AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2001 AND 2000 WITH REPORT OF INDEPENDENT ACCOUNTANTS

ARGY, WILTSE & ROBINSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

LEADING BY EXAMPLE

REPORT OF INDEPENDENT ACCOUNTANTS

November 13, 2001

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of W.C. and A.N. Miller Development Company and subsidiaries at September 30, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion expressed above.

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

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2001 AND 2000

	2001	2000
ASSETS		
Cash and cash equivalents	$ 1,656,663	$ 2,478,771
Restricted cash	1,410,193	1,876,278
Accounts, notes and other receivables		
Tenants and other trade (net of allowance for doubtful accounts of $52,000 and $120,293, respectively)	1,719,311	449,758
Affiliates	334,132	384,465
Income taxes	85,785	85,585
Investments	100,260	82,287
Inventory		
Homes completed and in progress	3,651,978	3,927,791
Subdivided lots	6,767,537	7,886,495
Real estate		
Investment property, net	16,905,621	16,821,203
Unimproved land	22,594,838	23,505,071
Property and equipment, net	1,251,473	1,415,946
Deferred charges and other assets	19,116,897	8,529,216
Total assets	$ 75,594,688	$ 67,442,866
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 3,165,402	$ 4,614,335
Notes payable	64,504,579	55,514,656
Contract, escrow and rent deposits	1,603,713	2,063,240
Deferred income taxes	823,000	494,000
Total liabilities	70,096,694	62,686,231
Noncontrolling interest in subsidiaries	2,904,523	2,756,969
Stockholders' equity		
Common stock - $100 par value, 10,000 shares authorized, 8,002 shares issued and outstanding	800,200	800,200
Retained earnings	1,793,271	1,199,466
Total stockholders' equity	2,593,471	1,999,666
Total liabilities and stockholders' equity	$ 75,594,688	$ 67,442,866

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

YEARS ENDED SEPTEMBER 30, 2001 and 2000

	2001	2000
Revenue		
Sales	$ 18,239,305	$ 13,710,321
Commissions	19,388,256	15,462,970
Rent	7,535,009	7,411,164
Contracting and other services	4,897,989	971,819
	50,060,559	37,556,274
Direct costs and operating expenses		
Cost of sales	14,458,015	9,596,457
Commissions and direct costs	17,523,613	12,404,125
Property taxes, net	545,726	862,793
Interest, net	3,352,186	2,990,429
Depreciation and amortization	1,325,490	1,446,693
Salaries and payroll expense	6,453,421	6,113,962
Professional and directors fees	872,012	979,145
Other overhead expenses	2,234,656	1,989,103
Other general and administrative expenses	1,836,198	2,574,794
	48,601,317	38,957,501
Operating income (loss)	1,459,242	(1,401,227)
Other income (expenses)		
Provision for retirement plan	(317,754)	(32,973)
Noncontrolling interest in (loss) income of subsidiaries	(147,554)	435,932
Other income (expenses)	221,913	(139,971)
	(243,395)	262,988
Net income (loss) before income taxes	1,215,847	(1,138,239)
(Provision) benefit for income taxes	(454,000)	333,573
Net income (loss)	761,847	(804,666)
Retained earnings at beginning of year	1,199,466	2,540,212
Dividends	(168,042)	(536,080)
Retained earnings at end of year	$ 1,793,271	$ 1,199,466

