AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

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

SEPTEMBER 30, 1999 AND 1998 WITH REPORT
OF INDEPENDENT ACCOUNTANTS

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REPORT OF INDEPENDENT ACCOUNTANTS

February 16, 2000

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, 1999 and 1998 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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.

Argy, Wiltse & Robinson, P.C.

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

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1999 AND 1998

	1999	1998
ASSETS		
Cash and cash equivalents	$ 3,437,829	$ 1,368,198
Accounts, notes and other receivables		
Tenants and other trade (net of allowance for doubtful accounts of $46,587 and $56,375, respectively)	804,111	522,970
Affiliates	381,572	290,065
Income taxes	0	273,364
Litigation settlement	0	1,575,430
Investments	69,535	83,540
Inventory		
Homes completed and in progress	1,903,038	3,881,148
Subdivided lots	1,704,182	2,516,214
Real estate		
Investment property, net	16,131,880	15,330,039
Unimproved land	19,588,744	17,679,989
Property and equipment, net	1,159,641	926,565
Deferred charges and other assets	2,092,443	1,352,345
Total assets	$ 47,272,975	$ 45,799,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 2,072,523	$ 1,703,036
Income taxes payable	156,237	0
Notes payable	35,777,312	35,377,818
Contract, escrow and rent deposits	1,819,590	864,911
Minority interest liability	3,192,901	3,424,786
Deferred income taxes	914,000	892,625
Total liabilities	43,932,563	42,263,176
Stockholders' equity		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained earnings	2,540,212	2,736,491
Total stockholders' equity	3,340,412	3,536,691
Total liabilities and stockholders' equity	$ 47,272,975	$ 45,799,867

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, 1999 AND 1998

	1999	1998
Revenue		
Sales	$ 10,661,580	$ 7,851,521
Commissions	15,791,300	13,278,549
Rent	7,654,821	7,524,782
	34,107,701	28,654,852
Direct costs and operating expenses		
Cost of sales	9,385,844	6,844,704
Commissions and direct costs	11,207,234	9,627,476
Property taxes, net	658,534	679,897
Interest, net	2,584,899	2,713,036
Depreciation and amortization	1,293,853	1,024,643
Salaries and payroll expense	4,331,378	3,457,423
Professional and directors fees	971,269	1,017,564
Other overhead expenses	1,188,933	1,476,402
Other general and administrative expenses	1,803,757	1,281,180
	33,425,701	28,122,325
Operating income	682,000	532,527
Other expenses / (income)		
Provision for profit sharing and incentive plans	306,349	372,239
Carrying charges on unimproved land	267,322	287,570
Partnership and minority interest income	(244,961)	(309,401)
Other	(167,050)	132,875
	161,660	483,283
Net income before litigation settlement income and income taxes	520,340	49,244
Litigation settlement income, net	0	677,663
Net income before income taxes	520,340	726,907
Provision for income taxes	(230,342)	(297,732)
Net income	289,998	429,175
Retained earnings at beginning of year	2,736,491	2,793,400
Dividends	(486,277)	(486,084)
Retained earnings at end of year	$ 2,540,212	$ 2,736,491

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 289,998	$ 429,175
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	859,262	688,220
Partnership net income	(72,135)	(80,974)
Partnership distributions	86,140	72,333
Deferred income taxes	21,375	788,242
Loss on disposal of property and equipment	0	66,829
Land and land development costs of lots sold	812,032	605,334
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts, notes and other receivables	1,476,146	(1,970,982)
Homes completed and in progress	1,978,110	(96,545)
Deferred charges and other assets	(740,098)	742,146
Increase (decrease) in:		
Accounts payable and accrued expenses	369,487	415,134
Income taxes payable	156,237	0
Contract, escrow and rent deposits	954,679	(347,840)
Net cash provided by operating activities	6,191,233	1,311,072
Cash flows from investing activities:		
Additions and improvements to investment property	(1,339,392)	(367,867)
Land development costs	(1,908,755)	(698,172)
Purchases of property and equipment, net	(554,787)	(165,256)
Proceeds from sales of property and equipment	0	583,540
Net cash used in investing activities	(3,802,934)	(647,755)
Cash flows from financing activities:		
Payments made under notes payable	(12,690,710)	(1,254,168)
Proceeds from notes payable	13,090,204	600,000
Decrease in minority interest liability	(231,885)	(327,460)
Dividends paid	(486,277)	(486,084)
Net cash used in financing activities	(318,668)	(1,467,712)
Net increase (decrease) in cash and cash equivalents	2,069,631	(804,395)
Cash and cash equivalents at beginning of year	1,368,198	2,172,593
Cash and cash equivalents at end of year	$ 3,437,829	$ 1,368,198
Supplemental information:		
Cash paid for interest	$ 3,068,447	$ 3,093,416
Cash paid for income taxes	$ 0	$ 197,701

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

NOTE 1 - COMPANY DESCRIPTION AND SUMMARY OF ACCOUNTING POLICIES

W.C. and A.N. Miller Development Company and its wholly-owned subsidiaries are primarily engaged in real estate development, construction of residential homes, brokerage sales, 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 (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
Miller Home Services	Corporation	75%
Haymount Corporation	Corporation	100%
F & R Corporation	Corporation	100%
W.C. and A.N. Miller Referral Company	Corporation	100%
Haymount Limited Partnership	Partnership	85%
F & R Limited Partnership	Partnership	50%
Boyd Park LLC	Corporation	100%

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with financial institutions.

