

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 and 2010

W.C. AND A.N. MILLER
DEVELOPMENT COMPANY
AND SUBSIDIARIES
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page Number</u>
ACCOUNTANT'S REVIEW REPORT	1
Consolidated Balance Sheets	2
Consolidated Statements of Income (Loss) and Retained Deficit	3
Consolidated Statements of Cash Flows	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	5 - 17
Supplementary Schedules	
Consolidating Balance Sheets	18 - 19
Consolidating Statements of Income (Loss) and Retained Deficit	20 - 21
Schedules of Operating Expenses	22 - 23
Schedules of Rental Activities - Parent Company	24 - 25
Schedule of Rental Activities - Sumner Highlands, LLC	26

Alan L. Gordon, CPA, P.A.

December 9, 2011

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

We have reviewed the accompanying consolidated balance sheets of W.C. and A.N. Miller Development Company and Subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of income (loss), retained deficit, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of W.C. and A.N. Miller Development Company and Subsidiaries.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing a limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedules is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



ALAN L. GORDON, CPA, P.A.

Page 1 of 26

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 2,553,644	\$ 1,557,847
Accounts receivable, net of allowance for doubtful accounts	3,808,327	3,815,742
Other receivables	942,139	1,042,455
Inventory	37,317	1,782,455
Current portion of deferred income taxes	1,409,534	1,407,682
Prepaid expenses	430,772	450,174
Total Current Assets	<u>9,181,733</u>	<u>10,056,355</u>
Fixed Assets (Notes 4 and 5)		
Land	6,849,900	6,849,900
Buildings	48,920,164	48,957,009
Property and equipment	291,098	304,992
Improvements	12,580,741	12,166,080
Total	<u>68,641,903</u>	<u>68,277,981</u>
Less, Accumulated depreciation	19,126,491	17,416,985
Net Fixed Assets	<u>49,515,412</u>	<u>50,860,996</u>
Other Assets		
Deferred leasing commissions, net	881,167	515,535
Deferred financing charges, net	641,216	772,942
Deposit	17,630	17,630
Long term portion of deferred taxes	5,831,688	5,832,750
Real estate tax escrow	224,258	239,884
Total Other Assets	<u>7,595,959</u>	<u>7,378,741</u>
TOTAL ASSETS	<u>\$ 66,293,104</u>	<u>\$ 68,296,092</u>

	2011	2010
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Current maturities of long term debt	\$ 1,320,202	\$ 1,520,021
Accounts payable	436,355	559,617
Accrued expenses	859,705	1,066,789
Security deposits	369,213	325,128
Prepaid rent income	669,703	660,080
Total Current Liabilities	<u>3,655,178</u>	<u>4,131,635</u>
Long Term Liabilities		
Long term debt, net of current maturities	<u>87,068,516</u>	<u>86,531,002</u>
Total Long Term Liabilities	<u>87,068,516</u>	<u>86,531,002</u>
TOTAL LIABILITIES	<u>90,723,694</u>	<u>90,662,637</u>
Minority Interest	<u>(6,298,546)</u>	<u>(6,063,990)</u>
Stockholders' Deficit		
Common stock - \$100 par value, 10,000 shares authorized, 8002 shares issued and outstanding	800,200	800,200
Retained earnings (Deficit)	<u>(18,932,244)</u>	<u>(17,102,755)</u>
Total Stockholder's Deficit	<u>(18,132,044)</u>	<u>(16,302,555)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ <u>66,293,104</u>	\$ <u>68,296,092</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

	2011	2010
Rent Income		
Rent income	\$ 14,264,679	\$ 15,092,400
Rent expenses	(4,498,542)	(5,411,110)
Depreciation and amortization	(2,031,801)	(2,875,635)
Interest expense	(5,382,118)	(5,408,492)
Real estate taxes	(1,211,358)	(1,540,948)
Net Rent Income	<u>1,140,860</u>	<u>(143,785)</u>
Revenues		
Sales	630,000	34,310
Cost of sales	1,784,187	8,000
Gross Profit (Loss)	<u>(1,154,187)</u>	<u>26,310</u>
Operating Expenses	<u>1,514,091</u>	<u>1,641,060</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(1,527,418)</u>	<u>(1,758,535)</u>
OTHER INCOME (EXPENSES)		
Miscellaneous income	51,500	1,918
Interest income	241,484	239,889
Loss on disposition of fixed assets	(445,845)	(974,163)
TOTAL OTHER INCOME (EXPENSES)	<u>(152,861)</u>	<u>(732,356)</u>
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	<u>(1,680,279)</u>	<u>(2,490,891)</u>
Provision (Credit) for Income Taxes		
Current	-	-
Deferred	(790)	(518,723)
Total Provision (Credit) for Income Tax	<u>(790)</u>	<u>(518,723)</u>
NET INCOME (LOSS)	(1,679,489)	(1,972,168)
Retained Deficit, Beginning of Year	(17,102,755)	(14,730,587)
Less, Dividends paid	<u>(150,000)</u>	<u>(400,000)</u>
RETAINED DEFICIT, END OF YEAR	\$ <u><u>(18,932,244)</u></u>	\$ <u><u>(17,102,755)</u></u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

	2011	2010
Cash Flows for Operating Activities:		
Net Income (Loss)	\$ (1,679,489)	\$ (1,972,168)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	2,034,520	2,909,650
Loss on disposition of fixed assets	445,846	974,163
Dividends paid	(150,000)	(400,000)
Income allocated to minority interest	(234,556)	(231,243)
Accounts receivable	7,415	623,240
Other receivables	100,316	(182,708)
Inventory	1,745,138	(8,838)
Deferred income taxes	(790)	(518,723)
Prepaid expenses	19,402	24,600
Current maturities of long term debt	(199,819)	(292,806)
Accounts payable	(123,262)	536,036
Accrued income taxes	-	(35,576)
Accrued expenses	(207,084)	68,560
Security deposits	44,085	(20,771)
Prepaid rent income	9,623	459,402
Total Adjustments	3,490,834	3,904,986
Net Cash Provided by Operating Activities	1,811,345	1,932,818
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(634,925)	(660,942)
Acquisition of deferred financing charges	(293,061)	-
Acquisition of deferred leasing commissions	(440,701)	(149,463)
Acquisition of real estate tax escrow	15,626	18,800
Disposition of guaranty reserve	-	(34,310)
Net Cash Used for Investing Activities	(1,353,061)	(825,915)
Cash Flow for Financing Activities:		
Disposition of long term debt	(14,162,487)	(1,508,466)
Acquisition of long term debt	14,700,000	-
Net Cash Provided by (Used for) Used for Investing Activities	537,513	(1,508,466)
Net Increase (Decrease) in Cash and Cash Equivalents	995,797	(401,563)
Cash and cash equivalents, Beginning of Year	1,557,847	1,959,410
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,553,644	\$ 1,557,847

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 and investment of residential and commercial 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 and majority-owned ventures. 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%
Commonwealth Homes, LLC	LLC	100%
Sumner Highland, LLC	LLC	100%
Miller New Homes, LLC	LLC	100%
Haymount Limited Partnership II	Partnership	100%
Haymount Limited Partnership	Partnership	85%

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.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Bad Debts

Tenant receivables are reported net of 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.

