

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

4701 Sangamore Road, Suite 135 South Tower
Bethesda, Maryland 20816
301-915-9393

August 18, 2011

Mr. Robert W. Beers, Jr.
P.O. Box 2540
Frisco, CO 80443

Dear Bob:

I would like to take this opportunity to provide you with an update on the Company's activities during the Third Quarter of the fiscal year ending on June 30, 2011. Enclosed with this update is the Balance Sheet, Long Term Debt Schedule, Income Statement and our Cash Flow Statement.

I. Financial Statements

A. Balance Sheet

Assets

Our cash position remains stable with a slight increase in cash year to date (YTD) of \$22,000. Our Accounts Receivables are down by (\$450,000) YTD. Other Receivables are down by (\$72,204) along with Prepaid Expenses by (\$396,475). Under Fixed Assets, where you will find the work that is being done to our properties, you will note that the Buildings value has increased YTD by \$52,165 due to mandatory capital improvements that have been made. Additionally, Tenant Improvements of \$413,397 have been made. Our Accumulated Depreciation has decreased by (\$1,392,521). Therefore, Net Total Fixed Assets have decreased by (\$926,959) YTD. Under Other Assets, Deferred Leasing Commissions have increased YTD by \$262,153 and Real Estate Tax Escrow has increased by \$405,149 having a net total increase in Other Assets of \$666,378 YTD. Total Assets year to date have decreased by (\$1,108,689).

Liabilities

Accounts Payable has decreased by (\$8,835) YTD, while the 2007 Payroll Tax Liability has decreased by (\$99,000). Accrued Expenses are up, year to date, by \$492,807. Total Current Liabilities have increased by \$266,559. Long Term Liabilities are down (\$970,625) for a total of \$87,080,399 of which \$8,250,000 is footnoted at the bottom of the Balance Sheet making the actual total Long Term Liabilities \$78,830,398.57. The Company has paid \$150,000 in dividends which is a decrease of (\$250,000) from the prior year. Retained Deficit has increased

by \$627,076 leaving a Total Deficit of (\$17,329,830). Total Stockholders' Deficit is (\$16,679,630)

B. Income Statement

Rental Income is \$10,153,490 which is (\$259,484) short of Budget primarily due to unbudgeted vacancies. Rental Expenses are \$3,199,552 which is greater than Budget by \$158,551 due to an increase in legal expenses with various tenants. Real Estate Taxes, Depreciation and Debt Service Interest are all under Budget by a total of \$208,182. Year to date, Net Rental Income is \$577,696 which is less than Budget by \$209,853. Total Operating Expenses (the expenses related to the day to day operations of the Miller Company) are \$262,840 primarily due to: a) legal expenses relating to Haymount Limited Partnership; b) Leasing Commission for the East West Highway lease we are still obligated under which Management has been successful in extending the current sub-tenant to remain in place through the end of our lease term there at the property; c) Other Taxes and Licenses which are payments of penalty and interest on the Personal Property Taxes that we paid last year for the prior 10 years in DC; and d) Executive Compensation is over Budget by \$27,000 in that the Board of Directors increased Managements salary. Year to Date the Company has had a Net Operating Loss of (\$254,207). Other Income and Expenses is greater than Budget by \$44,919 primarily due to a settlement payment of \$50,000 received from Reznick the Company's prior accounting firm. The Total Net Loss year to date is (\$227,076) which is greater than Budget by \$427,774.

C. Cash Flow Statement

As previously stated, there has been a net increase in cash of \$22,269 bringing our current cash to \$1,580,115. Please note that we have had acquisition of Fixed Assets and leasing Commission of approximately \$840,000 as well as a decrease in Long Term Debt of (\$970,623).

