MEREDITH ENTERPRISES, INC.
UNREVIEWED AND UNAUDITED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

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MEREDITH ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

		September 30, 2005 (Unreviewed) (Unaudited)
Assets		
Rental real estate, less accumulated depreciation (Notes 2, 4 and 6)	$	43,282,289
Rental real estate held for sale, net (Notes 2 and 6)		-
Construction in progress (Notes 2 and 6)		7,067,835
Cash and cash equivalents		2,915,992
Restricted cash		4,528
Deferred rent, net of allowance of $358,975 at September 30, 2005		519,077
Accounts receivable, net of allowance of $13,361 at September 30, 2005		-
Loan origination fees, net of accumulated amortization of $252,094 at September 30, 2005		492,955
Other assets		1,182,277
Other assets related to rental real estate held for sale		-
Total assets	$	55,464,953
Liabilities and Stockholders' Equity		
Liabilities		
Notes payable secured by rental real estate (Note 6)	$	36,514,504
Notes payable secured by rental real estate held for sale (Note 6)		-
Accounts payable and accrued liabilities		1,076,875
Security deposits and prepaid rent		346,319
Other liabilities related to rental real estate held for sale		-
Total liabilities		37,937,698
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock $.01 par value; 4,000,000 shares authorized; 976,965 shares issued as of September 30, 2005		9,770
Preferred stock; $.01 par value; 1,000,000 shares authorized; 0 shares issued and outstanding as of September 30, 2005		-
Treasury stock at cost; 33,721 shares at September 30, 2005		(480,683)
Additional paid-in capital		27,193,876
Dividends in excess of retained earnings		(9,195,708)
Total stockholders' equity		17,527,255
Total liabilities and stockholders' equity	$	55,464,953

See accompanying summary of accounting policies and notes to consolidated financial statements.

MEREDITH ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF INCOME

		Three months ended				Nine months ended		
		September 30, 2005 (Unreviewed) (Unaudited)		**September 30, 2004 (Unreviewed) (Unaudited)**		**September 30, 2005 (Unreviewed) (Unaudited)**		**September 30, 2004 (Unreviewed) (Unaudited)**
Revenues								
Rental (Notes 2 and 4)	$	1,562,748	$	1,657,381	$	4,782,540	$	5,112,921
Tenant reimbursements (Notes 2 and 4)		255,811		325,039		776,783		878,806
Interest		7,421		2,894		16,436		11,134
		1,825,980		1,985,314		5,575,759		6,002,861
Cost and expenses								
Interest		559,690		578,415		1,713,482		1,790,306
General and administrative		417,751		356,497		1,129,118		1,049,100
Depreciation		265,121		262,938		796,854		913,579
Ground rent (Note 9)		218,944		224,366		670,269		696,160
Other operating		235,294		215,656		714,352		614,846
Property tax		135,430		131,320		406,289		386,476
		1,832,230		1,769,192		5,430,364		5,450,467
(Loss) income from continuing operations		(6,250)		216,122		145,395		552,394
Income (loss) from discontinued operations (Note 3):								
Gain on sale of rental real estate held for sale		128,853		344,314		723,734		344,314
(Loss) income from discontinued operations		(6,178)		2,877		8,441		(29,992)
Net income	$	116,425	$	563,313	$	877,570	$	866,716
Net income per share-basic (Note 1):								
(Loss) income from continuing operations	$	(0.01)	$	0.22	$	0.15	$	0.55
Discontinued operations:								
Gain on sale of rental real estate held for sale	$	0.14	$	0.34	$	0.76	$	0.34
(Loss) income from discontinued operations	$	(0.01)	$	-	$	0.01	$	(0.03)
Net income per share-basic	$	0.12	$	0.56	$	0.92	$	0.86
Weighted average shares outstanding		958,048		999,798		955,096		1,002,966
Net income per share-assuming dilution (Note 1):								
(Loss) income from continuing operations	$	(0.01)	$	0.21	$	0.15	$	0.54
Discontinued operations:								
Gain on sale of rental real estate held for sale	$	0.14	$	0.34		0.74	$	0.33
(Loss) income from discontinued operations	$	(0.01)	$	-	$	0.01	$	(0.03)
Net income per share-assuming dilution	$	0.12	$	0.55	$	0.90	$	0.84
Weighted average shares outstanding		984,010		1,026,019		981,195		1,031,879

See accompanying summary of accounting policies and notes to consolidated financial statements.

