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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1995 AND 1994

Bond Beebe
Certified Public Accountants

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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 as of September 30, 1995 and 1994 and the related consolidated statements of income and retained earnings, 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 audits 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 consolidated financial position of W.C. and A.N. Miller Development Company as of September 30, 1995 and 1994, and the consolidated results of its operations and its consolidated cash flows for the years then ended, in conformity with generally accepted accounting principles.

Bond Beebe

A Professional Corporation
December 1, 1995

5301 Wisconsin Avenue, NW
Washington, DC 20015
202/244-6500
Fax: 202/244-6506

Members American Institute of Certified Public Accountants

A professional corporation with offices in
New York, NY
Alexandria, VA
Rockville, MD

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1995 AND 1994

ASSETS

	1995	1994
REAL ESTATE - At cost		
Investment property	$ 21,145,101	$ 20,644,317
Accumulated depreciation	(7,215,519)	(6,795,526)
	13,929,582	13,848,791
Unimproved land	9,585,774	8,587,929
	23,515,356	22,436,720
INVESTMENTS - Note 4	4,184,297	3,935,290
OPERATING ASSETS		
Cash and cash equivalents ($1,225,817 and $1,101,869 held in a fiduciary capacity)	2,092,978	2,476,401
U.S. Treasury securities	275,892	1,238,833
Accounts receivable	163,292	113,889
Loan settlement proceeds receivable	1,796,782	-
Notes receivable	934,614	739,239
Jobs-in-progress and completed homes	3,156,143	2,202,968
Land - subdivided lots (construction not started)	4,871,689	5,928,610
Prepaid expenses	28,184	119,613
Furniture, fixtures and equipment (net of accumulated depreciation of $1,767,076 and $1,666,975)	944,863	417,232
Deferred charges and other assets - Note 5	4,079,840	3,910,091
	18,344,277	17,146,876
TOTAL ASSETS	$ 46,043,930	$ 43,518,886

See Notes to Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY

	1995	1994
INVESTMENT PROPERTY LIABILITIES - Note 6		
Investment property notes payable	$ 21,774,203	$ 18,642,262
Unimproved land loans payable	4,126,319	4,076,160
	25,900,522	22,718,422
OPERATING LIABILITIES		
Dividends payable	28,007	28,007
Accounts payable	876,757	795,670
Accrued expenses	258,624	378,097
Notes payable - Note 7	11,264,029	12,510,774
Deposits on contracts	868,063	813,024
Income tax payable	114,027	212,943
Escrow funds and rent deposits	388,016	342,477
	13,797,523	15,080,992
DEFERRED INCOME TAXES - Note 8	937,049	750,009
MINORITY INTEREST IN CONSOLIDATED ENTITY		
Haymount Limited Partnership deficit	(316,622)	(180,771)
CONTINGENCY - Note 9	-	-
STOCKHOLDERS' EQUITY		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained earnings - Exhibit B	4,925,258	4,350,034
TOTAL STOCKHOLDERS' EQUITY	5,725,458	5,150,234
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 46,043,930	$ 43,518,886

