

**W.C. AND A.N. MILLER DEVELOPMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES**

Consolidated Financial Statements

For the Years Ended September 30, 1989 and 1988

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Bond, Beebe, Barton & Muckelbauer, P.C.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
W.C. and A.N. Miller
Development Company
4315 50th Street, N.W.
Washington, D.C. 20016

We have audited the accompanying consolidated balance sheet of W.C. and A.N. Miller Development Company and consolidated subsidiaries as of September 30, 1989 and 1988 and the related consolidated statements of stockholders' equity, income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W.C. and A.N. Miller Development Company and consolidated subsidiaries as of September 30, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Bond, Beebe, Barton & Muckelbauer, P.C.

November 15, 1989

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W.C. AND A.N. MILLER DEVELOPMENT COMPANYCONSOLIDATED BALANCE SHEETSEPTEMBER 30, 1989 AND 1988ASSETS

REAL ESTATE - At cost	1989	1988	Increase (Decrease)
Investment property	\$ 16,697,866	\$ 14,320,554	\$ 2,377,312
Accumulated depreciation	(4,772,142)	(4,358,452)	413,690
	11,925,724	9,962,102	1,963,622
Investment property construction-in progress	259,328	1,492,474	(1,233,146)
Unimproved land	5,294,094	3,994,035	1,300,059
	17,479,146	15,448,611	2,030,535
INVESTMENTS - Note 3	3,004,307	40,511	2,963,796
OPERATING ASSETS			
Cash (\$891,423 and \$1,541,420 held in a fiduciary capacity at September 30, 1989 and 1988)	1,677,939	2,025,774	(347,835)
Accounts receivable	200,488	160,856	39,632
Income tax refunds receivable	-	80,720	(80,720)
Notes receivable	5,000	10,000	(5,000)
Jobs-in-progress and completed homes	2,948,069	1,939,639	1,008,430
Land - subdivided lots (construction not started)	8,230,867	955,412	7,275,455
Prepaid expenses	62,791	80,236	(17,445)
Furniture, fixtures and equipment (net of accumulated depreciation of \$1,051,458 in 1989 and \$801,556 in 1988)	1,026,978	736,899	290,079
Other	1,011,132	560,672	450,460
	15,163,264	6,550,208	8,613,056
TOTAL ASSETS	\$ 35,646,717	\$ 22,039,330	\$ 13,607,387

See Notes to Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY

	1989	1988	Increase (Decrease)
INVESTMENT PROPERTY LIABILITIES - Note 5			
Investment property notes payable	\$ 14,719,811	\$ 3,272,910	\$ 11,446,901
Construction loan payable	-	5,241,873	(5,241,873)
Unimproved land loan payable	3,013,706	-	3,013,706
	<u>17,733,517</u>	<u>8,514,783</u>	<u>9,218,734</u>
OPERATING LIABILITIES			
Dividends payable	36,009	36,009	-
Accounts payable	416,083	1,261,558	(845,475)
Notes payable - Note 6	5,779,730	1,515,135	4,264,595
Deposits on contracts	1,097,547	1,776,802	(679,255)
Income tax payable	407,767	206,748	201,019
Accrued expenses	772,413	710,514	61,899
Escrow funds and rent deposits	189,116	151,361	37,755
	<u>8,698,665</u>	<u>5,658,127</u>	<u>3,040,538</u>
DEFERRED INCOME TAXES - Note 4	<u>594,398</u>	<u>458,799</u>	<u>135,599</u>
MINORITY INTEREST - In consolidated entities			
Sumner Development & Investment Company	123,577	112,157	11,420
Haymount Limited Partnership	262,297	-	262,297
	<u>385,874</u>	<u>112,157</u>	<u>273,717</u>
STOCKHOLDERS' EQUITY - Exhibit B	<u>8,234,263</u>	<u>7,295,464</u>	<u>938,799</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 35,646,717</u>	<u>\$ 22,039,330</u>	<u>\$ 13,607,387</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANYCONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITYFOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

