



**1955 ANNUAL REPORT**

# **Hot Shoppes, Inc.**

FOR THE FISCAL YEAR ENDED JULY 31, 1955





**1955 ANNUAL**





# report

for the fiscal year ended JULY 31, 1955

**HOT SHOPPES, INC.**

EXECUTIVE OFFICES:

5161 River Road

Washington 16, D. C.

LEFT — The front of the new Hot Shoppes Office Building

COVER — Hot Shoppes Restaurant in Albany, N. Y.



## **A MESSAGE** to our stockholders:

**1955** has been a successful year for Hot Shoppes, Inc. Again, sales and profits have reached new heights, and material progress has been made on our expansion programs.

### **OPERATING RESULTS**

Sales in fiscal 1955 of \$23,551,621 represent a 9 per cent increase over our \$21,543,693 sales volume in 1954. Three-fourths of this \$2,007,928 sales increase was derived from volume increases at locations that were in operation during both 1954 and 1955.

Net profits before taxes increased 43 per cent from \$1,282,508 in 1954 to \$1,829,248 in 1955. Income taxes were relatively higher in 1955 because of inter-corporate transfers of profits from Hot Shoppes' subsidiaries. Income tax payments on these inter-corporate dividends alone totaled \$74,880. However, net profits after taxes of \$835,303 in 1955 showed a 29 per cent gain over the \$646,124 earned in 1954.

During fiscal 1955, quarterly cash dividends of fifteen cents per share were paid on Common Stock. Total annual dividend disbursements on Common Stock of sixty cents per share amounted to \$313,296 or 38 per cent of 1955 earnings.

### **FINANCIAL CONDITION**

The characteristically strong financial position of your Company is evident at the close of 1955.

A substantial portion of the profits from the past year's operation has been reinvested in your Company to help provide capital for its expanding business. The \$872,667 increase in our net investment in fixed assets arises from the acquisition of land, buildings, and equipment for the new operations discussed below.

### **THE MARRIOTT MOTOR HOTEL**

The 370 room Marriott Motor Hotel, now under construction, represents your Company's first venture in the motel field. When completed, this well-located motor hotel will be the largest structure of its type in the world. This project is discussed in greater detail on page five.

### **OFFICE AND WAREHOUSING CENTER**

In March, all of our administrative offices were consolidated in Hot Shoppes new office building at 5161 River Road, Washington 16, D. C. The completion of this new office marks the realization of our plans for a consolidated office and warehousing center. Situated on eleven acres of ground, this development also provides a test kitchen, a modern employee cafeteria, a print shop, railroad sidings, and considerable land and building space for future expansion.

### **HOT SHOPPES RESTAURANTS**

A new Hot Shoppes restaurant and Pantry House was opened August 3, 1955, at South Capitol Street and Southern Avenue, S. E., Washington, D. C. This location is the first of two planned in that rapidly expanding section of the city. On August 24th, a Hot Shoppe was opened in Albany, New York, adjacent to the Townhouse Motel at Northern Boulevard and Shaker Road.

