	<u>Contracting and Remodeling</u>	<u>Total</u>
Sales, Commissions, Rents	\$ 5,759,664	\$ 647,914	\$ 6,407,578
Less: Cost of Sales	(4,363,668)	(525,179)	(4,888,847)
Other Direct Expenses	(472,528)	(59,972)	(532,500)
Property Taxes	-	-	-
Operating Income Before Interest and Depreciation	<u>\$ 923,468</u>	<u>\$ 62,763</u>	986,231
Less: Interest			(326)
Depreciation			<u>(29,717)</u>
<u>Net Operating Income - 1977</u>			<u>\$ 956,188</u>
<u>Net Operating Income - 1976</u>			<u>\$ 913,537</u>
<u>Gain (Loss) on Sale of Investment Property</u>			
<u>Interest Income</u>			
<u>Miscellaneous Income</u>			
<u>Total Income</u>			
<u>Expenses</u>			
<u>General and Administrative</u>			
Salaries and Payroll Expense			
Professional and Directors' Fees			
Group Life Insurance			
Interest - General			
Provision for Profit Sharing			
Other			
<u>Carrying Charges - Land</u>			
Property Taxes			
Interest			
Other			
<u>Total Expenses</u>			
<u>Net Income Before Income Taxes</u>			
<u>Provision for Income Taxes</u>			
<u>Net Income</u>			
<u>Earnings Per Share</u>			

Sales	Property Management	Insurance	Investment Property	Total		Increase (Decrease)
				1977	1976	
\$ 1,322,728	\$ 106,461	\$ 13,639	\$ 1,689,462	\$ 9,539,868	\$ 9,163,703	\$ 376,165
(801,616)	-	-	-	(5,690,463)	(5,599,950)	90,513
(177,975)	(61,633)	(5,826)	(701,346)	(1,479,280)	(1,298,187)	181,093
-	-	-	(185,779)	(185,779)	(188,100)	(2,321)
343,137	44,828	7,813	802,337	2,184,346	2,077,466	106,880
(7)	-	-	(283,582)	(283,915)	(341,581)	(57,666)
(595)	-	-	(187,214)	(217,526)	(232,322)	(14,796)
<u>\$ 342,535</u>	<u>\$ 44,828</u>	<u>\$ 7,813</u>	<u>\$ 331,541</u>	1,682,905		
<u>\$ 238,164</u>	<u>\$ 50,210</u>	<u>\$ 8,475</u>	<u>\$ 293,177</u>	-	1,503,563	179,342
				166,656	(13,160)	179,816
				41,402	23,152	18,250
				<u>38,171</u>	<u>36,529</u>	<u>1,642</u>
				1,929,134	1,550,084	379,050
				254,746	248,714	6,032
				57,832	53,780	4,052
				12,214	10,798	1,416
				10,839	1,393	9,446
				100,990	87,579	13,411
				<u>191,419</u>	<u>177,978</u>	<u>13,441</u>
				628,040	580,242	47,798
				178,876	190,345	(11,469)
				50,665	61,836	(11,171)
				<u>32,634</u>	<u>46,741</u>	<u>(14,107)</u>
				262,175	298,922	(36,747)
				890,215	879,164	11,051
				1,038,919	670,920	367,999
				<u>514,204</u>	<u>326,807</u>	<u>187,397</u>
				<u>\$ 524,715</u>	<u>\$ 344,113</u>	<u>\$ 180,602</u>
				<u>\$ 65.57</u>	<u>\$ 43.00</u>	<u>\$ 22.57</u>



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEARS ENDED SEPTEMBER 30, 1977 AND 1976

