

W.C.&A.N. MILLER DEVELOPMENT COMPANY

Established in 1912

August 14, 2013

Dear Shareholders:

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, 2013. Enclosed with this update are the Balance Sheet, Long Term Debt Schedule, Income Statement and our Cash Flow Statement.

I. Financial Statements

A. Balance Sheet

Assets

Our cash position is better than expected. We started the year with \$1,434,683.07 and at the end of the third quarter we have \$5,554,304.49 which is a year to date increase of \$4,119,621.42. Additionally, as I mentioned in the second quarter update, we have invested \$2,500,000 which has increased by \$78,375.51 for a total of Cash and Investments of \$8,132,680. Year to date the Accounts Receivables have decreased by (\$88,054.06) and Other Receivables are down by (\$32,736.48) and Prepaid Expenses are down by (\$290,306.40). Building and Tenant Improvements are up by \$472,655.61 year to date. Total Assets year to date have increased by \$5,650,146.67.

Liabilities

Accounts Payable has decreased year to date by (\$86,468.44) and Accrued Expenses have increased by \$85,075.18 year to date. Prepaid Rental Income has increased by \$111,393.79 year to date. The Total Current Liabilities have increased year to date by \$176,541.53. Long Term Liabilities have increased year to date by \$10,378,844.50. Total Stockholder's Deficit has increased year to date by (\$4,904,523.71) to (\$22,075,680.94).

B. Income Statement

Rental Income year to date is \$11,627,593.39 which is down from Budget by (\$422,035.61). This variance is primarily due to higher vacancy at Sumner Highlands and

delayed occupancy of two tenants. However, Rental Income for this year is an increase over last year's Rental Income of \$838,605.96. Rental Expenses year to date are \$3,119,786.08 which are less than Budget by \$281,502.92 but is greater than last year by \$40,527.50. Real Estate Taxes year to date are \$1,020,921.28 which is greater than Budget by \$1,131.28 and greater than last year by \$32,480.04. Depreciation expense year to date is \$1,584,105.72 which is \$114,090.72 over Budget and greater than last year by \$111,573.56. Year to date Debt Service Interest is \$3,440,506.29 which is \$18,657.29 over Budget however it less than last year by (\$335,319.92). Year to date Net Rental Income is \$2,462,274.02 which is (\$274,411.98) less than Budget and greater than last year by \$989,334.78. Total Operating Expenses are \$1,041,405.14 which is \$21,360.10 over Budget however it less than last year by \$58,176.02. Year to date the Net Income is \$1,445,476.29 versus a Budget of \$1,727,496.84, a decrease of (\$282,020.55) however it is greater than last year by \$1,082,108.33.

C. Cash Flow Statement

As previously stated, our current Cash and Investments is \$8,132,680 which is an increase over last year by \$6,697,996.93.

II. Leasing Activity

Our leasing efforts continue to improve. Our office vacancy has been reduced to 3.16% leaving us with 6,144 square feet available. Our retail vacancy has been reduced to 2.17% leaving us with 4,575 square feet to lease. Our residential vacancy has been reduced to 6.4% with only 8 units to lease.

Notable events to report are that we were successful in renewing the Long & Foster Realtors early as well as leasing the first floor of 4301 50th Street.