MEREDITH ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30,		**2005**		**2004**
		(Unreviewed) (Unaudited)		
Cash flows from operating activities				
Net income	$	877,570	$	866,716
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense		796,854		942,101
Fair value adjustment to property carrying value		-		132,136
Interest expense due to amortization of loan origination fees		52,326		52,326
Gain on sale of rental real estate held for sale		(723,734)		(344,314)
Increase (decrease) in cash flows from changes in operating assets and liabilities:				
Deferred rent		24,902		(14,386)
Accounts receivable		105,094		37,203
Other assets		(307,358)		(203,620)
Other assets related to rental real estate held for sale		30,618		10,602
Accounts payable and accrued liabilities		145,834		(66,210)
Security deposits and prepaid rent		122,431		7,521
Other liabilities related to rental real estate held for sale		(14,168)		(347)
Net cash provided by operating activities		1,110,369		1,419,728
Cash flows from investing activities				
Proceeds from rental real estate held for sale		2,969,166		884,314
Expenditures on construction in progress		(2,638,034)		(795,735)
Proceeds from sale negotiations		4,500		-
Change in restricted cash		(4,528)		-
Capital expenditures on rental real estate		(211,204)		(65,455)
Net cash provided by investing activities		119,900		23,124
Cash flows from financing activities				
Dividends paid		(626,911)		(732,307)
Purchase of treasury stock		(372,523)		-
Proceeds from exercise of stock options		-		17,086
Proceeds from notes payable		2,437,467		-
Payments on notes payable secured by rental real estate		(355,845)		(3,633,361)
Payments on notes payable secured by rental real estate held for sale		(1,057,213)		(14,476)
Net provided by (cash used) in financing activities		24,975		(4,363,058)
Net increase (decrease) in cash and cash equivalents		1,255,244		(2,920,206)
Cash and cash equivalents, beginning of year		1,660,748		4,699,052
Cash and cash equivalents, end of period	$	2,915,992	$	1,778,846

See accompanying summary of accounting policies and notes to consolidated financial statements.

MEREDITH ENTERPRISES, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		*Treasury Stock*				
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid in Capital**	**Dividends in Excess of Retained Earnings**	**Total**
Balance, December 31, 2004	976,965	$ 9,770	8,000	$ (108,160)	$ 27,193,876	$ (9,446,367)	$ 17,649,119
Net income for the period	-	-	-	-	-	877,570	877,570
Purchase of treasury stock	-	-	25,721	(372,523)	-	-	(372,523)
Dividends declared ($0.65 per share) (Note 1)	-	-	-	-	-	(626,911)	(626,911)
Balance, September 30, 2005	976,965	$ 9,770	33,721	$ (480,683)	$ 27,193,876	$ (9,195,708)	$ 17,727,255

See accompanying summary of accounting policies and notes to consolidated financial statements.

MEREDITH ENTERPRISES, INC.

SUMMARY OF ACCOUNTING POLICIES

Business

Meredith Enterprises, Inc. (formerly West Coast Realty Investors, Inc.) was originally organized in October 1989 under the laws of the State of Delaware. We have elected tax status as a Real Estate Investment Trust ("REIT") for federal and state income tax purposes since 1991. Our portfolio consists of light industrial, retail, suburban office properties and a restaurant property. As of September 30, 2005, all of our properties were located in California and Georgia, and we did not own any residential properties. Most of our leases are "triple-net" leases where the tenant is responsible for maintenance, taxes and insurance, either by directly paying such costs or reimbursing us for those costs through additional rental payments.

Rental Real Estate, Rental Real Estate Held for Sale and Depreciation

Assets are stated at lower of cost or net realizable value. Depreciation is computed using the straight-line method over the asset's estimated useful lives as follows:

- rental real estate: 31.5 to 39 years;
- leasehold improvements: Shorter of estimated useful life of 20 years or lease term;
- furniture: 7 years

If facts and circumstances indicate that the cost of an asset may be impaired, we perform an evaluation of recoverability. If an evaluation is required, we compare the estimated future undiscounted cash flows associated with the asset to the carrying amount to determine if a write-down to fair value is required.

Real estate classified as "held for sale" is stated at the lower of its carrying amount or estimated fair value less disposal costs. Depreciation is not recorded on assets classified as held for sale. If we determine that we should no longer classify an asset as "held for sale," we recompute depreciation so that the accumulated depreciation on the asset at the time of the reclassification is the same as if it were never classified as held for sale.