Depreciation and Amortization

Buildings and improvements included in investment property and operating assets included in property and equipment are stated at cost. 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 are amortized over the life of the lease or loan agreement.

Amortization expense for the five years subsequent to September 30, 2011, is as follows:

<u>September 30,</u>	
2012	\$ 258,740
2013	189,148
2014	182,827
2015	173,944
2016	154,335

Revenue Recognition

Real estate sales revenue and commission revenue are recognized at the time of settlement. Rental revenues 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.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which requires the establishment of a deferred tax asset or liability for the recognition of future deductions or taxable amounts, and operating loss and tax credit carryforwards. Deferred tax expense or benefit is recognized as a result of the change in the deferred asset or liability during the year.

Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2. NOTE RECEIVABLE

During the year ended September 30, 2008, the Company purchased a note receivable in the amount of \$8,250,230 from Haymount Mezzanine, LLC at a purchase price of \$825,023. The receivable is being carried at cost and is due from Haymount Limited Partnership, an 85% subsidiary of the Company. For presentation purposes, neither the receivable nor the related payable has been eliminated in consolidation. (Note 8)

NOTE 3. INVENTORY

Unimproved land is comprised of 101 acres in Caroline County, Virginia owned by Haymount Limited Partnership, II, which is a 100% subsidiary of the Company as of September 30, 2011.

NOTE 4. REAL ESTATE INVESTMENT PROPERTY

The Company owns and manages commercial and residential income producing properties in the District of Columbia and Montgomery County, Maryland. As of September 30, 2011 and 2010 respectively, the commercial and residential income producing properties were as follows:

	<u>2011</u>	<u>2010</u>
Investment property	\$ 68,353,270	\$ 68,006,910
Less, Accumulated depreciation	18,952,440	17,259,680
	<u>\$ 49,400,830</u>	<u>\$ 50,747,230</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of all the following at September 30, 2011 and 2010 respectively:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 161,889	\$ 144,327
Furniture, fixtures and equipment	99,737	99,737
Office equipment	27,007	27,007
	<u>288,633</u>	<u>271,071</u>
Less, Accumulated depreciation	174,051	157,305
	<u>\$ 114,582</u>	<u>\$ 113,766</u>

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, other receivables, 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 7. MINORITY INTEREST

Minority interest represents the ownership interest Haymount Limited Partnership, which has been consolidated into these financial statements. As of September 30, 2011 and 2010 respectively, minority interest consists of the following:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ (6,063,990)	\$ (5,832,747)
Distributions	--	--
Allocation of net income to minority interest	(234,556)	(231,243)
Balance, end of year	<u>\$ (6,298,546)</u>	<u>\$ (6,063,990)</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. LONG TERM DEBT

Long-term debt consists of the following at September 30, 2011 and 2010 respectively:

	<u>2011</u>	<u>2010</u>
Operating Notes Payable:		
Note Payable - Washington Securities. Interest only payable at 1% over Prime Rate per annum. Expired, Unsecured.	\$ --	\$ 200,000
Subordinate Debentures. Interest payable monthly at prime rate of 8.5%. Unsecured.	--	440,000
Note Payable - WC & AN Miller Development Company. Non-interest bearing, payable by Haymount Limited Partnership on demand (Note 2)	8,250,230	8,250,230
Total Operating Notes Payable	<u>8,250,230</u>	<u>8,890,230</u>
Investment Property Notes Payable:		
Note Payable - Burke & Herbert, \$96,849 per month including interest at 7%. Due August 2016, Secured by the real estate assets.	--	12,674,323
Note Payable - MetLife. \$186,671 per month including interest at 6.35%, Due January 2013, Secured by the real estate assets.	26,092,973	26,656,545
Note Payable - Key Bank, \$114,586 per month including interest at 6.47% per annum. Due June 2021, Secured by the real estate assets.	17,510,909	17,744,718
Note Payable - TIAA. \$190,991 per month including interest at 7% per annum. Due October 2018. Secured by the real estate assets.	21,851,420	22,085,207
Note Payable - Cardinal Bank, \$78,207 per month including interest at 4.85% per annum. Due August 2021. Secured by the real estate assets.	14,683,186	--
Total Investment Property Notes Payable	<u>80,138,488</u>	<u>79,160,793</u>
	88,388,718	88,051,023
Less, Current maturities	<u>1,320,202</u>	<u>1,520,021</u>
Long Term Debt	<u>\$ 87,068,516</u>	<u>\$ 86,531,002</u>

Maturities of long-term debt are as follows:

Year Ending September 30,	
2012	\$ 1,320,202
2013	26,051,680
2014	1,254,347
2015	1,339,024
2016	1,429,432
Thereafter	56,994,033

See Accountant's Report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9. INCOME TAXES

Deferred income taxes are provided for differences between financial statement and income tax reporting, principally from the different methods of depreciation used and the recognition of income from tenants having scheduled rental increases. The provision for income taxes consists of the following for the years ended September 30, 2011 and 2010, respectively:

		<u>2011</u>	<u>2010</u>
Current income tax -	Federal	\$ --	\$ --
	State	--	--
		<u>--</u>	<u>--</u>
Deferred income tax -	Federal	(718)	(47,377)
	State	(72)	(471,346)
		<u>(790)</u>	<u>(518,723)</u>
Total Income Tax Provision (Credit)		\$ <u>(790)</u>	\$ <u>(518,723)</u>

As of September 30, 2011, tax attribute carryovers consisted of the following:

Net operating loss carryover	\$ 26,768,450
Contribution carryover	57,959
AMT net operating loss carryover	37,280,494
AMT contribution carryover	35,954

The Tax Reform Act of 1986 expanded the corporate minimum tax (AMT). Under this act, the Company's tax liability is the greater of its regular tax or the AMT. The Tax Reform Act of 1997 repealed the AMT for corporations with gross income less than \$5 million. The AMT net operating loss carryover is limited to 90% of the alternative minimum taxable income without regard to the net operating loss.

NOTE 10. RENTAL INCOME

The Company leases commercial properties in Washington, D.C. and Maryland under non-cancelable leases that expire at various dates through 2035 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, 2011 and 2010, the Company recorded retail percentage of sales rental income of approximately \$42,842 and \$40,716, respectively.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 10. RENTAL INCOME (Continued)

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

Year ended September 30,	
2012	\$ 8,345,567
2013	6,659,420
2014	5,174,411
2015	4,211,555
2016	3,794,037
Thereafter	13,578,614

NOTE 11. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and accounts and notes receivable. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions.

NOTE 12. ACCRUED SEVERANCE PAYMENTS

The Company entered into various employment contracts with executives of the Company requiring severance payments to be made in the event of termination. These severance payments were expensed in the year that the executives were terminated from the Company and have been paid out over the course of several years, terminating in the year ended September 30, 2010. For the fiscal year ended September 30, 2010, the Company paid out \$80,926.

NOTE 13. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective January 1, 2006, the Company adopted a supplemental executive retirement plan for the benefit of a select group of management or highly compensated employees selected by the Board of Directors. The Plan provides for a supplemental retirement income benefit upon the participant's reaching normal retirement age or to his designated beneficiaries in the event of the death of the participant. Payments are to be made over a 10-year period. As of September 30, 2011, there is one participant under the plan. Said participant is entitled to 10 annual payments of \$100,000. The Company has not accrued a liability for the plan payments and will expense the payments as they occur.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space in Bethesda, Maryland, under an operating lease set to expire November 30, 2014. Under the terms of the lease, minimum rent has scheduled predetermined increases. The lease contains certain increases to the minimum rent amounts. These contingencies are related to real estate taxes and common area maintenance costs. In addition, the lease contains required monthly payments representing estimated annual operating expenses that are subject to periodic adjustment.

