Reznick Group

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

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

SEPTEMBER 30, 2007 AND 2006

W.C. and A.N. Miller Development Company and Subsidiaries

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of W.C. and A.N. Miller Development Company and Subsidiaries as of September 30, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W.C. and A.N. Miller Development Company and Subsidiaries as of September 30, 2007 and 2006, and the results of their operations, the changes in stockholders' equity (deficit) and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
August 28, 2008

W.C. and A.N. Miller Development Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30, 2007 and 2006

	2007	2006 (Restated)
ASSETS		
Cash and cash equivalents	$ 311,305	$ 1,082,513
Restricted cash	412,328	1,738,580
Investments - certificates of deposit	529,210	823,324
Accounts, notes and other receivables		
Tenants and other trade (net of allowance for doubtful accounts of $449,162 and $268,117)	708,910	1,081,550
Affiliates	7,678	152,002
Note receivable and accrued interest	1,502,444	2,267,468
Income taxes receivable	29,479	29,479
Inventory		
Construction-in-progress	10,312,105	26,316,665
Subdivided lots	12,848,556	19,364,555
Completed homes	3,600,501	4,468,996
Unimproved land and construction in progress held for sale	21,500,000	-
Deferred straight-line rents	1,877,716	1,955,861
Real estate investment property, net	33,010,109	33,897,842
Property and equipment, net	1,926,165	3,728,236
Goodwill	-	2,564,822
Deferred financing fees, net of accumulated amortization for $616,060 and $277,302	1,202,651	1,000,342
Deferred charges and other assets	1,367,019	1,166,355
Deferred income taxes	4,354,000	377,500
Total assets	$ 95,500,176	$ 102,016,090
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Accounts payable and accrued expenses	$ 3,693,196	$ 4,365,154
Notes payable	106,904,327	96,271,135
Contract, escrow and rent deposits	357,804	2,150,183
Total liabilities	110,955,327	102,786,472
MINORITY INTEREST	2,109,196	2,694,541
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained deficit	(18,364,547)	(4,265,123)
Total stockholders' equity (deficit)	(17,564,347)	(3,464,923)
Total liabilities and stockholders' equity (deficit)	$ 95,500,176	$ 102,016,090

See notes to consolidated financial statements

W.C. and A.N. Miller Development Company and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended September 30, 2007 and 2006

	2007	2006 (Restated)
Revenue		
Sales	$ 4,625,691	$ 184,439
Commissions	9,887,441	30,783,029
Rent	10,592,025	10,480,695
Contracting and other services	716,768	938,342
	25,821,925	42,386,505
Expenses		
Cost of sales	6,763,483	813,983
Commissions and direct costs	6,909,710	24,428,129
Property taxes, net	1,467,811	1,309,689
Salaries and payroll expense	4,018,048	7,270,616
Professional and directors fees	1,729,818	1,961,052
Advertising and public relations	200,930	858,231
Other overhead expenses	2,579,011	2,249,175
Other general and administrative expenses	664,874	1,283,914
	24,333,685	40,174,789
Operating income	1,488,240	2,211,716
Other income (expense)		
Interest expense, net	(4,908,191)	(4,549,403)
Depreciation and amortization	(1,804,369)	(2,202,286)
Interest income	131,691	124,962
Other income	294,741	192,015
(Loss) gain on sale of assets	(83,451)	4,428
Litigation settlement	-	(365,000)
Impairment loss	(13,699,211)	-
Net loss from continuing operations before income taxes	(18,580,550)	(4,583,568)
Benefit from income taxes	5,506,121	2,069,926
Net loss from continuing operations before minority interest	(13,074,429)	(2,513,642)
Loss allocated to minority interest	(850,842)	(440,484)
Net loss from continuing operations	(13,925,271)	(2,954,126)
Discontinued operations		
Loss from operations of discontinued entity, net of income tax effect	(174,153)	(267,114)
Net loss	$ (14,099,424)	$ (3,221,240)

See notes to consolidated financial statements

W.C. and A.N. Miller Development Company and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Years ended September 30, 2007 and 2006

