Reznick Group

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

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

SEPTEMBER 30, 2005 AND 2004

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

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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 sheet of W.C. and A.N. Miller Development Company and Subsidiaries as of September 30, 2005, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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, 2005, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The September 30, 2004 financial statements were compiled by us in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements, information that is the representation of management. We have not audited or reviewed the 2004 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Reznick Group, P.C.

Baltimore, Maryland
January 25, 2006

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

CONSOLIDATED BALANCE SHEETS

September 30, 2005 and 2004

	2005	2004 (UNAUDITED)
ASSETS		
Cash and cash equivalents	$ 2,249,720	$ 1,919,779
Restricted cash	1,962,244	1,542,688
Investments - certificates of deposit	812,852	501,241
Accounts, notes and other receivables		
Tenants and other trade (net of allowance for doubtful accounts of $268,117 and $250,000)	1,162,325	1,532,145
Affiliates	108,640	112,458
Unbilled receivables	-	709,925
Note receivable and accrued interest	1,672,896	1,569,646
Income taxes receivable	144,800	354,384
Inventory		
Construction-in-progress	16,808,429	17,733,433
Subdivided lots	15,053,546	11,362,761
Deferred straight-line rents	2,624,634	2,342,773
Real estate investment property, net	34,584,175	32,593,464
Property and equipment, net	3,730,299	3,352,660
Goodwill	2,564,822	-
Deferred financing fees, net of accumulated amortization for $277,302 and $206,859	1,171,840	1,242,283
Equity method investments	-	40,401
Deferred charges and other assets	1,318,283	3,694,748
Total assets	$ 85,969,505	$ 80,604,789
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 3,018,585	$ 3,370,171
Notes payable	75,372,763	72,902,021
Contract, escrow and rent deposits	2,769,427	1,961,726
Deferred income taxes	2,278,000	1,437,000
Total liabilities	83,438,775	79,670,918
MINORITY INTEREST	2,524,187	-
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained earnings (deficit)	(793,657)	133,671
Total stockholders' equity	6,543	933,871
Total liabilities and stockholders' equity	$ 85,969,505	$ 80,604,789

See notes to consolidated financial statements

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended September 30, 2005 and 2004

	2005	2004 (UNAUDITED)
Revenue		
Sales	$ 9,604,519	$ 24,956,454
Commissions	37,685,148	16,028,068
Rent	11,790,947	10,214,118
Contracting and other services	1,349,828	620,600
	60,430,442	51,819,240
Expenses		
Cost of sales	5,049,108	21,909,094
Commissions and direct costs	28,972,845	9,773,660
Contracting and other direct costs	-	93,922
Property taxes, net	1,280,533	1,413,019
Salaries and payroll expense	7,666,787	7,236,512
Professional and directors fees	1,856,620	1,107,387
Advertising and public relations	915,989	792,573
Other overhead expenses	4,784,197	2,768,675
Other general and administrative expenses	1,571,634	1,421,764
	52,097,713	46,516,606
Operating income	8,332,729	5,302,634
Other income (expense)		
Interest expense, net	(3,991,334)	(4,770,157)
Depreciation and amortization	(1,786,871)	(1,577,050)
Other income (expense)	-	(19,990)
Gain on sale of assets	(3,614)	-
Net income (loss) from continuing operations before income taxes	2,550,910	(1,064,563)
(Provision) benefit for income taxes	(1,467,518)	411,708
Net income (loss) from continuing operations before minority interest	1,083,392	(652,855)
Income allocated to minority interest	(711,223)	-
Net income (loss) from continuing operations	372,169	(652,855)
Discontinued operations		
Loss from operations of discontinued entity, net of income tax effect	(963,413)	(143,458)
Net loss	$ (591,244)	$ (796,313)

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, 2005 and 2004

	Common stock		Retained	
	Shares	Dollars	earnings (deficit)	Total
Balance at September 30, 2003, previously stated, unaudited	8,002	$ 800,200	$ 101,447	$ 901,647
Prior period adjustment	-	-	1,164,621	1,164,621
Balance at September 30, 2003, restated, unaudited	8,002	800,200	1,266,068	2,066,268
Net loss, restated	-	-	(796,313)	(796,313)
Dividends declared	-	-	(336,084)	(336,084)
Balance at September 30, 2004, restated	8,002	800,200	133,671	933,871
Net loss	-	-	(591,244)	(591,244)
Dividends declared	-	-	(336,084)	(336,084)
Balance at September 30, 2005	8,002	$ 800,200	$ (793,657)	$ 6,543