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.

NOTE 4 - REAL ESTATE

Investment property consists of the following at September 30:

	1999	1998
Investment property	$ 24,462,623	$ 23,123,231
Accumulated depreciation	(8,330,743)	(7,793,192)
	$ 16,131,880	$ 15,330,039

The Company owns and manages residential and commercial 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 and 750 acres in Front Royal, Virginia held by Haymount Limited Partnership and F & R Limited Partnership, respectively, as well as approximately 350 acres located in Warrenton, Virginia and other small parcels in various locations.

Substantially all of these assets are pledged as security for the notes payable (Note 7).

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	1999	1998
Computer equipment	$ 1,105,024	$ 672,109
Furniture, fixtures and equipment	1,001,822	953,071
Leasehold improvements	488,050	451,234
Office equipment	366,624	352,681
Heavy equipment and vehicles	330,272	330,272
Other	245,157	245,157
Vehicles	119,947	97,585
	3,656,896	3,102,109
Accumulated depreciation	(2,497,255)	(2,175,544)
	$ 1,159,641	$ 926,565

NOTE 6 - DEFERRED CHARGES AND OTHER ASSETS

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

	1999	1998
Deferred loan charges on investment property	$ 484,298	$ 370,957
Tax, insurance and leasing escrows	397,738	30,123
Deferred leasing commissions	385,226	336,025
Prepaid expenses and other deposits	336,463	94,647
Deferred rent concessions	254,961	220,488
Deferred construction costs	233,757	223,336
Deferred start-up costs, net of amortization	0	76,769
	$ 2,092,443	$ 1,352,345

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at September 30:

Operating notes payable:

Security	Terms	1999	1998
$6,000,000 Land loan/construction line-of-credit	Land loan-as amended as of November 21, 1999, currently scheduled to expire November 21, 2002. Interest payable monthly at Libor plus 250 basis points (8.25% as of September 30, 1999). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due as homes are sold with an annual minimum curtailment of $600,000. Construction loan - as amended as of November 21, 1999, currently scheduled to expire November 21, 2002. Interest payable monthly at Libor plus 250 basis points (8.25% as of December 31, 1999). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due upon settlement of houses.	$ 917,539	$ 3,497,398
Line-of-credit	Interest adjusted annually. Secured by land and building at 4820 Massachusetts Avenue. Repaid during the year ended September 30, 1999.	0	2,173,880
Line-of-credit	Maximum amount of $8,000,000. Interest payable monthly at the lower of the prime rate plus 0.3% or Libor plus 2.3% (7.8025% at September 30, 1999). Balance due March 31, 2001. This note is 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 tangible net worth and net income. At September 30, 1999, the Company was in compliance with these financial covenants.	4,529,467	0
Line-of-credit	Maximum amount of $4,250,000. Interest payable monthly at the prime rate plus 0.5% (8.25% at September 30, 1999). Secured by office building in Washington, D.C. Balance due March 11, 2002.	1,335,158	450,000
Short-term loan	Interest payable monthly at 9.5% per annum. Balance due February 28, 2000. This note is unsecured.	200,000	200,000

Subordinated debentures	Interest payable monthly at prime with a minimum rate of 8.5% and a maximum rate of 14% (8.5% at September 30, 1999), issued between January and May 1991, due one year from date of issuance with annual extension options. These debentures are unsecured.	1,930,000	2,330,000
Equipment notes	Various obligations secured by operating equipment.	40,018	76,378
	Total operating notes payable	8,952,182	8,727,656

Investment property notes payable:

Security	Terms	1999	1998
4900 Massachusetts Avenue, NW Washington, D.C.	$27,529 payable monthly including 8.54% interest per annum, balance due December 13, 2000, with extension option to December 31, 2005.	$ 3,262,081	$ 3,314,284
Little Falls Mall Maryland	$63,750 payable monthly including 7.69% interest per annum, balance due September 1, 2002.	7,597,136	7,793,383
4300 Fordham Rd., NW Washington D.C.	$12,688 payable monthly including 9.0% interest per annum, balance due August 1, 2003. Repaid during the year ended Setptember 30, 1999.	0	593,997
Sumner Apts. Maryland	$34,628 payable monthly including 7.96% interest per annum, balance due December 1, 2003.	4,451,821	4,510,309
4910 Massachusetts Avenue, NW Washington, D.C.	$68,085 payable monthly including 7.16% interest per annum, with remaining principal due July 1, 2009.	7,429,579	6,587,525
	Total investment property notes payable	22,740,617	22,799,498

