

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

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

June 12, 2009

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

Dear Rob:

The purpose of this letter is to provide you with an update on the restated year-end financial statements for the 2008 fiscal year as well as a review of the results for the first six months of fiscal 2009.

Restated 2008 Financials

As I mentioned at our January Annual Meeting, I was concerned about the W.C. and A.N. Miller Development Company's ("the Miller Company") 2008 financials and that I was going to spend time reviewing the financials and their underlying records to ensure the financials were accurate. Over the last several months we have reviewed the financials in depth and have uncovered a number of items that were either not accurate or not properly recorded. This has been a difficult and time consuming process.

We have discussed these issues with our accountant, Alan L. Gordon, the Audit and Finance Committee of the Board and the Board as a whole, and all of them have approved the changes that have been made to the 2008 financials.

The major changes relate to the recording of the sale of Haymount. On the Profit and Loss Statement, please note under Revenue – Sales, there is an increase of \$18,282,182.12 which is our proportionate share (85%) of the sale of Haymount. Under Direct Expenses – Cost of Sales there is a \$37,954,729.40 increase which is our share of the cost of Haymount. Further, under Non-Operating Expense – Interest Expense, there is an increase of \$3,031,750.48 which is also a direct result of the Miller Company's ownership in Haymount. On the Balance Sheet under Notes Payable, there is an increase of \$8,218,082.84 which is as a result of our ownership of Haymount. Please note that the Miller Company does not owe anything to Haymount, this is merely a bookkeeping entry.

We believe that the restated financials now accurately reflect the Miller Company's position and are enclosed herewith.

Second Quarter Fiscal Year 2009 Update

1. Balance Sheet: You will note that the Balance Sheet Current Assets are down by \$1,209,798.20 which is in line with the Budget and reflects a reduction in Inventory of \$736,971.72 and a reduction in cash by \$809,186.08. The reduction in cash is primarily due to the payment of the DC taxes and reduction of debt. Under the Other Assets category, there is an increase of \$427,451.04 primarily due to Leasing Commissions which cannot be expensed but must be amortized over the term of the lease. On the Liabilities side of the Balance Sheet, the Current Liabilities remain essentially the same with the exception of the reduction in Accounts Payable and an increase in Accrued Liabilities due to real estate tax escrows. As you will notice, our Long Term Liabilities are down by \$570,903.50 primarily due to the payoff of the loan for our Virginia subdivision. Finally, please note that I have included an explanation of the Notes Payable regarding Haymount Limited Partnership. Please understand that Miller Company does not owe anything to Haymount Limited Partnership. This is a book entry that we are required to make as a result of consolidating the financial records of all of our subsidiaries and affiliates.

2. Income Statement: Our Rental Income is up by \$321,783.97 over Budget primarily due to an error discovered in billing our tenants. The previous management had not been calculating the pass-through expenses properly and thus were undercharging our tenants. Rent Expenses are up by \$379,288.30 primarily due to incorrect data provided to the new management company in preparing our budgets. Likewise in Depreciation, the information provided was incorrect. Debt Service – Interest variance is due to the decrease in the interest rate on our revolving line of credit with Chevy Chase Bank. Overall, the Net Rental Income is greater than Budget by \$345,055.73. Under Revenues, we had Sales of \$1,717,500 and Cost of Sales of \$2,176,828.66. The Cost of Sales exceeds Sales by a wide margin as result of selling the asset below the cost of acquiring it. Our Operating Expenses relate to the management of the Miller Company and its affairs along with the transition from an operating company to a holding company. A highlight to bring to your attention is that One Time Severance reflects one time payments paid to former Miller Company executives. In an effort to reduce costs, I was able to negotiate these payments, which resulted in a reduction of approximately \$200,000. These payments were paid lump sum versus Budget of paying them out over a twelve month period. Finally, total Net Income is \$3,805,377.31 versus Budget of \$3,797,299.81.

As part of the Miller Company's action plan, it has been a priority to liquidate all non-income producing assets. All lots in Virginia are sold and the Miller Company has paid down debt of approximately \$4,000,000. Further, I have just signed a contract with a June 29, 2009 settlement date for our property on Chandlee Mill Road which will reduce the Miller Company's debt by an additional \$991,000. We still have three lots to sell in Montgomery County that we are aggressively marketing but have no interest to date.