<u>Cash Provided</u>	<u>1977</u>	<u>1976</u>
Net Income - Exhibit "C"	\$ 524,715	\$ 344,113
Add: Depreciation and Amortization	246,505	255,505
Land Development Costs of Lots Sold	539,229	520,283
Book Value of Investment Property Sold	40,471	-
Less: Decrease in Deferred Income Taxes	8,350	58,772
Trust Notes Taken on Sale of Assets	-	96,790
Debt Retirement Related to Sale of Assets	<u>18,616</u>	<u>-</u>
	1,323,954	964,339
Proceeds of New Long Term Debt	-	90,000
Decrease (Increase) in Other Operating Assets (Net)	12,529	(37,735)
Payment on Trust Notes Receivable	58,600	385,150
Decrease in Inventory (Net of Land Costs)	421,816	88,336
Decrease (Increase) in Accounts Receivable	332,954	(221,861)
Decrease (Increase) in Operating Liabilities - (Net)	30,927	(50,619)
Increase in Minority Interest	<u>1,214</u>	<u>3,931</u>
<u>Total Cash Provided</u>	<u>2,181,994</u>	<u>1,221,541</u>
<u>Cash Applied</u>		
Decrease (Increase) in Income Taxes Payable	203,678	(292,182)
Decrease (Increase) in Deposits on Contracts	300,578	(538,105)
Decrease in Notes, Construction and Land Loans Payable	223,001	964,431
Land Development Costs	290,026	362,830
Additions/Improvements to Investment Property	53,489	76,450
Equipment Purchased	72,198	37,718
Reduction of Long Term Debt (Other than Above)	396,539	242,678
Dividends Paid	<u>216,054</u>	<u>192,048</u>
<u>Total Cash Applied</u>	<u>1,755,563</u>	<u>1,045,868</u>
<u>Increase in Cash</u>	<u>426,431</u>	<u>175,673</u>
<u>Cash at Beginning of Year</u>	<u>448,032</u>	<u>272,359</u>
<u>Cash at End of Year</u>	<u>\$ 874,463</u>	<u>\$ 448,032</u>

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

NOTES TO FINANCIAL STATEMENTSFOR THE YEARS ENDED SEPTEMBER 30, 1977 AND 1976Note 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, The W. C. and A. N. Miller Insurance Agency, Inc. and its 85% owned joint venture, The Sumner Development and Investment Company.

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

Operations of The Sumner Development and Investment Company, which consists 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. Depreciation is included in Exhibit "C" as follows:

	<u>1977</u>	<u>1976</u>
As an Operating Expense	\$ 217,526	\$ 232,322
Carrying Charges - Other	13,429	13,264
General and Administrative - Other	<u>9,242</u>	<u>9,919</u>
<u>Total Depreciation Expense</u>	<u>\$ 240,197</u>	<u>\$ 255,505</u>

(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 work-in-process are carried at cost determined under the LIFO Method and include a provision for Construction and Development Department overhead. Income on lot and home sales is recognized at settlement.

Note 1 - Summary of Significant Accounting Policies(d) Inventory - continued

If the specific cost method of inventory accounting had been used by the Company, completed homes and jobs in progress, inventories would have been \$299,230 and \$281,533 higher than reported at September 30, 1977 and 1976 respectively.

(e) Real Estate Tax and Insurance (Expenses)

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 - Long Term Liabilities

Approximately \$266,454 in annual curtail is required for the year ended September 30, 1978. Of this amount, \$192,693 pertains to investment property long term debt. The remainder, \$73,761 applies to land loans payable and the amount of this curtail is contingent upon lot settlements.

The comparable curtail requirement for the year ended September 30, 1977 was \$434,500 of which \$183,500 pertained to investment property.

Note 3 - Income Taxes

The Company has elected installment sales treatment for certain sales of undeveloped land and investment property. The entire gains on these sales were included in income for financial reporting purposes in the respective years of sale.

Income taxes for the periods are as follows:

[continued]

Note 3 - Income Taxes - continued

	<u>1977</u>	<u>1976</u>
Income Taxes on Current Year Income	\$ 482,177	\$ 326,807
Additional Income Tax - Prior Year Adjustment	<u>32,028</u>	<u>-</u>
Provision for Income Taxes	514,205	326,807
Timing Differences		
Income Taxes Applicable to Prior Years Installment Sales	12,000	65,077
Income Taxes Applicable to Other Minor Timing Differences	(3,650)	(6,247)
Gas Tax Credit	<u>(192)</u>	<u>(154)</u>
Total Income Taxes Payable	522,363	385,483
Taxes Paid	<u>(419,428)</u>	<u>(78,870)</u>
<u>Net Income Taxes Due</u>	<u>\$ 102,935</u>	<u>\$ 306,613</u>

The Internal Revenue Service has reviewed and approved as filed or adjusted the Federal income tax returns of the Company through the year ended September 30, 1973. The Service is presently examining the years ended September 30, 1974, 1975 and 1976.