	Common stock		Retained	
	Shares	Dollars	deficit	Total
Balance at September 30, 2005, as previously stated	8,002	$ 800,200	$ (18,041)	$ 782,159
Prior period adjustment	-	-	(689,764)	(689,764)
Balance at September 30, 2005, as restated	8,002	800,200	(707,805)	92,395
Net loss	-	-	(3,221,240)	(3,221,240)
Dividends paid	-	-	(336,078)	(336,078)
Balance at September 30, 2006, as restated	8,002	800,200	(4,265,123)	(3,464,923)
Net loss	-	-	(14,099,424)	(14,099,424)
Balance at September 30, 2007	8,002	$ 800,200	$ (18,364,547)	$ (17,564,347)

See notes to consolidated financial statements

W.C. and A.N. Miller Development Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2007 and 2006

	2007	2006 (Restated)
Cash flows from operating activities		
Net loss	$ (14,099,424)	$ (3,221,240)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,506,998	1,870,443
Amortization	297,371	338,758
Change in allowance for doubtful accounts	181,045	181,045
Deferred income taxes	(3,976,500)	(2,335,500)
Income allocated to minority interest	850,842	440,484
Gain on sale of assets	(2,172,374)	(4,428)
Straight-line rent adjustment	78,145	(90,503)
Impairment loss	13,699,211	-
(Increase) decrease in assets		
Accounts, notes and other receivables	1,100,943	(622,883)
Inventory	(11,717,100)	(18,288,241)
Deferred charges and other assets	(200,664)	151,928
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(671,958)	1,346,569
Contract, escrow and rent deposits	(1,792,379)	(619,244)
Net cash used in operating activities	(16,915,844)	(20,852,812)
Cash flows from investing activities		
Proceeds from (purchase of) investment - certificates of deposit	294,114	(10,472)
Withdrawals to restricted cash	1,326,252	223,664
Proceeds from sale of assets and discontinued operations	7,117,500	21,990
Additions to investment property and equipment	(1,290,556)	(1,199,610)
Net cash provided by (used in) investing activities	7,447,310	(964,428)
Cash flows from financing activities		
Distributions to minority interest	(1,436,187)	-
Contributions from minority interest	-	255,000
Proceeds from notes payable	41,747,789	54,759,617
Payments on notes payable	(31,114,597)	(33,861,245)
Financing fees paid	(499,679)	(167,260)
Dividends paid	-	(336,079)
Net cash provided by financing activities	8,697,326	20,650,033
NET DECREASE IN CASH AND CASH EQUIVALENTS	(771,208)	(1,167,207)
Cash and cash equivalents, beginning	1,082,513	2,249,720
Cash and cash equivalents, end	$ 311,305	$ 1,082,513
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	$ 4,917,051	$ 4,805,067
Cash paid for income taxes	$ -	$ -

See notes to consolidated financial statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT 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.

Principles of Consolidation

The consolidated financial statements include the accounts of W.C. and A.N. Miller Development Company and its wholly-owned subsidiaries, majority owned ventures and other variable interest entities (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%
Boyd Park, LLC	LLC	100%
Arlington Road, LLC	LLC	100%
Oak Park at Burning Tree, Inc.	Corporation	100%
Commonwealth Homes, LLC	LLC	100%
Homes of Virginia, LLC	LLC	100%
Sumner Highland, LLC	LLC	100%
Sunshine Brooke, LLC	LLC	100%
Miller New Homes, LLC	LLC	100%
Haymount Limited Partnership II	Partnership	100%
Haymount Limited Partnership	Partnership	85%
Miller Investment, LLC (Variable Interest Entity)	LLC	0%
Haymount Mezzanine, LLC (Variable Interest Entity)	Corporation	0%

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), entitled *Consolidation of Variable Interest Entities*, which clarifies the application of Accounting Research Bulletin (ARB) No. 51, entitled *Consolidated Financial Statements*, relating to consolidation of certain entities. First, FIN 46 requires identification of the Company's participation in variable interest entities (VIE), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a standalone basis, or whose equity holders lack certain characteristics of a controlling financial interest. Then, for entities identified as VIE, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 also sets forth certain disclosures regarding interests in a VIE that are deemed significant, even if consolidation is not required.