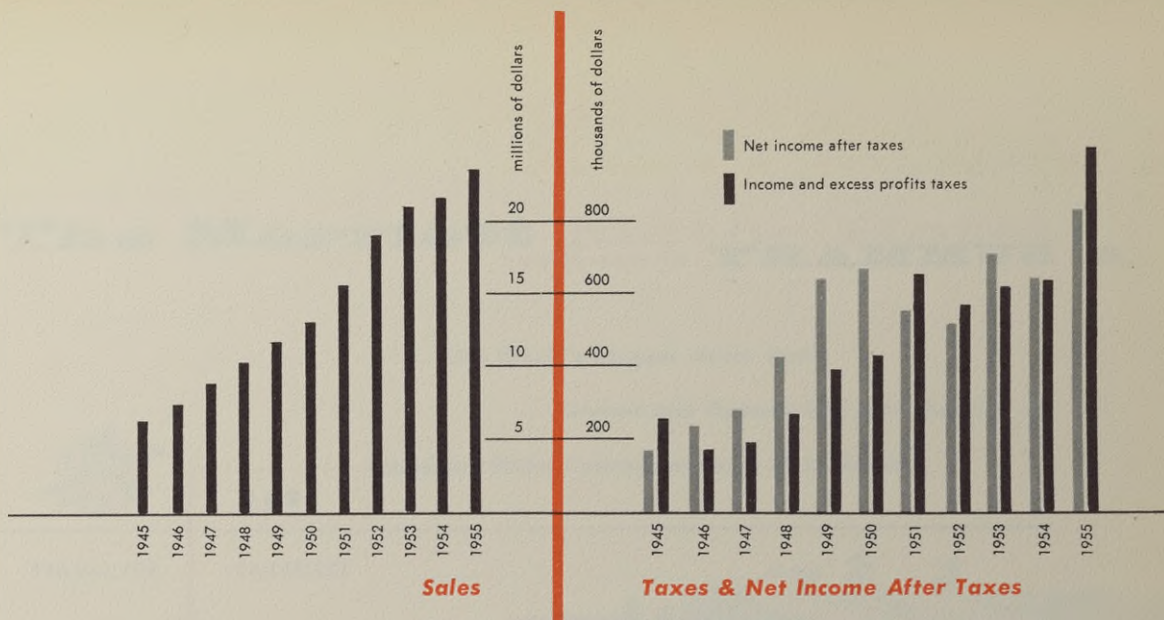
During October, 1955, two new Hot Shoppes restaurants and Pantry Houses have been opened — one in Richmond, Virginia, and the other in Washington, D. C. The Richmond Shoppe is located at 2310 West Broad Street. The second new restaurant in Washington, D. C., is at the intersection of the Washington-Baltimore Expressway, New York Avenue, and Bladensburg Road, N. E.

Public acceptance of these new operations has been good. Labor and management recruitment for these and other scheduled openings has been successful, in spite of a generally tight labor market.

The construction of two additional Hot Shoppes restaurants is well under way. One of these is in the Washington, D. C., area, and the other is in Fredericksburg, Virginia.







**NEW YORK STATE THRUWAY**

The completion of our restaurant facilities on the New York to Albany section of the New York State Thruway has been delayed, and thus far our operations there have been limited to two temporary snack bars. We expect to be established in permanent facilities at a number of our locations on the Thruway during the coming year.

**INDUSTRIAL FEEDING**

During fiscal 1955, Hot Shoppes began preparing all food for patients and employees at the Children's Hospital in Washington, D. C., and negotiations have recently been completed for Hot Shoppes operation of the campus feeding program at The American University in Washington, D. C. These institutional customers represent your Company's first food service operations in the hospital and college fields.

We have also opened new industrial feeding operations at the American Tobacco Company plant in Richmond, Virginia, and in a government cafeteria at Fort Meade, Maryland.

**MERCHANDISING**

Your management's efforts are constantly directed toward providing high quality food and service in attractive surroundings at reasonable prices.

Popular menu items introduced during the past year include the Mighty Mo (a double-decker hamburger sandwich) and Roast Steamship Round of Beef carved to order.

Drive-under shelters for curb service have been successfully introduced at one of our restaurants in Silver Spring, Maryland. Similar shelters will soon be installed at other locations, and our first application of a telephone system of curb service ordering has

been installed at the new drive-in restaurant in Richmond.

Courteous, efficient service by experienced personnel is perhaps our single most important promotional effort. A continuing on-the-job training program is maintained for our employees. During fiscal 1955, several of our waitresses received local and national recognition for their outstanding job performance. Out of 30,000 waitress entrants in the 1955 Kellogg Miss Good Morning Contest, Hot Shoppes girls won four of the 49 state prizes. In the previous year Hot Shoppes won two state prizes, and one of these state winners went to Chicago to compete as one of four national finalists. Earlier in that year, another Hot Shoppes waitress was named Miss Hospitality in a contest sponsored by the Washington, D. C., Restaurant Association.