In the normal course of business, we may receive solicited or unsolicited offers to purchase our properties. For the offers we accept, the prospective buyer will usually require a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. As a result, real estate is not classified as "held for sale" until it is likely, in the opinion of management, that a property will be disposed of in the near term, even if sales negotiations for such property are currently under way. Properties classified as held for sale are segregated from rental real estate in our financial statement presentation. On July 1, 2005, we sold our 721 West Del Paso Road (Sacramento) property for a gross sales price of approximately $825,000 and we recognized a net gain of $128,853 in connection with the sale. There can be no assurance that a property held for sale will be sold in the near term, at a price we consider acceptable, or at all.

Rental Income, Operating Expense and Capitalized Costs

We recognize rental revenue on a straight-line basis to the extent that rental revenue is deemed collectible. We capitalize improvements and betterments that increase the value of the property or extend its useful life.

We capitalize direct costs associated with our development and construction activities. We capitalize interest on qualifying construction expenditures in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34, "Capitalization of Interest Cost." During the development and construction of a new property, we capitalize related interest costs, as well as other carrying costs such as property taxes and insurance. We begin to expense these items as the construction of the property becomes substantially complete and the property becomes available for initial occupancy by tenants. Accordingly, we gradually reduce the amounts we capitalize as we complete construction. Capitalization of interest and other carrying costs such as property taxes and insurance ceases entirely upon completion of development and construction activities.

Acquisition Costs

We expense internal acquisition costs, in accordance with Emerging Issues Task Force 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions."

Loan Origination Fees

Loan origination fees are capitalized and amortized over the life of the loan and are included in interest expense or construction in progress if the funds from the loan are used for construction in progress.

MEREDITH ENTERPRISES, INC.

SUMMARY OF ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider cash in the bank, liquid money market funds and all highly liquid certificates of deposit, with original maturities of three months of less, to be cash and cash equivalents. We place funds in what we believe are creditworthy, high-quality financial institutions. Cash and cash equivalent balances are held by various financial institutions and at times exceed the Federal Deposit Insurance Corporation limit of $100,000.

Consolidation

The accompanying consolidated financial statements include the accounts of Meredith Enterprises, Inc. and other subsidiaries that hold title to individual properties. All significant intercompany balances and transactions have been eliminated in consolidation. Included in the accompanying consolidated financial statements are the assets of wholly owned entities whose assets are not available to satisfy debts and other obligations other than those incurred by such entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Our significant estimates include the assessment of fair value on property held for investment and or for sale. It is reasonably possible that actual results could be materially different than our estimates.

Net Income Per Share

We calculate net income per share by dividing net income by the weighted average number of shares outstanding for the period. We have granted stock options, and their dilutive effect, if any, is included in our calculation of net income per share.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," as promulgated by the Financial Accounting Standards Board ("FASB"), establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is comprised of net income and all changes to stockholders' equity except those due to investments by owners and distributions to owners. Other than net income, we do not have any components of comprehensive income in the three and nine months ended September 30, 2005, and 2004.

Reclassifications

We have made certain reclassifications to the prior years' financial statements for our properties held for sale from operating to discontinued operations, to conform to the presentation of the current period's financial statements.

Descriptive Information about Reportable Segments

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires certain descriptive information to be provided about an enterprise's reportable segments. We have determined that we have one operating and reportable segment, rental real estate and rental real estate held for sale, which comprised 91% of our total assets at September 30, 2005 and over 99% of our total revenues (including discontinued operations) for the three and nine months ended September 30, 2005 and 2004. All the rental real estate we own is located in California and Georgia. We do not use reporting by geographic region.

All revenues are from external customers, and there are no revenues from transactions with other segments. See Note 2 for tenants that contributed 10% or more of our total revenues for the three and nine months ended September 30, 2005 and 2004. Interest expense on debt is not allocated to individual properties, even if such debt is secured by a specific property. Because we are organized as a REIT, we owe no federal or state income taxes and have accordingly made no provision for those taxes; see Note 7.

Stock-Based Compensation

We account for our stock based compensation arrangements for employees and directors using the intrinsic value method pursuant to Accounting Principles Board (APB) No. 25, "Accounting for Stock Issued to Employees," as clarified by FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." As such, compensation expense is recorded when, on the date of the grant, the fair value of the underlying common stock exceeds the exercise price for stock options or the purchase price for issuances or sales of common stock. Pursuant to SFAS No. 123 "Accounting for Stock-Based Compensation," we disclose the pro forma effects of using the fair value method of accounting for stock-based compensation arrangements.

