

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

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

February 4, 2010

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

Dear Bob:

I would like to take this opportunity to thank you for attending the Annual Shareholders meeting this past Saturday. Below is my written report regarding the fiscal year ending September 30, 2009 along with my update for the first quarter ending December 31, 2009.

Year End Financial Statement Update for period ending September 30, 2009

You have previously received a copy of the Financial Statement prepared by our accounting firm, Alan L. Gordon, CPA, PA. Enclosed herewith is a copy of the Miller Company's consolidated Financial Statements which includes the year-end adjustments made by our accounting firm.

1. Balance Sheet: You will note on the Balance Sheet that there has been a significant change in the total assets. We went from \$61.8 million at the end of the 3rd Quarter to \$71.7 million at the end of the fiscal year. The majority of the increase in Assets is a result of year-end adjustments made by our accounting firm. The primary areas that were adjusted were: (a) Accounts Receivable due to a result of an error of not posting the straight line rents properly; and (b) recognition of a Deferred Tax asset of \$6.7 million. We had a decrease in Total Liabilities of approximately \$2.5 million primarily due to a decrease in long term debt. Overall the Balance Sheet is significantly improved with a decrease in Stockholders' Deficit from \$29.1 million to \$14.7 million. We did have a decrease in cash of approximately \$1.1 million which was used to pay down debt.

2. Income Statement: There was a significant increase in Rental Income as a result of the year-end adjustments. \$5.5 million of it is due to taking that amount which is the forgiveness of debt from Key Bank for the Spring Valley Office loan out of "Other Income" and placing it here in that the loan was secured by four (4) office buildings in Spring Valley so the corresponding reduction in debt was shared among those four buildings. Rental Expense is significantly over budget as a result of year-end adjustments, likewise Real Estate Taxes and Depreciation. Under Operating Expenses, Bad Debt is up due to writing off of uncollectible obligations. Depreciation is off due to a year-end adjustment in that the Company does not book

depreciation on a monthly basis for its non-rental assets. General Insurance is a year-end adjustment. Legal Fees – Loans/Lenders is due to the year-end adjustment capitalizing these expenses over the term of the loans. Leasing Commission Expense is a year-end adjustment expensing leasing commissions that were previously capitalized. Other Taxes and Licenses is likewise a year-end adjustment expensing previously capitalized taxes. Payroll Taxes is also a year-end adjustment expensing previously capitalized expenses. Loan Charges are a year-end adjustment, charges that were expensed should have been capitalized. One Time Severance is a year-end adjustment of the 1st Quarter severance payments that were posted to Office Salary but were in fact One Time Severance payments. Other Revenue is a year-end adjustment posting the correct depreciation schedules for Sumner Highlands. Miscellaneous Income is a year-end adjustment moving the \$5.5 million to Rental Income as noted above. Accrued Interest HLP LOC is a year-end adjustment showing the accrued interest income from Haymount Limited Partnership. Loss on Sale of Assets is a year-end adjustment writing off the loan costs of the two loans that were prepaid this year, namely Key Bank and the Chevy Chase Bank line of credit. Deferred Tax Expense is a year-end adjustment reducing the deferred tax asset to compensate for the taxable income. Miscellaneous Expenses is the year-end adjustment cleaning up the Balance Sheet items relating to depreciation, allowance for doubtful accounts, accounts receivable and various other minor items. Net Income Year to Date is off from Budget by \$1.1 million primarily due to reclassification of Balance Sheet items to the Income Statement along with the recognition of the write-offs that were necessary to clean-up our accounting records.

Overall the Miller Company had a very successful year.

Fourth Quarter Company Update

The activities of the Miller Company began to stabilize in the Fourth Quarter. No significant events occurred with the exception of the production of the Fiscal Year 2010 Budget and Cash Flow Statement. Your Board of Directors asked me to create a short and medium term strategic plan for their review. The short term plan is the Fiscal Year 2010 Budget and Cash Flow Statement. The medium strategic plan is meant to be a goal of the Miller Company over the next few years. The salient points of the strategic plan are as follows:

1. To create a minimum working capital cash account of \$2 million;
2. Reduce debt to equity to a loan to value ratio of 60/40;
3. Implement a sustainable dividend; and
4. Create an investment pool for future investment by the Company.