Our Corporate office relocation to Shops at Sumner Place has proved to be extremely beneficial whereby we can keep a sharp eye on two of our assets by just looking out the window. I invite you all to come by anytime to look at your properties. We are currently working on several deferred maintenance projects: (a) paint and carpet of the common areas of the office

portion of the Shops at Sumner Place; (b) paint and carpet of the common areas of 4910 Massachusetts Avenue; (c) cleaning the exterior and painting of the retail Buildings in Spring Valley; (d) seal coating and stripping the parking lots in Spring Valley; and (e) replacing the roofs at 4910 and 4900 Massachusetts Avenue.

Our Buildings are performing exceptionally well. All properties in Spring Valley are 100% leased. At Shops at Sumner Place, we have one retail vacancy (1,272 square feet) from where Ritz Camera has left due to bankruptcy. Our offices at Shops of Sumner Place have approximately 10,000 square feet of vacant space. We are aggressively marketing and our lease up efforts are going well.

Sumner Highlands is behind schedule on the lease up. We had anticipated being 80% leased at this point but are currently 74.40%. We are confident we should be substantially leased by the end of August 2009. In spite of the dreadful weather in May, we had 17 new leases and move-ins. We remain cautiously optimistic that we will become cash flow positive within the next 90 days.

It has been a priority of the Miller Company to term out all of the Company's debt. We currently have a \$16,000,000 line of credit with Chevy Chase Bank which is due to expire on August 1, 2009. I am in the process of negotiating with a new bank to term out this revolver over seven years. This new loan will be closing sometime within the next thirty (30) days.

In conclusion, the Miller Company is doing better than expected and is in line with Budget. Barring any unforeseen circumstances, the Miller Company should continue to move in a profitable direction. This concludes my report on the second quarter. Should you have any specific questions and/or concerns, please feel free to contact me at 443-315-9721 or rmiller@wcanmiller.com.

Sincerely,

Robert R. Miller

Enclosures

W.C. and A.N. MILLER
Consolidated Balance Sheet
as of September 30, 2008

	09/30/2008	9/30/2008	
ASSETS	Unreconciled	Restated	Variance
Cash & Cash Equivalents	\$3,033,347.00	\$3,075,973.92	
Restricted Cash	\$38,601.00	\$0.00	
Total Cash & restricted Cash	\$3,071,948.00	\$3,075,973.92	(\$4,025.92)
Receivables	\$1,847,801.00	\$1,915,347.00	(\$67,546.00)
Inventory	\$6,493,606.00	\$6,493,605.63	\$0.37
Prepaid Expenses	\$1,018,873.00	\$1,040,688.94	(\$21,815.94)
TOTAL CURRENT ASSETS	\$9,360,280.00	\$9,449,641.57	(\$89,361.57)
Investments	(\$533.00)	\$0.00	(\$533.00)
Notes Receivable *	\$1,304,264.00	\$1,942,801.40	(\$638,537.40)
Land, Property & Equipment	\$50,775,079.00	\$50,774,803.85	\$275.15
Other Assets	\$2,168,514.00	\$2,136,087.87	\$32,426.13
TOTAL NON CURRENT ASSETS	\$54,247,324.00	\$54,853,693.12	(\$606,369.12)
TOTAL ASSETS	\$66,679,552.00	\$67,379,308.61	(\$699,756.61)
LIABILITIES			
Accounts Payable	\$59,599.00	\$51,703.76	\$7,895.24
Accrued Payroll & Benefits	\$309,994.00	\$51,758.91	\$258,235.09
Accrued Liabilities	\$1,515,184.00	\$1,151,254.34	\$363,929.66
TOTAL CURRENT LIABILITIES	\$1,884,777.00	\$1,254,717.01	\$630,059.99
Contract, Escrow & Deposits	\$336,905.00	\$312,668.73	\$24,236.27
Notes Payable *	\$91,937,965.00	\$100,156,047.84	(\$8,218,082.84)
Other Non- Current Liabilities	(\$2,561,690.00)	\$34,310.06	(\$2,596,000.06)
TOTAL NON-CURRENT LIABILITIES	\$89,713,180.00	\$100,503,026.63	(\$10,789,846.63)
TOTAL LIABILITIES	\$91,597,957.00	\$101,757,743.64	(\$10,159,786.64)
Minority Interest **		(\$6,034,422.26)	
OWNER'S EQUITY			
Common Stock	\$800,200.00	\$800,200.00	\$0.00
Retained Earnings	(\$25,718,607.00)	(\$4,919,763.00)	(\$20,798,844.00)
Net Income	\$0.00	(\$24,224,449.77)	\$24,224,449.77
TOTAL STOCKHOLDERS EQUITY	(\$24,918,407.00)	(\$28,344,012.77)	\$3,425,605.77
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$66,679,550.00	\$67,379,308.61	(\$699,758.61)