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, 2005 and 2004

	2005	2004 (UNAUDITED)
Cash flows from operating activities		
Net loss	$ (591,244)	$ (796,313)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	1,831,083	1,629,091
Change in allowance for doubtful accounts	20,697	(55,000)
Partnership net income	-	(10,307)
Deferred income taxes	841,000	(505,000)
Income allocated to minority interest	711,223	-
Gain on sale of assets	(36,768)	-
Straight-line rent adjustment	(281,861)	(420,152)
(Increase) decrease in assets		
Accounts, notes and other receivables	1,169,200	(863,098)
Inventory	(2,275,409)	7,851,175
Deferred charges and other assets	306,920	(131,495)
Deposits to restricted cash	(419,556)	291,865
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(351,586)	(528,341)
Contract, escrow and rent deposits	807,701	(968,868)
Net cash provided by operating activities	1,731,400	5,493,557
Cash flows from investing activities		
Purchase of investment - certificates of deposit	(311,611)	-
Cash paid for investment attributed to goodwill	(1,500,000)	-
Proceeds from sale of assets	338,486	-
Proceeds from sale of equity method investment	40,401	-
Partnership distributions	-	108,659
Additions to investment property and equipment	(2,851,535)	(2,761,802)
Net cash used in investing activities	(4,284,259)	(2,653,143)
Cash flows from financing activities		
Contributions from minority interest	1,300,000	-
Proceeds from notes payable	18,870,843	21,982,071
Payments on notes payable	(16,951,959)	(23,531,413)
Dividends paid	(336,084)	(336,084)
Net cash provided by (used in) financing activities	2,882,800	(1,885,426)
NET INCREASE IN CASH AND CASH EQUIVALENTS	329,941	954,988
Cash and cash equivalents, beginning	1,919,779	964,791
Cash and cash equivalents, ending	$ 2,249,720	$ 1,919,779
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	$ 3,924,801	$ 5,512,180
Cash paid for income taxes	$ -	$ 256,250
Supplemental disclosure of noncash investing and financing activities		
Note payable issued as part of the acquisition attributed to goodwill	$ 551,858	$ -
Allocation of the fair value of goodwill attributed to minority interest	512,964	-
Additions to real estate investment property transferred from deferred costs	2,069,545	-
	$ 3,134,367	$ -

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%
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 II	Partnership	100%
Haymount Limited Partnership	Partnership	85%
ML Realators, LLC	Corporation	80%
ML Realators Property Management, LLC	Corporation	80%
Miller Home Services, LLC	Corporation	75%
Miller Investment, LLC (Variable Interest Entity)	Corporation	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 stand alone 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 was effective for all new variable interest entities created or acquired after January 31, 2003. For a VIE created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. 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 wholly owned subsidiary, Haymount Mezzanine, LLC (Mezz) into the Company's financial statements at September 30, 2005 and 2004. MIC was formed by the stockholders of the Company to provide mezzanine financing to Haymount Limited Partnership through MIC's wholly owned 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, 2005 and 2004. 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 the lower of cost or market 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.

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.

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 year ended September 30, 2005.

Equity Method Investments

The Company accounts for its unconsolidated joint ventures using the equity method of accounting due to its lack of significant control over major operating decisions. Under the equity method, the investments are recorded at cost, and increased or decreased by the Company’s share of the income or losses, and decreased by the amount of any distributions received.

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. The warranty reserve at September 30, 2005 and 2004 and the changes therein for the years ended is insignificant to these financial statements.

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 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.

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. 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. Accrued interest on this note as of September 30, 2005 and 2004 was $197,896 and $94,646, respectively.

NOTE 3 - EQUITY METHOD INVESTMENTS

The Company owned a 14.285% and a 7.3% interest in Tiber Island Associates and T.I. Associates Limited Partnership, respectively. Tiber Island Associates dissolved during the year ended September 30, 2004. As a result the Company received a liquidating distribution of $57,919 in full satisfaction of their limited partner interest. T.I. Associates Limited Partnership dissolved during the fiscal year ended September 30, 2005. As a result the Company received a liquidating distribution of $40,401 in full satisfaction of their limited partner interest.

NOTE 4 - INVENTORY

Inventory includes two and four homes in progress at September 30, 2005 and 2004, respectively, at various locations throughout Fairfax, Virginia and Montgomery County, Maryland. At September 30, 2005 and 2004, inventory also includes seven and ten subdivided lots, respectively, in one and three subdivisions, respectively, 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 $420,577 and $840,000 at September 30, 2005 and 2004, respectively.

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).

NOTE 5 - REAL ESTATE INVESTMENT PROPERTY

	2005	2004
Investment property	$ 48,056,729	$ 45,114,304
Accumulated depreciation	(13,472,554)	(12,520,840)
	$ 34,584,175	$ 32,593,464

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

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2005 and 2004:

	2005	2004
Computer equipment	$ 2,999,729	$ 2,224,116
Leasehold improvements	1,906,446	1,091,903
Furniture, fixtures and equipment	1,188,279	1,058,744
Office equipment	47,885	598,444
Vehicles	181,759	429,399
Heavy equipment	193,717	244,477
	6,517,815	5,647,083
Accumulated depreciation and amortization	(2,787,516)	(2,294,423)
	$ 3,730,299	$ 3,352,660

NOTE 7 - 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. As of September 30, 2005, the Company has evaluated the fair value of the goodwill and has determined that no impairment exists.

