

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

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

301-915-9393  
March 5, 2009

Mr. Robert R. Miller  
5107 SW Inverness Court  
Palm City, FL 34990

Dear Rob:

I am pleased to provide you with the first quarter update (ending December 31, 2008) of fiscal year 2008-2009 of your Company. Enclosed for your review are the quarterly Balance Sheet, Profit & Loss Statement, Debt Schedule and Cash Flow statements. Should you have any specific questions in regards to these, please feel free to contact me.

The first quarter was very productive for the Miller Company. Cash reserves went up by 1.3 million to 4.28 million. We also managed to reduce our overall debt by 6.25 million. The Company has successfully negotiated the buy back and refinance of a loan with Key Bank thus reducing our debt by 5.75 million and substantially reducing the monthly interest payment.

In comparison to our budget, your Company's overall gross profit was less than budget by \$113,000. Our operating expenses were less than budget by \$329,000. Our other income was less than budget by \$179,000. Our net operating income was greater than budget by \$65,000. Our cash on hand was \$161,000 greater than budget and long term debt was greater than budget by \$74,000.

We continue to liquidate our non income producing assets. All lots in Virginia are now sold leaving us with a house and 3 lots in Montgomery County to sell. We are aggressively marketing these properties and hope to have them sold and settled by the beginning of the 4<sup>th</sup> quarter of fiscal 2009.

We have moved our corporate offices from downtown Bethesda back to the Shops at Sumner Place and were successful in subleasing our former offices resulting in a significant savings to the W.C. and A.N. Miller Development Company.

In the first quarter of the fiscal year 2009, we also implemented a new accounting system vastly simplifying our procedures.

Further, for those of you not in attendance, our Annual Meeting was extremely well attended. My appreciation goes out to all of you who attended, especially the Ong Family for showing up in such strong numbers. It is nice to see the Shareholder's take an interest in our

Company. During the Annual Meeting, a new slate of Directors was elected. Please see the attached.

Although it has been a difficult process getting us to this point, I feel comfortable that the Company has successfully turned the corner and is back on track and moving in the right direction. I want to stress that we are not completely out of the woods. Fiscal year 2009 still has many challenges to overcome. However, I do firmly believe that the W.C. and A.N. Miller Development Company will make it through these difficult times and succeed in its future endeavors.

I personally want to thank the Directors for their assistance and guidance through this transition and look forward to working with them in the months ahead.

This concludes the report on the 1st quarter and should you have any specific questions, please feel free to contact me at 443-315-9721 and/or [rmiller@wcanmiller.com](mailto:rmiller@wcanmiller.com).

Sincerely yours,

Robert R. Miller

Enclosures

W.C. AND AN. MILLER DEVELOPMENT COMPANY

2009 SLATE OF DIRECTORS

Ernest Miller – Chairman

Robert W. Beers, Jr.

Robert W. Beers, III

Katharine P. Kile

Geoffrey T. Miller

Robert R. Miller

James L. Myers, Jr.