II. Leasing Activity

As the local economy continues to improve, so does our leasing efforts. As of June 30, 2011, the vacancy at the offices at the Shops @Sumner Place has decreased from 19.53% as of October 1, 2010 to 11.12%. Since the beginning of the fiscal year we have signed 7,357 square feet of new office leases and renewed 5,147 square feet. Our retail vacancy at the Shops @Sumner Place have decreased from 7.22% as of October 1, 2010 to 6.14% with us signing the lease with Subway who is expected to open soon. Over the course of the fiscal year, we have renewed over 4,400 square feet of space. We continue to feel optimistic in leasing the remainder of the retail space that is vacant and have seen an upturn in the amount of traffic through the property. At our office Building at 4900 Massachusetts Avenue we have no vacancy as of June 30, 2011 and during the fiscal year Management has signed two new leases comprising of a total of 2,431 square feet of space and have renewed three leases for a total of 9,940 square feet of space. At 4910 Massachusetts Avenue, our current vacancy is 4.16% down from 7.89% as of October 1, 2010. We have signed three new leases for a total of 6,705 square feet of space. At 4301 50th Street, our current vacancy is 38.88% which is a decrease from 52% as of October 1, 2010. We have signed one new lease here for 2,008 square feet. 4315 50th Street remains 100%

occupied as well as the properties that comprise our Spring Valley Retail Center. We did renew an existing tenant of 2,864 square feet at a record rate of \$70 per square foot triple net. Sumner Highlands has a current vacancy of 4% which is an increase from October 1, 2010 when the vacancy was at zero. Overall, our leasing activity continues to improve and we have several deals in the works which will help to absorb more of the current vacancy.

III. Lots in Montgomery County

Earlier this year, we contracted to sell our three remaining unimproved lots located in Montgomery County, Maryland. Although, not reflected in the enclosed Financial Statements, they have sold and with settlement occurring on July 12, 2011.

IV. Haymount Litigation

In January of 2011, the Company and several current and former executives along with the Chairman of the Board were sued by the Trustee of a bankrupt company regarding a \$4.5 million judgment against Haymount Limited Partnership. The lawsuit that is being brought against the Development Company is one in which the Plaintiff appears to be trying to "pierce the corporate veil" thus requiring the Development Company to pay for the liabilities of Haymount Limited Partnership. Normally, this type of suit would be covered under the Company's Directors and Officers Liability Insurance but, to date, we have been denied coverage. Therefore, we are obligated to defend the lawsuit. As you will note in the Financial Statement it is very expensive to do so. So far year to date we have spent \$153,485.68. We are about to come to the end of the discovery phase of the lawsuit and if the matter proceeds to trial that will not be until sometime in 2012.

V. Refinance of Spring Valley Retail Center Loan

As you may recall in 2008 the Company had a revolving line of credit with Chevy Chase Bank secured by the Spring Valley Retail Center. Chevy Chase refused to renew this loan which required us to refinance the property during a tough economic time period with Burke & Herbert Bank. Since that time the commercial financing business has improved significantly hence the Board of Directors approved the refinance of the Spring Valley retail Center with Cardinal Bank. The original interest rate with Burke & Herbert was 7% and the new rate with Cardinal Bank will be 4.85% which will save us approximately \$230,000 in annual interest payments.

The principal amount to be borrowed from Cardinal Bank will be \$14,700,000. We will be paying off the Burke & Herbert loan balance of \$12,424,800.62 and closing costs of approximately \$500,000 leaving us a balance of approximately \$1,800,000 in cash. The Board of Directors has approved these proceeds to be used to pay down the Subordinated Debentures of \$440,000 and the accrued interest and unpaid principal of the Washington Securities loan of approximately \$331,000 for a total debt curtailment of \$771,000. Further, the Board of Directors has approved that approximately \$450,000 of these proceeds will be used to pay for needed capital improvements to our properties leaving a balance of approximately \$550,000 which will be placed in our operating account to increase our cash reserve.

VI. Annual Shareholders Meeting and 100th Anniversary Celebration

Please save the date for the 2012 Annual Meeting which will be held on Saturday, April 21, 2011 at Columbia Country Club in Chevy Chase, Maryland. Additionally, there will be a 100th Anniversary Celebration of the founding of the Company held that evening at Columbia Country Club. Kathy Kile (kathykile@gmail.com) has very graciously agreed to help coordinate the Anniversary Celebration so please feel free to contact her with any suggestions you may have and/or any historical information you would like to share.

This concludes my report to the Shareholders. Should you have any questions in regards to these or any other matters, please do not hesitate to call me [443-315-9721] or e-mail me [rmiller@wcanmiller.com].