The Board of Directors reviewed the plan and concluded that the Audit and Finance Committee should make a recommendation as to what constitutes “Free Cash” flow and then to recommend what to do with the free cash flow to the Board. The Audit and Finance Committee made the following recommendations:

Definition of Free Cash Flow

The Committee agreed that the definition of free cash flow would be all available cash after deducting the following:

- Operating expenses
- Add back of depreciation
- Deferred maintenance (including replacement reserve)
- Tenant improvement allowances
- Leasing commissions
- Amortization of all term loans

The Audit and Finance Committee was asked by the Board of Directors to poll the Shareholders and the overwhelming majority of the Shareholders felt that the free cash flow should be split between dividends and reinvestment. While the percentages varied modestly, the committee agreed a 50/50 split would be consistent with overall feedback from shareholders. The Committee agreed that there needs to be flexibility regarding the split depending on circumstances that may arise from time to time. The Committee agreed that the dividends paid to Shareholders should be “sustainable”.

You will note in the attached Budget Free Cash Flow is being used for distribution to the Shareholders as well as to pay down debt.

Fiscal Year 2009 Company Update

The 2009 Fiscal Year for the Miller Company started off very shaky.

- On October 1st, McShea Management took over the day to day management of all of the Company’s commercial holdings. This has proved to be a terrific arrangement. The McShea management team has uncovered many significant financial errors in our billing processes and has taken the necessary steps to correct them. They have more than earned their fee in this instance alone.

- Moved our Corporate offices from downtown Bethesda to a more modest location at the Shops at Sumner Place and have sublet our downtown office space.

- Refinanced the Key Bank Loan reducing our debt by \$5.5 million and saving over \$23,000 in interest costs monthly.

- Negotiated lease extensions with our two largest office tenants, Case Design and Burdeshaw Associates.

- Signed a lease with LPQ who took over the former Bagel City lease in Spring Valley.

- On November 1, 2008, the Miller Company terminated its agreement with Bozzutto and hired McShea to handle the management of Sumner Highlands. The property became fully leasing on August 1st and cash flow positive as of October 1st.

- Sold off all lot inventory in Virginia and paid off a loan balance of approximately \$400,000.

- Scrapped our old accounting system and with the help of our accountant, started a more simplistic system with better reporting capabilities.
- Prepared a budget and cash forecast model.
- Discovered through McShea that the Miller Company had previously been billing the retail tenants at the Shops at Sumner Place incorrectly for the operating expense pass throughs resulting in over \$3.1 million loss over the past 9 years. We are currently working on collecting the monies. Further, I have hired a law firm to investigate whether we should sue our former auditors.
- Reduced the severance costs by negotiating down the payments to two former executives which saved the Company approximately \$200,000.
- Collected on a Note due to the Miller Company from our former partner in the F & R Corporation bringing in an additional \$1.1 million in cash.
- Sold the one remaining house in Montgomery County and paid off debt of \$1.75 million.
- Paid off and refinanced the revolving line of credit with Chevy Chase Bank and reduced the debt by \$1.3 million with a new 7 year term loan with Burke and Herbert Bank & Trust.
- Capital Improvements and Deferred Maintenance Projects:
 - Two new roofs in Spring Valley at 4910 and 4900 Massachusetts Avenue;
 - Painting, re-carpeting and new lighting in the common areas of the office portion of the Shops at Sumner Place;
 - Painting and re-carpeting of the common areas of 4910 Massachusetts Avenue;
 - Cleaned and power washed the exteriors of all buildings in Spring Valley;
 - Painted the Spring Valley retail buildings;
 - Resurfaced one parking lot in Spring Valley and resealed all parking lots in Spring Valley;
 - Installed a new Energy Management System at 4910 Massachusetts Avenue;
 - Installed all new thermostats at Shops at Sumner Place; and
 - Installed new windows on the 1st floor North at the Shops at Sumner Place.

First Quarter 2010 Update for period ending December 31, 2009

1. Balance Sheet: Total assets are down slightly from \$71,727,434 to \$71,694,216.60 primarily due to a reduction in Accounts Receivable of approximately \$350,000, a decrease in Prepaid Expenses, and an increase in cash from \$1,959,409.84 to \$2,536,369.27. All of the other Asset classes remain the same. Total Liabilities increased from \$91,490,566.16

to \$91,522,545.35 primarily due to an increase in Accounts Payable and Accrued Expenses and a decrease in Prepaid Rental Income. There was a decrease in Long Term Debt of approximately \$251,000 in the 1st Quarter. The Balance Sheet of the Miller Company continues to improve as the health of the Company gets better.