*The high standard of performance of our employees at all levels is responsible in large measure for the customer good will and repeat patronage that have made Hot Shoppes, Inc., successful. We value highly the spirit of loyalty and diligence that exists throughout our organization.*

*The Annual Meeting of Stockholders will be held on November 15, 1955. I cordially invite you to be with us on this important occasion.*

RESPECTFULLY SUBMITTED,

*J. W. M. M. M.*  
PRESIDENT

October 19, 1955



## A SUMMARY of operations

	1955	1954
<b>SALES</b> .....	\$23,551,621	\$21,543,693
<b>EARNINGS BEFORE INCOME TAXES</b>		
In Dollars.....	\$ 1,829,248	\$ 1,282,508
A Share of Common Stock.....	\$2.50 †	\$1.82 †
<b>INCOME TAXES</b>		
In Dollars.....	\$ 993,945	\$ 636,384
A Share of Common Stock.....	\$1.36 †	\$0.90 †
<b>NET INCOME</b>		
In Dollars.....	\$ 835,303	\$ 646,124
A Share of Common Stock.....	\$1.14 †	\$0.92 †
<b>COMMON STOCK* DIVIDENDS PAID</b>		
In Dollars.....	\$ 313,296	\$ 302,858
A Share of Common Stock.....	\$0.60*	\$0.60*
<b>EARNINGS REINVESTED</b>		
In Dollars.....	\$ 493,690	\$ 343,266
A Share of Common Stock.....	\$0.68 †	\$0.49 †
<b>STOCKHOLDERS' INVESTMENT</b>		
In Dollars.....	\$ 6,103,271	\$ 5,528,285
A Share of Common Stock.....	\$8.35 †	\$7.84 †
<b>WORKING CAPITAL</b> .....	\$ 2,779,700	\$ 3,193,744
<b>COMMON AND CLASS B COMMON SHARES</b> .....	774,276	737,800
<b>STOCKHOLDERS</b> .....	2,714	2,416

\* Dividends declared on Common Stock only.

† Computed on the basis of 730,776 shares in 1955 and 704,800 shares in 1954 (see Note C).