NOTE 8 - DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consist of the following at September 30, 2005 and 2004:

	2005	2004
Deferred construction costs	$ 72,551	$ 2,277,096
Deferred leasing commissions, net	427,702	490,563
Prepaid expenses and other deposits	582,877	625,593
Deferred rent concessions	-	79,304
Tax, insurance and leasing escrows	235,153	222,192
	$ 1,318,283	$ 3,694,748

NOTE 9 - NOTES PAYABLE

Notes payable consists of the following at September 30:

Description	Terms	2005	2004
Operating notes payable:			
$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% (6.75 % and 5.05% at September 30, 2005 and 2004). Balance due April 1, 2006. 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, 2005, the Company was in compliance with these financial covenants.	$ 7,630,425	$ 9,386,332

Description	Terms	2005	2004
$24,250,000 land loan construction line-of-credit	Land and construction loan schedule to expire April 1, 2006. Interest only payable at LIBOR plus 2.25% (6.13% and 4,7% at September 30, 2005 and 2004). Secured by various properties located in Washington, D.C. Financial covenants in this loan require the Company to maintain certain debt services coverage ratios. At September 30, 2005, the Company was in compliance with this financial covenant.	22,792,920	17,982,071
$6,250,000 land loan/ construction line-of-credit and furniture, fixture and equipment loans	Land and construction and furniture, fixture and equipment loan scheduled to expire February 1, 2005. Interest payable monthly at .5% over the bank's prime rate (5.25% as of September 30, 2004). Secured by the Company's subdivided lots located in Washington D.C. Principal payments due upon settlement of homes. The note was repaid in full during 2005.	-	43,994
$6,520,000 land and construction loans	Land and construction loan scheduled to expire February 6, 2005. Interest payable monthly at .75% over the bank's prime rate (5.50% as of September 30, 2004). Secured by land located in Montgomery County, Maryland. Principal payments due upon settlement of homes. The note was repaid in full during 2005.	-	1,786,835
$255,200 land loan	Land loan requiring 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.	221,037	239,796
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, 2007. This note is unsecured.	200,000	200,000

Description	Terms	2005	2004
$5,738,361 land loan	Land loan scheduled to expire July 15, 2007. Interest payable monthly at 0.75% over the bank's prime rate (6.75% and 5.5% at September 30, 2005 and 2004). Secured by land in Great Falls, Virginia. Principal payments due upon settlement of homes.	4,500,000	3,570,000
$1,100,0000 equipment loan	Equipment loan scheduled to expire 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 services coverage ratios and to maintain a minimum stockholders equity balance. At September 30, 2005, the Company was not in compliance with these covenants. However at September 30, 2005, the bank has issued a waiver with respect to these covenant violations.	388,905	713,569
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, 2005 and 2004), issued between January and May 1991, due one year from date of issuance with annual extension options. These debentures are unsecured.	940,000	1,240,000
$551,858 acquisition note	Interest accrues at the rate of prime plus 5% (5.25% at September 30, 2005). Principal and interest due in three annual installments beginning on February 3, 2006. As of September 30, 2005 the accrued interest was $19,050.	551,858	-

Description	Terms	2005	2004
Equipment notes	Various obligations secured by operating equipment.	2,734	57,851
Total operating notes payable		37,227,879	35,220,448
Investment property notes payable:			
Little Falls Mall Maryland	$186,671 payable monthly including 6.35% interest per annum. Loan is scheduled to expire January 1, 2013.	28,995,828	29,381,573
Summer 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 (5.22% and 4.05% as September 30, 2005 and 2004). Loan is scheduled to expire September 1, 2008.	4,300,000	4,300,000
Total investment property notes payable		33,295,828	33,681,573
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 is secured by a construction deed of trust for the development of a parcel of land located in Caroline County, Virginia. Loan is scheduled to expire on July 28, 2008.	4,849,056	4,000,000
Total unimproved land notes payable		4,849,056	4,000,000
Total notes payable		$ 75,372,763	$ 72,902,021

As of September 30, 2005, the required curtailment of obligations over future years is as follows:

September 30, 2006	$ 32,455,353
2007	5,436,684
2008	9,799,090
2009	496,555
2010	529,020
Thereafter	26,656,061
	$ 75,372,763

