AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2003 AND 2002 WITH REPORT OF INDEPENDENT ACCOUNTANTS

ARGY, WILTSE & ROBINSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

LEADING BY EXAMPLE

REPORT OF INDEPENDENT ACCOUNTANTS

December 30, 2003

To the Board of Directors and Stockholders
of W.C. and A.N. Miller Development Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of W.C. and A.N. Miller Development Company and subsidiaries at September 30, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion expressed above.

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

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2003 AND 2002

	2003	2002
ASSETS		
Cash and cash equivalents	$ 1,466,032	$ 3,254,761
Restricted cash	1,834,553	2,195,962
Accounts, notes and other receivables		
Tenants and other trade (net of allowance for doubtful accounts of $305,000 and $105,000, respectively)	1,455,472	877,850
Affiliates	285,188	531,739
Note receivable	1,475,000	0
Income taxes	144,800	634,949
Investments	138,753	108,369
Inventory		
Construction in progress	12,818,553	3,541,406
Subdivided lots	10,908,968	8,293,037
Real estate		
Investment property, net	32,640,137	33,296,357
Unimproved land	13,219,845	18,830,050
Property and equipment, net	1,920,327	1,078,392
Deferred charges and other assets	5,058,485	2,435,907
Total assets	$ 83,366,113	$ 75,078,779
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 3,947,216	$ 4,001,442
Notes payable	74,451,363	61,668,554
Contract, escrow and rent deposits	2,881,887	2,787,728
Deferred income taxes	1,184,000	1,025,000
Total liabilities	82,464,466	69,482,724
Noncontrolling interest in subsidiaries	0	4,130,139
Stockholders' equity		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained earnings	101,447	665,716
Total stockholders' equity	901,647	1,465,916
Total liabilities and stockholders' equity	$ 83,366,113	$ 75,078,779

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

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

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
Revenue		
Sales	$ 9,980,176	$ 19,254,728
Commissions	25,733,149	21,479,916
Rent	9,373,139	8,537,623
Contracting and other services	6,522,252	6,226,235
	51,608,716	55,498,502
Direct costs and operating expenses		
Cost of sales	7,223,035	14,480,330
Commissions and direct costs	20,550,678	17,661,160
Contracting and other direct costs	2,784,648	3,418,729
Property taxes, net	769,387	902,608
Interest, net	3,866,441	3,376,379
Depreciation and amortization	1,253,840	1,653,468
Salaries and payroll expense	7,346,504	6,592,903
Professional and directors fees	1,591,649	1,383,133
Advertising and public relations	914,121	1,088,925
Other overhead expenses	2,739,135	2,429,634
Other general and administrative expenses	2,024,000	1,502,658
	51,063,438	54,489,927
Operating income	545,278	1,008,575
Other income (expenses)		
Loss on the sale of subsidiaries, net	(192,606)	0
Noncontrolling interest in income of subsidiaries	0	42,582
Other income	8,708	58,155
	(183,898)	100,737
Net income before income taxes	361,380	1,109,312
Provision for income taxes	(159,000)	(430,000)
Net income	202,380	679,312
Retained earnings at beginning of year	665,716	322,488
Dividends	(766,649)	(336,084)
Retained earnings at end of year	$ 101,447	$ 665,716