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 AND 1994

EXHIBIT B

	1995	1994
GROSS OPERATING INCOME		
Sales	$ 5,620,183	$ 9,014,713
Commissions	5,940,619	7,573,090
Rent	7,105,500	6,758,068
	18,666,302	23,345,871
OPERATING EXPENSES		
Cost of sales, commissions and other direct expenses	13,398,766	17,576,313
Property taxes	677,107	675,305
Interest	1,696,631	1,700,591
Depreciation	577,773	564,036
	16,350,277	20,516,245
NET OPERATING INCOME	2,316,025	2,829,626
GAIN ON SALE OF LOTS - Note 10	1,732,338	2,192,255
INTEREST INCOME	148,748	123,886
PARTNERSHIP INCOME - Note 4	10,454	55,124
NON-REAL ESTATE SUBSIDIARY INCOME (LOSS) - Note 11	(33,674)	(5,118)
GAIN ON SALE OF INVESTMENT PROPERTY	162,466	-
MISCELLANEOUS INCOME	277,134	384,565
TOTAL INCOME	4,613,491	5,580,338
EXPENSES		
General and administrative		
Salaries and payroll expenses	1,182,599	1,152,893
Professional and directors' fees	367,691	324,214
Interest - general	1,070,383	1,029,839
Depreciation	71,139	58,002
Provision for profit sharing - Note 3	-	100,000
Other	967,340	831,956
	3,659,152	3,496,904
Allocation to direct expenses	(1,144,056)	(1,156,421)
	2,515,096	2,340,483
Carrying charges - land		
Property taxes	202,603	178,106
Other	67,333	147,032
Investment interest expense - Haymount Limited Partnership	301,684	330,338
	571,620	655,476
TOTAL EXPENSES	3,086,716	2,995,959
NET INCOME BEFORE INCOME TAX	1,526,775	2,584,379
Income tax - Note 8	(615,467)	(1,024,575)
NET INCOME	911,308	1,559,804
RETAINED EARNINGS AT BEGINNING OF YEAR	4,350,034	3,126,314
Dividends declared	(336,084)	(336,084)
RETAINED EARNINGS AT END OF YEAR	$ 4,925,258	$ 4,350,034

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 AND 1994

EXHIBIT C

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 911,308	$ 1,559,804
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	648,912	622,038
Partnership net income	(10,454)	(55,124)
Partnership distributions	136,114	161,262
Deferred income tax	187,040	802,186
Gain on disposal of equipment	(3,609)	(69,581)
Gain on sale of investment property	(162,466)	-
Land and land development costs of lots sold	1,105,764	1,572,548
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(49,403)	17,791
Jobs-in-progress and completed homes	(953,175)	746,407
Other operating assets	23,798	(465,462)
Increase (decrease) in		
Accounts payable	81,087	(147,587)
Deposits on contracts	55,039	(308,975)
Income tax payable	(98,916)	201,987
Other operating liabilities	(73,935)	(204,670)
	1,797,104	4,432,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions and improvements to investment property	(606,767)	(665,337)
Proceeds from sale of investment property	54,000	-
Land development costs	(874,031)	(572,147)
Acquisition of unimproved land	(21,788)	-
Capital contribution to partnership	(374,667)	(299,387)
Redemption (acquisition) of U.S. Treasury securities	962,941	(1,238,833)
Furniture, fixtures and equipment purchased	(738,860)	(117,653)
Proceeds from equipment sales	7,500	157,188
Additions to notes receivable	(101,025)	(48,352)
Curtailment of notes receivable	102,650	233,280
	(1,590,047)	(2,551,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from investment property notes payable	-	4,735,900
Payments on investment property notes payable	(318,059)	(4,701,110)
Payments on unimproved land notes	(104,841)	(65,979)
Proceeds from operating notes payable	2,148,150	10,920,000
Payments on operating notes payable	(1,843,795)	(12,934,775)
Decrease in minority interests	(135,851)	(114,236)
Dividends paid	(336,084)	(336,084)
	(590,480)	(2,551,241)
DECREASE IN CASH AND CASH EQUIVALENTS	(383,423)	(614,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,476,401	3,091,302
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,092,978	$ 2,476,401

EXHIBIT C

SUPPLEMENTAL INFORMATION	1995	1994
Cash paid for interest	$ 3,014,253	$ 2,992,417
Cash paid for income tax	$ 527,443	$ 20,500

NON-CASH FINANCING AND INVESTING ACTIVITIES FOR 1995

- The Company acquired unimproved land through Haymount Limited Partnership at a cost of $176,788, with a note for $155,000 taken back by the seller. The net cash outlay of $21,788 is included above in investing activities.
- The Company sold investment property for $270,000 and recognized a gain on the sale of $162,466. The Company incurred $19,000 of settlement costs and commissions and took back a note for $197,000 from the purchaser. The net cash proceeds of $54,000 are included above in investing activities
- The Company restructured a portion of secured liabilities. The restructuring resulted in a $1,551,100 reduction of operating notes payable, a new investment property liability of $3,450,000 and a receivable of $1,796,782 after deduction of loan fees of $102,118, which were capitalized and included in deferred charges.