2. Income Statement: Our Rental Income of \$3.7 million is off from Budget by \$61,000 primarily due to the billing of the real estate taxes for Spring Valley in September 2009 which were budgeted for October 2009. Rental Expenses are off from Budget by \$162,526 primarily due to an unexpected snow storm in December and legal fees for tenant related matters that were not budgeted. Real Estate Taxes, Depreciation and Debt Service Interest are all under budget. Net Rental Income is off from budget by \$141,997.24. Under Operating Expenses, Review/Audit/Tax Return exceeded budget due to a timing issue. I had budgeted this to occur in January 2010. Rent is over budget in that the subtenant did not take occupancy until November 2009. Overall Net Income was down from budget by \$220,614.50.

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 cursive script that reads "Rob".

Robert R. Miller

Enclosures

WC & AN Miller Companies
Balance Sheet
September 30, 2009

Current Month Prior Month

ASSETS

Current Assets		
Cash and Cash Equivalents	\$ 1,959,409.84	\$ 2,106,580.85
Accounts Receivable, net	4,438,982.68	2,365,230.38
Other Receivables	859,747.31	736,331.11
Inventory	1,773,616.38	1,735,519.40
Prepaid Expenses	474,772.02	75,257.84
	<hr/>	<hr/>
Total Current Assets	9,506,528.23	7,018,919.58
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Fixed Assets		
Land	8,278,840.50	0.00
HLP, II Land	538,905.48	538,905.48
Buildings	41,532,837.34	65,563,506.35
Property and Equipment	1,722,997.46	1,265,216.87
Capital Improvements - Opt	648,671.00	0.00
Improvements	17,079,203.39	2,662,911.09
Less: Accumulated Depreciation	15,941,503.19	20,115,534.26
	<hr/>	<hr/>
Net Fixed Assets	53,859,951.98	49,915,005.53
	<hr/>	<hr/>
Other Assets		
Deferred Leasing Commissions,	435,362.97	701,493.68
Deferred Finance Charges, net	927,567.74	1,688,392.86
Accum Amort Def	0.00	(17,884.89)
Deposit	17,630.05	17,630.05
Deferred Taxes	6,721,709.00	18,165.00
Real Estate Tax Escrow	258,684.03	282,538.14
	<hr/>	<hr/>
Total Other Assets	8,360,953.79	2,690,334.84
	<hr/>	<hr/>
TOTAL ASSETS	\$ 71,727,434.00	\$ 59,624,259.95
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WC & AN Miller Companies
Balance Sheet
September 30, 2009

Current Month

Prior Month

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts Payable	\$ 23,579.00	\$ 27,529.51
Accrued Income Taxes	35,576.00	0.00
Accrued Expenses	998,228.92	1,007,275.39
Security Deposits	345,898.94	347,658.83
Prepaid Rent Income	200,677.76	62,066.58
Total Current Liabilities	<u>1,603,960.62</u>	<u>1,444,530.31</u>
Long-Term Liabilities		
Notes Payable (1)	89,852,295.48	89,970,541.91
Guaranty Reserve	34,310.06	34,310.06
Total Long-Term Liabilities	<u>89,886,605.54</u>	<u>90,004,851.97</u>
Total Liabilities	<u>91,490,566.16</u>	<u>91,449,382.28</u>
Minority Interest (2)	<u>(5,832,747.00)</u>	<u>(6,034,422.26)</u>
Total Minority Interest	<u>(5,832,747.00)</u>	<u>(6,034,422.26)</u>
Stockholders' Deficit		
Common Stock	800,200.00	880,200.00
Retained Earnings (Deficit)	<u>(14,730,585.16)</u>	<u>(26,624,165.51)</u>
Total Stockholders' Deficit	<u>(13,930,385.16)</u>	<u>(25,743,965.51)</u>
TOTAL LIABILITIES & STOCKHOLDERS' DEFICI	<u>\$ 71,727,434.00</u>	<u>\$ 59,670,994.51</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
September 30, 2009

		Current Month		Budget	Prior Month
N/P Cur Wash Securities	\$	200,000.00	\$	0.00	200,000.00
NP Cur Sub Debent		440,000.00		440,000.00	440,000.00
N/P MetLife		27,185,532.39		27,185,532.37	27,228,338.14
N/P Burke & Herbert - SVR		13,562,617.19		0.00	13,575,000.00
N/P - C.C. 314545		0.00		15,202,823.19	0.00
Key Bank Loan		17,963,916.07		17,993,072.70	18,026,973.81
N/P - TIAA Loan		22,250,000.00		22,250,000.00	22,250,000.00
N/P - Haymount Mezz		8,250,229.83		6,858,184.72	8,250,229.96
Total Long Term Debt	\$	89,852,295.48	\$	89,929,612.98	89,970,541.91