For the year ended September 30, 2011 and 2010, rent expense under this operating lease was \$224,497 and \$216,108 respectively, and is included as part of the rental activities comprising Net Rent Income.

Minimum future rent payments under the non-cancelable operating lease is as follows:

Years ending September 30,	Amount
2012	\$ 228,645
2013	235,504
2014	242,569
2015	41,641
2016 and after	--

Effective October 1, 2009, the Company has sub-let the Bethesda office space under an operating lease that expired September 30, 2011. Under the terms of the lease, the October 2009 rent payment due from the subtenant had been abated. In addition, the lease contained minimum rent with scheduled predetermined increases.

Effective October 1, 2011, the Company has renewed the operating lease, which expires November 30, 2014. All depreciable property from East-West Highway was transferred on October 1, 2011 at no cost to the subtenant.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

For the years ended September 30, 2011 and 2010, rent income under this operating lease was \$154,660 and \$132,193 respectively, and is included as part of the rental activities comprising Net Rent Income. Minimum future rent payments under the operating sublease are as follows:

Years ending September 30,	Amount
2012	\$ 156,750
2013	156,750
2014	156,750
2015	26,125
2016	--
2017 and after	--

The Company also leased computer software and Internet connection lines under operating leases that expired within the year ended September 30, 2011. Total equipment rental expense for the years ended September 30, 2011 and 2010 was \$9,001 and \$24,649, respectively, and is included in Operating Expenses.

Pending Litigation

1. *International Benefits Group, Inc. v. Haymount Limited Partnership, L.P., Westminster Associates II, Inc., Haymount Corporation, John Clark, Edward J. Miller, Jr., and American Property Associates, Ltd., pending in the U.S. District Court for the District of New Jersey, Civil Docket No. 2:06-cv-02363-KSH-PS.* This case was filed by the bankruptcy trustee for International Benefits Group ("IBG") to recover a \$3,000,000 brokerage fee that IBG claims it is owed in connection with certain financing associated with the Haymount redevelopment project in Caroline County, Virginia. The litigation has been pending since at least May of 2006. Plaintiff claimed entitlement to the following damages: (1) the \$3,000,000 Loan Fee, (2) \$1,000,000 in interest, and (3) \$10,000,000 in lost profits. Plaintiff further claimed that it was entitled to treble damages for a statutory civil conspiracy.

Dan Slone and Perry Miles of McGuire Woods in Richmond, VA, were the lead counsel in the case, assisted by Joseph Schwartz of Riker Danzig in Morristown, NJ, as local counsel. Cross-motions for summary judgment were filed in 2008, but were denied by the court in November of 2008.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Pending Litigation (Continued)

Additional cross-motions for summary judgment were filed early in 2009, but those too were denied by the court. Edward J. Miller was dismissed as a defendant in the litigation. The court set a trial date of January 11, 2010.

In late 2009, McGuire Woods filed a motion with the court requesting permission to withdraw as counsel of record, and informing the court that Haymount Limited Partnership and Haymount Corporation had no assets and did not intend to present a defense at the scheduled trial. The court denied counsel's motion for leave to withdraw and entered a Judgment dated January 8, 2010, in favor of the plaintiff in the amount of \$4,469,158 against Haymount Limited Partnership, Westminster Associates II, Inc., and Haymount Corporation. Between the date of the judgment and the fall of 2010, Plaintiff's counsel conducted post-judgment discovery regarding the defendants' assets. No other events have occurred in the case since that post-judgment discovery concluded in the fall of 2010.

2. *Jonathan Kohn, Trustee v. McGuire Woods LLP, et al., Case No. 2:10-cv-05645-KSH-PS.* After September 30, 2010, but before the Effective Date of October 10, 2011, Jonathan Kohn, the appointed trustee in bankruptcy for International Benefits Group, Inc. ("IBG"), filed an action in the United States District Court for the District of New Jersey. *Kohn v. McGuire Woods LLP, et al., Case 2:10-05645* (filed November 1, 2010). The named defendants in this action are: (1) McGuire Woods, LLP, (2) Haymount Limited Partnership, (3) Haymount Mezz, LLC, (4) W.C. & A.N. Miller Investment Company, LLC, (5) W.C. & A.N. Miller ESI Ventures, LLC, (6) W.C. & A.N. Miller Development Company, (7) Edward J. Miller, Jr., (8) Ernest M. Miller, Jr., (9) Robert R. Miller, (10) John A. Clark, and (11) Vincent J. Pasko.

Holland & Knight LLP was retained by defendants 2-9, and 11, in a joint representation. McGuire Woods LLP has been represented by Willentz Goldman & Spitzer, and has cooperated with all the defendants that Holland & Knight represents. John A. Clark has not appeared as a defendant in the action, although Kohn has made no effort as of the Effective Date to secure a default judgment against him.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Pending Litigation (Continued)

On December 29, 2010, Holland & Knight filed a Motion to Dismiss Kohn's Complaint on behalf of its clients arguing that the Complaint was deficient on both procedural and substantive grounds. McGuire Woods filed a similar motion. While those motions were pending, and despite all parties' (including plaintiff's) desire to stay discovery until the motions to dismiss were resolved, the court nonetheless scheduled the case for an aggressive discovery track, scheduled to conclude at the end of summer of 2011. The parties engaged in discovery, during which plaintiff moved to amend his Complaint.

On June, 30, 2011, Kohn filed a Second Amended Complaint, alleging that some or all of the defendants are liable to the plaintiff under one of two broad theories:

- i. Kohn alleges that there was a "fraudulent conveyance" involving a payment made by Haymount Limited Partnership to Haymount Mezz at a time when, it is alleged, IBG was a creditor of Haymount Limited Partnership, and that Haymount Mezz and its general partners, Miller ESI Ventures and Miller Investment, are liable under New Jersey (Complaint Count I) and Virginia (Count II) law for the amounts received in this transaction. The claimed amount of this conveyance is approximately \$5 Million.
- ii. Kohn also alleges that the steps taken by the defendants in structuring the "Avanti Transaction" and in dealing with Haymount Mezz constituted a "fraud" or "conspiracy" among all the defendants, including the named individuals and counsel at McGuire Woods. On the counts of common-law conspiracy (Count III), statutory business conspiracy under Virginia law (Count IV), aiding and abetting (Count V), the plaintiff seeks judgments of \$4.4 Million, and in the case of the Virginia conspiracy statute, trebled damages. Plaintiff also seeks an award of attorneys' fees and costs of suit (Count VI). Finally, plaintiff seeks a separate award of punitive damages against McGuire Woods in the amount of \$10 Million (Count VI).

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Pending Litigation (Continued)

In addition, the Second Amended Complaint alleges that the \$5 Million received by Haymount Mezz was subsequently transferred to each of the defendants in different amounts.