NON-CASH FINANCING AND INVESTING ACTIVITIES FOR 1994

- The Company financed $488,895 of capitalized land development costs through issue of a promissory note.

NOTE 1: GENERAL BACKGROUND

The consolidated financial statements include the accounts of W.C. and A.N. Miller Development Company and all of its wholly-owned subsidiaries and majority owned ventures (the Company). 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:

	Form of Entity	Percentage of Ownership
Bethesda Two Corporation	Corporation	100%
Haymount Corporation	Corporation	100%
F&R Corporation of Virginia	Corporation	100%
W.C. and A.N. Miller Referral Company	Corporation	100%
Spring Valley Liquor Corporation	Corporation	100%
Haymount Limited Partnership	Partnership	85%

W.C. and A.N. Miller Development Company and its subsidiaries are primarily engaged in real estate development, construction of residential homes, brokerage sales, investment property rental and property management. Spring Valley Liquor Corporation and its operation are shown separately in the consolidated statement of income and retained earnings.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented on the accrual basis of accounting and the Company utilizes the following accounting policies:

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered cash equivalents.

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 overhead, interest and real estate taxes during the period of development and construction. Income on lot and home sales is recognized at the time of 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, or 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 new homes or investment property, and during land development, is capitalized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

Deferred income tax is provided for temporary differences in reporting income for financial statement and tax purposes primarily arising from different methods of accounting for depreciation, rental income and employee compensation. Accelerated depreciation available under the accelerated cost recovery system is used for tax reporting and straight-line depreciation is used for financial statements. Rental income is recognized when received for tax purposes and when earned for financial statements. Employee compensation for annual leave is recognized when paid for tax purposes and when incurred for financial statements. The provision for deferred income taxes is computed under the liability method whereby deferred income tax expense (benefit) is recognized for the net change during the year in the Company's deferred tax liability or asset. The liability or asset is computed using current rates.

Rental Income

In response to market conditions in the commercial real estate industry, the Company may provide incentives to tenants, in the form of reduced rent or free rent, during a portion of the lease term, which are accounted for by recognizing the total base rent receivable under the terms of the lease in equal monthly amounts over the lease period. The cumulative excess of rent accrued under this method is reflected in other assets as deferred rent concessions.

The Company's office at 4315 50th Street is included in the balance sheet as investment property. For the years ended September 30, 1995 and 1994, rental income of $320,580 and $322,192 attributed to this property is reflected in gross operating income, with the same total allocated to expense in various departments, with no effect on net operating income.

NOTE 3: PROFIT SHARING PLAN

The Company sponsors a defined contribution profit sharing plan, which covers substantially all employees. The annual contribution is based on Company earnings, but may not exceed 15% of the compensation of all participants. A contribution of $100,000 was made for the year ended September 30, 1994. No contribution was made for the year ended September 30, 1995.

NOTE 4: INVESTMENTS

Investments consist of the following at September 30:

	1994	Net Income (Loss)	Partnership Distributions	Additional Investments	1995
Two Bethesda Metro Center Limited Partnership (one-sixth limited partner interest) - at equity	$ 2,954,060	$ (88,105)	$ -	$ 374,667	$ 3,240,622
CMS Realty, Inc. (one-third interest) - at cost	42,780	-	-	-	42,780
F&R Limited Partnership - at equity					
General partner (5.000% interest)	87,947	(3,946)	-	-	84,001
Limited partner (45.000% interest)	791,522	(35,509)	-	-	756,013
Tiber Island Associates (14.285% limited partner interest) - at equity	38,335	74,266	(71,118)	-	41,483
T.I. Associates Limited Partnership (7.3% limited partner interest) - at equity	20,203	63,748	(64,996)	-	18,955
Miscellaneous stock - at cost	443	-	-	-	443
	$ 3,935,290	$ 10,454	$ (136,114)	$ 374,667	$ 4,184,297

NOTE 4: INVESTMENTS - continued

The Company holds a one-third total interest in Two Bethesda Metro Center Limited Partnership through its one-sixth limited partner interest and its one-third interest in CMS Realty, Inc., which holds a 50% interest as general partner. The Company has severally guaranteed its proportionate share of partnership loans, which are secured by land owned by the Partnership (see Note 9). The Partnership originally acquired land with the intent of constructing an office building near the Bethesda Metro Center. Due to adverse market and financing conditions, construction has been postponed and it is uncertain as to whether the property will be developed or sold.