NOTE: * Notes Payable of \$8,250,229.96 is offset by a Notes Receivable of \$825,023 which is the cash basis of the \$8,250,229.96 from Haymount Limited Partnership to W.C. and A.N. Miller Development Company

** W.C. and A.N. Miller Development Company owns 85% of Haymount Limited Partnership

W.C. and A.N. Miller
Consolidated Profit & Loss Statement
as of September 30, 2008

	09/30/2008 Unreconciled	9/30/2008 Restated	Variance
<u>Revenue</u>			
Sales	\$6,100,404.00	\$24,382,586.12	(\$18,282,182.12)
Rent	\$11,324,629.00	\$11,332,457.97	(\$7,828.97)
Management Fee	\$779,763.00	\$715,763.31	\$63,999.69
Commissions	\$3,810.00	\$244,310.00	(\$240,500.00)
Parking Income	\$492,005.00	\$492,005.06	(\$0.06)
Other Income	\$282,772.00	\$5,868,310.63	(\$5,585,538.63)
 TOTAL GROSS REVENUE	 \$18,983,383.00	 \$43,035,433.09	 (\$24,052,050.09)
<u>Direct Expenses</u>			
Cost of Sales	\$6,865,332.00	\$44,820,061.40	(\$37,954,729.40)
Commissions	\$3,048.00	\$3,048.00	\$0.00
Cost of Sales - Leaves	\$229,002.00	\$235,702.78	(\$6,700.78)
Advertising	\$3,477.00	\$3,481.56	(\$4.56)
Contracting/Direct Costs		\$117,972.44	(\$117,972.44)
Other Direct Costs	\$2,443,714.00	\$2,357,642.56	\$86,071.44
 TOTAL DIRECT EXPENSES	 \$9,544,573.00	 \$47,537,908.74	 (\$37,993,335.74)
 GROSS PROFIT	 \$9,438,810.00	 (\$4,502,475.65)	 \$13,941,285.65
<u>Payroll & Related Expenses</u>			
Salaries & Payroll Expenses	\$1,408,623.00	\$1,186,838.48	\$221,784.52
Payroll related Expenses	\$178,236.00	\$1,922,503.19	(\$1,744,267.19)
 TOTAL PAYROLL & RELATED EXP	 \$1,586,859.00	 \$3,109,341.67	 (\$1,522,482.67)
<u>General & Administrative Exp</u>			
Professional Fees	\$588,555.00	\$524,776.40	\$63,778.60
Licenses & Permits	\$24,429.00	\$23,672.80	\$756.20
Dues/Subscriptions/Fees	\$4,819.00	\$4,819.40	(\$0.40)
Associate Expense	\$616.00	\$32,036.52	(\$31,420.52)
Training & Educational Exp	\$5,668.00	\$5,668.48	(\$0.48)
Promotion & Marketing Exp	\$101,940.00	\$100,809.73	\$1,130.27
Supplies & Materials	\$8,878.00	\$8,878.34	(\$0.34)
Equipment Expenses	\$58,698.00	\$58,697.91	\$0.09
Communications	\$48,934.00	\$48,934.18	(\$0.18)
Postage & Delivery	\$11,296.00	\$11,269.67	\$26.33
Other G&A Expense	\$310,049.00	\$303,611.60	\$6,437.40