Sincerely,

A handwritten signature in dark ink, appearing to read "Rob", is positioned above the printed name.

Robert R. Miller

Enclosures

WC & AN Miller Companies
Balance Sheet

	6/30/2011	3/31/2011	12/31/2010	9/30/2010	YTD Variance
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,580,115.21	\$ 1,630,232.64	\$ 1,652,093.83	\$ 1,557,845.66	22,269.55
Accounts Receivable, net	3,368,294.83	3,338,511.68	3,507,018.80	3,819,681.87	(451,387.04)
Provision for Loss	0.00	0.00	0.00	(3,940.33)	3,940.33
Other Receivables	970,250.65	1,006,066.95	1,022,647.60	1,042,454.91	(72,204.26)
Inventory	1,828,202.90	1,817,780.90	1,794,929.90	1,782,454.60	45,748.30
Prepaid Expenses	53,700.48	165,471.63	306,605.04	450,175.46	(396,474.98)
Total Current Assets	7,800,564.07	7,958,063.80	8,283,295.17	8,648,672.17	(848,108.10)
Fixed Assets					
Land	6,310,994.50	6,310,994.50	6,310,994.50	6,310,994.50	0.00
HLP, II Land	538,905.48	538,905.48	538,905.48	538,905.48	0.00
Buildings	49,009,174.12	48,999,249.87	48,972,549.77	48,957,009.27	52,164.85
Property and Equipment	276,109.46	276,109.46	276,109.46	276,109.46	0.00
Capital Improvements - Opt	28,883.00	28,883.00	28,883.00	28,883.00	0.00
Tenant Improvements	12,579,476.88	12,389,600.59	12,203,059.53	12,166,079.76	413,397.12
Less: Accumulated Depreciation	18,809,505.65	18,336,341.03	17,959,952.08	17,416,984.78	1,392,520.87
Net Fixed Assets	49,934,037.79	50,207,401.87	50,370,549.66	50,860,996.69	(926,958.90)
Other Assets					
Deferred Leasing Commissions,	777,688.03	666,741.46	671,487.40	515,535.12	262,152.91
Deferred Finance Charges, net	772,017.13	772,017.13	772,941.63	772,941.63	(924.50)
Deposit	17,630.05	17,630.05	17,630.05	17,630.05	0.00
Deferred Taxes	7,240,432.00	7,240,432.00	7,240,432.00	7,240,432.00	0.00
Real Estate Tax Escrow	645,033.88	456,396.63	300,573.82	239,884.39	405,149.49
Total Other Assets	9,452,801.09	9,153,217.27	9,003,064.90	8,786,423.19	666,377.90
TOTAL ASSETS	\$ 67,187,402.95	\$ 67,318,682.94	\$ 67,656,909.73	\$ 68,296,092.05	(1,108,689.10)

Unaudited - For Management Purposes Only

August 17, 2011

WC & AN Miller Companies
Balance Sheet

	6/30/2011	3/31/2011	12/31/2010	9/30/2010	YTD Variance
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current Liabilities					
Accounts Payable	\$ 77,749.13	\$ 91,080.17	\$ 196,299.32	\$ 86,584.49	(8,835.36)
2007 Payroll Tax Liability	374,032.68	407,032.68	440,032.68	473,032.68	(99,000.00)
Accrued Income Taxes	0.00	0.00	0.00	0.00	0.00
Accrued Expenses	1,559,595.34	1,190,303.46	1,183,014.92	1,066,788.34	492,807.00
Prepaid Income/RE	(29,731.63)	(4,297.88)	(59,921.17)	(89,881.74)	60,150.11
Security Deposits	347,279.94	337,163.31	332,211.14	325,128.40	22,151.54
Prepaid Rent Income	489,783.39	528,833.41	450,392.05	570,197.46	(80,414.07)
Total Current Liabilities	2,878,172.11	2,558,710.91	2,661,871.28	2,611,613.11	266,559.00
Long-Term Liabilities					
Notes Payable (1)	87,080,398.57	87,406,919.65	87,732,833.31	88,051,023.14	(970,624.57)
Guaranty Reserve	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	87,080,398.57	87,406,919.65	87,732,833.31	88,051,023.14	(970,624.57)
Total Liabilities	89,958,570.68	89,965,630.56	90,394,704.59	90,662,636.25	(704,065.57)
Minority Interest (2)	(6,091,537.55)	(6,079,522.99)	(6,068,354.05)	(6,063,990.00)	(27,547.55)
Total Minority Interest	(6,091,537.55)	(6,079,522.99)	(6,068,354.05)	(6,063,990.00)	(27,547.55)
Stockholders' Deficit					
Common Stock	800,200.00	800,200.00	800,200.00	800,200.00	0.00
Dividend	(150,000.00)	(150,000.00)	(150,000.00)	(400,000.00)	250,000.00
Retained Earnings (Deficit)	(17,329,830.17)	(17,217,624.62)	(17,319,640.81)	(16,702,754.20)	(627,075.97)
Total Stockholders' Deficit	(16,679,630.17)	(16,567,424.62)	(16,669,440.81)	(16,302,554.20)	(377,075.97)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICI	\$ 67,187,402.96	\$ 67,318,682.95	\$ 67,656,909.73	\$ 68,296,092.05	(1,108,689.09)