The Company has a 50% interest in F&R Limited Partnership. The Company's investment as a limited partner is 45%, with an additional 5% interest held by the Company's wholly-owned subsidiary, F&R Corporation of Virginia, as the general partner.

NOTE 5: DEFERRED CHARGES AND OTHER ASSETS

At September 30, 1995 and 1994, the balance consists of the following:

	1995	1994
Deferred leasing commissions	$ 412,432	$ 451,769
Deferred charges on investment property	789,360	762,898
Deferred rent concessions	344,520	408,476
Deferred construction costs	1,039,963	989,661
Deferred start-up costs	591,378	541,080
Inventory - Spring Valley Liquor Corporation	4,634	30,895
Deposits - utility and other	109,741	94,017
Organization costs (net)	57,381	58,908
Operation Safe Removal	522,036	369,587
Environmental clean-up costs	208,395	202,800
	$ 4,079,840	$ 3,910,091

At September 30, 1995 and 1994, deferred construction costs include $693,795 and $708,651 of costs associated with the expected future expansion and improvement of the Company's commercial property known as Little Falls Mall. Costs capitalized include architectural, engineering, appraisal and legal fees in the initial planning of Mall improvements.

During January 1993, excavation work at the Company's Spring Valley subdivision 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 or omissions in burying the live chemical munitions, which the Company first discovered in January 1993, the Company has 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 has filed a claim with the U.S. Army to recover these losses and expenses caused by the Army's negligent acts or omissions. A portion of those losses and expenses is listed above ("Operation Safe Removal") including but not necessarily limited to community center, on-site expenses, legal costs and other professional expenses.

The Company has incurred costs related to environmental damage caused by fuel contamination at one of its rental properties. The Company is seeking reimbursement of costs and damages from the former tenant.

NOTE 6: INVESTMENT PROPERTY LIABILITIES

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

Investment property	Terms	1995	1994
4900 Massachusetts Avenue, N.W.	$27,873 payable monthly including 8.54% interest, balance due 9-29-00, with extension option to 9-29-05	$ 3,450,000	$ -
Little Falls Mall	$54,946 payable monthly including 10.10% interest, balance due 9-20-16	5,744,970	5,819,917
4300 Fordham Road N.W.	$12,668 payable monthly including 9.0% interest, balance due 8-1-03	852,258	924,019
Sumner Apartments	$34,628 payable monthly including 7.96% interest, balance due 12-01-03 (for 1993, $39,548 payable monthly including 10.25% interest, balance refinanced in November 1993)	4,660,332	4,702,911
4910 Massachusetts Avenue, N.W.	$73,928 payable monthly including 10 5/8% interest with remaining principal due 3-1-99	7,066,643	7,195,415
		21,774,203	18,642,262
Unimproved land			
Land - Caroline County, Virginia - Haymount Limited Partnership	$1,825 payable monthly including 9.0% interest, balance due 6-8-97	33,769	51,737
	$584 payable monthly including 9.5% interest, note matures 5-19-16	63,282	64,223
	$5,000 payable monthly with additional payment of $50,000 annually, including 6% interest, final payment on 1-1-99. Unsecured note for land development costs	374,871	460,200
	Principal payable in annual installments of $700,000 beginning in September 1998. Interest payable monthly at variable rates	3,500,000	3,500,000
	$1,164 payable monthly including 8.25% interest, balance due 4-30-05	154,397	-
		4,126,319	4,076,160
Total investment property liabilities		$ 25,900,522	$ 22,718,422