COMMON STOCK - Par value \$100	<u>1989</u>	<u>1988</u>
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 at beginning of year	6,495,264	6,375,078
Net income for the year - Exhibit C	1,370,907	880,376
Dividends declared	<u>(432,108)</u>	<u>(760,190)</u>
Balance at end of year	<u>7,434,063</u>	<u>6,495,264</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 8,234,263</u>	<u>\$ 7,295,464</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANYCONSOLIDATED INCOME STATEMENTFOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

	Total		Increase (Decrease)
	1989	1988	
GROSS OPERATING INCOME			
Sales	\$ 10,033,128	\$ 9,352,657	\$ 680,471
Commissions	7,697,534	6,670,958	1,026,576
Rent	5,289,083	4,098,515	1,190,568
	<u>23,019,745</u>	<u>20,122,130</u>	<u>2,897,615</u>
OPERATING EXPENSE			
Cost of sales and direct expense	16,183,433	14,914,129	1,269,304
Property taxes - rental property	751,543	641,469	110,074
Interest	1,206,887	841,377	365,510
Depreciation	711,075	614,430	96,645
	<u>18,852,938</u>	<u>17,011,405</u>	<u>1,841,533</u>
NET OPERATING INCOME	4,166,807	3,110,725	1,056,082
INTEREST INCOME	44,610	31,852	12,758
PARTNERSHIP INCOME	194,642	159,757	34,885
MISCELLANEOUS INCOME	25,355	39,417	(14,062)
TOTAL INCOME	<u>4,431,414</u>	<u>3,341,751</u>	<u>1,089,663</u>
EXPENSE			
General and administrative			
Salaries and payroll expense	795,124	720,282	74,842
Professional and directors' fees	362,695	282,563	80,132
Group life insurance	-	12,772	(12,772)
Interest - general	173,990	56,507	117,483
Depreciation	86,283	43,196	43,087
Provision for profit sharing - Note 2	251,069	250,889	180
Other	491,734	310,260	181,474
Interest capitalized	(24,719)	(23,150)	(1,569)
	<u>2,136,176</u>	<u>1,653,319</u>	<u>482,857</u>
Carrying charges - land			
Property taxes (Net of capitalized taxes of \$294,879 in 1989 and \$25,534 in 1988)	31,186	244,474	(213,288)
Depreciation	-	16,011	(16,011)
Other	8,514	56,942	(48,428)
	<u>39,700</u>	<u>317,427</u>	<u>(277,727)</u>
TOTAL EXPENSE	<u>2,175,876</u>	<u>1,970,746</u>	<u>205,130</u>
NET INCOME BEFORE INCOME TAXES	2,255,538	1,371,005	884,533
Provision for income taxes - Note 4	(884,631)	(552,629)	(332,002)
Cumulative effect of a change in accounting principle - Note 7	-	62,000	(62,000)
NET INCOME	<u>\$ 1,370,907</u>	<u>\$ 880,376</u>	<u>\$ 490,531</u>