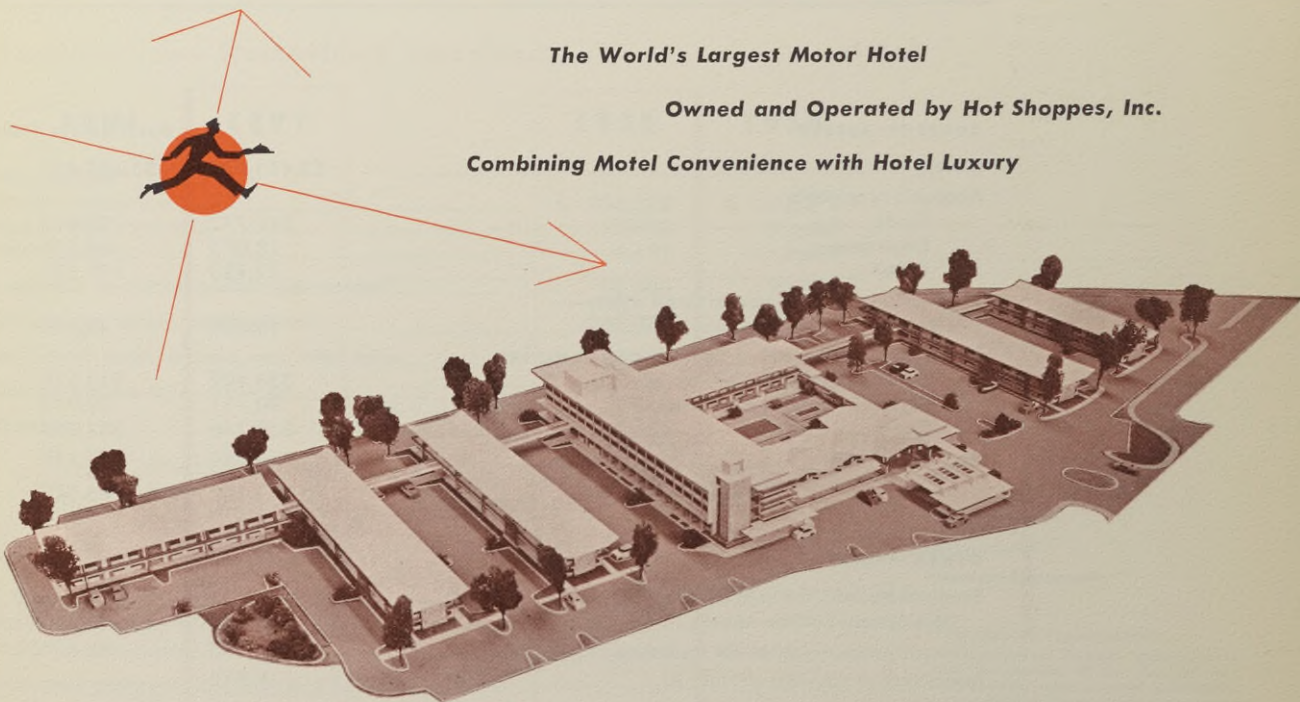


# The Marriott **Motor Hotel**

*The World's Largest Motor Hotel*

*Owned and Operated by Hot Shoppes, Inc.*

*Combining Motel Convenience with Hotel Luxury*



The area outlined in white is the site of The Marriott Motor Hotel. In the background is the Pentagon Building. The bridges at the lower right are the major traffic arteries spanning the Potomac River to Washington, D. C. Within a radius of three miles are found Washington's main business district, the Washington National Airport, most government agencies, and the sightseeing attractions of the Nation's capital. This location will be attractive to tourists and to transient military, government, and business people.

The facilities of this motor hotel include 370 air-conditioned rooms equipped with telephone, radio, and television; a Hot Shoppes restaurant; a barber shop; a variety store; a gasoline station; a swimming pool and recreation area; and adjacent guest parking.

Also featured will be a drive-in registration desk which will enable guests to register in their automobiles. Bicycle attendants will guide guests to their rooms.

At the left are the Washington Monument and the Jefferson Memorial as seen against the Washington skyline from the five-story central building. Foundations for three of the smaller motel buildings are in the foreground. The Marriott Motor Hotel is scheduled to open in the spring of 1956.







# HOT SHOPPES, INC. and Subsidiaries STATEMENT

As at July 31, 1955

## Assets

	1955	1954
<b>CURRENT ASSETS</b>		
Cash.....	\$3,485,948	\$3,455,491
Accounts receivable		
Trade.....	549,777	300,815
Employees.....	18,075	15,532
Other.....	22,423	109,691
Receivables from the sale of fixed assets— current portion (see below).....	13,000	48,000
Inventories — at lower of average cost or market		
Food, cigarettes, novelties, etc.....	554,607	543,519
Farm — livestock and supplies.....	90,751	89,915
Expense supplies.....	350,240	332,896
Prepaid expenses.....	166,686	250,148
Total Current Assets.....	<u>\$5,251,507</u>	<u>\$5,146,007</u>
<b>OTHER ASSETS</b>		
Receivables from the sale of fixed assets (less current portion above).....	\$ 35,482	\$ 46,915
Cash surrender value of life insurance.....	111,120	98,824
Investment in subsidiary (Note B).....	19,000	.....
	<u>\$ 165,602</u>	<u>\$ 145,739</u>
<b>FIXED ASSETS (at cost)</b>		
Land.....	\$ 737,909	\$ 311,439
Buildings and improvements — less accumulated depreciation of \$153,369 in 1955 and \$133,035 in 1954.....	303,336	282,206
Leasehold improvements — less accumulated amortization of \$593,049 in 1955 and \$530,875 in 1954.....	535,027	498,386
Furniture and fixtures — less accumulated depreciation in \$2,274,643 in 1955 and \$1,901,545 in 1954.....	2,109,795	2,071,747
Automotive equipment — less accumulated depreciation of \$183,659 in 1955 and \$172,354 in 1954.....	112,190	70,588
Other.....	53,824	52,436
Construction in progress.....	307,388	.....
	<u>\$4,159,469</u>	<u>\$3,286,802</u>
Total Assets.....	<u>\$9,576,578</u>	<u>\$8,578,548</u>



# STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

July 31, 1955 and 1954

## Liabilities and Stockholders' Investment

	1955	1954
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Trade creditors.....	\$ 706,272	\$ 392,374
Income taxes withheld.....	92,698	72,637
Miscellaneous.....	6,129	9,472
Notes payable — current portion (see below).....	96,500	96,500
Accrued salaries, wages, and bonuses.....	363,038	527,711
Accrued payroll taxes, permits, and other taxes.....	65,487	72,714
Provision for income taxes (Note A).....	992,297	635,269
Miscellaneous.....	149,386	145,586
Total Current Liabilities.....	<u>\$2,471,807</u>	<u>\$1,952,263</u>
<b>FIXED LIABILITIES</b>		
4 ½ % note payable (payable \$42,000 semi-annually; balance due June 1, 1967) less current portion of \$84,000 — see current liabilities.....	\$ 914,000	\$ 998,000
5% debenture notes payable (payable \$12,500 annually — subordinated) less current portion of \$12,500 — see current liabilities.....	87,500	100,000
Total Fixed Liabilities.....	<u>\$1,001,500</u>	<u>\$1,098,000</u>
Total Liabilities.....	<u>\$3,473,307</u>	<u>\$3,050,263</u>
<b>STOCKHOLDERS' INVESTMENT</b>		
Common stock — \$1 par value; 1,000,000 shares authorized; outstanding (Note B).....	\$ 534,025	\$ 507,815
Class B common stock — \$1 par value; 750,000 shares authorized; outstanding (Note C).....	240,251	229,985
Capital contributed in excess of par value of common stock.....	292,520	247,700
Retained earnings (Note D)		
Unrestricted.....	1,941,841	1,448,151
Restricted as to dividends (Note E).....	3,094,634	3,094,634
Total Stockholders' Investment.....	<u>\$6,103,271</u>	<u>\$5,528,285</u>
Total Liabilities and Stockholders' Investment.....	<u>\$9,576,578</u>	<u>\$8,578,548</u>

The accompanying notes are an integral part of this statement.

### Footnotes to Consolidated Financial Statements

#### Principles of Consolidation

The consolidated financial statements include the accounts of Hot Shoppes, Inc., and twenty-six wholly owned subsidiaries. In consolidation, intercompany accounts and transactions have been eliminated.

**NOTE A** We anticipate no major changes in these taxes. Revenue agents have examined the records through the fiscal years ended July 31, 1949, and all additional taxes resulting therefrom have been paid.

**NOTE B** Common Stock outstanding has been increased by the issuance of stock to acquire control of a corporation owning a valuable tract of land and by purchases under an employee stock purchase plan. Employee purchases of stock under this plan are restricted as to sale for a period of two years.

**NOTE C** 10,500 shares of Class B Common Stock were issued during fiscal 1955 and 33,000 shares during fiscal 1954 to persons occupying executive positions. The shares so issued are restricted as to dividends, sale, and conversion into Common Stock for a period of five years from the date of purchase.

**NOTE D** The investment of the parent in its subsidiaries amounts to \$200,776 in 1955 and \$179,776 in 1954 as compared to net equities therein of \$3,185,799 at July 31, 1955, and \$3,704,468 at July 31, 1954. The difference of \$2,985,023 and \$3,524,692 at these dates respectively is reflected in retained earnings. The parents' net equity in the subsidiaries declined in 1955 due to the payment of substantial dividends to the parent by the subsidiaries.