NOTE 10 - INCOME TAXES

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

	2005	2004
Current income tax		
Federal	$ -	$ -
State	-	-
Deferred income tax		
Federal	(584,000)	367,000
State	(257,000)	138,000
Income tax benefit (provision) - total	$ (841,000)	$ 505,000
Income tax benefit (provision) - continuing operations	$ (1,467,518)	$ 411,708
Income tax benefit (provision) - discontinued operations	626,518	93,292
	$ (841,000)	$ 505,000

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, the effect of straight-line rents, accounts receivable and accrued expenses for financial statement and income tax reporting. At September 30, 2005 and 2004, deferred income tax (liabilities) assets recognized for temporary differences and carryforwards consist of the following:

	2005	2004 (RESTATED)
Deferred tax liabilities	$ (4,520,000)	$ (3,820,000)
Deferred tax assets	170,000	280,000
Net operating loss carryforwards - Federal	1,676,000	1,770,000
Net operating loss carryforwards - State	244,000	-
Alternative minimum tax credit carryforward	152,000	333,000
	$ (2,278,000)	$ (1,437,000)

The net operating loss carryfowards of approximately $4,420,000 for Federal income taxes and $2,640,000 for state income taxes at September 30, 2005, respectively, 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 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, 2005 and 2004, the Company recorded retail percentage of sales rental income of approximately $228,000 and $210,000, 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, 2006	$ 8,426,774
2007	6,839,557
2008	6,181,271
2009	4,646,249
2010	3,820,293
Thereafter	26,521,760
	$ 56,435,904

NOTE 12 - DISCONTINUED OPERATIONS

On March 31, 2005, the Company decided to cease operations of its controlled joint venture, Miller Home Services, LLC. As of September 30, 2005, the joint venture has been liquidated.

The following sets forth the components of discontinued operations for the years ended September 30, 2005 and 2004:

	2005	2004
Revenue		
Contracting and other services	$ 1,200,108	$ 4,195,550
Expenses		
Commissions and direct costs	155,227	358,178
Contracting and other direct costs	1,380,411	2,844,235
Property taxes, net	1,160	-
Salaries and payroll expense	646,704	504,406
Professional and directors fees	156,662	198,772
Advertising and public relations	38,885	31,641
Other overhead expenses	292,368	332,372
Other general and administrative expenses	114,792	110,655
	2,786,209	4,380,259
Operating loss	(1,586,101)	(184,709)
Other income (expense)		
Depreciation and amortization	(44,212)	(52,041)
Gain on sale of assets	40,382	-
Net loss before income taxes	(1,589,931)	(236,750)
Benefit from income taxes	626,518	93,292
Loss from discontinued operations	$ (963,413)	$ (143,458)

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Company has restated its September 30, 2004 financial statements to take into effect the cumulative and current adjustment for the difference between recording rental revenue on a straight-line basis and the actual cash received. The effect on the September 2004 financial statements is summarized as follows:

	2004, as previously	Adjustment	2004, restated
Deferred straight-line rents	$ -	$ 2,342,773	$ 2,342,773
Deferred income taxes	$ 514,000	$ 923,000	$ 1,437,000
Retained earnings, September 30, 2003	$ 101,447	$ 1,164,621	$ 1,266,068
Rental revenue	$ 9,793,968	$ 420,150	$ 10,214,118
Benefit (provision) for income taxes	$ 670,000	$ (165,000)	$ 505,000
Net income (loss)	$ (1,051,465)	$ 255,152	$ (796,313)

NOTE 14 - 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, 2005 and 2004 were $38,638 and $37,209, respectively.

NOTE 15 - 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 1oss 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, 2005, 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 receivable 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 16 - 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, 2006	$ 654,800
2007	598,600
2008	587,600
2009	599,500
2010	611,600
Thereafter	1,901,900
	$ 4,954,000

Rent expense approximated $572,687 and $478,000 for the years ended September 30, 2005 and 2004, respectively.

Letter of Credit

At September 30, 2005 and 2004, 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.

Contingencies

During the fiscal year ended September 30, 2005, the Company settled in arbitration its litigation related to the expansion and renovation of Little Falls Mall in Montgomery County, Maryland. The claim was settled for $1,000,000, which was paid for with a release of the escrow required by the permanent lender.

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.

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.

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. As of the date of this report, neither the Company nor William H. Laughlin has given notice under a "Buy-Sell Event."

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 year ended September 30, 2005. The Company incurred $83,333 under the agreement.

NOTE 17 - 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, 2005 and 2004, $16,017 and $19,793, respectively, were outstanding on such employee accounts and are included in tenant and other trade receivables. In addition, at September 30, 2005 and 2004, $96,140 and $112,458, 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 October 16, 2014.

In addition, included in the receivables from affiliates balance at September 30, 2005 and 2004 was a note receivable from a stockholder totaling $12,500.