

REPORT

TO

RESTON, VA., INC.

(NAME CHANGED FROM PALINDROME CORPORATION)

SEPTEMBER 30, 1965

GEORGE M. SACHS AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

19 WEST 44TH STREET

NEW YORK, N. Y. 10036

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December 10, 1965

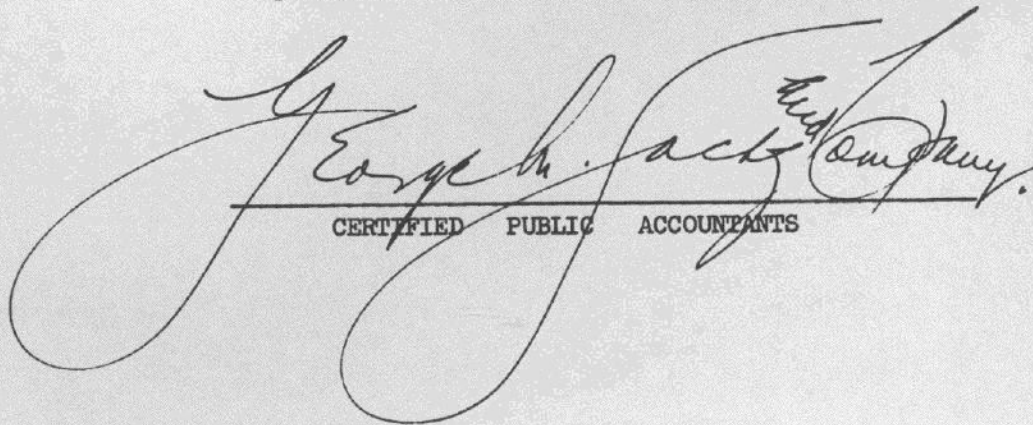
Mr. Robert E. Simon, Jr.
President
Reston, Va., Inc.
595 Madison Avenue
New York, New York 10022

Dear Mr. Simon:

We have examined the balance sheet of Reston, Va., Inc. as of September 30, 1965. 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, accepting the basis of valuation of land held for development at appraised value as explained in the footnote to the balance sheet, the accompanying balance sheet presents fairly the financial position of Reston, Va., Inc. at September 30, 1965.

Respectfully submitted,


George M. Sachs
CERTIFIED PUBLIC ACCOUNTANTS

RESTON, VA., INC.

(NAME CHANGED FROM PALINDROME CORPORATION)

BALANCE SHEET

SEPTEMBER 30, 1965

ASSETS:			
Cash		\$	268,820.96
Cash held in escrow (Note "1")			362,850.96
Receivables:			
Notes and accounts receivable on lot sales	\$	589,929.14	
Second deeds of trust - house sales		93,665.60	
Account receivable - construction contract		31,697.71	
Accrued interest receivable		21,235.20	
Sundry receivables and advances		<u>44,837.34</u>	781,364.99
U. S. Government Securities - At Cost and accrued interest (Note "2")			276,721.09
Lots available for sale - At Cost			19,437.41
Town houses completed (including land - \$24,394.65) - At Cost			1,667,222.80
Work in progress - At Cost:			
Land development	\$	4,764,459.45	
Buildings under construction (including land - \$40,570.69)		<u>7,639,450.47</u>	12,403,909.92
Land held for development - at appraised value			22,500,000.00*
Central air conditioning plant - At Cost			403,849.20
Community recreational facilities - At Cost			144,755.94
Rental and operating properties - At Cost, Less accumulated depreciation of \$17,503.02:			
Industrial buildings (including land - \$35,847.82)	\$	824,243.88	
Stable and show ring		49,500.00	
Golf course and club house (excluding land)		<u>515,726.43</u>	1,389,470.31
Property and equipment used in business - At Cost Less accumulated depreciation of \$114,734.56:			
Buildings	\$	190,875.78	
Equipment		<u>305,863.16</u>	496,738.94
Investment in subsidiary - At Cost			1,000.00
Prepaid expenses, deferred charges and other assets			<u>384,550.76</u>
TOTAL ASSETS (Forwarded)			<u>\$41,100,693.28</u>

* Value based upon independent appraisal made November 4, 1963, adjusted for current year's changes in land account, cost basis - \$14,703,416.47.