1. Notes Payable of 8,250,229.96 is offset by a Notes Receivable of 825,023 which is the cash of the 8,250,229.96 from Haymount Limited Partnership to W.C. and A.N. Miller Development Company.
2. W.C. and A.N. Miller Development Company owns 85% of Haymount Limited Partnership.

Unaudited - For Management Purposes Only

August 17, 2011

WC & AN Miller Companies
Long Term Debt
June 30, 2011

	06/30/2011	03/31/2011	12/31/2010	09/30/2010	YTD Variance
N/P Cur Wash Securities	200,000.00	200,000.00	200,000.00	200,000.00	0.00
NP Cur Sub Debent	440,000.00	440,000.00	440,000.00	440,000.00	0.00
N/P MetLife	26,237,229.63	26,379,220.36	26,518,980.64	26,656,545.50	(419,315.87)
N/P Burke & Herbert - SVR	12,470,728.18	12,537,388.11	12,607,648.01	12,674,323.25	(203,595.07)
Key Bank Loan	17,570,783.27	17,629,699.20	17,687,672.36	17,744,717.82	(173,934.55)
N/P - TIAA Loan	21,911,427.66	21,970,382.15	22,028,302.47	22,085,206.74	(173,779.08)
N/P - Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	8,250,229.83	0.00
Total Long Term Debt	87,080,398.57	87,406,919.65	87,732,833.31	88,051,023.14	(970,624.57)

Notes Repayment Schedule

1. Washington Securities - On Demand
2. Subordinated Debentures - On Demand with 1 year notice
3. MetLife - 1/1/2013
4. Burke & Herbert - 7/6/2016
5. Key Bank Loan - 6/30/2021
6. TIAA - 10/1/2018

WC & AN Miller Companies
Income Statement
For the Nine Months Ending June 30, 2011