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	2001	2000
Cash flows from operating activities:		
Net income (loss)	$ 761,847	$ (804,666)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,325,490	1,446,693
Change in allowance for doubtful accounts	(68,293)	73,706
Partnership net income	(50,950)	(93,064)
Partnership distributions	32,977	80,312
Land and land development costs of lots sold	1,219,253	615,134
Deferred income taxes	329,000	(420,000)
Noncontrolling interest in subsidiaries	147,554	(435,932)
(Increase) decrease in:		
Restricted cash	466,085	53,663
Accounts, notes and other receivables	(1,151,127)	192,169
Homes completed and in progress	275,813	(2,024,753)
Subdivided lots	(100,295)	(6,797,447)
Deferred charges and other assets	(10,870,334)	(6,773,125)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,448,933)	2,541,812
Income taxes payable	0	(156,237)
Contract, escrow and rent deposits	(459,527)	243,650
Net cash used in operating activities	(9,591,440)	(11,822,153)
Cash flows from investing activities:		
Additions and improvements to investment property	(668,829)	(1,269,356)
Land development costs	910,233	(3,916,327)
Purchases of property and equipment, net	(293,953)	(535,899)
Net cash used in investing activities	(52,549)	(5,721,582)
Cash flows from financing activities:		
Payments made under notes payable	(2,395,477)	(11,129,133)
Proceeds from notes payable	11,385,400	30,615,763
Dividends paid	(168,042)	(536,080)
Net cash provided by financing activities	8,821,881	18,514,618
Net (decrease) increase in cash and cash equivalents	(822,108)	970,883
Cash and cash equivalents at beginning of year	2,478,771	1,507,888
Cash and cash equivalents at end of year	$ 1,656,663	$ 2,478,771
Supplemental information:		
Cash paid for interest	$ 5,080,741	$ 3,662,625
Cash paid for income taxes	$ 100	$ 264,869

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

NOTE 1 - COMPANY DESCRIPTION AND SUMMARY OF ACCOUNTING POLICIES

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

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

Principles of consolidation

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

	Form of Entity	Percentage Ownership
Haymount Corporation	Corporation	100%
F & R 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%
Haymount Limited Partnership	Partnership	85%
Miller Home Services, LLC	Corporation	75%
F & R Limited Partnership	Partnership	50%

Use of estimates

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

Cash equivalents

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

Inventory

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

Depreciation and amortization

Buildings and improvements included in investment property and operating assets included in property and equipment are stated at cost less accumulated depreciation and amortization. These assets are depreciated and amortized using the straight-line method over the estimated useful lives of three to forty years. Leasing commissions, rent concessions and loan charges included in deferred charges (Note 6) are amortized over the life of the lease or loan agreement.

Revenue recognition

Home sales revenue and commission revenue are recognized at the time of settlement. Rent revenue is recognized ratably over the lease term. Custom homes, home services, renovation and remodeling sales are recognized on the percentage of completion method.

Income taxes

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

Reclassifications

Certain amounts presented in the September 30, 2000 financial statements have been reclassified to conform to the September 30, 2001 financial statement presentation. These reclassifications have no effect on the previously recorded net loss.

NOTE 2 - INVESTMENTS

Investments activity consists of the following for the year ended September 30, 2001:

	September 30, 2000	Net Income	Partnership Distributions	September 30, 2001
Tiber Island Associates (14.285% limited partner interest) - at equity	$ 61,538	$ 27,969	$ (15,175)	$ 74,332
T.I. Associates Limited Partnership (7.3% limited partner interest) - at equity	20,328	22,981	(17,802)	25,507
Miscellaneous stock - at cost	421	0	0	421
	$ 82,287	$ 50,950	$ (32,977)	$ 100,260

NOTE 3 - INVENTORY

Inventory includes zero homes completed at September 30, 2001 and 2000, and homes in progress of seven units at September 30, 2001 and 2000, respectively, in three subdivisions in Washington, D.C. and Montgomery County, Maryland. Inventory also includes subdivided lots in these subdivisions, on which construction had not started, of twenty-one lots and thirty-eight lots at September 30, 2001 and 2000, respectively. Substantially all of these assets are pledged as security for the notes payable (Note 7). Included in inventory is capitalized interest of approximately $1,300,000 and $410,000 at September 30, 2001 and 2000, respectively.