Pro forma information regarding net income and earnings per share required by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which amended SFAS No. 123, was determined as if we had accounted for the employee and non-employee director stock options granted in the periods indicated under the fair value method described in SFAS No. 148. The fair value for these options was estimated as of the date of grant using a Black-Scholes option pricing model, with the following weighted average assumptions for the nine months ended September 30, 2004 (because all of our outstanding options became fully vested prior to 2005, there is no pro-forma stock-based compensation expense during the three and nine months ended September 30, 2005):

	2004
Risk-free interest rate	4.00%
Dividend yield	6.40%
Volatility	24.00%
Expected life	10 Years

The Black-Scholes option-pricing model was developed for use in estimating the fair market value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because options granted under our stock option plan have characteristics significantly different from those of traded options, and because, in management's opinion, changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options granted under our stock option plan.

For purposes of pro forma disclosures, we amortize the estimated fair value of the options over the options' vesting periods. Our pro forma information, as if we had adopted SFAS No. 123 as discussed above, follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Numerator:				
Net income, as reported	$ 116,425	$ 563,313	$ 877,570	$ 866,716
Less -total stock-based compensation expense determined under the fair value based method, net of applicable taxes	-	20,261	-	55,532
Pro forma net income	$ 116,425	$ 543,052	$ 877,570	$ 811,184
Basic-as reported	$ 0.12	$ 0.56	$ 0.92	$ 0.86
Basic-pro forma	$ 0.12	$ 0.54	$ 0.92	$ 0.81
Weighted average shares outstanding	958,048	999,798	955,096	1,002,966
Diluted-as reported	$ 0.12	$ 0.55	$ 0.90	$ 0.84
Diluted-pro forma	$ 0.12	$ 0.53	$ 0.90	$ 0.79
Weighted average shares outstanding	984,010	1,026,019	981,195	1,031,879

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Compensation." It replaces SFAS No. 123, "Accounting for Stock Issued to Employees." SFAS No. 123 (R) requires the compensation cost relating to share-based payment transactions be recognized in financial statements. We are required apply it beginning January 1, 2006 to options that vest on or after that date. All options we have issued to date have completely vested, and under our current option plan, we are authorized to issue additional options to purchase 4,996 shares. We do not anticipate issuing any options during 2005. Further, under stock exchange rules, we must submit any plan for additional options for stockholder approval; we do not expect to submit a plan for stockholder approval during 2005. To the extent we do not propose a new option plan, we do not expect the adoption of SFAS 123(R) to have a material adverse impact on our net income and net income per share.

In December 2004, the FASB issued SFAS No. 153, “Exchange of Nonmonetary Assets, an amendment of Accounting Principles Board (“APB”) Opinion No. 29.” The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured on the fair value of assets exchanged. The statement eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005, and the adoption of SFAS No. 153 did not have a material effect on our financial statements.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections (“SFAS 154”), which replaces APB Opinion No. 20, “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements—An Amendment of APB Opinion No. 28.” SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted in the first fiscal quarter of 2006. We are currently evaluating the effect that the adoption of SFAS 154 will have on our consolidated results of operations and financial condition but do not expect it to have a material impact.

MEREDITH ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—NET INCOME, DIVIDENDS PER SHARE AND OPTION ACTIVITY

Dividends are declared by the board of directors and based on a variety of factors, including the previous quarter's net income (loss) from operations before depreciation and amortization, cash requirements to meet REIT distribution tests, other cash requirements and other factors as the board of directors deems appropriate. In 2004 and for the first quarter of 2005, we paid quarterly dividends at the rate of $0.25 per share. On July 28, 2005, the board of directors declared a dividend of $0.20 per share, which was paid on August 31, 2005 to stockholders of record on August 18, 2005. The dividend rate represents a $0.05 per share reduction from the dividend level of the prior quarter. On November 7, 2005, the board of directors declared a dividend of $0.20 per share.