**NOTE E** A provision in the note payable to The Penn Mutual Life Insurance Company (shown as a fixed liability) is that dividends, distributions, and payments on the Common Stock shall be paid only from consolidated surplus accumulated subsequent to July 31, 1951, and then only if the consolidated net current assets equal at least \$1,000,000 after giving effect to such proposed dividend or distribution.



# HOT SHOPPES, INC. and Subsidiaries

## STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

For the years ended July 31, 1955 and 1954

	1955	1954
<b>GROSS INCOME</b>		
From operations.....	\$23,551,621	\$21,543,693
Other.....	69,167	38,001
	<u>\$23,620,788</u>	<u>\$21,581,694</u>
<b>DEDUCTIONS</b>		
Cost of sales and operating expenses.....	\$19,753,721	\$18,391,622
Administrative, miscellaneous, and interest expenses.....	2,037,819	1,907,564
	<u>\$21,791,540</u>	<u>\$20,299,186</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES.....</b>	<b>\$ 1,829,248</b>	<b>\$ 1,282,508</b>
<b>PROVISION FOR FEDERAL AND STATE INCOME TAXES.....</b>	<b>993,945</b>	<b>636,384</b>
<b>NET INCOME.....</b>	<b>\$ 835,303</b>	<b>\$ 646,124</b>
<b>RETAINED EARNINGS —</b>		
at Aug. 1, 1954, and Aug. 1, 1953.....	4,542,785	4,199,519
	<u>\$ 5,378,088</u>	<u>\$ 4,845,643</u>
<b>DEDUCT</b>		
Dividends on Common Stock.....	\$ 313,296	\$ 302,858
Miscellaneous deductions.....	28,317	.....
	<u>\$ 341,613</u>	<u>\$ 302,858</u>
<b>RETAINED EARNINGS —</b>		
at July 31, 1955, and July 31, 1954 (Note E).....	<u>\$ 5,036,475</u>	<u>\$ 4,542,785</u>

The accompanying notes (page 7) are an integral part of this statement.

### Auditor's Certificate

#### WAYNE KENDRICK & COMPANY

We have audited the records of account of Hot Shoppes, Inc. and its subsidiaries for the fiscal year ended July 31, 1955, in accordance with generally accepted auditing standards applicable to the circumstances, and, in connection therewith, we did not omit any procedures deemed necessary or applicable. Our examination included a general review of income and expense accounts, a test-check of inventory quantities, and analyses and verification of other accounts to the extent we deemed appropriate.

We hereby certify that, in our opinion, the accompanying balance sheet and related statements of income and surplus fairly present, in accordance with generally accepted principles of accounting, the true financial condition of Hot Shoppes, Inc. and its subsidiaries as at July 31, 1955, and the results of its operations for the period ended on that date.

Respectfully submitted,

WAYNE KENDRICK & COMPANY

By Wayne Kendrick  
Certified Public Accountant

October 19, 1955





The front of the main dining room  
at the new South Capitol Street  
and Southern Avenue Shoppe in Washington, D. C.

The modern décor of the  
dining rooms in new Hot Shoppes restaurants  
includes cathedral ceilings,  
modernistic murals, and  
floor-to-roof picture windows.



Hot Shoppes feature  
counter seats for guests  
seeking faster service.  
Illustrated is the  
counter area in one of  
our new restaurants.



Curb service patrons  
appreciate these new canopies  
which provide shelter  
from sun, rain, and snow.  
Hot Shoppes popular curb service facilities  
are now available in  
all kinds of weather.



This busy intersection marks  
the location of another new Hot Shoppe.  
Scheduled to open in a few weeks  
in Washington, D. C., this Hot Shoppe  
is at the junction of the  
new Washington-Baltimore Expressway,  
New York Avenue, and Bladensburg Road, N. E.