Note 4 - Contingent Liabilities

(a) The Internal Revenue Service has advised the Company it is examining the change to the LIFO Method of stating costs of its inventories. This change was made effective for the year ended September 30, 1974.

The effect of the adoption of the LIFO Method was to defer the reporting of income. In the event the IRS disallows the use of LIFO inventory, the restoration of the deferred income could result in additional taxes of approximately \$150,000.

Note 4 - Contingent Liabilities

(b) Additionally, the Internal Revenue Service has advised the Company it is examining its elections, effective for the year ended September 30, 1975, to expense property taxes when levied and to expense insurance premiums for policy periods of one year or less on the date the policy becomes effective.

These changes provided the Company with a one time write-off and reduced income taxes for 1975 by approximately \$125,000. In the event the IRS approves the change, but requires amortization of the tax benefit over a 10 year period (which is expected), the Company would be assessed additional taxes of approximately \$90,000. It is anticipated that these taxes will be recovered through amortization charges to income (for tax purposes) over the remainder of the 10 year period.

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:

<u>Maryland</u>	<u>Cost</u>	<u>Debt</u>
Darnestown, Montgomery County 480.0835 Acres	\$ 995,784	\$ 280,448
Potomac, Montgomery County 79.1881 Acres	253,775	-
Various Other Tracts Montgomery County 16.29 Acres	173,361	-
	<u>1,422,920</u>	<u>280,448</u>
<u>District of Columbia</u>		
Spring Valley 1,974,567 Square Feet	258,225	-
<u>Virginia</u>		
Fauquier County 359.8582 Acres	175,466	-
<u>Total</u>	<u>\$ 1,856,611</u>	<u>\$ 280,448</u>

<u>Accounts Receivable</u>	<u>1977</u>	<u>1976</u>
Remodeling	\$ 29,863	\$ 71,602
Rents Due and Accrued	87,959	71,778
Interest Accrued	3,912	6,472
Miscellaneous	8,377	5,749
	<u>130,111</u>	<u>155,601</u>
Less: Estimated Uncollectible Accounts	<u>(7,721)</u>	<u>(5,760)</u>
	122,390	149,841
Officers and Employees Settlements Receivable From Title Companies	4,868	5,023
	<u>21,096</u>	<u>326,444</u>
<u>Total</u>	<u>\$ 148,354</u>	<u>\$ 481,308</u>

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

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1977

<u>Commercial Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Rental Income</u>	<u>Property Taxes</u>
Little Falls Mall	\$ 3,300,923	\$ 863,844	\$ 808,883	\$ 87,305
4300 Fordham Road, N. W.	196,958	95,844	122,942	8,039
4820 Massachusetts Ave., N. W.	318,238	222,482	181,406	18,194
4860 Massachusetts Ave., N. W.	29,871	28,593	13,800	2,990
4866 Massachusetts Ave., N. W.	18,478	17,306	27,000	2,655
4872 Massachusetts Ave., N. W.	163,864	91,129	49,672	6,250
4900 Massachusetts Ave., N. W.	690,975	351,443	180,421	18,453
Sumner Apartments	<u>921,039</u>	<u>620,512</u>	<u>272,569</u>	<u>32,090</u>
<u>Total Commercial Property</u>	5,640,346	2,291,153	1,656,693	175,976
<u>Rental Houses</u>	<u>289,548</u>	<u>95,585</u>	<u>32,769</u>	<u>9,803</u>
<u>Total</u>	5,929,894	\$ 2,386,738	\$ 1,689,462	\$ 185,779
Less: Accumulated Depreciation	<u>2,386,738</u>			
<u>Net</u>	<u>\$ 3,543,156</u>			

1/

1/ To Exhibit "A"