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,


Robert R. Miller

Enclosures

W.C. and A.N. Miller Development Company
Balance Sheet
as of June 30, 2013

ASSETS

	6/30/2013	3/31/2013	12/31/2012	9/30/2012	YTD Variance
Current Assets					
Cash and Cash Equivalents	\$ 5,554,304.49	\$ 4,822,047.44	\$ 5,076,346.31	\$ 1,434,683.07	4,119,621.42
Investments	2,500,000.00	2,500,000.00	0.00	0.00	2,500,000.00
Unrealized Investments Gain/Loss	75,634.57	61,792.53	0.00	0.00	75,634.57
Accounts Receivable, net	189,830.11	175,139.50	281,035.04	277,884.17	(88,054.06)
Straightline Rent	3,512,731.89	3,512,731.89	3,512,731.89	3,512,731.89	0.00
Miscellaneous Receivables	27,806.23	235,252.00	92,248.18	128,646.40	(100,840.17)
Provision for Loss	0.00	0.00	0.00	0.00	0.00
Other Receivables	936,383.71	946,328.71	957,795.36	969,120.19	(32,736.48)
Inventory	37,318.04	37,318.04	37,318.04	37,318.04	0.00
Prepaid Expenses	149,455.91	224,650.90	281,650.65	439,762.31	(290,306.40)
Total Current Assets	12,983,464.95	12,515,261.01	10,239,125.47	6,800,146.07	6,183,318.88
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	49,700,991.40	49,426,828.21	49,339,522.73	49,317,516.27	383,475.13
Property and Equipment	74,838.71	74,838.71	73,838.72	64,244.02	10,594.69
Capital Improvements - Opt	1,876.00	1,876.00	1,876.00	1,876.00	0.00
Building on 49th Street	34,373.40	17,630.00	0.00	0.00	34,373.40
Tenant Improvements	12,995,379.23	12,972,718.90	12,916,233.58	12,906,198.75	89,180.48
Less: Accumulated Depreciation	21,909,131.96	21,456,528.05	21,003,924.14	20,551,320.26	1,357,811.70
Net Fixed Assets	47,748,226.76	47,887,263.75	48,177,446.87	48,588,414.76	(840,188.00)
Other Assets					
Deferred Leasing Commissions,	1,401,697.48	1,408,306.53	1,387,946.02	1,300,883.14	100,814.34
Deferred Finance Charges, net	1,146,914.42	1,167,758.57	1,027,259.42	549,602.41	597,312.01
Deposit	17,630.05	17,630.05	17,630.05	17,630.05	0.00
Deferred Taxes	7,573,883.00	7,573,883.00	7,573,883.00	7,573,883.00	0.00
Deposit on Refinance	0.00	0.00	0.00	600,000.00	(600,000.00)
Real Estate Tax Escrow	324,669.41	159,253.60	287,484.31	115,779.97	208,889.44
Total Other Assets	10,464,794.36	10,326,831.75	10,294,202.80	10,157,778.57	307,015.79
TOTAL ASSETS	\$ 71,196,486.07	\$ 70,729,356.51	\$ 68,710,775.14	\$ 65,546,339.40	5,650,146.67

LIABILITIES AND STOCKHOLDERS' DEFICIT

	6/30/2013	3/31/2013	12/31/2012	9/30/2012	YTD Variance
Current Liabilities					
Accounts Payable	\$ 19,832.26	\$ 18,529.99	(\$ 2,112.24)	\$ 106,300.70	(86,468.44)
Accrued Income Taxes	0.00	0.00	0.00	0.00	0.00
Accrued Expenses	1,249,409.89	1,037,505.69	1,123,070.35	1,164,334.71	85,075.18
Prepaid Income/RE	80,091.16	80,091.16	80,091.16	80,091.16	0.00
Security Deposits	460,224.92	425,722.92	418,769.92	393,683.92	66,541.00
Prepaid Rent Income	561,850.99	520,683.93	568,830.65	450,457.20	111,393.79
Total Current Liabilities	<u>2,371,409.22</u>	<u>2,082,533.69</u>	<u>2,188,649.84</u>	<u>2,194,867.69</u>	<u>176,541.53</u>
Long-Term Liabilities					
Notes Payable (1)	97,447,374.26	97,902,150.12	96,345,372.00	87,068,529.76	10,378,844.50
Guaranty Reserve	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	<u>97,447,374.26</u>	<u>97,902,150.12</u>	<u>96,345,372.00</u>	<u>87,068,529.76</u>	<u>10,378,844.50</u>
Total Liabilities	<u>99,818,783.48</u>	<u>99,984,683.81</u>	<u>98,534,021.84</u>	<u>89,263,397.45</u>	<u>10,555,386.03</u>
Minority Interest (2)	<u>(6,546,616.47)</u>	<u>(6,546,402.63)</u>	<u>(6,546,402.63)</u>	<u>(6,545,900.82)</u>	<u>(715.65)</u>
Total Minority Interest	<u>(6,546,616.47)</u>	<u>(6,546,402.63)</u>	<u>(6,546,402.63)</u>	<u>(6,545,900.82)</u>	<u>(715.65)</u>
Stockholders' Deficit					
Common Stock	800,200.00	800,200.00	800,200.00	800,200.00	0.00
Dividend	(6,350,000.00)	(6,350,000.00)	(6,350,000.00)	(200,000.00)	(6,150,000.00)
Retained Earnings (Deficit)	<u>(16,525,880.94)</u>	<u>(17,159,124.67)</u>	<u>(17,727,044.07)</u>	<u>(17,771,357.23)</u>	<u>1,245,476.29</u>
Total Stockholders' Deficit	<u>(22,075,680.94)</u>	<u>(22,708,924.67)</u>	<u>(23,276,844.07)</u>	<u>(17,171,157.23)</u>	<u>(4,904,523.71)</u>
TOTAL LIABILITIES & STOCKHOLDERS' I	<u>\$ 71,196,486.07</u>	<u>\$ 70,729,356.51</u>	<u>\$ 68,710,775.14</u>	<u>\$ 65,546,339.40</u>	<u>5,650,146.67</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.