Our stockholders approved and adopted the 2002 Stock Incentive Plan in September 2002, and it provides for the issuance of incentive stock options, non-qualified stock options, restricted shares and other grants. The maximum number of shares that may be issued under the plan is 150,000. Generally, the option price may not be less than the fair market value of a share on the date that the option is granted, and the options generally vest either immediately or over two years. There were no changes in options outstanding during the nine months ended September 30, 2005:

	Shares under option	**Weighted average exercise price**
Balance at the beginning of the period	143,337	$12.39
Granted	-	
Exercised	-	
Cancelled	-	
Balance at end of period	143,337	$12.39
Exercisable	143,337	
Shares available for future grants at September 30, 2005	4,996	

The options expire in 2013 and 2014, and the weighted average remaining contractual life of these options is approximately nine years. The following table sets forth the computation of basic and diluted earnings per share with respect to net income:

	Three months ended September 30,		**Nine months ended September 30,**	
	2005	**2004**	**2005**	**2004**
Numerator:				
(Loss) income from continuing operations	$ (6,250)	$ 216,122	$ 145,395	$ 336,275
Gain on sale of rental real estate held for sale	128,853	344,314	723,734	-
(Loss) income from discontinued operations	(6,178)	2,877	8,441	(32,868)
Net income	$ 116,425	$ 563,313	$ 877,570	$ 303,403
Denominator for basic earnings per share - weighted average shares	958,048	999,798	955,096	1,002,966
Effect of dilutive securities – stock options	26,053	26,221	26,099	28,913
Denominator for diluted earnings per share adjusted for weighted average shares	984,101	1,026,019	981,195	1,031,879

MEREDITH ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1— NET INCOME, DIVIDENDS PER SHARE AND OPTION ACTIVITY, Continued

	Three months ended September 30,				Nine months ended September 30,			
		2005		2004		2005		2004
Basic earnings per share:								
(Loss) income from continuing operations	$	(0.01)		0.22	$	0.15	$	0.55
Discontinued operations:								
Gain on sale of rental real estate held for sale	$	0.14		0.34	$	0.76	$	0.34
(Loss) income from discontinued operations	$	(0.01)		-	$	0.01	$	(0.03)
Net income per share- basic	$	0.12		0.56	$	0.92	$	0.86
Diluted earnings per share:								
(Loss) income from continuing operations	$	(0.01)	$	0.21	$	0.15	$	0.54
Discontinued operations:								
Gain on sale of rental real estate held for sale	$	0.14	$	0.34	$	0.74	$	0.33
(Loss) income from discontinued operations	$	(0.01)	$	-	$	0.01	$	(0.03)
Net income per share- assuming dilution	$	0.12	$	0.55	$	0.90	$	0.84

Anti-dilutive items are excluded from this calculation.

NOTE 2—RENTAL REAL ESTATE

Our major categories of rental real estate are:

		September 30, 2005
Land	$	8,803,774
Buildings and improvements		39,908,671
		48,712,445
Less accumulated depreciation		(5,430,156)
Net rental real estate	$	43,282,289

During 2004, we began the development of our Garden Grove Festival Center, a multi-tenant shopping center. As of September 30, 2005, our construction in progress on that property totaled $7,067,835, which includes land valued at its cost plus development expenditures, capitalized interest and accrued interest. We estimate that we will incur approximately $2,700,000 of additional development expenditures, until the project is complete in late 2005 or early 2006. We expect to fund the development cost from the construction loan secured by our Garden Grove property (Banco Popular), our Garden Grove Festival Center and our 717 West Del Paso Road property in Sacramento.

During the three months ended September 30, 2005, one tenant represented 10% or more of our total rental revenue including discontinued operations and another two tenants represented approximately 8% each. For the three months ended September 30, 2004, one tenant represented 10% or more of our total rental revenue including discontinued operations and another one tenant represented approximately 7%.

MEREDITH ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3—DISCONTINUED OPERATONS

On January 1, 2002, we adopted SFAS No. 144, whereby net income (loss) and gain on sale of real estate for properties sold or considered held for sale are reflected in our consolidated statements of income as "discontinued operations" for all periods presented. In addition, we have determined to separately reflect the assets and liabilities of properties held for sale or sold in the current period as "Rental real estate held for sale, net" "Other assets related to rental real estate held for sale," "Notes payable secured by rental real estate held for sale" and "Other liabilities related to rental real estate held for sale" in the balance sheets for all periods presented.

During the second quarter of 2004, we determined that the two Sacramento properties (717 and 721 West Del Paso Road) and the Fresno property no longer met the required criteria for classification as held for sale. Accordingly, we removed them from that category in our financial statements and as required, we computed depreciation expense on those properties as if they had never been classified as held for sale, "catching up" the depreciation that was not expensed in prior periods. In September 2004, we sold our Fresno property for a net gain of $344,314, in May 2005, we sold our Riverside property for a net gain of $594,881, and on July 1, 2005 we sold our 721 West Del Paso Road property for a gross sales price of approximately $825,000, and we recognized a net gain of $128,853 in connection with the sale.