In accordance with FIN 46, the Company consolidated the assets, liabilities, stockholders' equity and results of operations of Miller Investment Company, LLC (MIC) and its subsidiary, Haymount Mezzanine, LLC (Mezz) into the Company's financial statements at September 30, 2007 and 2006. MIC was formed by the stockholders of the Company to provide mezzanine financing to Haymount Limited Partnership through MIC's subsidiary Mezz. MIC's stockholders did not make an equity investment into MIC, instead, MIC's capital contribution into Mezz of approximately $2,200,000 was funded entirely from the proceeds of a loan to MIC from the Company. Mezz, with the proceeds of the capital contribution received from MIC, lent the entire amount, as mezzanine financing, to Haymount Limited Partnership.

Because MIC does not have equity investment sufficient to sustain its ongoing operations without the financial support of the Company, in accordance with FIN 46, MIC and Mezz are consolidated into the Company's financial statements at September 30, 2007 and 2006. As a result of the consolidation, the loan between the Company and MIC, MIC's equity in Mezz and the loan payable from Haymount Limited Partnership to Mezz have all been eliminated in consolidation.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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.

Restricted Cash

Restricted cash consists of amounts held in escrow for settlement of home sales and security deposits received from tenants.

Investments

The Company's investments include certificates of deposits with original maturities of six months. These investments are held to maturity and carried at cost, which approximates fair value, with interest income recognized as earned.

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Inventory

Inventory, which includes building lots and homes completed and in progress, is carried at cost determined under the specific cost method of accounting, including interest and real estate taxes during the period of development and construction, and a provision for overhead, unless facts and circumstances indicate that the carrying value of the asset may be impaired. See note 3 for the impairment loss recognized in 2007 and 2006.

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 7) are amortized over the life of the lease or loan agreement.

Amortization expense for the five years subsequent to September 30, 2007, is as follows:

Years ending September 30, 2008	$77,381
2009	77,381
2010	77,381
2011	77,381
2012	58,451

Impairment of Long Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews its rental property and assets held-for-sale for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. See note 8 for impairment loss recognized in 2007.

Goodwill

Goodwill represents the excess of cost over fair value of the net assets acquired through acquisition of the common stock of Laughlin, Incorporated. In accordance with Statement of Financial Accounting Standards No. 142, the Company evaluates the goodwill on an annual basis for potential impairment. There has been no impairment to the value of recorded goodwill for the fiscal years ended September 30, 2007 and 2006.

Revenue Recognition

Home sales revenue and commission revenue are recognized at the time of settlement. Rental revenue from tenants with leases having scheduled rental increases are recognized on a straight-line basis over the term of the lease; all other rental revenue is recognized as earned. 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. Revenue recognized in excess of related billings is reflected as unbilled receivables.

Warranty Reserve

The Company provides a one year warranty on all new custom homes sold. Based on the Company's actual experience with warranty claims paid, the Company records a warranty reserve of 1% of the sales price on new custom homes sold.

Warranty reserve - beginning of the year	$	8,965
Provision for additional warranties during 2007		30,336
Expenditures against prior accruals		(5,381)
Warranty reserve - end of year	$	33,920

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 net operating loss carryforwards and the 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 in 2006 have been reclassified to conform to the 2007 presentation.

NOTE 2 - 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. All unpaid principal and interest is due under the note on October 31, 2010. On March 1, 2007, the loan agreement was amended resulting in a $546,161 and $37,432 payment of principal and interest, respectively, and $151,244 of accrued and unpaid interest added to the loan principal. The principal balance of this note as of September 30, 2007 and 2006 was $1,080,083 and $1,475,000, respectively. Accrued interest on this note as of September 30, 2007 and 2006 was $26,497 and $301,146, respectively.

The Company has entered into notes related to work-out agreements for certain commercial tenants. The notes are unsecured, bear interest in ranges of 12% to 20% and require monthly payments of principal and interest through maturity, which vary from 36 to 60 months. The aggregate outstanding principal and accrued interest was $395,864 and $491,322 at September 30, 2007 and 2006, respectively.

NOTE 3 - INVENTORY

Inventory includes two completed homes at September 30, 2007 and 2006, at various locations in Fairfax, Virginia and Montgomery County, Maryland. At September 30, 2007 and 2006, inventory also includes seven subdivided lots in one subdivision, on which construction has not started. Substantially all of these assets are pledged as security for the notes payable (note 9).