TOTAL GENERAL & ADMIN EXPENSE	\$1,163,882.00	\$1,123,175.03	\$40,706.97
<u>Overhead Expenses</u>			
Rent	\$177,270.00	\$177,269.88	\$0.12
Management Fee Expense	\$14,922.00	\$14,922.00	\$0.00
Utilities Expense	\$1,095,886.00	\$1,095,886.32	(\$0.32)
Repairs & Maintenance	\$981,240.00	\$994,230.40	(\$12,990.40)
Security & Parking Lot	\$409,102.00	\$409,958.76	(\$856.76)
Insurance Expenses	\$273,641.00	\$239,690.31	\$33,950.69
Property Taxes	\$1,646,463.00	\$1,646,463.49	(\$0.49)
Corp Serv Alloc for NOI			\$0.00
TOTAL OVERHEAD EXPENSES	\$4,598,524.00	\$4,578,421.16	\$20,102.84
TOTAL PERIOD EXPENSES	\$7,349,265.00	\$8,810,937.86	(\$1,461,672.86)
NET OPERATING INCOME (LOSS)	\$2,089,545.00	(\$13,313,413.51)	\$15,402,958.51
<u>Non-Operating Expense</u>			
Depreciation Expense	\$1,357,099.00	\$1,277,179.56	\$79,919.44
Amortization Expense	\$416,733.00	\$431,373.18	(\$14,640.18)
Interest Expense	\$5,614,287.00	\$8,646,037.48	(\$3,031,750.48)
Corporate Service Expense			
TOTAL NON-OPERATING EXP	\$7,388,119.00	\$10,354,590.22	(\$2,966,471.22)
INCOME(LOSS) BEFORE OTHER INCOME	(\$5,298,574.00)	(\$23,668,003.73)	\$18,369,429.73
<u>Other Expense/(Income)</u>			
Other Expense/(Income)	\$1,183,119.00	\$634,191.65	\$548,927.35
Adjustment for closed Companies	\$0.00	\$165,473.15	(\$165,473.15)
Gain/Loss from Disc. Operations	\$0.00	\$936.41	(\$936.41)
TOTAL OTHER INCOME	\$1,183,119.00	\$800,601.21	\$382,517.79
INC(LOSS) BEFORE INCOME TAXES	(\$4,115,455.00)	(\$24,468,604.94)	\$20,353,149.94
<u>Income Tax</u>			
Income Tax	(\$225,884.00)	(\$225,990.18)	\$106.18
Deferred Tax Expense		(\$18,165.00)	\$18,165.00
TOTAL INCOME TAX	(\$225,884.00)	(\$244,155.18)	\$18,271.18
NET INCOME (LOSS)	(\$3,889,571.00)	(\$24,224,449.77)	\$20,334,878.77

WC & AN Miller Companies
Balance Sheet
March 31, 2009

	2nd Quarter	1st Quarter	Variance
ASSETS			
Current Assets			
Cash in Banks	\$ 3,483,486.01	\$ 4,292,672.09	(809,186.08)
Receivables	2,476,446.36	1,973,868.50	502,577.86
Notes Receivable	1,869,399.23	1,897,473.88	(28,074.65)
Inventory	4,509,609.22	5,246,580.94	(736,971.72)
Prepaid Expenses	193,991.63	332,135.24	(138,143.61)
Total Current Assets	12,532,932.45	13,742,730.65	(1,209,798.20)
Property and Equipment			
Fixes Assets	69,698,435.76	69,616,168.49	82,267.27
Accumulated Depreciation	19,697,113.34	19,358,748.98	338,364.36
Book Value of Property and Equipment	50,001,322.42	50,257,419.51	(256,097.09)
Other Assets			
Leasing Commissions	542,360.10	243,319.44	299,040.66
Rent Abatment	3,900.03	3,900.03	0.00
Loan Charges	1,195,376.38	1,195,376.38	0.00
Deferred Expenses	709,137.84	635,297.39	73,840.45
Escrow - Security Deposit	47.91	47.91	0.00
Prepaid Rent	(126,746.45)	(182,266.38)	55,519.93
Replacement Reserve - SVO Loan	30,634.38	30,634.38	0.00
scrow Water	(950.00)	0.00	(950.00)
Accrued Revenue - Leaves	84,795.00	84,795.00	0.00
Total Other Assets	2,438,555.19	2,011,104.15	427,451.04
Total Assets	\$ 64,972,810.06	\$ 66,011,254.31	(1,038,444.25)