Monica M. Satrape

Deborah O. Vaughan

WC & AN Miller Companies  
Balance Sheet  
December 31, 2008

	Current Month	Prior Month
ASSETS		
Current Assets		
Cash in Banks	\$ 4,288,598.06	\$ 3,998,959.73
Accounts Receivable (net)	47,756.63	(129,455.87)
Accrued Interest	3,102,547.27	3,102,547.27
Notes Receivable	9,673,500.45	9,685,183.47
Intercompany Receivables	(10,030,494.81)	(10,034,338.12)
Rent Receivable - SL Adjust	1,258,313.00	1,258,313.00
Income Taxes Receivable	79,964.00	79,964.00
Other Receivables	530,935.48	564,938.34
Inventory	5,097,185.16	5,079,946.24
Prepaid Expenses	290,984.19	341,155.42
Total Current Assets	<u>14,339,289.43</u>	<u>13,947,213.48</u>
Property and Equipment		
Fixes Assets	69,782,690.28	69,782,690.28
Accumulated Depreciation	<u>19,531,641.39</u>	<u>19,361,398.17</u>
Book Value of Property and Equipment	<u>50,251,048.89</u>	<u>50,421,292.11</u>
Other Assets		
Deferred Tax Asset	18,165.00	18,165.00
Haymount LP	(10,548,572.63)	(10,548,572.63)
Haymount Corp	80,000.00	80,000.00
ML Realtors, LLC	0.45	0.45
Cash Surrender Value	(523.63)	(523.63)
Leasing Commissions	243,319.44	243,146.64
Rent Abatment	3,900.03	3,900.03
Loan Charges	1,195,376.38	1,195,376.38
Deferred Expenses	645,093.31	573,929.43
Escrow - Security Deposit	47.91	47.91
Deposits	22,630.05	22,630.05
Prepaid Rent	(182,266.38)	(75,029.39)
Replacement Reserve - SVO Loan	30,634.38	30,634.38
Accrued Revenue - Leaves	<u>84,795.00</u>	<u>84,795.00</u>
Total Other Assets	<u>(8,407,400.69)</u>	<u>(8,371,500.38)</u>
Total Assets	<u>\$ 56,182,937.63</u>	<u>\$ 55,997,005.21</u>

WC & AN Miller Companies  
Balance Sheet  
December 31, 2008

Current Month                      Prior Month

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts Payable	\$ 25,831.84	\$ 46,707.19
Accrued Expenses	1,101,531.29	1,162,793.47
Accrued Interest Payable	96,324.20	96,324.20
Accrued Income Taxes	(8,906.16)	(8,906.16)
Accrued Insurance	566.56	(3,969.61)
Accrued Real Estat Tax	295,967.40	200,710.81
Provisions for Loss	12,405.83	8,306.62
Accrued Directors Fees	10,500.00	7,000.00
Accrued Management Fee	(9,605.00)	(9,605.00)
Accrued Utilities	(5,708.00)	(5,708.00)
Accrued Interest	(231,595.84)	(97,717.12)
Deferred Revenue	7,425,206.96	7,425,206.96
Security Deposit - Cricket	17,435.83	17,435.83
Security Deposits	324,087.15	323,343.40
PPD Revenue - Leaves	1,130.00	1,130.00
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Total Current Liabilities	9,055,172.06	9,163,052.59
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Long-Term Liabilities		
Long Term Debt	93,107,972.90	92,904,703.57
Guaranty Reserve	27,767.29	27,767.29
NH Guaranty Reserve	(140.16)	(140.16)
Guarantee Reserve - MHS	6,682.93	6,682.93
Deferred Income taxes	(2,595,999.92)	(2,595,999.92)
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Total Long-Term Liabilities	90,546,283.04	90,343,013.71
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Total Liabilities	99,601,455.10	99,506,066.30
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Stockholders' Equity		
Common Stock	(1,614,404.13)	(1,614,404.13)
Retained Earnings	(46,029,531.40)	(46,029,531.40)
Net Income	4,225,418.06	4,134,874.44
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Total Capital	(43,418,517.47)	(43,509,061.09)
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Total Liabilities & Capital	\$ 56,182,937.63	\$ 55,997,005.21
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WC & AN Miller Companies  
Income Statement  
For the Three Months Ending December 31, 2008