<u>Insurance, Repairs, Commissions and Other Expenses</u>	<u>Total Expenses</u>	<u>Net Before Interest and Depreciation</u>	<u>Interest</u>	<u>Depreciation</u>	<u>Profit or (Loss)</u>	<u>Prior Year Profit or (Loss)</u>
\$ 365,651	\$ 452,956	\$ 355,927	\$ 153,515	\$ 114,320	\$ 88,092	\$ 66,211
32,698	40,737	82,205	24,497	14,470	43,238	38,130
19,015	37,209	144,197	27,959	6,037	110,201	108,100
5,092	8,082	5,718	-	207	5,511	7,230
3,806	6,461	20,539	-	145	20,394	18,649
30,705	36,955	12,717	-	4,166	8,551	10,947
86,859	105,312	75,109	31,477	21,292	22,340	1,418
<u>141,423</u>	<u>173,513</u>	<u>99,056</u>	<u>34,445</u>	<u>19,617</u>	<u>44,994</u>	<u>51,444</u>
685,249	861,225	795,468	271,893	180,254	343,321	302,129
<u>16,097</u>	<u>25,900</u>	<u>6,869</u>	<u>11,689</u>	<u>6,960</u>	<u>(11,780)</u>	<u>(8,952)</u>
<u>\$ 701,346</u>	<u>\$ 887,125</u>	<u>\$ 802,337</u>	<u>\$ 283,582</u>	<u>\$ 187,214</u>	<u>\$ 331,541</u>	<u>\$ 293,177</u>



Cost of Completed New Homes

This account at September 30, 1977 represents the cost of five completed homes of which two are not sold. Three of the completed homes were sold, but not settled as of September 30, 1977.

Jobs in Progress

<u>Construction Status</u>	<u>September 30, 1977</u>		<u>September 30, 1976</u>	
	<u>Number</u>	<u>LIFO Cost</u>	<u>Number</u>	<u>LIFO Cost</u>
Homes				
Latter Stages of Construction	12	\$ 876,829	17	\$ 1,312,212
Early Stages of Construction	8	219,505	4	108,661
Miscellaneous Jobs in Progress	-	8,400	-	95,395
	<u>20</u>	<u>\$ 1,104,734</u>	<u>21</u>	<u>\$ 1,516,268</u>

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 and related debt, by location, as of September 30, 1977.

<u>Subdivisions</u>	<u>Number of Lots</u>	<u>Cost</u>	<u>Debt</u>
Sumner	32	\$ 124,782	\$ -
Potomac Falls	17	358,658	300,675
Spring Meadows	56	459,584	
	<u>105</u>	<u>\$ 943,024</u>	<u>300,675</u>

Debt related to 11 lots in Potomac Falls  
Subdivision the costs of which are included  
in cost of completed new houses and jobs in  
progress

151,616\*  
\$ 452,291

\*This debt is a first Deed of Trust secured by the Company's tract of land in Potomac, Maryland. The land is subject to release provisions for lots paid for in the amount of \$4,000 per acre upon settlement of a company sale. Amounts so paid are allowed as offsets to the minimum annual curtail of \$50,000. Interest at 4% is payable quarterly. Any unpaid balance is due June 1, 1979.

Business Realty, Equipment and Leasehold Improvements (Net)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Business Realty	\$ 88,873	\$ 57,881	\$ 30,992
Equipment			
Office Furniture and Fixtures	74,921	69,401	5,520
Office Equipment	53,076	39,867	13,209
Trucks and Automobiles	42,840	42,291	549
Tractors and Trailers	122,915	63,206	59,709
Tools and Equipment	174,252	100,888	73,364
Leasehold Improvements (Net)	86	-	86
	<u>\$ 556,963</u>	<u>\$ 373,534</u>	<u>\$ 183,429</u>

Other Assets

	<u>September 30, 1977</u>	<u>1976</u>
Deferred Leasing Commission Expense	\$ 14,352	\$ 18,361
Deferred Construction Costs	60,586	73,372
Deferred Loan Charges on Investment Property	30,182	32,537
Deposit - Land, Fairfax County, Virginia	25,000	25,000
Deposits - Utility and Other	1,574	3,480
Livestock	9,932	10,364
Miscellaneous	653	653
	<u>\$ 142,279</u>	<u>\$ 163,767</u>