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
Cash flows from operating activities:		
Net income	$ 202,380	$ 679,312
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,253,840	1,653,468
Change in allowance for doubtful accounts	200,000	53,000
Partnership net income	(50,223)	(60,567)
Partnership distributions	19,839	52,458
Land and land development costs of lots sold	1,864,069	2,522,796
Deferred income taxes	159,000	202,000
Noncontrolling interest in income of subsidiaries	0	(42,582)
Loss on the sale of subsidiaries	192,606	0
(Increase) decrease in:		
Restricted cash	361,409	(785,769)
Accounts, notes and other receivables	(40,922)	159,690
Construction in progress	(9,277,147)	(210,013)
Subdivided lots	(4,480,000)	0
Deferred charges and other assets	(2,622,578)	(753,015)
Increase (decrease) in:		
Accounts payable and accrued expenses	(54,226)	836,040
Contract, escrow and rent deposits	94,159	1,184,015
Net cash (used in) provided by operating activities	(12,177,794)	5,490,833
Cash flows from investing activities:		
Additions and improvements to investment property	(434,325)	(259,138)
Land development costs	(187,540)	(283,508)
Purchases of property and equipment, net	(1,005,230)	(177,980)
Net cash used in investing activities	(1,627,095)	(720,626)
Cash flows from financing activities:		
Payments made under notes payable	(34,090,401)	(3,483,352)
Proceeds from notes payable	46,873,210	647,327
Dividends paid	(766,649)	(336,084)
Net cash provided by (used in) financing activities	12,016,160	(3,172,109)
Net (decrease) increase in cash and cash equivalents	(1,788,729)	1,598,098
Cash and cash equivalents at beginning of year	3,254,761	1,656,663
Cash and cash equivalents at end of year	$ 1,466,032	$ 3,254,761
Supplemental information:		
Cash paid for interest	$ 3,736,158	$ 3,731,131
Cash paid for income taxes	$ 0	$ 711,629

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

NOTE 1 - COMPANY DESCRIPTION AND SUMMARY OF ACCOUNTING POLICIES

W.C. and A.N. Miller Development Company and its subsidiaries are primarily engaged in real estate development, construction of residential homes, brokerage sales, renovations and remodeling, home services, investment property rental and property management in the District of Columbia, Maryland and Virginia.

The significant accounting policies followed by W.C. and A.N. Miller Development Company and subsidiaries are described below.

Principles of consolidation

The consolidated financial statements include the accounts of W.C. and A.N. Miller Development Company and its wholly-owned subsidiaries and majority owned ventures (collectively referred to as the Company). Significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of the following companies:

	Form of Entity	Percentage Ownership
Haymount Corporation	Corporation	100%
W.C. and A.N. Miller Referral Company	Corporation	100%
Boyd Park, LLC	Corporation	100%
Miller Real Estate Services, LLC	Corporation	100%
Greenway Lending Group, LLC	Corporation	100%
Arlington Road, LLC	Corporation	100%
Oak Park at Burning Tree, Inc.	Corporation	100%
Commonwealth Homes, LLC	Corporation	100%
Homes of Virginia, LLC	Corporation	100%
Haymount Limited Partnership	Partnership	85%
Miller Home Services, LLC	Corporation	75%

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results could differ from those estimates.

Cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Inventory

Inventory, which includes homes completed and in progress, is carried at cost determined under the specific cost method of accounting, including a provision for overhead, interest and real estate taxes during the period of development and construction.

Depreciation and amortization

Buildings and improvements included in investment property and operating assets included in property and equipment are stated at cost less accumulated depreciation and amortization. These assets are depreciated and amortized using the straight-line method over the estimated useful lives of three to forty years. Leasing commissions, rent concessions and loan charges included in deferred charges (Note 8) are amortized over the life of the lease or loan agreement.

Revenue recognition

Home sales revenue and commission revenue are recognized at the time of settlement. Rent revenue is recognized ratably over the lease term. Contingent rental income is recognized once the target or goal used to determine the contingent rental income is met. Custom homes, home services, renovation and remodeling sales are recognized on the percentage of completion method.

Income taxes

Income taxes have been recorded using the liability method. The income tax provision includes federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Advertising costs

Advertising costs are expensed as incurred.

Reclassifications

Certain amounts presented in the September 30, 2002 financial statements have been reclassified to conform to the September 30, 2003 financial statement presentation. These reclassifications have no effect on the previously reported net income.

NOTE 2 - RESTRICTED CASH

Restricted cash at September 30, 2003 and 2002 consists of amounts held in escrow for settlement of home sales and security deposits received from tenants.