In accordance with SFAS No. 144, results for the properties we have sold are also included in discontinued operations for the three and nine months ended September 30, 2005 and 2004 as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	**2004**	**2005**	**2004**
Revenues				
Rental	$ -	$ 97,174	$ 68,552	$ 314,537
Tenant Reimbursements	-	10,590	11,706	29,145
	-	107,764	80,258	343,682
Cost and expenses				
Interest	-	33,307	32,391	101,021
General and administrative	-	21	-	81
Depreciation	-	6,066	3,461	71,478
Operating	1,546	19,410	31,333	58,218
Property tax	4,632	5,008	4,632	10,740
Impairment loss	-	41,075	-	132,136
	6,178	104,887	71,817	373,674
(Loss) income before gain on sale of rental real estate held for sale	(6,178)	2,877	8,441	(29,992)
Gain on rental real estate held for sale	128,853	344,314	723,734	344,314
Income from discontinued operations	$ 122,675	$ 347,191	$ 732,175	$ 314,322

During the three and nine months ended September 30, 2004, we recorded fair value adjustments of $41,075 and $132,136, respectively, to reduce the operating income from our Riverside property to zero and reduce the carrying value of the property by a corresponding amount each period, as a portion of its fair value was previously determined to equal the present value of its expected future cash flows. The tenant of our Riverside property failed to make rent payments from January 1, 2005 to May 9, 2005, and we recognized no operating income from our Riverside property. On May 9, 2005, we sold the Riverside property for a net gain of $594,881. Subsequent to the sale of the property, we accepted a payment of $75,000, from the tenant, as settlement for the entire outstanding rent and other charges of approximately $143,000.

NOTE 4—FUTURE MINIMUM RENTAL INCOME

As of September 30, 2005, future minimum rental income under the existing leases for rental real estate and rental real estate held for sale that have remaining noncancelable terms in excess of one year are as follows:

Years ending December 31,	*Amount*
2005	$ 1,497,513
2006	5,637,116
2007	4,755,133
2008	3,393,799
2009	2,521,858
Thereafter	11,334,595
Total	$ 29,140,014

Future minimum rental income does not include lease renewals or new leases that may result after a non-cancelable lease expires.

NOTE 5—RELATED PARTY TRANSACTIONS

We acquired 2.5 acres of land in March 2003 and are building an approximate 30,000 square foot shopping center on the land. A firm owned by Mr. Gary Coursey, one of our directors, provides architectural services for this project. During the nine months ended September 30, 2005 and 2004, we paid $19,227 and $68,584 respectively, to Mr. Coursey's firm.

We have retained Isakson-Barnhart Properties, Inc. as the property manager of our Northlake Festival Shopping Center in Atlanta, Georgia. Isakson-Barnhart Properties manages over 1.0 million square feet of retail and office space in Georgia, North Carolina and Tennessee. Mr. E. Andrew Isakson, one of our directors, is president of Isakson-Barnhart Properties, Inc. Under the property management agreement, Isakson-Barnhart Properties manages, maintains and operates the shopping center for us. In return for its services, we pay a monthly property management fee to Isakson-Barnhart Properties equal to the greater of (a) 3% of the gross income of the property actually collected for that month or (b) $2,500. In addition, we pay Isakson-Barnhart Properties a leasing commission, in the range of $2.00 to $4.50 per square foot depending on the size of the space and whether there is a co-broker, on new leases or expansion of current leases. We also pay a construction maintenance fee of 5% of the total cost of tenant improvements or other construction where Isakson-Barnhart Properties supervises the project. Under this agreement, we paid a total of $173,995 and $140,552, respectively, to Isakson-Barnhart Properties in the nine months ended September 30, 2005 and 2004. The agreement is renewable annually, and either party is allowed to terminate the agreement upon 30 days' prior written notice to the other. In addition, Mr. Isakson owns a 50% interest in a retail shopping center that is located adjacent to our retail shopping center.

During October 2004, we purchased 20,000 shares of our common stock at the fair market value, plus brokerage commissions, for a total of $13.52 per share. During November 2004, we sold 12,000 shares of our common stock at $13.52 to a company that is co-managed by Mr. Allen K. Meredith, our Chief Executive Officer, President and Chairman of our Board of Directors. We have entered into an agreement with Mr. Meredith that Mr. Meredith or his affiliates will purchase the remaining 8,000 shares we hold as treasury stock at $13.52 per share, our cost for such shares, on or before March 31, 2005. To date, Mr. Meredith has not purchased these shares.