NOTE 4 - REAL ESTATE

Investment property consists of the following at September 30:

	2001	2000
Investment property	$ 26,400,808	$ 25,731,979
Accumulated depreciation	(9,495,187)	(8,910,776)
	$ 16,905,621	$ 16,821,203

The Company owns and manages commercial and residential income producing properties in the District of Columbia and Montgomery County, Maryland. The Company also owns unimproved land consisting of approximately 1,600 acres in Caroline County, Virginia and 750 acres in Front Royal, Virginia held by Haymount Limited Partnership and F & R Limited Partnership, respectively, as well as approximately 350 acres located in Warrenton, Virginia and other parcels in various locations throughout Washington, D.C. and Montgomery County, Maryland.

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

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2001	2000
Furniture, fixtures and equipment	$ 1,475,336	$ 1,408,701
Computer equipment	1,008,200	991,253
Leasehold improvements	710,950	710,950
Vehicles	442,416	375,106
Office equipment	367,672	367,672
Heavy equipment and vehicles	444,005	322,294
Other	285,403	267,533
	4,733,982	4,443,509
Accumulated depreciation and amortization	(3,482,509)	(3,027,563)
	$ 1,251,473	$ 1,415,946

NOTE 6 - DEFERRED CHARGES AND OTHER ASSETS

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

	2001	2000
Deferred construction costs	$ 17,279,468	$ 6,708,937
Deferred loan charges on investment property	468,111	660,565
Deferred leasing commissions	572,383	442,222
Prepaid expenses and other deposits	354,569	340,036
Deferred rent concessions	316,395	282,306
Tax, insurance and leasing escrows	125,971	95,150
	$ 19,116,897	$ 8,529,216

During the year ended September 30, 2000, the Company began a major expansion and renovation of a mixed commercial and retail property in Montgomery County, Maryland. The current budget for the project is approximately $17,500,000, costs incurred and capitalized are approximately $17,280,000 and $6,521,000 as of September 30, 2001 and 2000, respectively (including capitalized interest of approximately $918,000 and $62,000 as of September 30, 2001 and 2000, respectively). The project is scheduled for completion during the early part of the year ended September 30, 2002. Upon completion of the construction of the project, the total costs will be transferred from the deferred construction costs account to the investment property account.

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at September 30:

Operating notes payable:

Security	Terms	2001	2000
$6,000,000 Land loan/construction line-of-credit	Land loan currently scheduled to expire November 21, 2002. Interest payable monthly at Libor plus 250 basis points (5.02% as of September 30, 2001). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due as homes are sold with an annual minimum curtailment of $600,000.		
	Construction loan currently scheduled to expire November 21, 2002. Interest payable monthly at Libor plus 250 basis points (5.02% as of September 30, 2001). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due upon settlement of houses.	$ 922,549	$ 1,559,734
$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% (6.02% at September 30, 2001). Balance due April 1, 2002 (with an option to extend to April 1, 2003). This note is secured by various properties located in Washington, D.C. The line-of-credit agreement includes financial covenants which require the Company to maintain a minimum level of net worth and net operating income. At September 30, 2001, the Company was in compliance with these covenants.	8,562,663	7,312,663