See Notes to Financial Statements

W.C. AND A.N. MILLER DEVELOPMENT COMPANYCONSOLIDATED STATEMENT OF CASH FLOWSFOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>1989</u>	<u>1988</u>
Net income	\$ 1,370,907	\$ 880,376
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	842,319	673,637
Provision for deferred income taxes	135,599	171,008
Change in accounting method for deferred income taxes	-	(62,000)
Loss on disposal of equipment	6,282	46,540
Land and land development costs of lots sold	526,872	599,664
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(39,632)	408,380
Income tax refund receivable	80,720	413,732
Notes receivable	5,000	4,376
Cost of completed homes and jobs-in-progress	(1,008,430)	146,529
Increase (decrease) in		
Other operating assets	(433,015)	(182,508)
Accounts payable	(845,475)	761,517
Deposits on contracts	(679,255)	727,440
Income tax payable	201,019	206,748
Other operating liabilities	<u>99,654</u>	<u>(33,151)</u>
Forward	<u>262,565</u>	<u>4,762,288</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Additions and improvements to investment property	(813,553)	(727,599)
Additions to investment property construction-in-progress	(241,468)	(1,412,817)
Land development costs incurred	(4,397,235)	(1,488,772)
Land acquired	(4,865,720)	-
Investments acquired	(2,963,796)	-
Equipment purchased	(658,716)	(531,701)
Proceeds from sale of equipment	<u>5,150</u>	<u>19,300</u>
Forward	<u>(13,935,338)</u>	<u>(4,141,589)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from investment property notes payable	11,690,000	-
Proceeds from investment property construction loan	-	1,000,000
Proceeds from unimproved land note	3,013,706	-
Proceeds from operating notes payable	4,275,000	300,000
Payments on investment property notes payable	(243,099)	(214,460)
Payments on investment property construction loan	(5,241,873)	-
Payments on operating notes payable	(10,405)	(35,155)
Increase in minority interests	273,717	28,358
Dividends paid	<u>(432,108)</u>	<u>(748,187)</u>
Forward	<u>13,324,938</u>	<u>330,556</u>

CASH FLOWS FROM OPERATING ACTIVITIES	<u>1989</u>	<u>1988</u>
Forwarded	\$ 262,565	\$ 4,762,288
CASH FLOWS FROM INVESTING ACTIVITIES		
Forwarded	(13,935,338)	(4,141,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Forwarded	<u>13,324,938</u>	<u>330,556</u>
NET INCREASE (DECREASE) IN CASH	(347,835)	951,255
CASH AT BEGINNING OF YEAR	<u>2,025,774</u>	<u>1,074,519</u>
CASH AT END OF YEAR	\$ 1,677,939	\$ 2,025,774
SUPPLEMENTAL INFORMATION	<u><u> </u></u>	<u><u> </u></u>
Cash paid for interest	\$ 1,558,258	\$ 874,734
Cash paid for income taxes	\$ 581,117	\$ 130,023

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries and majority owned joint ventures. Intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of the following companies which have a year-end of September 30:

	<u>Form of Entity</u>	<u>Percentage of Ownership</u>
Bethesda Two Corporation	Corporation	100%
Haymount Corporation	Corporation	100%
Haymount Limited Partnership	Partnership	85%
Sumner Development & Investment Company	Partnership	85%

Depreciation - The Company primarily uses straight-line depreciation methods.

Investment Property - Investment property is carried at cost less accumulated depreciation.

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, interest and real estate taxes. Income on lot and home sales is recognized at settlement.

Real Estate Tax, Insurance and Interest Expense - The Company expenses property taxes when levied except those capitalized as part of inventory, investment property during construction, and subdivided lots. Insurance premiums for policy periods of one year or less on the date the policy becomes effective are expensed as incurred. Interest expense during the construction period of investment property and land development is capitalized.

Income Taxes - Deferred income taxes are provided for differences in timing in reporting income for financial statement and tax purposes arising from different methods of accounting for depreciation and rental income. Accelerated depreciation available under the accelerated cost recovery system is used for tax reporting and straight-line depreciation is used for financial statement reporting. Rental income is recognized when received for tax purposes and on the accrual basis for financial statements. The provision for deferred income taxes is computed under the liability method whereby deferred income tax expense is recognized for the net change during the year in the Company's deferred tax liability. The liability is computed at the rates expected to be in effect when the temporary differences reverse.

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition - Rent Concessions - In response to market conditions in the commercial real estate industry, the Company may provide concessions in the form of free rent to certain new tenants. In accordance with generally accepted accounting principles, rent concessions should be recognized ratably over the lease term. The Company's accounting policy is to recognize rental income over the lease term as it becomes receivable according to provisions of the lease and not to recognize rental income during the rent concession period. The Company's accounting policy does not result in its financial statements being materially different from generally accepted accounting principles.

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.