During June 2005, we purchased 7,400 shares of our common stock at $14.52 per share from a company that is co-managed by Mr. Allen K. Meredith, our Chief Executive Officer, President and Chairman of our Board of Directors. We made this purchase in a private transaction, and the price is based on the mid point of the bid and ask prices on the American Stock Exchange when we concluded the oral agreement to purchase the shares.

NOTE 6—NOTES PAYABLE

Notes payable consist of the following:

September 30,		**2005**
Notes payable secured by rental real estate:		
Variable rate interest only promissory note secured by our Garden Grove property (Banco Popular), land we have begun to develop in Garden Grove and our 717 West Del Paso Road property. The note bears interest rate at prime plus 1.25% (prime rate for this loan was 6.50% at September 30, 2005), is due November 29, 2005 and is a construction loan for the improvements on the land we hold in Garden Grove; we may borrow up to $6,500,000 under this loan.	$	4,709,964
8.33% promissory note secured by our Roseville property, monthly principal and interest payments are $11,510 due July 1, 2008.		1,283,419
6.97% promissory note secured by our Folsom property, monthly principal and interest payments of $32,567 due September 1, 2009 with a balloon payment of $4,479,793.		4,748,413
6.97% promissory note secured by our Irvine property, monthly principal and interest payments of $25,105 due September 1, 2009 with a balloon payment of $3,453,364.		3,660,436
6.97% promissory note secured by our Sacramento property (Horn Road), monthly principal and interest payments of $11,276 due September 1, 2009 with a balloon payment of $1,551,049.		1,644,054
6.97% promissory note secured by our Tustin property, monthly principal and interest payments of $30,677 due September 1, 2009 with a balloon payment of $4,219,765.		4,472,792
7.64% promissory note secured by our Atlanta, GA property (Northlake Festival Shopping Center), monthly principal and interest payments of $124,753 fully amortizing with the final payment due December 1, 2027. Starting December 2010, year 13 of the note, the interest rate increases to a minimum of 9.64%.		15,995,426
Subtotal – notes payable secured by rental real estate		36,514,504
Notes payable secured by rental real estate held for sale:		
8.25% promissory note secured by our Riverside property, monthly principal and interest payments of $9,116, due March 8, 2005. On April 28, 2005, we agreed with the lender to extend the maturity date of the note from March 8, 2005 to May 31, 2005, made an additional $50,000 principal payment and agreed to a new interest rate of 8.50%. On May 9, 2005, we sold this property and paid off the loan.		-
Total notes payable		36,514,504

Many of our notes payable contain significant penalties should we pay off the loan before its scheduled maturity. Some of these notes also contain “cross collateral” provisions where the note holder has security rights against properties other than the primary property securing the note.

During the nine months ended September 30, 2005 and 2004, we incurred interest expense of $1,745,873 and $1,891,327, respectively, and capitalized interest of $185,823 and $150,387, respectively.

The aggregate annual future maturities at September 30, 2005 of notes payable secured by rental real estate and notes payable secured by rental real estate held for sale are as follows:

Years ending December 31,	*Amount*
2005	$ 4,831,339
2006	513,925
2007	553,461
2008	1,763,425
2009	14,222,601
Thereafter	14,629,753
Total	$ 36,514,504

NOTE 7—TAXES ON INCOME

We have elected to be taxed as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended, for federal income tax purposes. This requires, among a number of other organizational and operational requirements, that we distribute at least 90% of our taxable income (excluding capital gains) to our stockholders. In addition, California and Georgia, the states in which we own and operate real estate properties, have provisions equivalent to the federal REIT provisions. Accordingly, we have made no provision for federal or state income taxes in the accompanying financial statements.