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. Chevy Chase Line of Credit - 8/7/2009
6. Chevy Chase - Sunshine Brooke - 7/7/2009
7. Chevy Chase - Chandlee Mill - Paid 6/26/2009
8. Key Bank Loan - 6/30/2021
9. TIAA - 10/1/2018

WC & AN Miller Companies
Income Statement
For the Twelve Months Ending September 30, 2009

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance
Rental Activities						
Rent Income	\$ 7,902,211.61	1,221,051.00	6,681,160.61	20,568,006.78	13,925,883.28	6,642,123.50
Rent Expenses	(572,745.31)	(259,780.00)	(312,965.31)	(4,551,958.41)	(3,318,318.21)	(1,233,640.20)
Real Estate Taxes	(51,171.78)	(134,088.00)	82,916.22	(1,433,271.72)	(1,628,852.58)	195,580.86
Depreciation	(262,655.85)	(176,576.00)	(86,079.85)	(1,826,512.65)	(2,093,911.00)	267,398.35
Debt Service-Interest	(531,551.93)	(432,278.00)	(99,273.93)	(5,078,273.70)	(5,230,407.33)	152,133.63
Net Rental Income	6,484,086.74	218,329.00	6,265,757.74	7,677,990.30	1,654,394.16	6,023,596.14
Revenues						
Management Fee - Haymount LP	(7,400.00)	0.00	(7,400.00)	31,102.00	38,502.00	(7,400.00)
Land Management - Haymount LP	0.00	0.00	0.00	38,332.00	38,332.00	0.00
Haymount LP Management Fee	0.00	0.00	0.00	(27,500.00)	(27,500.00)	0.00
Sales	0.00	350,000.00	(350,000.00)	3,217,500.00	4,301,700.00	(1,084,200.00)
Total Revenues	(7,400.00)	350,000.00	(357,400.00)	3,259,434.00	4,351,034.00	(1,091,600.00)
Cost of Sales	(166,106.18)	450,000.00	(616,106.18)	5,022,762.37	5,915,018.54	(892,256.17)
Corporate Gross Profit	158,706.18	(100,000.00)	258,706.18	(1,763,328.37)	(1,563,984.54)	(199,343.83)
Gross Profit	6,642,792.92	118,329.00	6,524,463.92	5,914,661.93	90,409.62	5,824,252.31
Operating Expenses						
Advertising	2,104.51	0.00	2,104.51	2,178.51	74.00	2,104.51
Auto Expenses	7.18	200.00	(192.82)	711.16	2,302.18	(1,591.02)
Bank Charges	6,608.86	1,100.00	5,508.86	13,333.18	12,955.78	377.40
Move Expenses	120.00	0.00	120.00	13,895.00	7,019.00	6,876.00
Computer Supplies	1,054.00	0.00	1,054.00	2,849.24	2,055.00	794.24
Computer Consultant	1,150.00	500.00	650.00	36,963.84	14,656.25	22,307.59
Board Consultant	2,000.00	2,000.00	0.00	28,000.00	28,000.00	0.00
New Homes Consultant	0.00	0.00	0.00	30,000.00	30,000.00	0.00
Bad Debts	26,916.22	0.00	26,916.22	26,916.22	0.00	26,916.22
Office Administration	4,876.00	4,000.00	876.00	53,876.00	48,000.00	5,876.00
Courier	0.00	0.00	0.00	159.03	113.14	45.89
Depreciation	140,236.00	0.00	140,236.00	140,236.00	0.00	140,236.00
Dues and Subscriptions	0.00	0.00	0.00	362.06	362.06	0.00
Equipment Rental	2,371.73	1,300.00	1,071.73	51,820.88	32,873.51	18,947.37
General Insurance	72,866.90	0.00	72,866.90	71,658.07	37,739.00	33,919.07
Legal - General	1,391.50	5,000.00	(3,608.50)	24,823.26	53,663.90	(28,840.64)
Legal - New Homes	1,110.00	0.00	1,110.00	6,619.95	4,103.40	2,516.55

For Management Purposes Only

WC & AN Miller Companies
Income Statement
For the Twelve Months Ending September 30, 2009