NOTE 3 - INVESTMENTS

Investments consist of the following at September 30:

	<u>1989</u>	<u>1988</u>
Two Bethesda Metro Center		
Limited Partnership - at cost		
General Partner	\$ 294,000	\$ -
Limited partner	2,646,000	-
Tiber Island Associates (14.285% interest) -		
at equity	7,259	3,089
T.I. Associates Limited Partnership (7.3%		
interest) - at equity	56,591	36,965
Miscellaneous stock	<u>457</u>	<u>457</u>
	<u>\$ 3,004,307</u>	<u>\$ 40,511</u>

The Company has a 20% interest in Two Bethesda Metro Center Limited Partnership. The Company's investment as a limited partner is 18% with an additional 2% interest held by the Company's wholly-owned subsidiary, Bethesda Two Corporation, as a general partner.

Other investments are presented at cost plus equity in undistributed earnings.

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 4 - INCOME TAXES

The provision for income taxes consists of the following:

	<u>1989</u>	<u>1988</u>
Current income tax	\$ 782,887	\$ 381,621
Deferred income tax	135,599	171,008
Income tax refund resulting from amendment of prior years' returns	<u>(33,855)</u>	<u>-</u>
Provision for income taxes - Exhibit C	<u>\$ 884,631</u>	<u>\$ 552,629</u>

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

Depreciation related	\$ 618,362	\$ 458,799
Rental income related	<u>(23,964)</u>	<u>-</u>
	<u>\$ 594,398</u>	<u>\$ 458,799</u>

NOTE 5 - INVESTMENT PROPERTY LIABILITIES

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

Investment Property	<u>Terms</u>	<u>September 30,</u>	
		<u>1989</u>	<u>1988</u>
Commercial property			
Little Falls Mall	Due \$19,001 monthly including 6.75% interest, due 10-31-93	\$ 811,225	\$ 978,307
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	936,589	993,100
49th and Massachusetts Avenue, N.W.	2nd trusts, 16 notes at \$10,000, due 10-1-90, 14% interest, payable quarterly	160,000	160,000
Sumner Apartments	Due \$39,548 monthly including 10.25% interest, balance due 12-15-98	<u>4,489,657</u>	<u>-</u>
Forward		6,397,471	2,131,407

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 5 - INVESTMENT PROPERTY LIABILITIES - continued

Investment property - continued		<u>1989</u>	<u>1988</u>
Commercial property - forwarded		\$6,397,471	\$2,131,407
4910 Massachusetts Avenue, N.W.	Interest only due monthly at 10 5/8% from April 1989 through March 1992. From April 1992 through February 1999 - \$73,928 due monthly including 10 5/8% interest with remaining principal due 3-1-99. Maximum available loan of \$8,000,000	7,190,000	-
Rental houses	Various	<u>1,132,340</u>	<u>1,141,503</u>
Total Investment Property		<u>14,719,811</u>	<u>3,272,910</u>
Construction in Progress			
Construction loan - 4910 Massachusetts Avenue, N.W.	Interest only due monthly through March 1991 at 1/2 of 1% above prime rate. Maximum loan of \$7,500,000, principal due in full March 1991		
	Permanent loan obtained 2-9-89	<u>-</u>	<u>5,241,873</u>
Unimproved Land			
Land - Caroline County, Virginia	Interest only due annually through September 1992 at 5%. Principal of \$700,000 with interest due annually for the next five years with remaining principal due September 1997	3,500,000	-
Unamortized discount		<u>(486,294)</u>	<u>-</u>
Total Investment Property Liabilities		<u>\$7,733,517</u>	<u>\$8,514,783</u>

Maturities on these liabilities for the are as follows:

1990	\$ 267,510
1991	451,192
1992	339,417
1993	1,712,306
1994	802,259
1995 and after	<u>14,647,127</u>
	18,219,811
Unamortized discount	<u>(486,294)</u>
	<u>\$17,733,517</u>

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 6 - OPERATING NOTES PAYABLE

The balance of notes payable consists of the following obligations:

Obligation	Terms	September 30,	
		1989	1988
Line of credit	Interest only due monthly at 1/4 of 1% above prime rate. Maximum loan of \$4,000,000, due in full May 1990	\$ 3,825,000	\$ 1,300,000
Line of credit	Interest only due monthly at 1/4 of 1% above prime rate. Maximum loan of \$2,000,000, due in full November 1989	1,750,000	-
Short-term loan	Due 11-30-89 with interest at 11%	200,000	200,000
Automobile loans	Due \$441 monthly including 3.9% interest, balance due September 1990	4,730	15,135
		<u>\$ 5,779,730</u>	<u>\$ 1,515,135</u>

During October 1989, the lines of credit were refinanced when the Company obtained a \$10,000,000 revolving credit line secured by lots in the Spring Valley Development. This line of credit is due in full October 1992 with interest due monthly at 1/2 of 1% above the prime rate.

Maturities on these obligations are as follows:

Year Ended
September 30,

1990

\$ 5,779,730

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 1988, the Company elected to change the method of accounting for deferred income taxes by adopting the liability method. Under this method, the deferred income tax liability is computed at the expected future tax rates (the current rates) during the period of reversal of the timing differences.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

The Board of Directors
W.C. and A.N. Miller
Development Company
4315 50th Street, N.W.
Washington, D.C. 20016

Our audits of the consolidated financial statements of W.C. and A.N. Miller Development Company for the years ended September 30, 1989 and 1988 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying comments and schedules 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 procedures applied in the audits 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.

November 15, 1989

Bond, Bush, Barton & Moskellmann, P.C.

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

COMMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

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 Schedule 1.

Investment properties which were under construction consist of the following:

	1989	1988
4315 50th Street, N.W.	\$ -	\$1,474,614
4301 50th Street, N.W.	258,553	17,085
4310 49th Street, N.W.	775	775
	<u>\$ 259,328</u>	<u>\$ 1,492,474</u>

Unimproved parcels of land are as follows:

Maryland

Darnestown, Montgomery County - 459.9687 acres (1988)	\$ -	\$ 1,281,328
Capitol Heights, Prince Georges County - 135,968 square feet	203,786	205,915
Other tract, Montgomery County - 4.9 acres	72,024	72,024
	<u>275,810</u>	<u>1,559,267</u>

District of Columbia

Spring Valley - 1,160,645 square feet (1988)	-	2,282,205
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Virginia

Caroline County - 1,500 acres	4,865,721	-
Fauquier County - 359.8582 acres	152,563	152,563
	<u>\$ 5,294,094</u>	<u>\$ 3,994,035</u>

ACCOUNTS RECEIVABLE

Rents due and accrued	\$ 36,600	\$ 15,399
Miscellaneous	59,865	35,684
	96,465	51,083
Estimated uncollectible accounts	(9,075)	(13,612)
	87,390	37,471
Officers and employees	101,333	94,315
Settlements receivable from title companies	11,765	29,070
	<u>\$ 200,488</u>	<u>\$ 160,856</u>

COMMENTS
(continued)

OTHER ASSETS

September 30,	
1989	1988
Deferred leasing commission expense	\$ 368,068
Deferred charges on investment property	\$ 164,482
Deferred property expense	316,780
Deferred construction costs	286,715
Deposits - utility and other	53,803
Organization costs (net)	-
Miscellaneous	212,346
	12,000
	25,471
	57,932
	34,664
	-
	39,543
	\$ 1,011,132
	\$ 560,672

ACCRUED EXPENSES

Real estate taxes	\$ 338,204	\$ 295,025
Profit sharing trust contribution	251,069	250,889
Interest	41,197	-
Payroll taxes and workmen's compensation insurance accrued	61,462	61,079
Guarantee reserves	47,332	27,309
Wages and commissions	22,199	29,010
Other	10,950	47,202
	\$ 772,413	\$ 710,514

OPERATIONS

An analysis of operations by department is detailed in Schedule 2.

The following summary reflects the gross profit, by subdivision, on new homes and lots sold for the years ended September 30, 1989 and 1988.