After the complaint was amended, the court terminated the pending motions to dismiss, and asked the parties to re-file them. Accordingly, Holland & Knight filed a Motion to Dismiss the Second Amended Complaint on behalf of its clients for many of the same reasons as noted in the first motion, and McGuire Woods did the same.

The parties proceeded to conclude discovery, at which time plaintiff sought a limited number of attorney-client privileged documents under an exception to the privilege. The defendants disputed the exception, and submitted the documents for the court's review. After reviewing the documents, the court guided the parties to a compromise.

The defendants then took the depositions of the plaintiff, his attorney Richard Hahn, and Joe Domal, the former principal of IBG. The plaintiff then took depositions of McGuire Woods attorneys Dan Slone and Heather Stevenson, and of defendants Edward J. Miller and Vincent Pasko.

After discovery concluded, plaintiff asked the court to set a schedule for summary judgment briefing. The court issued a briefing schedule for cross-motions for summary judgment and, over Holland & Knight's clients' objections, terminated the pending motions to dismiss. The summary judgment motions as expected to be fully briefed shortly after the Effective Date. As of the Effective Date, the defendants have not yet filed an answer.

The defendants have contested vigorously their liability on these counts or any attempt to pass through to them liability for a judgment entered against Haymount Limited Partnership and its partners in January 2010 on a suit brought against Haymount Limited Partnership for monies alleged to be due to IBG (now Kohn).

Company Management sent notice to its insurance carriers seeking coverage, but thus far coverage has been denied.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Future Payments

The Company is an 85% owner of Haymount Limited Partnership (HLP). On May 30, 2008, HLP sold 1,600 acres of land to Avanti Development Corporation II (Avanti). Part of the consideration of the sale included a provision that allowed Management's opinion is, that based on the present state of the real estate market, the likelihood of any payments to HLP under the agreement would be negligible. for future payments to be made by Avanti to HLP provided certain predetermined minimum returns on investment were met, among other allowances.

SUPPLEMENTARY SCHEDULES

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2011

ASSETS	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Miller New Homes, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Current Assets										
Cash and cash equivalents	\$ 2,553,644	\$ -	\$ 2,553,644	\$ 2,356,448	\$ -	\$ -	\$ 197,196	\$ -	\$ -	\$ -
Accounts receivable, net of allowance for doubtful accounts	3,808,327	-	3,808,327	3,807,399	-	-	928	-	-	-
Other receivables	942,139	(43,382,843)	44,324,982	44,324,982	-	-	-	-	-	-
Inventory	37,317	-	37,317	-	-	-	-	-	37,317	-
Current portion of deferred income taxes	1,409,534	(224,917)	1,634,451	1,634,451	-	-	-	-	-	-
Prepaid expenses	430,772	-	430,772	337,101	540	684	90,753	-	750	944
Total Current Assets	9,181,733	(43,607,760)	52,789,493	52,460,381	540	684	288,877	-	38,067	944
Fixed Assets										
Land	6,849,900	-	6,849,900	5,449,225	-	-	848,737	-	538,905	13,033
Buildings	48,920,164	-	48,920,164	32,388,334	-	-	16,437,106	-	-	124,724
Property and equipment	291,098	-	291,098	290,509	-	-	589	-	-	-
Improvements	12,580,741	-	12,580,741	12,463,100	-	-	117,641	-	-	-
Total	68,641,903	-	68,641,903	50,561,168	-	-	17,404,073	-	538,905	137,757
Less, Accumulated depreciation	19,126,491	-	19,126,491	17,611,957	-	-	1,472,714	-	-	41,820
Net Fixed Assets	49,515,412	-	49,515,412	32,949,211	-	-	15,931,359	-	538,905	96,937
Other Assets										
Deferred leasing commissions, net	881,167	-	881,167	881,167	-	-	-	-	-	-
Deferred financing charges, net	641,216	-	641,216	641,216	-	-	-	-	-	-
Deposit	17,630	-	17,630	17,630	-	-	-	-	-	-
Long term portion of deferred taxes	5,831,688	20,992	5,810,696	5,810,696	-	-	-	-	-	-
Real estate tax escrow	224,258	-	224,258	189,449	-	-	54,809	-	-	-
Investment in subsidiaries	-	38,241,273	(38,241,273)	(36,212,501)	(2,028,772)	-	-	-	-	-
Total Other Assets	7,595,959	38,262,265	(30,666,306)	(28,652,343)	(2,028,772)	-	54,809	-	-	-
TOTAL ASSETS	\$ 66,293,104	\$ (5,345,495)	\$ 71,638,599	\$ 56,717,249	\$ (2,028,232)	\$ 684	\$ 16,275,045	\$ -	\$ 576,972	\$ 96,881
LIABILITIES AND STOCKHOLDERS' DEFICIT										
Current Liabilities:										
Current maturities of long term debt	\$ 1,320,202	\$ -	\$ 1,320,202	\$ 1,070,809	\$ -	\$ -	\$ 249,393	\$ -	\$ -	\$ -
Accounts payable	436,355	-	436,355	431,852	-	-	4,503	-	-	-
Other payables	-	(43,382,841)	43,382,841	-	11,966	4,754,314	1,547,411	-	602,682	36,466,468
Accrued expenses	859,705	-	859,705	836,323	-	1,050	22,332	-	-	-
Security deposits	369,213	-	369,213	312,972	-	-	56,241	-	-	-
Prepaid rent income	669,703	-	669,703	663,750	-	-	5,953	-	-	-
Total Current Liabilities	3,655,178	(43,382,841)	47,038,019	3,315,706	11,966	4,755,364	1,885,833	-	602,682	36,466,468
Long Term Liabilities										
Long term debt, net of current maturities	87,068,516	-	87,068,516	61,556,770	-	-	17,261,516	-	-	8,250,230
Total Long Term Liabilities	87,068,516	-	87,068,516	61,556,770	-	-	17,261,516	-	-	8,250,230
TOTAL LIABILITIES	90,723,694	(43,382,841)	134,106,535	64,872,476	11,966	4,755,364	19,147,349	-	602,682	44,716,698
Minority interest	(6,298,546)	(6,298,546)	-	-	-	-	-	-	-	-
Stockholders' Deficit										
Common stock	800,200	(80,000)	880,200	800,200	80,000	-	-	-	-	-
Retained earnings (Deficit)	(18,932,244)	44,415,892	(63,348,136)	(8,955,427)	(2,120,198)	(4,754,680)	(2,872,304)	-	(25,710)	(44,619,817)
Total Stockholder's Deficit	(18,132,044)	44,335,892	(62,467,936)	(8,155,227)	(2,040,198)	(4,754,680)	(2,872,304)	-	(25,710)	(44,619,817)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 66,293,104	\$ (5,345,495)	\$ 71,638,599	\$ 56,717,249	\$ (2,028,232)	\$ 684	\$ 16,275,045	\$ -	\$ 576,972	\$ 96,881

See Accountant's Review Report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2010