	Current Month		Year to Date	
Rental Activities				
Rent Income	\$ 1,138,550.12	99.60	\$ 3,113,855.40	31.77
Rent Expenses	(317,819.05)	(27.80)	(971,747.26)	(9.92)
Real Estate Taxes	(140,403.82)	(12.28)	(428,376.40)	(4.37)
Depreciation	(170,243.22)	(14.89)	(517,385.17)	(5.28)
Debt Service-Interest	(305,344.87)	(26.71)	(1,198,837.20)	(12.23)
Net Rental Income	204,739.16	17.91	(2,490.63)	(0.03)
Revenues				
Management Fee - Haymount LP	0.00	0.00	38,502.00	0.39
Land Management - Haymount LP	0.00	0.00	38,332.00	0.39
Haymount LP Management Fee	0.00	0.00	(27,500.00)	(0.28)
Sales	0.00	0.00	1,077,500.00	10.99
Total Revenues	0.00	0.00	1,126,834.00	11.50
Cost of Sales	0.00	0.00	1,340,018.54	13.67
Corporate Gross Profit	0.00	0.00	(213,184.54)	(2.18)
Gross Profit *	204,739.16	17.91	(215,675.17)	(2.20)
Operating Expenses				
Advertising	0.00	0.00	74.00	0.00
Auto Expenses	105.35	0.01	407.53	0.00
Bank Charges	541.22	0.05	2,497.00	0.03
Move Expenses	160.00	0.01	4,779.00	0.05
Computer Supplies	0.00	0.00	1,155.00	0.01
Computer Consultant	2,635.00	0.23	4,791.25	0.05
Board Consultant	3,000.00	0.26	9,000.00	0.09
New Homes Consultant	5,000.00	0.44	10,000.00	0.10
Office Administration	9,000.00	0.79	17,000.00	0.17
Courier	0.00	0.00	113.14	0.00
Dues and Subscriptions	0.00	0.00	362.06	0.00
Equipment Rental	3,596.36	0.31	13,478.76	0.14
General Insurance	(199.12)	(0.02)	37,539.88	0.38
Legal - General	0.00	0.00	3,663.90	0.04
Legal - New Homes	22.05	0.00	4,125.45	0.04
Legal - Loans/Lenders	355.45	0.03	106,127.45	1.08
Legal - Collections	0.00	0.00	741.26	0.01
Legal - Commercial Leasing	0.00	0.00	937.50	0.01
Legal - Employee Matters	6,268.82	0.55	7,727.48	0.08
Legal - Haymount	0.00	0.00	22,095.00	0.23
Leasing Commission - Corp	0.00	0.00	12,553.80	0.13
Health Insurance	4,371.00	0.38	6,507.70	0.07
Management Meals	10.58	0.00	205.71	0.00
Office Supplies	294.88	0.03	5,886.23	0.06
Other Taxes and Licenses	4,913.01	0.43	32,043.44	0.33
Parking	0.00	0.00	1,492.00	0.02
Payroll Taxes	830.79	0.07	14,023.30	0.14
Postage	0.00	0.00	708.63	0.01
Accounting	1,602.00	0.14	27,907.00	0.28
Loan Charges	0.00	0.00	418,019.61	4.27
Rent	57.90	0.01	27,769.08	0.28
Repairs and Maintenance	15,064.37	1.32	7,936.37	0.08
Executive Compensation	12,500.00	1.09	37,500.00	0.38

For Management Purposes Only

WC & AN Miller Companies  
Income Statement  
For the Three Months Ending December 31, 2008

	Current Month		Year to Date	
Office Salary	0.00	0.00	58,155.57	0.59
Ongoing Severance	22,885.90	2.00	45,771.77	0.47
One Time Severance	0.00	0.00	72,163.50	0.74
Storage	426.14	0.04	932.44	0.01
Telephone	14.59	0.00	1,275.69	0.01
Management Travel	0.00	0.00	6,695.68	0.07
Payroll Processiong Fees	634.62	0.06	1,733.26	0.02
Board of Directors fees	6,500.00	0.57	13,000.00	0.13
Board of Directors Meeting Fee	0.00	0.00	7,500.00	0.08
RE Tax Exp	0.00	0.00	593.05	0.01
Board Travel and Meals	3,412.98	0.30	11,439.77	0.12
Total Operating Expenses	104,003.89	9.10	1,058,429.26	10.80
Net Operating Income	100,735.27	8.81	(1,274,104.43)	(13.00)
Other Income and Expenses				
Miscellaneous Income	0.00	0.00	5,550,000.00	56.63
Interest Income	4,565.46	0.40	9,648.00	0.10
Debt Service (Interest) Other	(14,757.11)	(1.29)	(60,125.51)	(0.61)
Total Other Income and Expenses	(10,191.65)	(0.89)	5,499,522.49	56.12
Net Income	\$ 90,543.62	7.92	\$ 4,225,418.06	43.12