W.C. and A.N. Miller Development Company
Long Term Debt
as of June 30, 2013

	06/30/2013	03/31/2013	12/31/2012	09/30/2012	YTD Variance
MetLife	\$ -	\$ 0.00	\$ 0.00	25,492,553.17	(25,492,553.17)
Key Bank	17,063,622.50	\$ 17,130,654.09	\$ 17,196,613.02	17,261,516.48	(64,903.46)
TIAA	21,400,274.65	21,468,195.79	21,534,925.45	21,600,484.54	(65,559.09)
Cardinal Bank	16,525,806.01	16,600,000.00	14,406,215.37	14,463,745.74	(57,530.37)
Guardian Life	29,698,658.54	29,828,682.07	29,957,388.33	0.00	29,957,388.33
Promissory Note	4,508,782.73	4,624,388.34	5,000,000.00	0.00	5,000,000.00
Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	8,250,229.83	0.00
Total Long Term Debt	97,447,374.26	\$ 97,902,150.12	\$ 96,345,372.00	87,068,529.76	9,276,842.24

Notes Repayment Schedule:

1. MetLife - 1/1/2013
2. Key Bank Loan - 6/30/2021
3. TIAA - 10/1/2018
4. Cardinal Bank - 8/14/21
5. Guardian Life - 10/2022
6. Promissory Notes - 12/31/2032

W.C. and A.N. Miller Development Company
Income Statement
for the period ending June 30, 2013