Unimproved land notes payable:

Security	Terms	1999	1998
Caroline County, Virginia-Haymount Limited Partnership	Monthly payments of $688 including interest of 9.5% interest per annum, note matures May 19, 2016.	$ 58,246	$ 59,858
Caroline County, Virginia-Haymount Limited Partnership	In conjunction with pending overall project financing, negotiations are ongoing to extend the maturity date of the note to July 2000 (the note was due January 1, 1999). Interest payable monthly at 6% per annum. Unsecured note for land development costs.	131,984	140,600
Caroline County, Virginia-Haymount Limited Partnership	In conjunction with pending overall project financing, negotiations are ongoing to extend the maturity date of the note to July 2000. Currently the final due date of the note is September 2002 with periodic principal payments prior to that date. Interest payable monthly at 7% per annum.	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.	148,283	150,206
Montgomery County, Maryland	Principal payable on October 31, 1999.	246,000	0
	Total unimproved land notes payable	4,084,513	3,850,664
	Total notes payable	$ 35,777,312	$ 35,377,818

As of September 30, 1999, the required curtailment of obligations over future years is as follows:

Years ended September 30,	
2000	$ 8,336,938
2001	5,442,997
2002	9,741,030
2003	1,784,398
2004	4,561,862
2005 and after	5,910,087
	$ 35,777,312

NOTE 8 - INCOME TAXES

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

	1999	1998
Current income tax		
Federal	$ (192,250)	$ 401,559
State	(16,717)	88,951
Deferred income tax		
Federal	(17,100)	(645,294)
State	(4,275)	(142,948)
Income tax provision	$ (230,342)	$ (297,732)

The effective tax rate at September 30, 1999 and 1998 differs from the federal statutory rate due primarily to state taxes, limitations on the deductibility of certain expenses for tax purposes and changes in estimates.

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, 1999 and 1998, deferred tax (liabilities) assets recognized for temporary differences and carryforwards consist of the following:

	1999	1998
Deferred tax liabilities	$ (1,483,000)	$ (1,560,790)
Deferred tax assets	167,000	224,648
Net operating loss and charitable contribution carryforwards	69,000	314,517
Alternative minimum tax credit carryforward	333,000	129,000
	$ (914,000)	$ (892,625)

The net operating loss carryforwards of approximately $170,000, as of September 30, 1999, will begin to expire, if not utilized, during the year ended September 30, 2012. The alternative minimum tax credit carryforward does not have an expiration date.

NOTE 9 - RENTAL INCOME

The Company leases investment properties in Washington, D.C. and Maryland under noncancelable leases which expire at various dates through 2006. 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. 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, 1999:

Years ending September 30,	
2000	$ 5,369,000
2001	4,734,000
2002	3,946,000
2003	3,225,000
2004	2,656,000
	$ 19,930,000

NOTE 10 - 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, 1999 and 1998 were $102,177 and $96,739, respectively.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and escrow deposits. The Company's management believes the risk of loss associated with cash and cash equivalents and escrow deposits is very low since cash and cash equivalents and escrow deposits are maintained in financial institutions. However, at December 31, 1999, the Company had cash and cash equivalents balances and escrow deposits on deposit with financial institutions in excess of the federally insured limit.

NOTE 12 - COMMITMENTS

Leases

The Company leases office space in several locations under the terms of noncancelable operating leases which expire at various dates through 2004. 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, 1999:

Years ending September 30,	
2000	$ 241,800
2001	194,200
2002	126,000
2003	106,700
2004	106,700
Thereafter	44,500
	$ 819,900

Rent expense approximated $263,000 and $241,000 for the years ended September 30, 1999 and 1998, respectively.

Equipment commitment

At September 30, 1999, the Company has committed to purchase, and then to subsequently donate, equipment to the Virginia Department of Game and Inland Fisheries. The cost of the equipment is estimated to be approximately $79,000.

Letter of Credit

At September 30, 1999 and 1998, 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.

NOTE 13 - 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, 1999 and 1998, $113,347 and $134,340, respectively, was outstanding on such employee accounts. In addition, $168,225 was due the Company 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 of July 20, 2000.

NOTE 14 - LITIGATION SETTLEMENT

During January 1993, excavation work at the Company's Spring Valley subdivision in Washington, D.C. unearthed live chemical munitions which the U.S. Army had buried there, without marking or warning, in or about 1917 - 1918. The U.S. Army promptly assumed full responsibility for investigation, removal and clean-up of buried munitions ("Operation Safe Removal"). As a result of the Army's negligent acts and omissions in burying the live chemical munitions, the Company incurred substantial expenses responding to the emergency situation, as well as substantial losses on account of the interruption to its business and lost opportunity costs. The Company filed suit against the U.S. Government to recover these losses and expenses caused by the Army's negligent acts and omissions. Subsequent to September 30, 1998, the Company and the U.S. Army agreed to settle the suit. During the year ended September 30, 1999, the amount receivable, net of payments to attorneys, of $1,575,430 was collected.