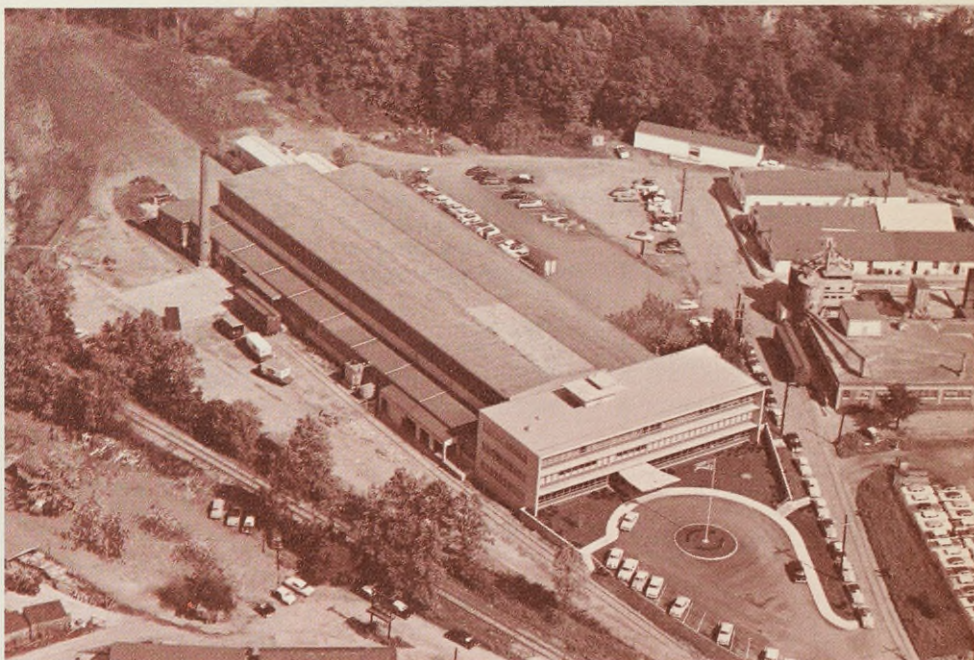


The main warehouse provides more than an acre of covered storage space.

From this central distribution center, the finest foods and supplies are shipped to Hot Shoppes restaurants.



Hot Shoppes Office and Warehousing Center. This 11 acre development is near Bethesda, Maryland, one mile from the District of Columbia line. It is seven miles from the center of Washington, D. C.



The lobby of the new office building. This modern, air-conditioned structure contains 25,000 square feet of office space.



The Board of Directors of Hot Shoppes, Inc., meets in this beautiful conference room.





# HOT SHOPPES<sup>®</sup>

## Restaurants

### WASHINGTON, D. C.

**Service & Drive-in Restaurants**  
Georgia Ave. and Gallatin Street, N. W.  
4110 Wisconsin Ave., N. W. (U. S. 240)  
4340 Connecticut Ave., N. W. (Alt. U. S. 29)  
1404 Park Road, N. W.  
14th and G Streets, N. W. (Colorado Bldg.)  
14th and Rhode Island Ave., N. E. (U. S. 1)  
4th and Florida Ave., N. E.  
2301 Bladensburg Road, N. E. (U. S. 1-50)  
South Capitol St. and Southern Ave., S. E.  
2230 New York Ave., N. E.

**Cafeterias**  
1621 H Street at Connecticut Ave., N. W.  
Meridian Hill Hotel, 16th & Euclid St., N. W. (U. S. 29)  
McLean Gardens, 3811 Porter Street, N. W.  
CBS Radio & Television Studio Snack Bar

**Government Cafeterias**  
U. S. Naval Security Station, 3801 Nebraska Ave., N. W.  
Securities & Exchange Commission, 425 Second Street, N. W.  
Treasury Department, 15th St. and Pa. Ave., N. W.  
Bureau of Printing & Engraving, 14th and Streets, S. W.

**Institutional Feeding**  
Children's Hospital, 2125 13th Street, N. W.  
The American University, Mass. & Neb. Aves., N. W.