NOTE 3 - NOTE RECEIVABLE AND SALE OF SUBSIDIARIES

During the year ended September 30, 2003 the Company sold their wholly owned subsidiary, F&R Corporation, and their partnership interest in F&R Limited Partnership to F&R Limited

Partnership in exchange for a $1,475,000 note receivable from F&R Limited Partnership. The note receivable bears interest at 7.0% per annum. Payments of accrued interest are required beginning on October 31, 2006. Principal payments are required beginning October 31, 2007. All principal and unpaid interest is due under the note on October 31, 2010.

Principal payments are due in future years as follows:

Years ending September 30,	
2008	$ 196,368
2009	311,597
2010	335,460
2011	631,575
	$ 1,475,000

The Company realized a loss of $192,606 related to the sale of F&R Corporation and its partnership interest in F&R Limited Partnership.

In connection with the sale of the Company's interests, unimproved land held by F&R Limited Partnership with a value of $5,797,745 that was previously consolidated into the consolidated financial statements has been removed from the consolidated financial statements. With F&R Limited Partnership no longer consolidated into the consolidated financial statements the non-controlling interest in subsidiaries of $4,130,139 has also been eliminated.

NOTE 4 - INVESTMENTS

Investments activity consists of the following for the year ended September 30, 2003:

	September 30, 2002	Net Income	Partnership Distributions	September 30, 2003
Tiber Island Associates (14.285% limited partner interest) - at equity	$ 79,014	$ 26,853	$ (16,759)	$ 89,108
T.I. Associates Limited Partnership (7.3% limited partner interest) - at equity	29,355	23,370	(3,080)	49,645
	$ 108,369	$ 50,223	$ (19,839)	$ 138,753

The carrying value of the Company's investments in Tiber Island Associates and T.I. Associates Limited Partnership approximates the Company's equity in the underlying net assets of Tiber Island Associates and T.I. Associates Limited Partnership.

NOTE 5 - INVENTORY

Inventory includes zero homes completed at September 30, 2003 and 2002, and homes in progress of four units at September 30, 2003 and 2002, in one subdivision in Montgomery

County, Maryland. As of September 30, 2003 and 2002, the construction in progress account also includes costs related to the construction of a condominium project in Montgomery County, Maryland. At September 30, 2003 and 2002, inventory also includes 12 and 10 sudivided lots, respectively, in three subdivisions, on which construction has not started. Substantially all of these assets are pledged as security for the notes payable (Note 9). Included in inventory is capitalized interest of approximately $1,012,000 and $900,000 at September 30, 2003 and 2002, respectively.

NOTE 6 - REAL ESTATE

Investment property consists of the following at September 30:

	2003	2002
Investment property	$ 44,208,172	$ 43,831,791
Accumulated depreciation	(11,568,035)	(10,535,434)
	$ 32,640,137	$ 33,296,357

The Company owns and manages commercial and residential income producing properties in the District of Columbia and Montgomery County, Maryland. The Company also owns unimproved land consisting of approximately 1,600 acres in Caroline County, Virginia held by Haymount Limited Partnership, as well as other parcels in various locations throughout Washington, D.C., Montgomery County, Maryland, and Fairfax, Virginia.

Substantially all of these assets are pledged as security for the notes payable (Note 9).

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2003	2002
Computer equipment	$ 1,733,057	$ 777,682
Furniture, fixtures and equipment	665,503	1,505,575
Vehicles	554,360	541,580
Leasehold improvements	537,102	717,450
Heavy equipment and vehicles	321,315	391,635
Office equipment	35,791	315,957
Other	96,430	300,016
	3,943,558	4,549,895
Accumulated depreciation and amortization	(2,023,231)	(3,471,503)
	$ 1,920,327	$ 1,078,392

NOTE 8 - DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consists of the following at September 30:

	2003	2002
Deferred construction costs	$ 2,491,084	$ 638,517
Deferred loan charges on investment property	1,307,996	347,352
Deferred leasing commissions	607,428	688,564
Prepaid expenses and other deposits	473,949	513,659
Deferred rent concessions	93,831	123,225
Tax, insurance and leasing escrows	84,197	124,590
	$ 5,058,485	$ 2,435,907

NOTE 9 - NOTES PAYABLE

Notes payable consists of the following at September 30:

Operating notes payable:

Security	Terms	2003	2002
$11,000,000 Line-of-credit	Interest payable monthly at the lower of the bank's prime rate plus 0.3% or Libor plus 3.3% (4.43% at September 30, 2003). Balance due April 1, 2004. Secured by various properties located in Washington, D.C. The line-of-credit agreement includes financial covenants which require the Company to maintain a minimum level of net worth and net operating income. At September 30, 2003, the Company was not in compliance with these covenants. However, at September 30, 2003, the bank has issued a waiver with respect to these covenant violations.	$ 6,613,333	$ 8,562,663
$4,250,000 Line-of-credit	Interest payable monthly at 0.5% over the bank's prime rate (4.75% at September 30, 2003). Secured by an office building in Washington, D.C. Balance due April 15, 2004.	3,892,475	3,892,475
$6,250,000 Land loan/construction line-of-credit and furniture, fixture and equipment loans	Land and construction and furniture, fixture and equipment loans currently scheduled to expire February 1, 2005. Interest payable monthly at 0.5% over the bank's prime rate (4.75% as of September 30, 2003). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due upon settlement of homes.	231,944	247,500
$8,600,000 Land and construction loan	Land and construction loan currently scheduled to expire June 13, 2004. Interest payable monthly at the bank's prime rate (4.25% as of September 30, 2003). Secured by land located in Montgomery County, Maryland. Principal payments due upon settlement of homes.	5,878,565	1,411,731
$6,520,000 Land and construction loan	Land and construction loan currently scheduled to expire August 6, 2004. Interest payable monthly at 0.5% over the bank's prime rate (4.75% at September 30, 2003). Secured by land located in Montgomery County, Maryland. Principal payments due upon settlement of homes.	4,185,025	200,000

$255,200 Land loan	Monthly payments of $2,187 including interest at 6.25% per annum, with remaining balance due May 30, 2006. Secured by land located in Montgomery County, Maryland.	247,197	248,482
Short-term loan	Note payable to a company owned by certain shareholders of the Company. Interest payable monthly at 9.5% per annum. Balance due February 28, 2004. This note is unsecured.	200,000	200,000
$2,520,000 Land loan	Land loan currently scheduled to expire September 26, 2004. Interest payable monthly at 0.5% over the bank's prime rate (4.75% at September 30, 2003). Secured by land in Great Falls, Virginia. Principal payments due upon settlement of homes.	2,520,000	0
$1,100,000 Equipment loan	Equipment loan currently scheduled to expire July 16, 2007. $25,834 payable monthly including 6.0% annual interest. Secured by a first lien on the equipment purchased. Financial covenants in this loan require the Company to maintain certain debt services coverage ratios and to maintain a minimum stockholders equity balance. At September 30, 2003 the Company was not in compliance with these covenants. However at September 30, 2003, the bank has issued a waiver with respect to these covenant violations.	771,288	0
$2,000,000 Land and construction loan	Land and construction loan currently scheduled to expire July 1, 2004. Interest payable monthly at 0.5% over the bank's prime rate (4.75% as of September 30, 2003). Secured by land located in Montgomery County, Maryland.	660,000	0
$9,000,000 Land and construction loan	Land and construction loan that expired in June 2003.	0	749,450
$2,800,000 Land loan	Land loan that expired on January 31, 2003.	0	2,800,000
Subordinated debentures	Interest payable monthly at prime with a minimum rate of 8.5% and a maximum rate of 14.0% (8.5% at September 30, 2003), issued between January and May 1991, due one year from date of issuance with annual extension options. These debentures are unsecured.	1,250,000	1,880,000
Equipment notes	Various obligations secured by operating equipment.	145,707	245,968
	Total operating notes payable	26,595,534	20,438,269