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 County, Virginia. Substantially all of these assets are pledged as security for the notes payable (note 9).

Included in inventory is capitalized interest of approximately $1,989,337 and $1,373,670 at September 30, 2007 and 2006, respectively.

The Company adjusted its inventory of homes and subdivided lots to the net realizable value based on current market conditions. The result of the adjustment was an inventory write-down of $1,638,207 and $632,019 in 2007 and 2006, respectively.

NOTE 4 - REAL ESTATE INVESTMENT PROPERTY

	2007	2006
Investment property	$ 48,790,671	$ 48,635,804
Accumulated depreciation	(15,780,562)	(14,737,962)
	$ 33,010,109	$ 33,897,842

The Company owns and manages commercial and residential income producing properties in the District of Columbia and Montgomery County, Maryland.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2007 and 2006:

	2007	2006
Computer equipment	$ 1,117,931	$ 3,011,442
Leasehold improvements	1,670,281	2,663,563
Furniture, fixtures and equipment	62,117	1,188,279
Office equipment	1,135	48,061
Vehicles	87,708	160,696
Heavy equipment	-	193,717
	2,939,172	7,265,758
Accumulated depreciation and amortization	(1,013,007)	(3,537,522)
	$ 1,926,165	$ 3,728,236

NOTE 6 - GOODWILL

On February 3, 2005, ML Realtors, LLC (MLR) entered into a stock purchase agreement with Laughlin, Incorporated, whereby MLR purchased 100% of the outstanding common stock of Laughlin, Incorporated for $1,500,000 in cash, $551,858 in a note, a twenty percent ownership interest in MLR and a buyout agreement as further disclosed in note 16. The acquisition was completed to gain market share in the Northern Virginia real estate brokerage industry through the acquisition of a competitor and its in-place work force. The acquisition price of the transaction was calculated based on the fair value of the consideration given of $2,564,822. MLR allocated the full value of the purchase price to goodwill based on an assessment of the value of the assets and liabilities acquired. On February 7, 2007, the Company sold its real estate brokerage business including MLR. The transaction is further discussed in note 12. During 2007, goodwill was expensed as a cost of the sale of the real estate brokerage business.

NOTE 7 - DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consist of the following at September 30, 2007 and 2006:

	2007	2006
Deferred construction costs	$ 15,800	$ 16,491
Deferred leasing commissions	312,607	367,360
Prepaid expenses and other deposits	867,113	731,445
Tax, insurance and leasing escrows	171,499	51,059
	$ 1,367,019	$ 1,166,355

NOTE 8 - UNIMPROVED LAND AND CONSTRUCTION-IN-PROGRESS HELD FOR SALE

The Company owns and has been developing approximately 1,500 acres of land in Caroline County, Virginia. In 2007, as a result of the slowdown in the real estate market the Company discontinued development activities and decided to sell the land and existing construction-in-progress. Land cost and construction-in-progress has been reclassified and is reported as unimproved land and construction-in-progress held for sale on the consolidated balance sheets. The property is security for a line of credit used to finance the acquisition and development of the project. On May 30, 2008, the Company closed on the sale of the land and construction-in-progress for $21,500,000. The Company recorded an impairment loss of $13,699,211 for the difference between the carrying value and the sales price.

NOTE 9 - NOTES PAYABLE

Notes payable consists of the following at September 30:

Description	Terms	2007	2006
Operating notes payable:			
$16,000,000 line-of-credit	Interest payable monthly at the 60-day LIBOR rate plus 2% (7.63% and 6.75% at September 30, 2007 and 2006). The line of credit terminates on April 1, 2009, thereafter the bank may by written notice extend the termination date for consecutive one-year periods, if granted, shall be granted one year prior to scheduled termination. Secured by various properties located in Washington, D.C.	$ 10,993,842	$ 14,095,402
$24,250,000 land loan construction line-of-credit	Land and construction loan schedule to expire April 1, 2019. Interest only payable at LIBOR plus 2.25% (7.25% at September 30, 2006). Secured by various properties located in Washington, D.C. The note was paid in full during 2007.	-	23,977,920