NOTE 8—SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

A supplemental disclosure of cash flow information follows:

Nine months ended September 30,	**2005**	**2004**
Cash paid during the period for interest	$ 1,680,426	$ 2,013,227
Supplemental disclosure of non-cash investing activities:		
Transfer of assets to rental real estate held for sale	$ -	$ -
Transfer of assets to other assets – related to rental real estate held for sale	$ -	$ -
Transfer of liabilities to other liabilities – related to rental real estate held for sale	$ -	$ -
Transfer of assets held for sale to rental real estate	$ -	$ 2,228,703
Transfer of liabilities held for sale to other liabilities	$ -	$ 3,710
Transfer of liabilities held for sale to security deposits and prepaid rent	$ -	$ 17,293
Transfer of liabilities held for sale to notes payable	$ -	$ 529,516

NOTE 9—COMMITMENTS AND CONTINGENCIES

We purchased the Northlake Festival Shopping Center in October 2002 and assumed the existing ground lease. The ground lease expires in October 2057, and any improvements on the property revert back to the ground lessor. The ground lease provides for fixed rent and additional rent calculated on 7% of the gross rents received from tenants. The fixed rent may escalate based on appraisals, with the following limitations:

January 2003 - October 2007	Fixed at $600,000 per year
November 2007 - October 2032	Subject to appraisal, but not less than $600,000 per year, nor more than $1,200,000 per year
November 2032 - October 2057	Subject to appraisal, but not less than $600,000 per year nor more than $2,400,000 per year

We have entered into an employment agreements with Allen K. Meredith, our Chief Executive Officer, President and Chairman of our Board of Directors, and Charles P. Wingard, our Chief Financial Officer, under which we would be obligated to make severance payments to either or both of them upon their termination or resignation for certain reasons, of one year's salary plus bonus, if any.

We have entered into an agreement with Mr. Meredith that he or his affiliates will purchase the 8,000 shares we hold as treasury stock at $13.52 per share, our cost for such shares, on or before March 31, 2005. To date, Mr. Meredith has not purchased these shares.

We are a defendant in a lawsuit entitled John Lonberg & Ruthee Goldkorn v. Sanborn Theaters, Inc., a California Corporation Doing Business as Marketplace Cinema and So-Cal Cinema, Inc., a California Corporation; and Salts-Troutman-Kaneshiro, Inc., West Coast Realty Investors, Inc., USDC Central District of California, Eastern Division Case No. CV-97-6598AHM (JGx). This is an Americans with Disabilities Act claim brought against the Market Place Cinema, our Riverside property that we sold on May 9, 2005. We owned the theater and leased it to Sanborn Theaters, Inc., which operated it. The plaintiffs allege certain features of the theater discriminated against them and violated state and federal disabled access laws. The plaintiffs demand statutory damages, damages for emotional distress, a “lodestar” multiplier, attorneys’ fees and punitive damages. Although the plaintiffs have not quantified their damages, we expect that their claims will exceed $300,000. The United States Department of Justice has intervened in this suit. This case has now been stayed pending the outcome of a similar case filed against AMC Theaters. We cannot determine the likelihood of an unfavorable outcome or range of potential loss, if any. We believe we have complied with all applicable provisions of law and intend to vigorously defend the allegations contained in the lawsuit. We believe that the lawsuit will not have a material impact on our continuing operations, future cash flows or overall financial condition.

The tenant in our Ontario property, Adelphia Communications, Inc. (Adelphia), has filed for bankruptcy protection. Presently, the rent is current and the property is occupied by Adelphia. Several companies have claimed amounts due for remodeling work and other work ordered by Adelphia on our property, and they have filed mechanics’ liens on our property. We have not yet determined the validity of these liens, and there may be defenses to these claims. If our lease with Adelphia is affirmed in the bankruptcy proceeding, then Adelphia would be responsible for the discharge of these claims. If our lease with Adelphia is not affirmed in the bankruptcy proceeding, and the bankruptcy proceedings do not fully pay these creditors, then we would be responsible for these claims to the extent they are valid, if at all. We believe that these liens will not have a material impact on our continuing operations or overall financial condition. Recently, Time Warner and Comcast have agreed to buy the assets of Adelphia. We do not know, however if this transaction will have an effect on our lease.

We lease our corporate office in Menlo Park and have committed to pay rent of approximately $81,000 per year for 2005 and 2006. We lease office space and obtain related services in Los Angeles on a month-to-month basis at $1,000 per month.

NOTE 10 — SUBSEQUENT EVENTS

Notice of Delisitng

On September 15, 2005, we voluntarily filed an application to delist our common stock from the American Stock Exchange (“AMEX”) with SEC and we provided notice to the AMEX of our intent to withdraw from listing along with a copy of the application filed with the SEC. On November 3, 2005, our common stock was no longer listed on the AMEX.

Quarterly Dividend of $0.20 Per Share

On November 7, 2005, our board of directors declared a dividend of $0.20 per share to the stockholders of record on November 17, 2005, payable on November 30, 2005.