Investment property notes payable:

Security	Terms	2003	2002
4900 Massachusetts Avenue, NW Washington, D.C.	$30,055 payable monthly including 8.32% interest per annum, balance due June 30, 2006.	3,940,465	4,000,032
4910 Massachusetts Avenue, NW Washington, D.C.	$68,085 payable monthly including 7.16% interest per annum, with remaining principal due July 1, 2009.	5,785,645	6,173,215

Little Falls Mall Maryland	\$186,671 payable monthly including 6.35% interest per annum. Loan is currently scheduled to expire January 1, 2013	29,743,626	0
Sumner Apts. Maryland	Interest only payable monthly at LIBOR plus 160 basis points with a ceiling of 7.23% and a floor of 1.13% per annum (2.73% as of September 30, 2003). Loan is currently scheduled to expire September 1, 2008.	4,300,000	0
Little Falls Mall Maryland	Renovation construction loan that expired in October 2002.	0	22,646,613
Sumner Apts. Maryland	Permanent financing loan that expired in October 2002.	0	4,245,743
	Total investment property notes payable	43,769,736	37,065,603

Unimproved land notes payable:

Security	Terms	2003	2002
Caroline County, Virginia-Haymount Limited Partnership	Monthly payments of \$688 including interest of 9.5% per annum, note matures May 19, 2016.	48,366	53,003
Caroline County, Virginia-Haymount Limited Partnership	Unsecured note, due on demand with interest payable monthly at 6% per annum.	400,778	471,049
Caroline County, Virginia-Haymount Limited Partnership	Interest payable monthly at 7.0% per annum; note matures September 2004 or the closing of financing for construction of infrastructure for all or a portion of the project, refinancing of the existing debt by the partnership or orderly liquidation of the project.	3,500,000	3,500,000
Caroline County, Virginia-Haymount Limited Partnership	\$1,164 payable monthly including interest at 8.25% per annum, balance due April 30, 2005.	136,949	140,630
	Total unimproved land notes payable	4,086,093	4,164,682
	Total notes payable	\$ 74,451,363	\$ 61,668,554

As of September 30, 2003, the required curtailment of obligations over future years is as follows:

Years ending September 30,	
2004	\$ 34,429,496
2005	1,446,525
2006	1,333,171
2007	1,329,317
2008	1,141,539
Thereafter	34,771,315
	\$ 74,451,363

NOTE 10 - INCOME TAXES

The provision for income taxes consists of the following for the years ended September 30:

	2003	2002
Current income tax		
Federal	$ 0	$ (188,000)
State	0	(40,000)
Deferred income tax		
Federal	(124,000)	(166,000)
State	(35,000)	(36,000)
Income tax provision	$ (159,000)	$ (430,000)

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of fixed assets, accounts receivable and accrued expenses for financial statement and income tax reporting. At September 30, 2003 and 2002, deferred income tax (liabilities) assets recognized for temporary differences and carryforwards consist of the following:

	2003	2002
Deferred tax liabilities	$ (1,898,000)	$ (1,703,000)
Deferred tax assets	298,000	125,000
Net operating loss carryforwards	83,000	220,000
Alternative minimum tax credit carryforward	333,000	333,000
	$ (1,184,000)	$ (1,025,000)

The net operating loss carryforwards of approximately $210,000 will begin to expire, if not utilized, during the year ended September 30, 2022. The alternative minimum tax credit carryforward does not have an expiration date.

NOTE 11 - RENTAL INCOME

The Company leases investment properties in Washington, D.C. and Maryland under noncancelable leases which expire at various dates through 2010. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

In addition to minimum rental payments, certain retail store leases require contingent payments based on sales levels. For the years ended September 30, 2003 and 2002, included in rent income, the Company recorded retail percentage of sales rental income of approximately $143,000 and $128,000, respectively. Apartments, which generate approximately 15% of the Company's gross rental income, are rented on a 12-month lease basis.