ASSETS	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Miller New Homes, LLC	Haymount Limited Partnership, II	Haymount Limited Partnership
Current Assets										
Cash and cash equivalents	\$ 1,557,847	\$ -	\$ 1,557,847	\$ 1,372,133	\$ -	\$ -	\$ 185,714	\$ -	\$ -	\$ -
Accounts receivable, net of allowance for doubtful accounts	3,815,742	-	3,815,742	3,807,343	-	-	2,399	6,000	-	-
Other receivables	1,042,455	(43,380,796)	44,423,251	44,423,251	-	-	-	-	-	-
Inventory	1,782,455	-	1,782,455	-	-	-	-	1,745,137	37,318	-
Current portion of deferred income taxes	1,407,692	(226,769)	1,634,461	1,634,451	-	-	-	-	-	-
Prepaid expenses	450,174	-	450,174	342,303	604	661	96,867	8,134	584	1,021
Total Current Assets	10,056,355	(43,607,565)	53,663,920	51,578,481	604	661	284,980	1,759,271	37,902	1,021
Fixed Assets										
Land	6,849,900	-	6,849,900	5,449,225	-	-	848,737	-	538,905	13,033
Buildings	48,957,009	-	48,957,009	32,385,179	-	-	16,437,106	-	-	124,724
Property and equipment	304,992	-	304,992	304,403	-	-	589	-	-	-
Improvements	12,166,080	-	12,166,080	12,103,086	-	-	56,994	-	-	-
Total	68,277,981	-	68,277,981	50,257,893	-	-	17,343,426	-	538,905	137,757
Less: Accumulated depreciation	17,416,985	-	17,416,985	16,317,077	-	-	1,058,088	-	41,820	41,820
Net Fixed Assets	50,860,996	-	50,860,996	33,940,816	-	-	16,285,338	-	538,905	95,937
Other Assets										
Deferred leasing commissions, net	515,535	-	515,535	515,535	-	-	-	-	-	-
Deferred financing charges, net	772,942	-	772,942	772,942	-	-	-	-	-	-
Deposit	17,630	-	17,630	17,630	-	-	-	-	-	-
Long term portion of deferred taxes	5,832,750	-	5,810,686	5,810,686	-	-	-	-	-	-
Real estate tax escrow	238,884	22,054	238,884	182,395	-	-	57,489	-	-	-
Investment in subsidiaries	-	36,912,120	(36,912,120)	(34,953,715)	(1,958,405)	-	-	-	-	-
Total Other Assets	7,378,741	36,934,174	(29,555,433)	(27,654,517)	(1,958,405)	-	57,489	-	-	-
TOTAL ASSETS	\$ 68,295,092	\$ (6,673,391)	\$ 74,968,483	\$ 57,865,760	\$ (1,957,801)	\$ 661	\$ 16,627,807	\$ 1,759,271	\$ 576,807	\$ 96,958
LIABILITIES AND STOCKHOLDERS' DEFICIT										
Current Liabilities:										
Current maturities of long term debt	\$ 1,520,021	\$ -	\$ 1,520,021	\$ 1,286,212	\$ -	\$ -	\$ 233,809	\$ -	\$ -	\$ -
Accounts payable	559,617	-	559,617	559,617	-	-	-	-	-	-
Other payables	-	(43,380,797)	43,380,797	-	11,021	4,698,508	1,781,115	1,388,703	598,611	34,902,839
Accrued expenses	1,066,789	-	1,066,789	1,043,830	-	-	22,959	-	-	-
Security deposits	325,128	-	325,128	267,064	-	1,050	57,014	-	-	-
Prepaid rent income	650,080	-	650,080	634,778	-	-	25,302	-	-	-
Total Current Liabilities	4,131,635	(43,380,797)	47,512,432	3,791,501	11,021	4,699,558	2,120,199	1,388,703	598,611	34,902,839
Long Term Liabilities										
Long term debt, net of current maturities	86,531,002	-	86,531,002	60,769,863	-	-	17,510,909	-	-	8,250,230
Total Long Term Liabilities	86,531,002	-	86,531,002	60,769,863	-	-	17,510,909	-	-	8,250,230
TOTAL LIABILITIES	90,662,637	(43,380,797)	134,043,434	64,561,364	11,021	4,699,558	19,631,108	1,388,703	598,611	43,153,069
Minority interest	(6,063,990)	(6,063,990)	-	-	-	-	-	-	-	-
Stockholders' Deficit										
Common stock	800,200	(80,000)	880,200	800,200	80,000	-	-	-	-	-
Retained earnings (Deficit)	(17,102,755)	42,851,396	(59,954,151)	(7,495,784)	(2,048,822)	(4,698,897)	(3,003,301)	370,568	(21,804)	(43,056,111)
Total Stockholder's Deficit	(16,302,555)	42,771,396	(59,073,951)	(6,695,584)	(1,968,822)	(4,698,897)	(3,003,301)	370,568	(21,804)	(43,056,111)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 68,295,092	\$ (6,673,391)	\$ 74,968,483	\$ 57,865,760	\$ (1,957,801)	\$ 661	\$ 16,627,807	\$ 1,759,271	\$ 576,807	\$ 96,958

See Accountant's Review Report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Consolidated	Elimination and Deferred Taxes	Combined	WG & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Hilllands, LLC	Miller New Homes, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Rent Income										
Rent income	\$ 14,264,679	\$ -	\$ 14,264,679	\$ 11,867,329	\$ -	\$ -	\$ 2,397,350	\$ -	\$ -	\$ -
Rent expenses	(4,498,542)	-	(4,498,542)	(3,894,520)	-	-	(604,022)	-	-	-
Depreciation and amortization	(2,031,801)	-	(2,031,801)	(1,617,175)	-	-	(414,626)	-	-	-
Interest expense	(5,382,118)	-	(5,382,118)	(4,239,428)	-	-	(1,142,690)	-	-	-
Real estate taxes	(1,211,358)	-	(1,211,358)	(1,106,343)	-	-	(105,015)	-	-	-
Net Rent Income	1,140,860	-	1,140,860	1,009,863	-	-	130,997	-	-	-
Revenues										
Sales	630,000	-	630,000	-	-	-	-	630,000	-	-
Cost of sales	1,784,187	-	1,784,187	-	-	-	-	1,784,187	-	-
Gross Profit (Loss)	(1,154,187)	-	(1,154,187)	-	-	-	-	(1,154,187)	-	-
Operating Expenses										
	1,514,091	(581)	1,514,672	2,233,719	1,009	55,783	-	(783,619)	3,906	3,874
NET INCOME (LOSS) FROM OPERATIONS	(1,527,418)	581	(1,527,999)	(1,223,856)	(1,009)	(55,783)	130,997	(370,568)	(3,906)	(3,874)
OTHER INCOME (EXPENSES)										
Miscellaneous income	51,500	-	51,500	51,500	-	-	-	-	-	-
Interest income	241,484	(1,325,860)	1,567,344	1,567,344	-	-	-	-	-	-
Loss on sale of assets	(445,845)	-	(445,845)	(445,845)	-	-	-	-	-	-
Loss from pass-through	-	1,329,153	(1,329,153)	(1,258,786)	(70,367)	-	-	-	-	-
Interest expense	-	1,559,832	(1,559,832)	-	(70,367)	-	-	-	-	(1,559,832)
TOTAL OTHER INCOME (EXPENSES)	(152,861)	1,553,125	(7,715,986)	(85,787)	(70,367)	-	-	-	-	(1,559,832)
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	(1,680,279)	1,563,706	(3,243,985)	(1,309,643)	(71,376)	(55,783)	130,997	(370,568)	(3,906)	(1,563,706)
Provision (Credit) for Income Taxes										
Current	(790)	-	-	-	-	-	-	-	-	-
Deferred	(790)	-	-	-	-	-	-	-	-	-
Total Provision (Credit) for Income Tax	(1,580)	-	-	-	-	-	-	-	-	-
NET INCOME	(1,679,469)	-	-	-	-	-	-	-	-	-
Retained Deficit, Beginning of Year	(17,102,756)	-	-	-	-	-	-	-	-	-
Less, Dividends paid	(150,000)	-	-	-	-	-	-	-	-	-
RETAINED DEFICIT, END OF YEAR	\$ (18,932,244)	-	-	-	-	-	-	-	-	-

