



To our shareholders,

As I informed you in our last shareholder letter, management's overriding task is the liquidation of the remaining Maxco assets. Today our efforts are focused on obtaining the maximum value for these assets as expediently as possible and distributing the results to you the shareholders. Currently, Maxco holds investments in real estate, escrows remaining from the sale of Atmosphere Annealing, Inc. (AAI) and other miscellaneous assets including potential tax carryback from the gain on the sale of AAI. Management, with the advice of our tax advisors, believes that the tax carryback is an important element in the final liquidation process.

The liquidation of Maxco's real estate faces significant economic challenges. As you know, the real estate market in this country and especially Michigan has been down for some time. We anticipate that the majority of our real estate holdings will be sold for a tax loss when liquidated. The timing of the liquidation will be important because the sale of our real estate by the end of calendar 2008, will allow us to carryback any tax losses to the 2007 tax year. The carryback will entitle Maxco to get a refund of a portion of the federal tax paid on the gain on the sale of AAI in that year.

The escrow agreement required that \$5.0 million of the purchase price was to be put into two separate escrow accounts at US Bank. One account with \$3.0 million of the funds is being held in a general claim fund and the other \$2.0 million is in an environmental claim fund. It is not anticipated that there will be any challenges to the general claim fund and that those dollars should be released July 31, 2008. We are working to expedite the release of the environmental claim fund.

Maxco currently holds approximately 2.4 million common shares of Integral Vision, Inc. Management is currently evaluating the various alternatives as it looks to the liquidation of those shares. The ultimate decision of when and how to dispose of our 2.4 million shares of Integral Vision may be effected by the tax carryback this asset may most likely create. If we must sell Integral Vision at a loss, current tax laws indicate that sale of their investment by the end of Maxco's March 31, 2010 fiscal year end would assist in maximizing shareholder value due to carryback potential.

On May 24, 2007, the Maxco board of directors declared a dividend of \$2.00 per common share paid to its common shareholders on June 29, 2007. As Maxco looks to subsequent shareholder distributions our tax advisors have suggested that it would likely be to the best interest of our shareholders that these distributions be treated as a return on capital, this providing more favorable tax consequences.

Our audited financial results of the year ended March 31, 2008 and our unaudited first quarter results will be released shortly and posted to our website (www.maxco.com).

We continue to review our overhead structure and have cut our payroll and other operating costs substantially.

Sincerely,

A handwritten signature in black ink, appearing to read "Max A. Coon". The signature is written in a cursive style with a long horizontal stroke at the end.

Max A. Coon
President and Chairman of the Board
July 31, 2008