	1989			1988		
	Number of Units	Sales Price	Costs Including Sales Costs	Number of Units	Sales Price	Costs Including Sales Costs
Maryland						
Spring Valley	8	\$ 6,931,866	\$ 3,946,883	10	\$ 6,550,553	\$ 3,917,381
Spring Ridge	4	1,974,818	1,372,733	5	2,195,777	1,575,249
Darnestown	2	1,126,444	734,666	1	606,327	411,439
	14	10,033,128	\$ 6,054,282	16	9,352,657	\$ 5,904,069
Cost of sales		6,054,282			5,904,069	
Gross profit		\$ 3,978,846	39.66		\$ 3,448,588	36.87

COMMENTS
(continued)

JOBS-IN-PROGRESS AND COMPLETED HOMES

The following schedule details the number of homes in progress and completed at September 30:

Construction status	1989	1988
Jobs-in progress	6	9
Completed homes	3	1
	9	10

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. Interest and real estate taxes are included in the cost of subdivided lots for the year ended September 30, 1989.

The following schedule indicates lots, by location, as of September 30, 1989 and 1988:

Subdivision	September 30, 1989		September 30, 1988	
	Number of Lots	Cost	Number of Lots	Cost
Spring Valley	121	\$ 6,248,821	12	\$ 406,613
Potomac Falls	-	-	1	48,139
Spring Meadows	108	1,982,046	21	385,614
Spring Ridge	-	-	5	115,046
	229	\$ 8,230,867	39	\$ 955,412

FURNITURE, FIXTURES AND EQUIPMENT (NET)

	1989		1988	
	Cost	Accumulated Depreciation	Book Value	Book Value
Office furniture, fixtures and equipment	\$ 1,125,007	\$ 560,113	\$ 564,894	\$ 289,779
Trucks and automobiles	356,150	132,344	223,806	135,095
Tractors and trailers	404,937	252,676	152,261	164,556
Tools and equipment	147,239	106,325	40,914	147,469
Other fixed assets (net)	45,103	-	45,103	-
	\$ 2,078,436	\$ 1,051,458	\$ 1,026,978	\$ 736,899

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

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

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	\$ 152,736	\$ 202,101	\$ 24,662	\$ 31,303
4820 Massachusetts Avenue, N.W. (Garfinckel's)	389,093	336,289	492,704	72,178	53,494
4860 Massachusetts Avenue, N.W.	117,827	74,384	92,904	14,217	24,594
4866 Massachusetts Avenue, N.W.	19,372	19,372	60,576	12,631	8,359
4872 Massachusetts Avenue, N.W.	205,915	143,591	202,673	29,632	67,875
Commercial parking	<u>19,181</u>	<u>19,181</u>	<u>8,949</u>	<u>-</u>	<u>46,467</u>
	941,183	745,553	1,059,907	153,320	232,092
4900 Massachusetts Avenue, N.W. and parking	813,626	507,740	403,198	61,387	199,983
4910 Massachusetts Avenue, N.W. and parking	6,717,021	429,592	822,384	244,005	364,652
4315 50th Street, N.W.	1,727,908	32,416	193,146	45,805	96,357
14111 Seneca Road	134,817	21,745	12,000	2,877	1,393
Sumner Apartments	1,239,603	894,610	936,215	59,062	612,882
Little Falls Mall	<u>3,498,668</u>	<u>1,831,026</u>	<u>1,706,087</u>	<u>163,526</u>	<u>811,887</u>
	15,072,826	4,462,682	5,132,937	729,982	2,319,246
RENTAL HOUSES	1,625,040	309,460	156,146	36,319	116,461
COSTS CAPITALIZED DURING CONSTRUCTION	-	-	-	(14,758)	-
UNALLOCATED MANAGEMENT COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,625</u>
TOTAL - 1989	<u>\$ 16,697,866</u>	<u>\$ 4,772,142</u>	<u>\$ 5,289,083</u>	<u>\$ 751,543</u>	<u>\$ 2,528,332</u>
TOTAL - 1988	<u>\$ 14,320,554</u>	<u>\$ 4,358,452</u>	<u>\$ 4,098,515</u>	<u>\$ 641,469</u>	<u>\$ 2,189,360</u>