See Accountant's Review Report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Consolidated	Elimination and Deferred Taxes	Combined	W.C. & A.N. Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Miller New Homes, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Rent Income										
Rent income	\$ 15,092,400	\$ -	\$ 15,092,400	\$ 12,817,477	\$ -	\$ -	\$ 2,274,923	\$ -	\$ -	\$ -
Rent expenses	(5,411,110)	-	(5,411,110)	(4,728,084)	-	-	(683,026)	-	-	-
Depreciation and amortization	(2,875,635)	-	(2,875,635)	(2,463,162)	-	-	(412,473)	-	-	-
Interest expense	(5,408,492)	-	(5,408,492)	(4,233,443)	-	-	(1,175,049)	-	-	-
Real estate taxes	(1,540,948)	-	(1,540,948)	(1,347,754)	-	-	(193,194)	-	-	-
Net Rent Income	(143,785)	-	(143,785)	45,034	-	-	(188,819)	-	-	-
Revenues										
Sales	34,310	-	34,310	-	-	27,767	-	6,543	-	-
Cost of sales	8,000	-	8,000	-	-	-	-	8,000	-	-
Gross Profit (Loss)	26,310	-	26,310	-	-	27,767	-	(1,457)	-	-
Operating Expenses										
	1,641,060	(8,411)	1,649,471	1,458,501	330	130,743	-	-	3,825	56,072
NET INCOME (LOSS) FROM OPERATIONS	(1,758,535)	8,411	(1,766,946)	(1,413,467)	(330)	(102,976)	(188,819)	(1,457)	(3,825)	(56,072)
OTHER INCOME (EXPENSES)										
Miscellaneous income	1,918	-	1,918	1,918	-	-	-	-	-	-
Interest income	239,889	(1,262,722)	1,502,611	1,502,017	-	-	23	571	-	-
Loss on sale of assets	(974,163)	-	(974,163)	(974,163)	-	-	-	-	-	-
Loss from pass-through	-	1,310,383	(1,310,383)	(1,241,010)	(69,373)	-	-	-	-	-
Interest expense	-	1,485,555	(1,485,555)	(1,485,555)	-	-	-	-	-	(1,485,555)
TOTAL OTHER INCOME (EXPENSES)	(732,366)	1,533,216	(2,265,572)	(711,238)	(69,373)	-	-	571	-	(1,485,555)
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	(2,490,891)	1,541,627	(4,032,518)	(2,124,705)	(69,703)	(102,976)	(188,796)	(886)	(3,825)	(1,541,627)
Provision (Credit) for Income Taxes										
Current	-	-	-	-	-	-	-	-	-	-
Deferred	(518,723)	-	(518,723)	-	-	-	-	-	-	-
Total Provision (Credit) for Income Tax	(518,723)	-	(518,723)	-	-	-	-	-	-	-
NET INCOME (LOSS)	(1,972,168)	-	(1,972,168)	-	-	-	-	-	-	-
Retained Deficit, Beginning of Year	(14,730,587)	-	(14,730,587)	-	-	-	-	-	-	-
Less, Dividends paid	(400,000)	-	(400,000)	-	-	-	-	-	-	-
RETAINED DEFICIT, END OF YEARS	\$ (17,102,755)	-	\$ (17,102,755)	-	-	-	-	-	-	-

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sunmer Highlands, LLC	Miller New Homes, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Auto expense	\$ 1,588	\$ -	\$ 1,588	\$ 1,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bad debt	6,000	-	6,000	799,134	-	-	-	-	-	-
Bank charges	329	-	329	329	-	-	-	(793,134)	-	-
Board of directors fees	125,500	-	125,500	125,500	-	-	-	-	-	-
Charitable contribution	500	-	500	500	-	-	-	-	-	-
Consulting	24,661	-	24,661	24,661	-	-	-	-	-	-
Depreciation and amortization	2,719	-	2,719	2,719	-	-	-	-	-	-
Equipment rental	9,001	-	9,001	9,001	-	-	-	-	-	-
Executive compensation	416,000	-	416,000	416,000	-	-	-	-	-	-
Health insurance	17,468	-	17,468	17,468	-	-	-	-	-	-
Insurance	23,791	-	23,791	22,608	-	1,183	-	-	-	-
Interest	64,705	-	64,705	64,705	-	-	-	-	-	-
Leases	29,783	-	29,783	29,783	-	-	-	-	-	-
Legal and accounting	477,565	(139)	477,704	472,746	909	-	-	1,717	1,403	929
Meals and entertainment	7,519	-	7,519	7,519	-	-	-	-	-	-
Office salary	82,000	-	82,000	82,000	-	-	-	-	-	-
Office supplies	6,049	-	6,049	6,049	-	-	-	-	-	-
Other taxes and licenses	82,280	-	82,280	73,607	100	775	-	7,798	-	-
Payroll taxes	7,533	-	7,533	7,533	-	-	-	-	-	-
Payroll processing	4,406	-	4,406	4,406	-	-	-	-	-	-
Postage and delivery	5,006	-	5,006	5,006	-	-	-	-	-	-
Real estate tax expense	5,421	(442)	5,421	5,421	-	-	-	-	2,503	2,945
Rent	53,825	-	53,825	-	-	53,825	-	-	-	-
Repairs and maintenance	2,240	-	2,240	2,240	-	-	-	-	-	-
Storage	4,513	-	4,513	4,513	-	-	-	-	-	-
Telephone	48,683	-	48,683	48,683	-	-	-	-	-	-
Travel	1,514,091	(581)	1,514,672	2,233,719	1,009	55,783	-	(783,619)	3,906	3,874
TOTAL OPERATING EXPENSES	\$ 1,514,091	\$ (581)	\$ 1,514,672	\$ 2,233,719	\$ 1,009	\$ 55,783	\$ -	\$ (783,619)	\$ 3,906	\$ 3,874