NOTE 6: INVESTMENT PROPERTY LIABILITIES - continued

As of September 30, 1995, the required curtailment of obligations for the years ended September 30, is as follows:

1996	$ 504,618
1997	544,474
1998	1,280,158
1999	7,703,307
2000	1,061,148
2001 and after	14,806,817
	$ 25,900,522

NOTE 7: OPERATING NOTES PAYABLE

The balance of notes payable consists of the following obligations:

	Terms	1995	1994
Line of credit	Interest only payable monthly at 1.25% above prime rate. Minimum annual principal curtailment of $1,222,120, secured by Spring Valley lots. Balance due September 1996 with 3 one-year renewal options (refinanced in September 1993)	$ 6,568,900	$ 8,960,000
Line of credit	Interest at prime rate plus 1/2 of 1%. Balance due 12-31-95	798,150	-
Line of credit	Interest at prime rate through April 1, 1996, adjusted annually. Balance due 10-01-01. Secured by land and building at 4820 Massachusetts Avenue	1,350,000	-
Equipment note	$504 payable monthly including interest at 12%, secured by telephone equipment. Final payment due May 1999	16,979	20,774
Short-term loan	Payable November 30, 1995 with interest at 7%	200,000	200,000
Subordinated debentures	Interest only payable monthly at prime, issued between January and May 1991, due one year from date of issue with annual extension options	2,330,000	3,330,000
		$ 11,264,029	$ 12,510,774

As of September 30, 1995, the required curtailment of obligations for the years ended September 30, is as follows:

1996	$ 2,224,541
1997	1,226,933
1998	1,227,550
1999	2,905,005
2000	-
2001 and after	3,680,000
	$ 11,264,029

NOTE 8: INCOME TAX

Income tax expense consists of the following:

	1995	1994
Current income tax	$ 428,427	$ 222,389
Deferred income tax	187,040	802,186
Income tax - Exhibit B	$ 615,467	$ 1,024,575

At September 30, 1995 and 1994, the components of the balance of deferred income tax liability (benefit) were related to:

	1995	1994
Depreciation	$ 1,019,932	$ 947,593
Rental income	88,823	105,612
Annual leave	(49,211)	(43,193)
Alternative minimum tax credit carryforward	(122,495)	(260,003)
	$ 937,049	$ 750,009

NOTE 9: CONTINGENT LIABILITY

The Company has severally guaranteed one-third of the principal balance outstanding on a line of credit extended to Two Bethesda Metro Center Limited Partnership, in which the Company holds a one-third interest. In addition, the Company jointly and severally guarantees the payment of all partnership interest and other expenses in connection with the loan. During the year ended September 30, 1994, the Partnership renegotiated its loan on the property with a seven-year term and repayment schedule. The partnership has remained current with the loan and continues to market the property for development. At September 30, 1995, the Company is contingently liable for principal of $1,640,836.

NOTE 10: GAIN ON SALE OF LOTS

During the years ended September 30, 1995 and 1994, the Company sold lots in the Spring Meadows development. Gain was recognized as follows:

	1995	1994
Sales price	$ 2,571,500	$ 3,240,000
Direct cost	839,162	1,047,745
Gain on sale	$ 1,732,338	$ 2,192,255

NOTE 11: OPERATIONS OF NON-REAL ESTATE SUBSIDIARY

The Company's subsidiary, Spring Valley Liquor Corporation, which commenced operations August 31, 1991, was created for the operation of a retail store. For the years ended September 30, 1995 and 1994, the Corporation recognized a loss of $33,674 and $5,118, respectively.

NOTE 12: RENTAL INCOME

The Company leases investment properties under non-cancelable leases, which expire at various dates through 2005. 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 only rented on a 12-month lease basis.

As of September 30, 1995, future minimum payments required by non-cancelable leases for the following five years ending September 30 were as follows:

1996	$ 4,949,288
1997	4,040,724
1998	3,225,833
1999	2,298,186
2000	1,772,225
	$ 16,286,256