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance
Legal - Loans/Lenders	(110,052.01)	0.00	(110,052.01)	(2,362.14)	111,772.00	(114,134.14)
Legal - Collections	0.00	0.00	0.00	920.26	741.26	179.00
Legal - Commercial Leasing	994.12	0.00	994.12	28,338.60	937.50	27,401.10
Legal - Employee Matters	0.00	0.00	0.00	19,730.47	24,958.66	(5,228.19)
Legal - Haymount	1,212.29	0.00	1,212.29	55,173.68	27,095.00	28,078.68
Leasing Commission - Corp	107.80	0.00	107.80	12,661.60	12,553.80	107.80
Health Insurance	1,120.00	1,200.00	(80.00)	16,382.92	14,136.70	2,246.22
John Clark Settlement	0.00	0.00	0.00	0.00	133,000.00	(133,000.00)
Leasing Commission Expense	242,322.01	0.00	242,322.01	242,322.01	0.00	242,322.01
Management Meals	523.63	100.00	423.63	936.64	1,195.13	(258.49)
Annual Shareholder Meeting	0.00	0.00	0.00	819.80	3,000.00	(2,180.20)
Office Supplies	(1,076.09)	100.00	(1,176.09)	14,637.44	9,491.35	5,146.09
Other Taxes and Licenses	146,199.43	0.00	146,199.43	182,486.13	45,130.43	137,355.70
Parking	52.00	200.00	(148.00)	2,017.00	3,492.00	(1,475.00)
Payroll Taxes	27,315.45	0.00	27,315.45	41,372.21	13,192.51	28,179.70
Postage	308.17	200.00	108.17	3,604.61	2,708.63	895.98
Accounting	1,965.00	1,500.00	465.00	152,338.78	115,805.00	36,533.78
Loan Charges	(424,019.61)	0.00	(424,019.61)	0.00	498,019.61	(498,019.61)
Promotion and Entertainment	(5,482.17)	0.00	(5,482.17)	0.00	0.00	0.00
Charitable Contribution	0.00	0.00	0.00	1,000.00	0.00	1,000.00
Rent	35,849.86	0.00	35,849.86	41,979.06	27,711.18	14,267.88
Repairs and Maintenance	0.00	0.00	0.00	8,745.26	8,672.00	73.26
Executive Compensation	12,500.00	12,500.00	0.00	150,000.00	150,000.00	0.00
Office Salary	37,808.87	0.00	37,808.87	95,964.44	58,155.57	37,808.87
Ongoing Severance	13,950.00	56,300.00	(42,350.00)	171,321.77	506,170.86	(334,849.09)
One Time Severance	(100,180.17)	0.00	(100,180.17)	467,640.55	196,688.71	270,951.84
Storage	1,631.04	0.00	1,631.04	6,253.39	2,531.50	3,721.89
Telephone	182.04	0.00	182.04	6,697.36	1,441.10	5,256.26
Electric	40.00	0.00	40.00	40.00	0.00	40.00
Management Travel	4,389.29	2,500.00	1,889.29	20,409.22	31,695.68	(11,286.46)
Payroll Processing Fees	145.44	365.84	(220.40)	3,040.98	6,457.04	(3,416.06)
Interest Expense	0.14	0.00	0.14	0.14	0.00	0.14
Board of Directors fees	7,500.00	9,000.00	(1,500.00)	91,500.00	99,500.00	(8,000.00)
2008 Deferred Director's Fees	0.00	0.00	0.00	22,500.00	7,500.00	15,000.00
RE Tax Exp	(4,144.24)	0.00	(4,144.24)	0.00	0.00	0.00
Board Travel and Meals	1,000.00	0.00	1,000.00	25,266.70	29,026.79	(3,760.09)
Total Operating Expenses	154,975.19	98,065.84	56,909.35	2,388,141.28	2,416,697.23	(28,555.95)
Net Operating Income	6,487,817.73	20,263.16	6,467,554.57	3,526,520.65	(2,326,287.61)	5,852,808.26

For Management Purposes Only

WC & AN Miller Companies
Income Statement
For the Twelve Months Ending September 30, 2009