	Year to Date Actual	Year to Date Budget	Year to Date Variance
Rental Activities			
Rent Income	10,153,490.19	10,412,974.00	(259,483.81)
Rent Expenses	(3,199,552.17)	(3,041,001.00)	(158,551.17)
Real Estate Taxes	(912,176.67)	(960,201.00)	48,024.33
Depreciation	(1,508,200.96)	(1,629,105.00)	120,904.04
Debt Service-Interest	(3,955,864.70)	(3,995,118.00)	39,253.30
Net Rental Income	577,695.69	787,549.00	(209,853.31)
Revenues			
Total Revenues	0.00	0.00	0.00
Cost of Sales	0.00	0.00	0.00
Corporate Gross Profit	0.00	0.00	0.00
Gross Profit	577,695.69	787,549.00	(209,853.31)
Operating Expenses			
Auto Expenses	1,533.29	1,800.00	(266.71)
Bank Charges	163.90	450.00	(286.10)
Computer Consultant	12,696.97	10,800.00	1,896.97
Office Administration	64,000.00	54,000.00	10,000.00
Equipment Rental	6,720.43	6,390.00	330.43
General Insurance	23,815.00	23,287.00	528.00
Legal - General	14,441.91	45,000.00	(30,558.09)
Legal - Loans/Lenders	13,839.06	0.00	13,839.06
Legal - Haymount	153,485.68	0.00	153,485.68
Leasing Commission - Corp	29,782.50	0.00	29,782.50
Health Insurance	12,974.00	15,300.00	(2,326.00)
Management Meals	1,570.64	900.00	670.64
Annual Shareholder Meeting	2,616.71	1,500.00	1,116.71
Office Supplies	4,407.38	3,150.00	1,257.38
Other Taxes and Licenses	47,746.92	17,950.00	29,796.92
Payroll Taxes	6,099.50	4,860.00	1,239.50
Postage	3,229.12	2,340.00	889.12
Accounting	21,051.98	13,500.00	7,551.98
Review/Audit/Tax Return	45,000.00	45,000.00	0.00
Internal Control Review	5,240.00	5,500.00	(260.00)
Promotion and Entertainment	541.65	0.00	541.65
Rent	56,324.65	55,836.00	488.65
Executive Compensation	162,000.00	135,000.00	27,000.00
Executive Comp Comm Fees	8,370.00	0.00	8,370.00
Storage	2,240.00	0.00	2,240.00
Telephone	2,869.87	2,250.00	619.87
Management Travel	16,494.41	22,500.00	(6,005.59)
Payroll Processing Fees	3,894.78	1,350.00	2,544.78
Board of Directors fees	85,000.00	81,000.00	4,000.00
RE Tax Exp	5,100.17	5,400.00	(299.83)
Board Travel and Meals	18,652.31	14,000.00	4,652.31
Total Operating Expenses	831,902.83	569,063.00	262,839.83
Net Operating Income	(254,207.14)	218,486.00	(472,693.14)

WC & AN Miller Companies
Income Statement
For the Nine Months Ending June 30, 2011

	Year to Date Actual	Year to Date Budget	Year to Date Variance
Other Income and Expenses			
Miscellaneous Income	51,500.00	0.00	51,500.00
Interest Income	4,219.12	10,800.00	(6,580.88)
Debt Service (Interest) Other	(28,587.96)	(28,587.96)	0.00
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Total Other Income and Expenses	27,131.16	(17,787.96)	44,919.12
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Net Income	(227,075.98)	200,698.04	(427,774.02)
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W.C. and A.N. MILLER COMPANIES
STATEMENT OF CASH FLOW
For the Month Ended JUNE 30, 2011

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	(53,384)	(225,869)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Dividend	-	(150,000)
Depreciation and amortization	167,476	1,507,888
Loss on disposition of fixed assets	-	-
Income allocated to minority interest	(3,390)	(27,546)
Accounts receivable	(67,526)	418,865
Other receivables	32,499	72,204
Inventory	(2,590)	(14,431)
Deferred income taxes		-
Prepaid expenses	16,031	396,474
Current maturities of long term debt		-
Accounts payable	(23,700)	(107,836)
Accrued income taxes		-
Accrued expenses	188,107	488,866
Security deposits	6,617	22,152
Prepaid Real Estate Tax Income	16,880	(60,151)
Prepaid rent income	125,463	(80,414)
Total Adjustments	<u>455,865</u>	<u>2,466,070</u>
Net Cash Provided by (Used for) Operating Activities	<u>402,481</u>	<u>2,240,201</u>
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(130,357)	(465,562)
Acquisition of deferred financing charges	(51,834)	(376,598)
Acquisition of real estate tax escrow	(62,872)	(405,150)
Acquisition of water escrow	-	-
Disposition of guaranty reserve	-	-
Disposition of deposit	-	-
Net Cash Used for Investing Activities	<u>(245,062)</u>	<u>(1,247,309)</u>
Cash Flow for Financing Activities:		
Disposition of long term debt	(108,636)	(970,623)
Acquisition of long term debt	-	-
Net Cash Used for Financing Activities	<u>(108,636)</u>	<u>(970,623)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,783	22,269
Cash and cash equivalents, Beginning of Period	<u>1,531,332</u>	<u>1,557,847</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,580,115</u>	<u>\$ 1,580,115</u>