Description	Terms	2007	2006
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, 2009. This note is unsecured.	200,000	200,000
\$5,738,361 land loan and \$4,500,000 construction loan	Land loan scheduled to expire July 15, 2009. Interest payable monthly at 0.75% over the bank's prime rate (7.75% and 8.25% at September 30, 2007 and 2006). Secured by land in Great Falls, Virginia. Principal payments due upon settlement of homes.	5,078,040	8,236,027
\$1,100,0000 equipment loan	Equipment loan paid in full on July 16, 2007. Payable in monthly installments of \$25,834, including interest at 6.00% per annum. Secured by a first lien on the equipment purchased. Financial covenants in this loan require the Company to maintain certain debt service coverage ratios and to maintain a minimum stockholders equity balance. At September 30, 2006, the Company was not in compliance with these covenants. However at September 30, 2006, the bank has issued a waiver with respect to these covenant violations.	-	71,774
Related party - subordinate 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, 2007 and 2006), issued between January and May 1991, due one year from date of issuance with annual extension options. These debentures are unsecured.	940,000	940,000

W.C. and A.N. Miller Development Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2007 and 2006

Description	Terms	2007	2006
$551,858 acquisition note	Interest accrues at the rate of prime plus 5% (7.25 % at September 30, 2006). Principal and interest due in three annual installments beginning on February 3, 2006. The note was paid in full duirng 2007. As of September 30, 2007 and 2006, the accrued interest was zero and $18.778, respectively.	-	367,905
Equipment notes	Various obligations secured by operating equipment.	2,734	2,734
Total operating notes payable		17,214,616	47,891,762
Investment property notes payable:			
Little Falls Mall Maryland	$186,671 payable monthly including 6.35% interest per annum. Secured by the real estate assets. Loan is scheduled to expire January 1, 2013.	28,148,109	28,585,560
Summer Apts. Maryland - rehabilitation and permanent loan	Interest only payable monthly at 6.47% per annum. Secured by the real estate assets. Loan is scheduled to expire September 1, 2021.	13,782,744	5,876,119
Spring Valley Office	Interest only payable monthly at 6.34% per annum. Securred by the real estate assets. Loan is scheduled to expire August 1, 2022.	27,800,000	-
Total investment property notes payable		69,730,853	34,461,679

W.C. and A.N. Miller Development Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2007 and 2006

Description	Terms	2007	2006
Unimproved land notes payable:			
$14,000,000 Haymount Limited Partnership-Line-of-credit	Interest payable monthly at the bank's prime rate plus 2.0% (8.75% and 6.75% at September 30, 2005 and 2004). This note construction deed of trust for the development of a parcel of land located in Caroline County, Virginia. This loan was subsequntly paid off on May 30, 2008.	16,266,677	11,077,566
$1,050,000 land acquisition and development loan	Interest only payable monthly at 2.3% above the 90 day LIBOR rate per annum (7.81% as of September 30, 2006). Loan is scheduled to expire April 4, 2008. The Company negotiated an extension until April 4, 2009, additional terms and interest rate are currently being negiotated. Secured by land in Great Falls, Virginia.	1,015,078	939,418
$4,000,000 land acquisition line-of-credit	Interest only payable monthly at 2% above the 90 day LIBOR rate per annum (7.44% as of September 30, 2006). Loan is scheduled to expire August 7, 2008.The Company negotiated an extension until August 7, 2009, additional terms and interest rate are currently being negiotated. Secured by real estate assets.	2,677,103	1,900,710
Total unimproved land notes payable		19,958,858	13,917,694
Total notes payable		$ 106,904,327	$ 96,271,135

As of September 30, 2006, the required curtailment of obligations over future years is as follows:

September 30, 2008	$ 36,316,437
2009	696,523
2010	528,986
2011	563,572
2012	600,419
Thereafter	68,198,390
	$ 106,904,327

NOTE 10 - INCOME TAXES

The benefit from (provision for) income taxes consists of the following for the years ended September 30:

	2007	2006
Current income tax		
Federal	$ (30,132)	$ -
State	(200)	(115,321)
Deferred income tax		
Federal	3,075,227	1,710,600
State	901,273	624,900
Income tax benefit (provision) - total	$ 3,946,168	$ 2,220,179
Income tax benefit (provision) - continuing operations	$ 5,506,121	$ 2,069,926
Income tax benefit (provision) - discontinued operations	(1,559,953)	150,253
	$ 3,946,168	$ 2,220,179