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance
Other Income and Expenses						
Other Revenue	820,120.32	0.00	820,120.32	820,120.32	0.00	820,120.32
Miscellaneous Income	(5,546,074.02)	0.00	(5,546,074.02)	0.00	5,725,000.00	(5,725,000.00)
Accrued Interest HLP LOC	212,222.14	0.00	212,222.14	212,222.14	0.00	212,222.14
Interest Income	1,579.19	5,082.54	(3,503.35)	36,760.83	60,990.48	(24,229.65)
Debt Service (Interest) Other	17,140.26	(3,176.44)	20,316.70	(82,771.06)	(150,433.06)	67,662.00
Loss on Sale of Assets	(1,158,246.78)	0.00	(1,158,246.78)	(1,158,246.78)	0.00	(1,158,246.78)
Current Income Tax Expense	(35,576.00)	0.00	(35,576.00)	(35,576.00)	0.00	(35,576.00)
Deferred Tax Expense	(687,862.00)	0.00	(687,862.00)	(687,862.00)	0.00	(687,862.00)
Miscellaneous Expense	(414,796.64)	0.00	(414,796.64)	(414,796.64)	0.00	(414,796.64)
Total Other Income and Expenses	(6,791,493.53)	1,906.10	(6,793,399.63)	(1,310,149.19)	5,635,557.42	(6,945,706.61)
Net Income	\$ (303,675.80)	22,169.26	(325,845.06)	2,216,371.46	3,309,269.81	(1,092,898.35)

W.C. and A.N. MILLER COMPANIES
CASH FLOW STATEMENT
September 30, 2009

Cash Flows for Operating Activities:

Net Income	\$ 2,216,370
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation and amortization	1,966,748
Loss on disposition of fixed assets	1,158,247
Income allocated to minority interest	(192,750)
Accounts receivable	(735,089)
Other receivables	(825,430)
Inventory	4,719,989
Deferred income taxes	687,862
Prepaid expenses	525,121
Current maturities of long term debt	1,812,827
Accounts payable	29,539
Accrued income taxes	35,476
Accrued expenses	(240,807)
Security deposits	33,830
Prepaid rent income	200,678
Total Adjustments	<u>9,176,241</u>
Net Cash Provided by (Used for) Operating Activities	<u>11,392,611</u>

Cash Flow for Investing Activities:

Acquisition of fixed assets	(544,946)
Acquisition of deferred financing charges	(1,252,681)
Acquisition of real estate tax escrow	(48,163)
Disposition of guaranty reserve	(140)
Disposition of deposit	5,000
Net Cash Used for Investing Activities	<u>(1,840,930)</u>

Cash Flow for Financing Activities:

Disposition of long term debt	(46,804,589)
Acquisition of long term debt	36,141,971
Net Cash Used for Investing Activities	<u>(10,662,618)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(1,110,937)
Cash and cash equivalents, Beginning of Year	<u>3,070,347</u>

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>1,959,410</u></u>
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WC & AN Miller Companies
Balance Sheet
December 31, 2009

	Current Month	Prior Month
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,536,369.27	\$ 2,543,741.41
Accounts Receivable, net	3,964,467.28	4,159,001.39
Other Receivables	830,448.08	840,289.84
Inventory	1,777,516.38	1,773,616.38
Prepaid Expenses	268,753.63	288,713.49
Total Current Assets	<u>9,377,554.64</u>	<u>9,605,362.51</u>
Fixed Assets		
Land	8,278,840.50	8,278,840.50
HLP, II Land	538,905.48	538,905.48
Buildings	41,730,671.83	41,728,466.83
Property and Equipment	1,722,997.46	1,722,997.46
Capital Improvements - Opt	648,671.00	648,671.00
Improvements	17,193,624.04	17,141,008.72
Less: Accumulated Depreciation	<u>16,382,739.57</u>	<u>16,226,022.47</u>
Net Fixed Assets	<u>53,730,970.74</u>	<u>53,832,867.52</u>
Other Assets		
Deferred Leasing Commissions,	455,688.37	443,276.35
Deferred Finance Charges, net	940,181.91	940,181.91
Accum Amort Def	(12,614.17)	(12,614.17)
Deposit	17,630.05	17,630.05
Deferred Taxes	6,721,709.00	6,721,709.00
Real Estate Tax Escrow	<u>463,096.06</u>	<u>397,640.54</u>
Total Other Assets	<u>8,585,691.22</u>	<u>8,507,823.68</u>
TOTAL ASSETS	<u>\$ 71,694,216.60</u>	<u>\$ 71,946,053.71</u>