WC & AN Miller Companies
Balance Sheet
March 31, 2009

	2nd Quarter	1st Quarter	Variance
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities			
Accounts Payable	\$ (29,680.69)	\$ 71,021.05	(100,701.74)
Accrued Liabilities	1,235,461.67	1,160,151.95	75,309.72
Contract, Escrow & Deposits	321,131.84	324,687.15	(3,555.31)
Accrued Payroll & Benefits	26,582.93	26,582.93	0.00
Total Current Liabilities	<u>1,553,495.75</u>	<u>1,582,443.08</u>	<u>(28,947.33)</u>
Long-Term Liabilities			
Notes Payable (1)	93,958,061.97	94,500,018.14	(541,956.17)
Other Non-Current Liabilities	34,310.06	34,310.06	0.00
Total Long-Term Liabilities	<u>93,992,372.03</u>	<u>94,534,328.20</u>	<u>(541,956.17)</u>
Total Liabilities	<u>95,545,867.78</u>	<u>96,116,771.28</u>	<u>(570,903.50)</u>
Minority Interest (2)	6,034,422.26	6,034,422.26	0.00
Stockholders' Equity			
Common Stock	800,200.00	800,200.00	0.00
Retained Earnings	(29,144,212.77)	(29,144,212.77)	0.00
Net Income	3,805,377.31	4,225,418.06	(420,040.75)
Total Capital	<u>(30,573,057.72)</u>	<u>(30,153,016.97)</u>	<u>(420,040.75)</u>
Total Liabilities & Capital	<u>\$ 64,972,810.06</u>	<u>\$ 65,963,754.31</u>	<u>(990,944.25)</u>

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.

WC & AN Miller Companies
Long Term Debt
March 31, 2009

		2nd Quarter		1st Quarter	Variance
N/P Cur Wash Securites	\$	200,000.00	\$	200,000.00	0.00
NP Cur Sub Debent		440,000.00		440,000.00	0.00
N/P MetLife		27,437,941.82		27,560,857.44	(122,915.62)
N/P - C.C. 314545		15,483,394.42		15,463,508.35	19,886.07
Chevy Chase - Sunshine Brooke		791,250.00		791,250.00	0.00
Chevy Chase - Builder LOC		991,500.19		991,500.19	0.00
Key Bank Loan		18,113,745.58		18,164,699.80	(50,954.22)
N/P - VCB 71295054		0.00		387,972.40	(387,972.40)
N/P - TIAA Loan		22,250,000.00		22,250,000.00	0.00
N/P - Haymount Mezz		8,250,229.96		8,250,229.96	0.00
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Total Long Term Debt	\$	93,958,061.97	\$	94,500,018.14	(541,956.17)
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WC & AN Miller Companies
Income Statement
For the Six Months Ending March 31, 2009