Long Term Liabilities

Investment Property

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

		September 30,	
		1977	1976
<u>Commercial Property</u>	<u>Terms</u>		
Little Falls Mall	Due \$19,001 Monthly Including 6 3/4% Interest	\$ 2,233,530	\$ 2,308,026
4300 Fordham Rd., N. W.	Due \$7,948 Quarterly Including 7 3/4% Interest, Balance Due 4-21-81	312,925	320,114
4820 Mass. Ave., N. W.	Due \$3,500 Monthly Including 8% Interest, Balance Due 12-14-82	342,445	356,436
49th & Mass. Ave., N. W.	Due \$4,128 Monthly Including 5 1/2% Interest	196,403	234,007
	2nd Trusts - 16 Notes at \$10,000, Due on 10- 1-80, 10% Interest, Payable Quarterly	160,000	300,000
Sumner Apartments	Due \$5,968 Monthly Including 6.5% Interest	511,832	548,862
		3,757,135	4,067,445
		134,752	155,602
<u>Rental Houses</u>	Various		
<u>Total Investment Property</u>		<u>\$ 3,891,887</u>	<u>\$ 4,223,047</u>
<u>Unimproved Land</u>			
Trust Notes Secured by Pleasant Hill, Darnestown, Maryland	Due in Four Annual Installments Beginning 8-25-77, Interest at 7%, Payable Quarterly	\$ 28,815	\$ 38,420
	Due \$20,000 Annually, Plus Interest at 8%	40,000	60,000
	Due \$52,908 Plus Interest at 8% Annually, Balance Due 8-22-81	211,633	264,504
<u>Total Unimproved Land</u>		<u>\$ 280,448</u>	<u>\$ 362,924</u>
<u>Other</u>			
Trust Note Secured by Sales Office, Potomac, Maryland	Due \$144 Monthly Including 5 1/2% Interest	\$ -	\$ 664
Special Assessment - Improvements Various Districts, Montgomery County, Maryland	Due \$853 Annually, Including 5% Interest	10,240	11,095
<u>Total Other</u>		<u>\$ 10,240</u>	<u>\$ 11,759</u>

Accrued Expenses

	September 30,	
	1977	1976
Deferred Sales Commissions	\$ 12,478	\$ -
Real Estate Taxes	62,583	61,340
Profit Sharing Trust Contribution	100,990	87,579
Dividends Declared	16,004	16,004
Interest	15,202	17,843
Payroll Taxes Withheld	35,035	30,112
Payroll Taxes & Workmen's		
Compensation Insurance Accrued	20,675	28,049
Guarantee Reserves	24,038	30,029
Estimated Development Costs - "Overlook"	-	10,980
Other	5,786	11,350
	\$ 292,791	\$ 293,286

Operations

The following summary reflects the gross profit, by subdivision, on new homes and lots sold for the years ended September 30, 1977 and 1976.

	1977			1976		
	Number of Units	Sales Price	Costs Including Sales Costs	Number of Units	Sales Price	Costs Including Sales Costs
<u>Maryland</u>						
Potomac Falls	15	\$ 3,696,070	\$ 2,662,348	11	\$ 1,850,723	\$ 1,420,813
Overlook	4	682,890	507,228	22	3,428,252	2,560,865
Spring Meadows	9	1,380,704	1,194,092	3	452,400	407,034
<u>Total</u>	28	5,759,664	\$ 4,363,668	36	5,731,375	\$ 4,388,712
Less:						
Cost of Sales		4,363,668			4,388,712	
<u>Gross Profit</u>		\$ 1,395,996	24.24%		\$ 1,342,663	23.43%

Included in the 1976 sales and cost columns, but not in the unit column, is the sale of two lots in Spring Meadows. Included in the 1977 sales and cost columns, but not in the unit column is the sale of two lots in Potomac Falls. Also, included in all 1977 figures is the sales price and cost of one unit in Spring Meadows exclusive of the related lot.