WC & AN Miller Companies
Balance Sheet
December 31, 2009

Current Month

Prior Month

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts Payable	\$ 122,018.95	\$ (15,542.86)
Accrued Income Taxes	464.00	35,576.00
Accrued Expenses	1,237,904.45	1,413,780.75
Security Deposits	339,265.94	339,886.94
Prepaid Rent Income	187,384.00	130,888.99
Total Current Liabilities	<u>1,887,037.34</u>	<u>1,904,589.82</u>
Long-Term Liabilities		
Notes Payable (1)	89,601,197.95	89,723,364.92
Guaranty Reserve	34,310.06	34,310.06
Total Long-Term Liabilities	<u>89,635,508.01</u>	<u>89,757,674.98</u>
Total Liabilities	<u>91,522,545.35</u>	<u>91,662,264.80</u>
Minority Interest (2)	(5,838,851.54)	(5,835,985.77)
Stockholders' Deficit		
Common Stock	800,200.00	800,200.00
Retained Earnings (Deficit)	(14,789,677.21)	(14,680,425.32)
Total Stockholders' Deficit	<u>(19,828,328.75)</u>	<u>(19,716,211.09)</u>
TOTAL LIABILITIES & STOCKHOLDERS' DEFICI	<u>\$ 71,694,216.60</u>	<u>\$ 71,946,053.71</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
December 31, 2009

		Current Month		Budget	Prior Month
N/P Cur Wash Securities	\$	200,000.00	\$	200,000.00	200,000.00
NP Cur Sub DeBent		440,000.00		440,000.00	440,000.00
N/P MetLife		27,056,409.72		27,056,409.71	27,142,718.46
N/P Burke & Herbert - SVR		13,511,759.16		13,490,227.86	13,529,694.52
Key Bank Loan		17,892,799.24		17,928,358.17	17,910,722.11
N/P - TIAA Loan		22,250,000.00		22,214,132.00	22,250,000.00
N/P - Haymount Mezz		8,250,229.83		8,250,229.96	8,250,229.83
Total Long Term Debt	\$	89,601,197.95	\$	89,579,357.70	89,723,364.92

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. Chevy Chase Line of Credit - 8/7/2009
6. Chevy Chase - Sunshine Brooke - 7/7/2009
7. Chevy Chase - Chandlee Mill - Paid 6/26/2009
8. Key Bank Loan - 6/30/2021
9. TIAA - 10/1/2018

For the Three Months Ending December 31, 2009

	Current Month	Current Month	Current Month	Year to Date	Year to Date	Year to Date
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Activities						
Rent Income	\$ 1,228,379.41	1,211,184.00	17,195.41	3,651,768.15	3,713,121.00	(61,352.85)
Rent Expenses	(481,003.79)	(360,276.00)	(120,727.79)	(1,211,152.42)	(1,048,626.00)	(162,526.42)
Real Estate Taxes	(119,428.43)	(129,120.00)	9,691.57	(380,502.80)	(387,360.00)	6,857.20
Depreciation	(156,717.10)	(156,261.00)	(456.10)	(441,236.38)	(468,783.00)	27,546.62
Debt Service-Interest	(453,157.69)	(468,106.00)	14,948.31	(1,358,126.79)	(1,405,605.00)	47,478.21
Net Rental Income	18,072.40	97,421.00	(79,348.60)	260,749.76	402,747.00	(141,997.24)
Revenues						
Total Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Cost of Sales	0.00	0.00	0.00	0.00	0.00	0.00
Corporate Gross Profit	0.00	0.00	0.00	0.00	0.00	0.00
Gross Profit	18,072.40	97,421.00	(79,348.60)	260,749.76	402,747.00	(141,997.24)
Operating Expenses						
Auto Expenses	724.05	800.00	(75.95)	1,961.40	2,400.00	(438.60)
Bank Charges	23.90	600.00	(576.10)	101.31	1,800.00	(1,698.69)
Computer Consultant	2,000.00	1,000.00	1,000.00	3,187.50	3,000.00	187.50
Board Consultant	2,000.00	2,000.00	0.00	6,000.00	6,000.00	0.00
Office Administration	15,000.00	5,000.00	10,000.00	25,000.00	15,000.00	10,000.00
Courier	0.00	0.00	0.00	11.64	0.00	11.64
Equipment Rental	2,375.40	2,190.61	184.79	7,312.34	6,571.83	740.51
General Insurance	17,061.00	0.00	17,061.00	23,338.00	30,500.00	(7,162.00)
Legal - General	709.50	7,500.00	(6,790.50)	8,482.70	22,500.00	(14,017.30)
Legal - Haymount	(1,478.54)	0.00	(1,478.54)	13,056.47	0.00	13,056.47
Leasing Commission - Corp	0.00	0.00	0.00	17,336.55	17,336.55	0.00
Health Insurance	1,120.00	1,500.00	(380.00)	3,360.00	4,500.00	(1,140.00)
Management Meals	176.64	100.00	76.64	176.64	300.00	(123.36)
Office Supplies	71.25	300.00	(228.75)	1,389.55	900.00	489.55
Other Taxes and Licenses	364.00	4,700.00	(4,336.00)	4,450.00	5,670.60	(1,220.60)
Parking	91.00	0.00	91.00	117.00	0.00	117.00
Postage	140.79	250.00	(109.21)	574.04	750.00	(175.96)
Accounting	1,564.00	1,500.00	64.00	2,822.00	4,500.00	(1,678.00)
Review/Audit/Tax Return	40,020.00	0.00	40,020.00	63,971.05	0.00	63,971.05
Promotion and Entertainment	1,038.45	0.00	1,038.45	1,620.73	0.00	1,620.73
Rent	6,138.75	6,138.75	0.00	30,433.75	18,416.25	12,017.50
Executive Compensation	15,000.00	15,000.00	0.00	45,000.00	45,000.00	0.00