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, the effect of straight-line rents, the effect of inventory adjustments, tax gains recognized on transfer of assets, accounts receivable and accrued expenses for financial statement and income tax reporting. At September 30, 2007 and 2006, deferred income tax (liabilities) assets recognized for temporary differences and carryforwards consist of the following:

	2007	2006
Deferred tax liabilities - long term	$ (4,477,000)	$ (3,568,000)
Deferred tax assets - long term	6,769,000	3,631,000
Net operating loss carryforwards - Federal	1,662,000	143,700
Net operating loss carryforwards - state	248,000	18,800
Alternative minimum tax credit carryforward	152,000	152,000
	$ 4,354,000	$ 377,500

The net operating loss carryforwards of approximately $4,889,000 for Federal income taxes and $3,256,000 for state income taxes at September 30, 2007, respectively, will begin to expire, if not utilized, during the year ended September 30, 2023. The alternative minimum tax credit carryforward does not have an expiration date.

NOTE 11 - RENTAL INCOME

The Company leases commercial properties in Washington, D.C. and Maryland under noncancelable leases which expire at various dates through 2013 and apartment properties under lease terms of one year. 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, 2007 and 2006, the Company recorded retail percentage of sales rental income of approximately $339,794 and $228,933, respectively.

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 ended September 30, 2008	$ 8,253,400
2009	6,967,689
2010	6,007,736
2011	5,147,894
2012	4,067,494
Thereafter	26,188,591
	$ 56,632,804

NOTE 12 - DISCONTINUED OPERATIONS

On February 7, 2007, the Company sold the residential brokerage division of W. C. & A. N. Miller Development Company and the following wholly-owned subsidiaries which were also in the real estate brokerage and business, ML Realtors, LLC and ML Realtors Property Management, LLC. The gain realized from the sale of $2,255,825 is reflected in the gain on sale of company from operations of the discontinued entities in 2007.

In addition during 2007, the Company discontinued operations of the following wholly-owned subsidiaries, W.C. & A.N. Miller Referral Company, Miller Real Estate Services, LLC, Greenway Lending Group, LLC, and Miller Homes Services, LLC.

W.C. and A.N. Miller Development Company and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2007 and 2006

The following sets forth the components of discontinued operations for the year ended September 30, 2007 and 2006:

	2007	2006
Revenue		
Commissions	$ 385,954	$ 1,828,282
Rent	5,500	-
Loan fee revenue	450,919	1,013,793
Contracting and other services	207,055	471,543
	1,049,428	3,313,618
Expenses		
Commissions and direct costs	569,181	2,070,553
Property taxes, net	-	300
Salaries and payroll expense	417,044	680,608
Professional and directors fees	575,350	162,149
Advertising and public relations	54,596	64,535
Other overhead expenses	225,776	516,867
Other general and administrative expenses	68,335	202,282
	1,910,282	3,697,294
Operating loss	(860,854)	(383,676)
Other income (expense)		
Interest expense, net	(8,499)	(32,348)
Depreciation and amortization	(672)	(1,343)
Gain on sale of company	2,255,825	-
Net income (loss) before income taxes	1,385,800	(417,367)
Benefit from (provision for) income taxes	(1,559,953)	150,253
Net loss	$ (174,153)	$ (267,114)

NOTE 13 - MINORITY INTEREST

Minority interest represents the ownership interest of the Company's joint-venture partners in certain entities which have been consolidated into these financial statements. As of September 30, 2007 and 2006, minority interest consists of the following:

	Haymount Mezzanine, LLC	Haymount Limited Partnership	ML Realators, LLC	Total
Balance, beginning of year	$ 2,227,827	$ 1,092	$ 465,622	$ 2,694,541
Distributions	(970,565)		(465,622)	(1,436,187)
Allocation of net income to minority interest	849,046	1,796	-	850,842
Balance, end of year	$ 2,106,308	$ 2,888	$ -	$ 2,109,196