$4,250,000 Line-of-credit	Interest payable monthly at 0.5% over the bank's prime rate (6.5% at September 30, 2001). Secured by office building in Washington, D.C. Balance due March 11, 2002.	3,892,475	3,352,475
$16,000,000 Expansion and renovation construction loan	Expansion and renovation construction loan, interest payable monthly at 0.5% over the bank's prime rate (6.5% at September 30, 2001) during the construction period. Upon completion of the construction period, the equal monthly payments of principal and interest will be fixed, based on the election of the Company, and payable through June 14, 2010. Secured by commercial and retail property in Montgomery County, Maryland.	15,121,126	4,065,726
$6,250,000 Land loan/construction line-of-credit and furniture, fixture and equipment loans	Land and construction and furniture, fixture and equipment loans currently scheduled to expire March 1, 2002. Interest payable monthly at 0.5% over the bank's prime rate (6.5% as of September 30, 2001). Secured by the Company's subdivided lots located in Washington, D.C. Principal payments due upon settlement of homes.	330,000	1,317,500
$9,000,000 Land and construction loan	Land and construction loan currently scheduled to expire June 2003. Interest payable monthly at 0.25% over the bank's prime rate (6.25% at September 30, 2001, secured by lots located in Montgomery County, Maryland. Principal payments due upon settlement of homes.	2,546,673	3,346,693
$7,100,000 Land and construction loan	Land and construction loan currently scheduled to expire June 13, 2002. Interest payable monthly at the bank's prime rate (6.0% as of September 30, 2001). Secured by land located in Montgomery County, Maryland. Principal payments due upon settlement of homes.	1,275,000	1,275,000
$2,800,000 Land loan	Land loan currently scheduled to expire January 31, 2003. Interest payable monthly at the bank's prime rate less 0.5% (5.5% at September 30, 2001). Secured by land located in Montgomery County, Maryland. Principal payments due upon settlement of homes.	2,800,000	2,800,000
$3,987,500 Land and construction loan	Land and construction loan currently scheduled to expire January 31, 2002. Interest payable monthly at 0.25% over the bank's prime rate (6.25% at September 30, 2001). Secured by land located in Montgomery County, Maryland.	200,000	200,000
$255,200 Land loan	Monthly payments of $2,187 including interest at 9.125% per annum, with remaining balance due May 30, 2003. Secured by land located in Montgomery County, Maryland.	251,578	254,400
$2,200,000 Land loan/construction line-of-credit	Land and construction loan repaid during the year ended September 30, 2001. Interest was payable monthly and secured by the Company's subdivided lots located in Montgomery County, Maryland.	0	981,579
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, 2002. This note is unsecured.	200,000	200,000
Subordinated debentures	Interest payable monthly at prime with a minimum rate of 8.5% and a maximum rate of 14% (8.5% at September 30, 2001), issued between January and May 1991, due one year from date of issuance with annual extension options. These debentures are unsecured.	1,930,000	1,930,000
Equipment notes	Various obligations secured by operating equipment.	261,169	245,617
	Total operating notes payable	$ 38,293,233	$ 28,841,387

Investment property notes payable:

Security	Terms	2001	2000
4900 Massachusetts Avenue, NW Washington, D.C.	$30,055 payable monthly including 8.32% interest per annum, balance due June 30, 2003, with an extension option to June 30, 2006.	$ 4,056,602	$ 4,108,619
Little Falls Mall Maryland	Interest payable monthly at 7.69% per annum, balance due September 1, 2002.	7,471,026	7,471,026
Sumner Apts. Maryland	$34,628 payable monthly including 7.96% interest per annum, balance due December 1, 2003.	4,319,954	4,388,502
4910 Massachusetts Avenue, NW Washington, D.C.	$68,085 payable monthly including 7.16% interest per annum, with remaining principal due July 1, 2009.	6,534,082	6,870,086
	Total investment property notes payable	$ 22,381,664	$ 22,838,233

Unimproved land notes payable:

Security	Terms	2001	2000
Caroline County, Virginia-Haymount Limited Partnership	Monthly payments of $688 including interest of 9.5% interest per annum, note matures May 19, 2016.	$ 55,157	$ 56,699
Caroline County, Virginia-Haymount Limited Partnership	Unsecured note, due on demand with interest payable monthly at 6% per annum.	131,984	131,984
Caroline County, Virginia-Haymount Limited Partnership	Interest payable monthly at 7% per annum; note matures September 2002.	3,500,000	3,500,000
Caroline County, Virginia-Haymount Limited Partnership	$1,164 payable monthly including interest at 8.25% per annum, balance due April 30, 2005.	142,541	146,353
	Total unimproved land notes payable	$ 3,829,682	$ 3,835,036
	Total notes payable	$ 64,504,579	$ 55,514,656