The accompanying notes are an integral part of the balance sheet.

TOTAL ASSETS (Brought forward)			\$41,100,693.28
LESS - LIABILITIES:			
Accounts payable and accrued expenses		\$	1,574,669.96
Estimated liability for additional improvements applicable to lots sold and available for sale			118,768.03
Rent security and electricity deposits			1,496.00
Deposits received on sales contracts			53,875.00
Due to Heccer Corporation			1,377,879.88
Notes payable (secured by chattel mortgages on equipment)			82,284.01
Construction loans payable (Note "3")			4,675,630.26
Notes and loans payable (Note "3")			7,857,345.29
Mortgages payable (Note "3")			15,442,913.96
Deferred federal income taxes (Note "4")			<u>51,000.00</u>
TOTAL LIABILITIES			<u>31,235,862.39</u>
STOCKHOLDERS' EQUITY			
Represented by:			
Capital stock:			
2,000 shares - cumulative preferred stock no par, redeemable at \$1,000. per share			
1,000,000 shares - common stock, par value \$.10 per share (Note "5")			
CONTINGENT LIABILITIES (Note "6")			
			<u>\$ 9,864,830.89</u>

RESTON, VA., INC.

(NAME CHANGED FROM PALINDROME CORPORATION)

NOTES TO BALANCE SHEET

SEPTEMBER 30, 1965

- NOTE "1" - Total cash held in escrow on September 30, 1965 was \$362,850.96. Of this amount \$90,644.35 represents funds held by Morgan Guaranty Trust Company of New York arising from release payments on sale of land and held by the bank for payment on account of the Company's indebtedness thereon. The remainder consists of \$263,909.90, representing proceeds from the sales of houses and land received by the Company's attorneys to be applied towards payments on construction loans and \$8,296.71 held by others for completion of certain improvements.
- NOTE "2" - The Company has pledged U. S. Government Treasury Bills having a market value on September 30, 1965 of \$276,721.09 with the Board of County Supervisors of Fairfax County, Virginia, in lieu of surety bonds to secure performance of contracts for the completion of streets, parking areas, driveways, sewers, drainage structures and other improvements.
- NOTE "3" - Notes and loans payable (\$7,857,345.29), construction loans (\$4,675,630.26) and mortgages payable (\$15,442,913.96) are secured substantially by all the real property owned by the Company and approximately \$159,000.00 of notes receivable from lot sales. In November 1965 the Company obtained a commitment for long term financing approximating \$20,000,000.00, at a cost of 6% per annum, covering a period of 25 years. This financing will become available in January 1966 when approximately \$10,000,000.00 will be used to replace the present and contemplated short term loans incurred to December 31, 1965.
- NOTE "4" - Payment of federal income taxes has been deferred because real estate taxes and interest on indebtedness incurred on properties under development have been capitalized for book purposes whereas such charges have been deducted for tax purposes.
- NOTE "5" - A restricted stock option plan adopted in 1964 provides for the issuance of options to officers and key employees of the Company, its parent and its subsidiaries. Under the plan options may be granted to purchase up to an aggregate of 50,000 shares of the Company's common stock at not less than the fair market value on the date granted.
- During the current fiscal year options under this plan were granted on 7,400 shares of \$1.61 per share and cancelled on 2,000 shares, and none were exercised. At September 30, 1965 options were outstanding on 5,400 shares at \$1.61 per share exercisable between October 1964 and December 1969 in varying amounts of shares.
- NOTE "6" - As at September 30, 1965 the Company had outstanding contracts totaling \$558,225.02 for work committed but not incurred.