NOTE 14 - PRIOR PERIOD ADJUSTMENT

The Company has restated its September 30, 2006 financial statements to take into effect an error in the calculation of the current adjustment for the difference between recording rental revenue on a straight-line basis and the actual cash received. The effect on the September 2006 financial statements is summarized as follows:

	2006, as previously stated	Adjustment	2006, restated
Deferred straight-line rents	$ 3,182,040	$ (1,226,179)	$ 1,955,861
Deferred income taxes	$ (105,500)	$ 483,000	$ 377,500
Retained deficit, September 30, 2006	$ 3,521,944	$ 743,179	$ 4,265,123
Rental revenue	$ 10,534,110	$ (53,415)	$ 10,480,695
Net loss	$ (3,167,825)	$ (53,415)	$ (3,221,240)

NOTE 15 - 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, 2007 and 2006 were $16,302 and $29,947, respectively.

NOTE 16 - 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, 2007 and 2006, $22,055 and $59,805, respectively, were outstanding on such employee accounts and are included in tenant and other trade receivables.

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, notes receivable, accounts payable and notes payable approximate their carrying amounts due to the short maturity of these assets and the variable interest rates on these obligations. The cost basis of notes payable to and due from affiliates is a reasonable estimate of its fair value.

NOTE 18 - 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, 2007 and 2006, the Company had cash and cash equivalents balances and restricted cash on deposit with financial institutions in excess of the Federally insured limit.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space in Bethesda, Maryland under the terms of a noncancelable operating lease. The following is a schedule of future minimum lease payments required under the operating lease which has an initial or remaining term in excess of one year as of September 30:

Years ending September 30, 2008	$	203,148
2009		203,148
2010		203,148
2011		203,148
2012		203,148
	$	1,015,740

Rent expense was $17,674 and $570,981 for the years ended September 30, 2007 and 2006, respectively.

Letter of Credit

At September 30, 2007 and 2006, the Company has a $326,120 outstanding letter of credit which serves as collateral for performance under an agreement with the Virginia Department of Game and Inland Fisheries.

At September 30, 2006, the Company had a $375,000 outstanding letter of credit which served as collateral for the home buyers deposit escrow. On December 15, 2006, the letter of credit expired and was not renewed.

Contingencies

The Company is currently involved in a claim resulting from a contract default under a home sale contract. The Company estimates its possible range of loss to be from $0 to $40,000; however, it does not believe that an unfavorable outcome is likely; as the case proceeds through the discovery phase, the Company will continue to evaluate the likelihood of an unfavorable outcome.

Buyout Agreement

In accordance with an agreement entered into between the Company and William H. Laughlin, the minority interest owner of ML Realtors, LLC dated February 3, 2005, the Company agrees to buy William Laughlin's twenty percent interest in ML Realtors, LLC for the greater of $900,000 or fair value as defined by the agreement upon occurrence of certain future events as defined in the agreement. The purchase coincides with a "Buy-Sell Event" as defined by the agreement. In conjunction with the sale of the real estate brokerage business on February 7, 2007, the Company purchased William Laughlin's 20 percent interest in ML Realtors, LLC for $900,000.

Employment Agreement

The Company entered into an employment agreement with William H. Laughlin dated February 3, 2005. The term of the agreement is for an initial period of three years with consecutive 1 year extensions thereafter. The agreement calls for compensation of $125,000 annually, for the years ended September 30, 2007 and 2006. The Company incurred $125,000 and $125,000, respectively, under the agreement.

Pending Litigation

In August 2006, the Company was ordered into alternative dispute resolution with respect to an outstanding litigation claim involving a parcel of land previously held by the Company. The Company recorded a liability and charge to operations in the amount of $365,000 based on the expected loss from the alternative dispute resolution. On October 4, 2006, the Company and the plaintiff settled the suit for a total of $400,000. As of September 30, 2007, $200,000 remains payable. Subsequent to year end, the balance was paid in full.

NOTE 20 - SUBSEQUENT EVENTS

On May 30, 2008, the Company closed on the sale of land and construction-in-progress related to the Haymount project to Avanti Development Corporation II for $21,500,000. Proceeds from the sale were used to pay off the Haymount line of credit and an intercompany loan from Haymount Mezzanine LLC, as well as closing costs. The Company has recorded a loss on the sale of $367,167.