

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

4701 Sangamore Road, Suite 135 South Tower
Bethesda, Maryland 20816

301-915-9393
October 11, 2010

Mr. Robert W. Beers, Jr.
157 Twelve Oaks Circle
Ponte Vedra, FL 32082

Dear Bob:

I wanted to provide you an update on various significant events that have occurred over the course of the last year which have had a substantial impact on our free cash flow. To date this fiscal year, we have experienced unexpected and unbudgeted operating expenses of \$882,624.01 [please see attached for detailed breakdown]. Additionally, the soft real estate market has had an adverse effect in our efforts to sell the 3 remaining lots in Montgomery County which is attributable to an additional \$825,000 in unrealized free cash flow. These unexpected and unbudgeted expenses total \$1,707,624.01. The result of these expenditures has reduced our available free cash flow to \$1,776,397.57 as of August 31, 2010 and we are anticipating that our available cash flow as of September 30, 2010 will be \$1,191,059.47, although our books are not formally closed.

As a result of these unexpected and unbudgeted expenses, we have dropped below our \$2,000,000 cash reserve that we spoke about during our Annual meeting this past January. In looking forward, during our budget process, it appears that the Company will not get above our \$2 million reserve until late next fiscal year. You may recall the purpose for the \$2 million reserve is to insure that the Company has an adequate amount of cash available in the event that unforeseen and unbudgeted expenses occur. This policy has proven itself to be invaluable as a result of what has happened this year.

Your Board of Directors met via teleconference this past Friday, at our regularly scheduled monthly meeting, and discussed the Budget for this coming fiscal year. As a result of that discussion, I wanted to send this letter advising you, as far in advance as possible, that the Board of Directors is considering the reduction and/or suspension of the monthly dividend. An in depth review of the Budget will occur at our meeting here in Washington, DC on November 11, 2010 where a final decision will be made.

It is imperative that we have adequate cash reserves to cover any unforeseen expenses such as the ones that have occurred this year. I will continue to keep you informed on any and all relevant financial matters involving your Company and as in the past I will provide you with a quarterly update along with our year-end financials once approved by the Board of Directors in our November meeting.

As always, should you have any questions, please do not hesitate to call me [443-315-9721] or e-mail me at rmiller@wcanmiller.com.

Sincerely,



Robert R. Miller

Enclosure

Unbudgeted Expenses
for the W.C. and A.N. Miller Development Company
in Fiscal Year 2009/2010

Development Company

Prepaid Income Taxes	\$ 34,490.00
2007 Payroll Tax Liability of (539,032.68) (1)	\$ 66,000.00
DC Personal Property Taxes for Past 10 Years (2)	\$ 33,598.88
Snow Removal Expenses (3)	\$ 254,202.82
Tenant Vacancies (4)	
Dr. Morrison (26,914.94 monthly)	\$ 109,357.15
Kane & Davis (\$17,148.99 monthly)	\$ 46,559.21
Jerry's Sub (\$5,420.76 monthly)	\$ 30,770.48
Litigation Expenses for Tenant Issues (after Budget) (5)	\$ 118,571.84
 Haymount LP - Litigation Fees (6)	 \$ 50,711.53
 Springvale Meadows Virginia (7)	 \$ 127,516.80
 Sunshine Brookes - Real Estate Taxes	 \$ 10,845.30
	<u>\$ 882,624.01</u>
 Lack of Sale on Lots in Sunshine Brookes	 \$ 825,000.00
	<u>\$ 1,707,624.01</u>

- (1) March 3, 2010, Miller Company received notice from IRS that the 2007 1st quarter payroll taxes were not paid.
- (2) In February 2010, in an attempt to renew our elevator certificates for our DC properties it was discovered that the Miller Company had not paid their DC Personal Property Taxes from 2000 through 2009.
- (3) The snow removal costs listed here are the costs above what was budgeted.
- (4) These three tenants vacated without notice and prior to the expiration of their leases at a cost of @\$49,500 per month.
- (5) We have had to incur extensive litigation expenses to enforce the terms of our leases in collecting the monies that are due to the Company that were not properly billed in previous years.
- (6) These are ongoing expenses to defend litigation regarding Haymount LP.
- (7) The expenses associated here are for costs we have had to incur for the State and County to accept the common areas back into their control.