See Accountant's Review Report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Summer Highlands, LLC	Miller New Homes, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Auto expense	\$ 8,403	\$ -	\$ 8,403	\$ 8,403	-	-	-	-	-	-
Bank charges	609	-	609	609	-	-	-	-	-	-
Board of directors fees	108,000	-	108,000	108,000	-	-	-	-	-	-
Charitable contribution	500	-	500	500	-	-	-	-	-	-
Consulting	21,486	-	21,486	21,486	-	-	-	-	-	-
Depreciation and amortization	34,015	-	34,015	34,015	-	-	-	-	-	-
Equipment rental	24,649	-	24,649	24,649	-	-	-	-	-	-
Executive compensation	180,000	-	180,000	180,000	-	-	-	-	-	-
Health insurance	15,448	-	15,448	15,448	-	-	-	-	-	-
Insurance	24,969	-	24,969	23,803	-	1,166	-	-	-	-
Interest	165,409	-	165,409	165,409	-	-	-	-	-	-
Leases	17,337	-	17,337	17,337	-	-	-	-	-	-
Legal and accounting	169,024	(7,957)	176,981	116,771	180	5,499	-	-	1,487	53,044
Meals and entertainment	7,303	-	7,303	7,303	-	-	-	-	-	-
Office administration	4,509	-	4,509	4,509	-	-	-	-	-	-
Office salary	70,000	-	70,000	70,000	-	-	-	-	-	-
Office supplies	3,973	-	3,973	3,973	-	-	-	-	-	-
Other taxes and licenses	54,096	(454)	54,550	44,892	150	4,142	-	-	2,338	3,028
Parking	234	-	234	234	-	-	-	-	-	-
Payroll taxes	541,011	-	541,011	541,011	-	-	-	-	-	-
Payroll processing	1,886	-	1,886	1,886	-	-	-	-	-	-
Postage and delivery	3,071	-	3,071	3,071	-	-	-	-	-	-
Rent	3,322	-	3,322	3,322	-	-	-	-	-	-
Repairs and maintenance	119,936	-	119,936	119,936	-	119,936	-	-	-	-
Storage	16,584	-	16,584	16,584	-	-	-	-	-	-
Telephone	2,372	-	2,372	2,372	-	-	-	-	-	-
Travel	42,914	-	42,914	42,914	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,641,060	\$ (8,411)	\$ 1,649,471	\$ 1,459,501	\$ 330	\$ 130,743	\$ -	\$ -	\$ 3,825	\$ 56,072

See Accountant's Review Report

W.C. AND A.N. DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF RENTAL ACTIVITIES - PARENT COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	4701 Sungamore Road	4611 Sungamore Road	4820 Massachusetts Avenue	4880 Massachusetts Avenue	4888 Massachusetts Avenue	4872 Massachusetts Avenue	4800 Massachusetts Avenue	4910 Massachusetts Avenue	4301 50th Street	4315 50th Street	4300 Fordham Parking	4800 Yuma Parking	4300 Fordham	East West Highway	Total Development Company
Rental Revenues															
Rental income	\$ 1,977,496	\$ 2,644,399	\$ 839,381	\$ 183,523	\$ 141,707	\$ 334,178	\$ 1,138,969	\$ 2,567,086	\$ 234,056	\$ 508,459	\$ 57,372	\$ 529,381	\$ 462,660	\$ 154,660	\$ 11,803,427
Tenant expense reimbursement	(7,302)	1,402	-	-	(47)	-	15	5,954	-	-	-	-	-	-	22
Bad debt recovery	-	44,380	-	-	-	-	-	-	-	-	-	-	-	-	44,380
Interest income	1,857	13,075	853	48	39	115	578	2,419	274	274	-	-	-	-	19,500
Total Rental Revenue	1,972,051	2,703,256	840,024	183,571	141,689	334,293	1,139,562	2,575,459	234,330	508,733	57,372	529,381	462,660	154,660	11,857,329
Rental Expenses															
Asset management	36,239	60,203	-	-	-	6,564	15,788	49,755	5,356	9,345	-	-	-	-	187,250
Bad debt	-	-	-	-	-	5,629	-	38,743	105,362	24,546	-	-	-	-	149,934
Leasing contract	79,560	24,442	-	-	-	-	41,508	96,711	14,827	24,546	-	-	-	-	281,694
Cleaning supplies	3,233	-	-	-	-	-	-	2,898	1,646	1,622	-	-	-	-	23,217
Engineer services	95,755	69,369	32,594	2,397	1,945	5,759	24,169	54,303	11,498	11,498	-	-	6,411	-	298,698
Engineering benefits and taxes	17,607	21,793	-	616	501	1,482	6,680	14,845	3,130	3,122	-	-	2,166	-	80,434
Extermination	12,586	1,120	-	-	-	1,145	1,654	769	769	769	-	-	-	-	8,162
Fire protection	10,499	1,310	-	-	-	235	2,136	9,001	3,185	3,413	-	-	285	-	30,874
Garage contractor	-	-	-	-	-	-	-	-	-	-	76,449	145,998	-	-	224,047
Insurance	11,394	9,576	6,104	912	2,275	3,015	3,925	10,545	2,880	2,089	-	-	3,472	-	55,967
Legal and professional	17,225	98,264	17,225	(470)	1,763	(3,104)	6,137	27,233	31,261	1,844	-	-	(1,846)	-	170,173
Management fee	54,359	90,303	24,354	5,393	2,640	9,366	29,632	74,932	8,035	14,016	1,721	15,881	13,078	-	343,942
Administrative expense	5,891	5,000	2,130	168	191	386	1,343	786	824	824	-	-	569	-	22,165
Porter service	18,043	40,124	7,247	533	432	1,280	5,238	11,810	2,501	2,501	-	-	1,870	-	91,599
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	224,497	224,497
Repairs and maintenance	91,686	91,350	14,954	2,400	2,741	9,445	60,973	125,762	18,572	20,383	-	-	12,246	-	450,513
Security contract	20,716	43,409	-	-	1,763	540	5,090	9,370	3,391	3,391	-	-	-	-	80,799
Snow removal	20,304	55,300	11,875	876	714	2,115	7,128	16,448	3,391	3,391	-	-	3,090	-	124,631
Telephone expense	3,518	2,972	837	61	50	369	2,150	5,701	2,050	2,302	-	-	216	-	20,126
Trash removal	5,138	44,541	-	-	-	1,205	13,616	30,777	7,145	6,484	-	-	-	-	105,066
Utilities	319,523	144,251	-	-	-	9,874	62,861	284,139	47,941	44,714	1,011	-	2,278	-	916,692
Total Rental Expenses	780,043	826,760	102,133	12,884	13,252	53,983	258,122	669,465	271,161	153,483	81,181	161,479	45,045	224,497	3,894,320
Net Rental Income before Depreciation, Interest Expense and Real Estate Tax	1,192,008	1,876,496	737,901	170,787	128,447	280,288	841,440	1,705,974	(36,831)	355,250	(23,809)	367,902	446,763	(69,837)	7,972,809
Depreciation and amortization	996,606	4,157	26,209	4,864	6,455	27,771	95,452	278,008	43,468	96,368	-	2,311	21,479	14,027	1,617,175
Interest expense	1,676,476	640,207	640,207	47,074	38,199	113,117	374,608	830,925	176,811	176,811	-	-	165,200	-	4,239,428
Real estate tax	114,826	222,140	144,178	9,768	7,991	23,666	131,983	313,214	49,188	54,826	-	-	34,563	-	1,106,343
Total Depreciation, Interest Expense and Real Estate Tax	1,111,432	1,902,773	810,594	61,706	52,645	164,554	602,043	1,422,147	269,467	328,005	-	2,311	221,242	14,027	6,962,946
NET RENTAL INCOME (LOSS)	\$ 80,576	\$ (26,277)	\$ (72,693)	\$ 109,081	\$ 75,802	\$ 115,744	\$ 239,397	\$ 283,827	\$ (306,298)	\$ 27,245	\$ (23,809)	\$ 365,591	\$ 225,541	\$ (83,864)	\$ 1,009,863