For Management Purposes Only

WC & AN Miller Companies
Income Statement
For the Three Months Ending December 31, 2009

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance
Storage	5,999.61	7,500.00	(1,500.39)	7,205.95	8,500.00	(1,294.05)
Telephone	194.43	250.00	(55.57)	500.79	750.00	(249.21)
Management Travel	3,838.48	2,500.00	1,338.48	10,134.84	7,500.00	2,634.84
Payroll Processing Fees	122.50	0.00	122.50	406.39	300.00	106.39
Board of Directors fees	9,000.00	9,000.00	0.00	27,000.00	27,000.00	0.00
RE Tax Exp	2,455.99	4,000.00	(1,544.01)	2,455.99	4,500.00	(2,044.01)
Board Travel and Meals	0.00	0.00	0.00	7,620.60	7,000.00	620.60
Total Operating Expenses	125,751.20	71,829.36	53,921.84	315,027.23	240,695.23	74,332.00
Net Operating Income	(107,678.80)	25,591.64	(133,270.44)	(54,277.47)	162,051.77	(216,329.24)
Other Income and Expenses						
Interest Income	1,603.35	3,000.00	(1,396.65)	4,895.22	9,000.00	(4,104.78)
Debt Service (Interest) Other	(3,176.44)	(3,176.44)	0.00	(9,709.80)	(9,529.32)	(180.48)
Total Other Income and Expenses	(1,573.09)	(176.44)	(1,396.65)	(4,814.58)	(529.32)	(4,285.26)
Net Income	\$ (109,251.89)	25,415.20	(134,667.09)	(59,092.05)	161,522.45	(220,614.50)

For Management Purposes Only

W.C. AND AN. MILLER COMPANIES
STATEMENT OF CASH FLOW
For the Month Ended December 31, 2009

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	\$ (109,252)	139,889
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	156,717	453,851
Loss on disposition of fixed assets	-	-
Income allocated to minority interest	(2,866)	(6,105)
Accounts receivable	194,534	474,515
Other receivables	9,842	29,299
Inventory	(3,900)	(3,900)
Deferred income taxes	-	-
Prepaid expenses	19,960	145,908
Current maturities of long term debt	-	-
Accounts payable	137,562	158,550
Accrued income taxes	(35,112)	(35,112)
Accrued expenses	(175,876)	239,676
Security deposits	(621)	(6,633)
Prepaid rent income	56,495	(13,294)
Total Adjustments	<u>356,735</u>	<u>1,436,755</u>
Net Cash Provided by (Used for) Operating Activities	<u>247,483</u>	<u>1,576,644</u>
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(54,820)	(312,254)
Acquisition of deferred financing charges	(12,412)	(32,939)
Acquisition of real estate tax escrow	(65,456)	(204,412)
Disposition of guaranty reserve	-	-
Disposition of deposit	-	-
Net Cash Used for Investing Activities	<u>(132,688)</u>	<u>(549,605)</u>
Cash Flow for Financing Activities:		
Disposition of long term debt	(122,167)	(251,097)
Acquisition of long term debt	-	-
Net Cash Used for Investing Activities	<u>(122,167)</u>	<u>(251,097)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,372)	586,959
Cash and cash equivalents, Beginning of Month	<u>2,543,741</u>	<u>1,959,410</u>
CASH AND CASH EQUIVALENTS, END OF MONTH	<u>\$ 2,536,369</u>	<u>2,546,369</u>