As of September 30, 2001, the required curtailment of obligations over future years is as follows:

Years ended September 30,	
2002	$ 28,076,426
2003	11,360,268
2004	4,949,396
2005	914,813
2006	816,434
Thereafter	18,387,242
	$ 64,504,579

NOTE 8 - INCOME TAXES

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

	2001	2000
Current income tax		
Federal	$ (103,000)	$ (15,714)
State	(22,000)	(70,713)
Deferred income tax		
Federal	(268,000)	325,000
State	(61,000)	95,000
Income tax (provision) benefit	$ (454,000)	$ 333,573

The effective tax rate at September 30, 2001 and 2000 differs from the federal statutory rate due primarily to state taxes, limitations on the deductibility of certain expenses for tax purposes and changes in estimates.

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of fixed assets, accounts receivable and accrued expenses for financial statement and income tax reporting. At September 30, 2001 and 2000, deferred income tax (liabilities) assets recognized for temporary differences and carryforwards consist of the following:

	2001	2000
Deferred tax liabilities	$ (1,342,000)	$ (1,502,000)
Deferred tax assets	137,000	266,000
Net operating loss carryforwards	49,000	409,000
Alternative minimum tax credit carryforward	333,000	333,000
	$ (823,000)	$ (494,000)

The net operating loss carryforwards of approximately $122,000, as of September 30, 2001, will begin to expire, if not utilized, during the year ended September 30, 2012. The alternative minimum tax credit carryforward does not have an expiration date.

NOTE 9 - RENTAL INCOME

The Company leases investment properties in Washington, D.C. and Maryland under noncancelable leases which expire at various dates through 2006. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

In addition to minimum rental payments, certain retail store leases require contingent payments based on sales levels. For the years ended September 30, 2001 and 2000, included in rent income, the Company recorded retail percentage of sales rental income of $201,000 and $245,000, respectively. Apartments, which generate approximately 15% of the Company's gross rental income, are rented on a 12-month lease basis.

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

Years ended September 30,	
2002	$ 6,377,000
2003	5,832,000
2004	5,220,000
2005	4,825,000
2006	3,816,000
	$ 26,070,000

NOTE 10 - PROFIT SHARING PLAN

The Company sponsors a defined contribution profit sharing plan (the Plan), which covers substantially all employees. The annual contribution is based on Company earnings, but may not exceed 15% of each participant's annual compensation. In addition, the Plan provides for matching contributions in accordance with Internal Revenue Code Section 401(k). Company contributions for the years ended September 30, 2001 and 2000 were $317,754 and $32,973, respectively.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivables. 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, 2001, the Company had cash and cash equivalents balances and restricted cash on deposit with financial institutions in excess of the federally insured limit. To date accounts receivables have been derived primarily from tenants and the proceeds from home settlements. These receivables are generally due on demand and in some cases, 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 12 - 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 2010. Several of these leases contain an option, exercisable by the Company, to extend the lease terms beyond the original term. 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 ended September 30,		
2002	$	176,000
2003		163,000
2004		163,000
2005		163,000
2006		163,000
Thereafter		1,061,000
	$	1,889,000

Rent expense approximated $278,000 and $274,000 for the years ended September 30, 2001 and 2000, respectively.

Letter of Credit

At September 30, 2001 and 2000, the Company has a $375,320 outstanding letter of credit which serves as collateral for performance under an agreement with the Virginia Department of Game and Inland Fisheries.

Contingencies

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

NOTE 13 - RELATED PARTY TRANSACTIONS

Company policy allows employees to make purchases through company vendors which are charged to their employee accounts on a short term basis. Interest is charged on amounts remaining unpaid after 30 days. At September 30, 2001 and 2000, $52,693 and $46,867, respectively, was outstanding on such employee accounts. In addition, $168,225 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 of July 20, 2002.