See Accountant's Review Report

W.C. AND AN. DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF RENTAL ACTIVITIES - PARENT COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	4701 Sangamore Road	4611 Sangamore Road	4620 Massachusetts Avenue	4660 Massachusetts Avenue	4666 Massachusetts Avenue	4672 Massachusetts Avenue	4690 Massachusetts Avenue	4610 Massachusetts Avenue	4301 50th Street	4315 50th Street	4300 Fordham Parking	4800 Yuma Parking	4300 Fordham	East West Highway	Total Development Company
Rental Revenues															
Rental income	\$ 1,867,211	\$ 3,853,024	\$ 598,333	\$ 193,139	\$ 96,195	\$ 466,971	\$ 1,068,925	\$ 2,527,716	\$ 405,535	\$ 509,295	\$ 52,435	\$ 471,914	\$ 534,599	\$ 132,193	\$ 12,777,485
Tenant expense reimbursement	5,150	5,684	1,005	-	60	177	1,291	(4,319)	7,757	75	-	-	259	-	39,318
Interest income	1,872,351	10,423	599,336	193,212	95,505	467,148	1,070,246	2,335,858	413,292	609,976	52,435	471,914	534,599	132,193	12,817,477
Total Rental Revenue															
Rental Expenses															
Asset management	35,080	68,062	16,592	3,560	2,098	6,372	23,482	56,343	8,665	10,152	1,015	9,236	9,945	-	250,512
Bad debt	4,713	468,393	-	-	-	14,571	-	2,762	-	-	-	-	-	-	490,459
Bank fees	331	188	74	5	4	13	82	197	39	39	-	-	19	-	991
Cleaning contract	74,216	27,849	-	-	-	-	41,267	92,686	19,588	24,593	-	-	-	-	280,199
Cleaning supplies	12,997	3,629	-	-	-	-	2,862	5,714	1,643	1,638	-	-	-	-	28,483
Engineer services	84,481	49,380	25,846	1,885	1,542	4,567	28,296	65,083	13,456	13,456	-	-	6,669	-	294,651
Engineering benefits and taxes	20,702	12,637	6,143	448	367	1,148	7,142	17,079	3,615	3,435	42	234	1,585	-	74,577
Exterminating	1,018	1,018	-	-	-	1,155	2,883	763	763	763	-	-	-	-	8,363
Fire protection	10,794	2,434	-	-	-	271	1,367	3,406	2,421	2,661	-	50	476	-	23,880
Garage contractor	-	-	-	-	-	-	-	-	-	-	75,357	210,655	-	-	286,012
Insurance - medical, life and disability	10,445	10,210	7,224	1,000	2,718	3,865	3,672	7,806	2,507	2,225	-	-	3,941	-	55,613
Legal and professional	12,374	80,336	680	13	11	33	204	468	97	97	-	-	48	-	1,156
Management fee	52,956	98,015	24,886	5,325	3,147	9,386	8,843	31,403	16,316	15,228	1,523	13,854	14,917	-	160,288
Administrative expense	6,668	1,448	710	204	53	199	1,053	4,532	623	435	27	-	190	-	16,143
Porter service	28,109	28,109	4,749	346	283	889	5,251	12,062	2,498	2,498	-	-	1,225	-	86,989
Rent	141,415	135,878	21,647	2,497	4,308	19,855	53,236	154,284	18,499	17,422	4,278	29,800	21,575	216,108	216,108
Repairs and maintenance	4,163	38,886	1	-	-	270	4,804	10,837	1,050	1,045	-	-	-	-	61,056
Security contract	52,587	134,102	19,842	1,668	3,553	3,690	14,921	35,072	6,987	6,987	-	313	5,062	-	284,794
Snow removal	4,624	2,486	379	28	23	67	1,903	7,450	1,923	2,330	121	-	98	-	21,442
Telephone expense	38,539	4,814	-	-	-	675	14,795	31,895	9,231	14,169	-	-	-	-	106,139
Trash removal	319,172	180,224	-	-	-	7,382	64,940	289,994	73,323	46,621	1,125	-	1,430	-	984,271
Utilities	881,679	1,381,843	128,970	16,969	18,107	83,855	317,216	914,402	196,241	157,814	83,468	264,142	67,240	216,108	4,728,084
Total Rental Expenses															
Net Rental Income before Depreciation, Interest Expense and Real Estate Tax															
	990,582	2,487,298	470,368	176,243	77,398	383,283	753,030	1,621,456	217,051	352,162	(31,053)	207,772	467,618	(63,916)	8,089,393
Depreciation and amortization	983,041	604	27,312	5,347	5,175	27,277	86,015	259,628	43,374	985,413	-	2,310	22,638	14,027	2,463,162
Interest expense	-	1,711,026	604,541	44,081	36,070	106,815	400,656	825,828	173,713	173,713	-	-	155,997	-	4,233,443
Real estate tax	164,793	223,118	180,650	13,327	11,728	29,254	132,400	347,379	74,823	74,823	-	19,359	77,700	-	1,347,754
Total Depreciation, Interest Expense and Real Estate Tax															
	1,147,834	1,934,748	811,903	62,755	53,973	165,346	615,073	1,433,837	291,910	1,233,949	-	21,669	255,335	14,027	8,044,359
NET RENTAL INCOME (LOSS)															
	\$ (157,152)	\$ 552,550	\$ (341,535)	\$ 113,488	\$ 23,425	\$ 220,937	\$ 133,957	\$ 187,619	\$ (74,859)	\$ (881,787)	\$ (31,053)	\$ 186,103	\$ 211,283	\$ (97,942)	\$ 45,034

(1) Includes correction of depreciation in the amount of \$889,011

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF RENTAL ACTIVITIES - SUMNER HIGHLANDS, LLC
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Rental Revenues		
Rental income	\$ 2,397,350	\$ 2,274,923
Rental Expenses		
Advertising	41,614	55,704
Bad Debt	7,217	12,783
Cleaning contract	32,901	33,710
Credit checks and signage	7,272	4,653
Engineer services	3,575	3,425
Exterminating	2,655	1,746
Fire protection	7,747	6,239
Information management	972	1,109
Insurance	24,786	31,570
Insurance - medical, life and disability	3,245	3,147
Legal and professional	10,154	1,016
Licenses	5,050	5,062
Management fee	76,156	72,191
Administrative expense	3,025	6,640
Office expense	7,395	6,057
Repairs and maintenance	136,728	162,027
Salaries	105,097	143,259
Security contract	5,658	4,790
Snow removal	25,207	38,440
Taxes - payroll	6,611	11,878
Telephone expense	16,568	15,586
Trash removal	20,591	26,021
Uniforms	274	1,418
Utilities	53,524	34,555
Total Rental Expenses	<u>604,022</u>	<u>683,026</u>
Net Rental Income before Depreciation, Interest Expense and Real Estate Tax	<u>1,793,328</u>	<u>1,591,897</u>
Depreciation and amortization	414,626	412,473
Interest expense	1,142,690	1,175,049
Real estate tax	105,015	193,194
Total Depreciation, Interest Expense and Real Estate Tax	<u>1,662,331</u>	<u>1,780,716</u>
NET RENTAL INCOME (LOSS)	\$ <u>130,997</u>	\$ <u>(188,819)</u>

See Accountant's Review Report