WC & AN Miller Companies  
Long Term Debt  
December 31, 2008

	Current Month		Prior Monrh	
N/P Cur Wash Securties	\$	200,000.00	\$	200,000.00
NP Cur Sub Debent		440,000.00		440,000.00
N/P MetLife		27,560,857.44		27,601,470.37
N/P - C.C. 314545		15,463,508.35		15,202,823.19
Chevy Chase - Sunshine Brooke		791,250.00		791,250.00
Chevy Chase - Builder LOC		991,500.19		991,500.19
Key Bank Loan		18,164,699.80		18,181,502.70
N/P - VCB 71295054		387,972.40		387,972.40
N/P - TIAA Loan		22,250,000.00		22,250,000.00
N/P - Haymount Mezz		6,858,184.72		6,858,184.72
Total Long Term Debt	\$	93,107,972.90	\$	92,904,703.57



WC & AN Miller Companies  
Statement of Cash Flow  
For the three Months Ended December 31, 2008

	Current Month	Year to Date
Cash Flows from operating activities		
Net Income	\$ 90,543.62	\$ 4,225,418.06
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and Amortization	170,243.22	517,384.34
Accounts Receivable (net)	(177,212.50)	(30,246.27)
Notes Receivable	11,683.02	45,327.52
Intercompany Receivables	(3,843.31)	(3,672.18)
Other Receivables	34,002.86	(24,603.05)
Inventory	(17,238.92)	1,247,024.69
Prepaid Expenses	50,171.23	708,553.70
Accounts Payable	(20,875.35)	19,317.29
Accrued Expenses	(61,262.18)	(43,180.05)
Accrued Interest Payable	0.00	(88.94)
Accrued Income Taxes	0.00	(9,411.81)
Accrued Insurance	4,536.17	566.56
Accrued Real Estat Tax	95,256.59	289,903.05
Provisions for Loss	4,099.21	12,405.83
Accrued Directors Fees	3,500.00	10,500.00
Accrued Management Fee	0.00	(9,605.00)
Accrued Utilities	0.00	(5,708.00)
Accrued Interest	(133,878.72)	(231,595.84)
Security Deposit - Cricket	0.00	17,435.83
Security Deposits	743.75	12,018.42
Total Adjustments	(40,074.93)	2,522,326.09
Net Cash provided by Operations	50,468.69	6,747,744.15
Cash Flows from investing activities		
Used For		
Fixed Assets	0.00	0.00
Leasing Commissions	(172.80)	(5,897.43)
Loan Charges	0.00	(284,375.00)
Deferred Expenses	(71,163.88)	233,037.68
Escrow - Security Deposit	0.00	(47.91)
Prepaid Rent	107,236.99	182,266.38
Net cash used in investing	35,900.31	124,983.72
Cash Flows from financing activities		
Proceeds From		
Long Term Debt	203,269.33	(5,656,029.70)
Net cash used in financing	203,269.33	(5,656,029.70)
Net increase <decrease> in cash	\$ 289,638.33	\$ 1,216,698.17
Summary		
Cash Balance at End of Period	\$ 4,288,598.06	\$ 4,288,598.06
Cash Balance at Beg of Period	(3,998,959.73)	(3,071,899.89)

Unaudited - For Internal Use Only.

WC & AN Miller Companies  
Statement of Cash Flow  
For the three Months Ended December 31, 2008

	Current Month	Year to Date
Net Increase <Decrease> in Cash	\$ <u>289,638.33</u>	\$ <u>1,216,698.17</u>