### MARYLAND

**Service & Drive-in Restaurants**  
Bethesda, Wisconsin Ave. at East-West Highway (U. S. 240)  
Silver Spring, 7980 Georgia Avenue (U. S. 29)  
Silver Spring, 8643 Colesville Road (U. S. 29)  
Hyattsville, 5315 Baltimore Avenue (U. S. 1)  
College Park, 7300 Baltimore Avenue (U. S. 1)  
Langley Park, New Hampshire Avenue and University Lane  
Baltimore, 5807 Harford Road

**Government Cafeteria**  
Fort Meade

### VIRGINIA

**Service & Drive-in Restaurants**  
Alexandria, Mt. Vernon Memorial Highway  
Shirlington, off Shirley Highway (Rte. 350)  
Arlington, 3130 Lee Highway (U. S. 29-211)  
South End, 14th Street Bridge (U. S. 1)  
Rosslyn (U. S. 29-211)  
Richmond, 2310 West Broad Street

**Cafeteria**  
Richmond, 7th and Grace Streets

**Airline Catering**  
Washington National Airport

**Industrial Cafeteria**  
Norfolk, Ford Motor Company  
Richmond, American Tobacco Company

### PENNSYLVANIA

**Service & Drive-in Restaurants**  
Philadelphia, Broad & Stenton Avenue (U. S. 611)  
Philadelphia, 28th and Hunting Park Avenue (U. S. 1-13)  
Upper Darby, 66th and Market Streets

**Government Cafeteria**  
Philadelphia, Veterans Administration, 500 Wissahickon Ave.

### UTAH

**Service & Drive-in Restaurants**  
Salt Lake City, 534 South Main Street

### ILLINOIS

**Airline Catering**  
Chicago Midway Airport

**Industrial and Government Cafeterias**  
Chicago, Studebaker Plant  
Chicago, Rand McNally Building

### NEW YORK

**Service & Drive-in Restaurant**  
Albany, Northern Blvd. and Shaker Road  
**New York State Thruway Restaurants**  
Albany  
Kingston

### NEW JERSEY

**Airline Catering**  
Newark Municipal Airport

### GEORGIA

**Industrial Cafeterias**  
Doraville, General Motors Plant  
Doraville, Eastman Kodak

### FLORIDA

**Airline Catering**  
Miami International Airport

**Industrial Cafeterias**  
Miami, Eastern Airlines  
Miami, Pan American Airways



**Directors**



**J. WILLARD MARRIOTT**  
*Chairman of the Board  
and President, Hot Shoppes, Inc.*



**ALICE S. MARRIOTT**  
*Vice President, Hot Shoppes, Inc.*



**ERIC JOHNSTON**  
*President, Motion Picture  
Association of America, Inc.*



**JAMES M. JOHNSTON**  
*Senior Partner  
Johnston, Lemon & Co.*



**ROGER J. WHITEFORD**  
*Senior Partner  
Whiteford, Hart, Carmody & Wilson*

**HOT SHOPPES, INC.**

**Officers**



**MILTON A. BARLOW**  
*Vice President and Treasurer*



**JOHN S. DANIELS**  
*Vice President*



**PAUL M. MARRIOTT**  
*Vice President*



**SIDNEY S. WILCOX**  
*Vice President*



**JOHN K. HEDLER**  
*Assistant Treasurer*



**BETTY L. CUSHWA**  
*Secretary*



**transfer agent** AMERICAN SECURITY & TRUST COMPANY  
15th Street and Pennsylvania Avenue, Northwest, Washington, D. C.

**registrar** THE RIGGS NATIONAL BANK  
1503 Pennsylvania Avenue, Northwest, Washington, D. C.

**auditors** WAYNE KENDRICK & COMPANY  
Rust Building, 1001 Fifteenth Street, Northwest, Washington, D. C.

**general counsel** WHITEFORD, HART, CARMODY & WILSON  
815 Fifteenth Street, Northwest, Washington, D. C.



**DRIVE-IN RESTAURANTS**

**CAFETERIAS**

**PANTRY HOUSES**

**SERVICE RESTAURANTS**

**INDUSTRIAL FEEDING**

**INSTITUTIONAL FEEDING**

**AIRLINE CATERING**