<u>Total Expense</u>	<u>1989 Net Before Interest and Depreciation</u>	<u>1988 Net Before Interest and Depreciation</u>	<u>Interest</u>	<u>Depreciation</u>	<u>1989 Profit or (Loss)</u>	<u>1988 Profit or (Loss)</u>
\$ 55,965	\$ 146,136	\$ 153,586				
125,672	367,032	183,518				
38,811	54,093	3,866				
20,990	39,586	37,876				
97,507	105,166	(13,170)				
46,467	(37,518)	(4,023)				
<u>385,412</u>	<u>674,495</u>	<u>361,653</u>	\$ 120,973	\$ 27,030	\$ 526,492	\$ 204,286
261,370	141,828	113,525	22,400	20,572	98,856	70,668
608,657	213,727	(139,807)	709,298	165,554	(661,125)	(789,870)
142,162	50,984	-	-	32,416	18,568	-
4,270	7,730	8,717	-	6,853	877	1,472
671,944	264,271	286,279	366,089	31,980	(133,798)	255,631
975,413	730,674	567,800	60,929	114,110	555,635	369,115
<u>3,049,228</u>	<u>2,083,709</u>	<u>1,198,167</u>	<u>1,279,689</u>	<u>398,515</u>	<u>405,505</u>	<u>111,302</u>
152,780	3,366	78,407	127,193	35,410	(159,237)	(85,128)
(14,758)	14,758	-	(199,995)	-	214,753	-
<u>92,625</u>	<u>(92,625)</u>	<u>(8,888)</u>	<u>-</u>	<u>11,253</u>	<u>(103,878)</u>	<u>(20,783)</u>
\$ 3,279,875	\$ 2,009,208		\$ 1,206,887	\$ 445,178	\$ 357,143	
<u>\$ 2,830,829</u>		<u>\$ 1,267,686</u>	<u>\$ 841,377</u>	<u>\$ 420,918</u>		<u>\$ 5,391</u>

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

NET OPERATING INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 1989 AND 1988

	Construction and Development	Sales	Property Management
INCOME - 1989			
Sales, commissions and rents	\$ 10,033,128	\$ 7,638,399	\$ 59,135
Cost of sales	(6,054,282)	(5,788,220)	-
Other direct expenses	(583,801)	(1,192,858)	(35,940)
Property taxes	-	-	-
Operating income before interest and depreciation	3,395,045	657,321	23,195
Interest	-	-	-
Depreciation	(203,553)	(62,344)	-
NET OPERATING INCOME - 1989	\$ 3,191,492	\$ 594,977	\$ 23,195
INCOME - 1988			
Sales, commissions and rents	\$ 9,352,657	\$ 6,607,620	\$ 63,338
Cost of sales	(5,904,069)	(4,989,800)	-
Other direct expenses	(706,952)	(1,078,212)	(45,736)
Property taxes	-	-	-
Operating income before interest and depreciation	2,741,636	539,608	17,602
Interest	-	-	-
Depreciation	(123,628)	(69,884)	-
NET OPERATING INCOME - 1988	\$ 2,618,008	\$ 469,724	\$ 17,602

<u>Investment Property</u>	<u>Total</u>
\$ 5,289,083	\$ 23,019,745
-	(11,842,502)
(2,528,332)	(4,340,931)
<u>(751,543)</u>	<u>(751,543)</u>

2,009,208	6,084,769
(1,206,887)	(1,206,887)
<u>(445,178)</u>	<u>(711,075)</u>

\$ 357,143	\$ 4,166,807
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\$ 4,098,515	\$ 20,122,130
-	(10,893,869)
(2,189,360)	(4,020,260)
<u>(641,469)</u>	<u>(641,469)</u>

1,267,686	4,566,532
(841,377)	(841,377)
<u>(420,918)</u>	<u>(614,430)</u>

\$ 5,391	\$ 3,110,725
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