The following is a schedule of future minimum lease receipts required under noncancelable leases which have initial or remaining terms in excess of one year as of September 30:

Years ending September 30,	
2004	$ 7,027,000
2005	6,216,000
2006	5,520,000
2007	4,766,000
2008	4,176,000
Thereafter	6,286,000
	$ 33,991,000

NOTE 12 - PROFIT SHARING PLAN

The Company sponsors a defined contribution profit sharing plan (the Plan), which covers substantially all employees. The annual contribution is based on Company earnings, but may not exceed 15% of each participant's annual compensation. In addition, the Plan provides for matching contributions in accordance with Internal Revenue Code Section 401(k). Company contributions for the years ended September 30, 2003 and 2002 were $38,617 and $117,600, respectively.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts and notes receivable. The Company's management believes the risk of loss associated with cash and cash equivalents and restricted cash is very low since cash and cash equivalents and restricted cash are maintained in financial institutions. However, at September 30, 2003, the Company had cash and cash equivalents balances and restricted cash on deposit with financial institutions in excess of the federally insured limit. To date accounts receivables have been derived primarily from tenants and the proceeds from home settlements. These receivables are generally due on demand and in some cases, when related to tenants, security deposits are required. The Company maintains a provision for potential credit losses and historically such losses have been within management's expectations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space in several locations under the terms of noncancelable operating leases which expire at various dates through 2013. Several of these leases contain an option, exercisable by the Company, to extend the lease terms beyond the original terms. The following is a schedule of future minimum lease payments required under operating leases which have initial or remaining terms in excess of one year as of September 30:

Years ending September 30,		
2004	$	441,000
2005		341,000
2006		214,000
2007		197,000
2008		204,000
Thereafter		863,000
	$	2,260,000

Rent expense approximated $357,000 and $270,000 for the years ended September 30, 2003 and 2002, respectively.

Letter of Credit

At September 30, 2003 and 2002, the Company has a $375,320 outstanding letter of credit which serves as collateral for performance under an agreement with the Virginia Department of Game and Inland Fisheries.

Contingencies

At September 30, 2003, related to the expansion and renovation of Little Falls Mall in Montgomery County, Maryland, the general contractor and a subcontractor have filed claims against the Company alleging amounts due and unpaid of approximately $1,400,000. The Company does not dispute that there remains some amount due to the general contractor and subcontractor for the completion of the project, however, the Company feels the amount actually owed ranges from $500,000 to $950,000. In connection with the Company's permanent loan related to this project, there is an escrow account with a balance of approximately $1,000,000 set aside to cover these costs.

The Company is involved in various other claims and litigation, including the matter discussed above, arising in the ordinary course of business. The Company believes that the disposition of these matters, including the matter discussed above, will not have a material effect on the business or on the financial condition of the Company.

NOTE 15 - RELATED PARTY TRANSACTIONS

Company policy allows employees to make purchases through company vendors which are charged to their employee accounts on a short term basis. Interest is charged on amounts remaining unpaid after 30 days. At September 30, 2003 and 2002, $29,887 and $51,888, respectively, were outstanding on such employee accounts. In addition, at September 30, 2003 and 2002, $115,888 and $128,578, respectively, was due the Company from an affiliate under a real estate related note agreement dated July 20, 1992. The terms of the note agreement call for interest at 6.85% with a maturity date of July 20, 2004.

In addition, included in the receivables from affiliates balance at September 30, 2003 and 2002 is a note receivable from a stockholder totaling $69,300, and at September 30, 2002, an account receivable from stockholders/officers for approximately $35,000. The note receivable is due in December 2003 and accrues interest at the prime rate (4.25% at September 30, 2003).