	Year to Date	Budget	Variance
Rental Activities			
Rent Income	\$ 6,765,870.25	6,444,086.28	321,783.97
Rent Expenses	(2,103,334.51)	(1,724,046.21)	(379,288.30)
Real Estate Taxes	(788,534.52)	(824,324.58)	35,790.06
Depreciation	(855,749.53)	(1,040,869.00)	185,119.47
Debt Service-Interest	(2,450,344.80)	(2,631,995.33)	181,650.53
Net Rental Income	567,906.89	222,851.16	345,055.73
Revenues			
Management Fee - Haymount LP	38,502.00	38,502.00	0.00
Land Management - Haymount LP	38,332.00	38,332.00	0.00
Haymount LP Management Fee	(27,500.00)	(27,500.00)	0.00
Sales	1,717,500.00	1,726,700.00	(9,200.00)
Total Revenues	1,766,834.00	1,776,034.00	(9,200.00)
Cost of Sales	2,176,828.66	2,325,018.54	(148,189.88)
Corporate Gross Profit	(409,994.66)	(548,984.54)	138,989.88
Gross Profit	157,912.23	(326,133.38)	484,045.61
Operating Expenses			
Advertising	74.00	74.00	0.00
Agency Expenses	576.51	1,102.18	(525.67)
Freight Charges	4,179.12	6,355.78	(2,176.66)
Move Expenses	10,164.00	7,019.00	3,145.00
Computer Supplies	1,795.24	1,455.00	340.24
Computer Consultant	25,013.69	11,656.25	13,357.44
Board Consultant	16,000.00	16,000.00	0.00
New Homes Consultant	25,000.00	25,000.00	0.00
Office Administration	29,000.00	24,000.00	5,000.00
Courier	113.14	113.14	0.00
Dues and Subscriptions	362.06	362.06	0.00
Equipment Rental	28,982.95	18,958.95	10,024.00
General Insurance	(3,516.55)	37,739.00	(41,255.55)
Legal - General	9,775.92	23,663.90	(13,887.98)
Legal - New Homes	4,924.95	4,103.40	821.55
Legal - Loans/Lenders	106,847.45	105,772.00	1,075.45
Legal - Collections	920.26	741.26	179.00
Legal - Commercial Leasing	9,550.00	937.50	8,612.50
Legal - Employee Matters	15,222.42	24,958.66	(9,736.24)
Legal - Haymount	43,450.20	27,095.00	16,355.20
Leasing Commission - Corp	12,553.80	12,553.80	0.00
Health Insurance	9,662.92	6,936.70	2,726.22
Management Meals	294.62	595.13	(300.51)
Annual Shareholder Meeting	819.80	3,000.00	(2,180.20)
Office Supplies	9,276.97	6,391.35	2,885.62
Other Taxes and Licenses	32,544.94	27,130.43	5,414.51
Parking	1,710.00	2,292.00	(582.00)
Payroll Taxes	14,023.30	13,192.51	830.79
Postage	1,839.91	1,508.63	331.28
Printing	73,173.80	74,305.00	(1,131.20)
Telephone Charges	418,019.61	418,019.61	0.00
Promotion and Entertainment	5,081.00	0.00	5,081.00
Rent	31,143.25	27,711.18	3,432.07
Repairs and Maintenance	8,622.77	8,672.00	(49.23)

For Management Purposes Only

WC & AN Miller Companies
Income Statement
For the Six Months Ending March 31, 2009

	Year to Date	Budget	Variance
Executive Compensation	75,000.00	75,000.00	0.00
Office Salary	58,155.57	58,155.57	0.00
Ongoing Severance	87,621.77	168,370.86	(80,749.09)
One Time Severance	567,820.72	196,688.71	371,132.01
Storage	2,223.63	2,531.50	(307.87)
Telephone	5,698.46	1,441.10	4,257.36
Management Travel	10,682.90	16,695.68	(6,012.78)
Payroll Processing Fees	2,198.74	3,462.00	(1,263.26)
Board of Directors fees	39,000.00	45,500.00	(6,500.00)
2008 Deferred Director's Fees	22,500.00	7,500.00	15,000.00
RE Tax Exp	1,184.48	0.00	1,184.48
Board Travel and Meals	15,000.26	15,026.79	(26.53)
Total Operating Expenses	<u>1,834,288.58</u>	<u>1,529,787.63</u>	<u>304,500.95</u>
Net Operating Income	<u>(1,676,376.35)</u>	<u>(1,855,921.01)</u>	<u>179,544.66</u>
Other Income and Expenses			
Miscellaneous Income	5,546,074.02	5,725,000.00	(178,925.98)
Interest Income	21,021.38	30,495.24	(9,473.86)
Debt Service (Interest) Other	<u>(85,341.74)</u>	<u>(102,274.42)</u>	<u>16,932.68</u>
Total Other Income and Expenses	<u>5,481,753.66</u>	<u>5,653,220.82</u>	<u>(171,467.16)</u>
Net Income	<u>\$ 3,805,377.31</u>	<u>3,797,299.81</u>	<u>8,077.50</u>