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Rental Activities				
Rent Income	11,627,593.39	12,049,629.00	(422,035.61)	10,788,997.43
Rent Expenses	(3,119,786.08)	(3,401,289.00)	281,502.92	(3,079,258.58)
Real Estate Taxes	(1,020,921.28)	(1,019,790.00)	(1,131.28)	(988,441.24)
Depreciation	(1,584,105.72)	(1,470,015.00)	(114,090.72)	(1,472,532.16)
Debt Service-Interest	(3,440,506.29)	(3,421,849.00)	(18,657.29)	(3,775,826.21)
Net Rental Income	<u>2,462,274.02</u>	<u>2,736,686.00</u>	<u>(274,411.98)</u>	<u>1,472,939.24</u>
Gross Profit	<u>2,462,274.02</u>	<u>2,736,686.00</u>	<u>(274,411.98)</u>	<u>1,472,939.24</u>
Operating Expenses				
Bank Charges	989.97	225.00	764.97	74.83
Schwab - ABP Fee	202.32	0.00	202.32	0.00
Schwab - Mgt Fee	2,538.62	0.00	2,538.62	0.00
Computer Supplies	5,666.97	0.00	5,666.97	1,978.76
Computer Consultant	12,539.29	7,200.00	5,339.29	11,443.75
Office Administration	86,500.00	76,500.00	10,000.00	73,000.00
Dues and Subscriptions	0.00	0.00	0.00	109.00
Equipment Rental	3,183.61	5,400.00	(2,216.39)	5,188.92
General Insurance	27,780.00	25,000.00	2,780.00	23,360.00
Legal - General	39,241.78	45,000.00	(5,758.22)	42,387.59
Legal - Loans/lenders	24,099.43	0.00	24,099.43	10,000.00
Legal - Commercial Leasing	7,065.00	0.00	7,065.00	0.00
Legal - Haymount	69,507.99	125,000.00	(55,492.01)	215,618.01
Benefits	16,763.96	25,500.01	(8,736.05)	15,086.72
Management Meals	4,916.18	3,600.00	1,316.18	4,304.81
Annual Shareholder Meeting	1,210.66	7,000.00	(5,789.34)	10,404.65
Office Supplies	10,796.57	4,500.00	6,296.57	8,642.84
Other Taxes and Licenses	2,337.41	3,620.00	(1,282.59)	83,329.94
Payroll Taxes	19,341.75	17,000.00	2,341.75	15,712.20
Postage	2,612.29	3,375.00	(762.71)	3,701.47
Public Relations	0.00	0.00	0.00	10,017.68
Accounting	6,566.50	6,750.00	(183.50)	4,593.38
Review/Tax Returns/Fin St.	42,838.75	51,000.00	(8,161.25)	48,152.63
Internal Control Review	3,385.00	6,000.00	(2,615.00)	4,315.00
Promotion and Entertainment	39,422.50	0.00	39,422.50	2,193.30
Charitable Contribution	11,000.00	1,500.00	9,500.00	500.00
Rent	68,084.44	67,500.00	584.44	61,883.14
Springvale Meadows Expenses	0.00	0.00	0.00	32,288.91
Executive Compensation	206,250.03	206,250.03	0.00	189,000.00
Executive Bonus	100,000.00	100,000.00	0.00	40,000.00
Telephone	5,510.86	3,825.00	1,685.86	3,676.87
Management Travel	17,344.32	27,000.00	(9,655.68)	19,244.31
Payroll Processiong Fees	3,493.78	2,700.00	793.78	2,467.18
Board of Directors Fees	168,000.00	163,000.00	5,000.00	121,500.00
RE Tax Expense	5,599.44	5,600.00	(0.56)	5,443.90
Board Travel and Meals	26,615.72	30,000.00	(3,384.28)	29,961.37
Total Operating Expenses	<u>1,041,405.14</u>	<u>1,020,045.04</u>	<u>21,360.10</u>	<u>1,099,581.16</u>

Net Operating Income	1,420,868.88	1,716,640.96	(295,772.08)	373,358.08
Other Income and Expenses				
Miscellaneous Income	100.00	0.00	100.00	0.00
Interest Income	4,914.63	35,244.22	(30,329.59)	3,888.73
Debt Service (Interest) Other	(58,782.73)	(24,388.34)	(34,394.39)	0.00
Unrealized Investment Gain/Los	78,375.51	0.00	78,375.51	0.00
Pr Yr Adj - 2007 Pay Tax Liab	0.00	0.00	0.00	(13,878.85)
Total Other Income and Expenses	24,607.41	10,855.88	13,751.53	(9,990.12)
Net Income	1,445,476.29	1,727,496.84	(282,020.55)	363,367.96

W.C. and A.N. MILLER COMPANIES
STATEMENT OF CASH FLOW
For the Month Ended June 30, 2013

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	219,010	1,445,476
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Dividend	-	(6,350,000)
Depreciation and amortization	169,064	1,476,607
Unrealized Investment Gain/Loss	54,588	(75,635)
Loss on disposition of fixed assets	-	-
Income allocated to minority interest	(214)	(716)
Accounts receivable	(55,747)	188,896
Other receivables	2,220	32,736
Inventory	-	-
Deferred income taxes	-	-
Prepaid expenses	(10,106)	290,878
Current maturities of long term debt	-	-
Accounts payable	(10,168)	(87,039)
Accrued income taxes	-	-
Accrued expenses	(103,037)	82,024
Security deposits	35,752	66,541
Prior Tenant Clearing (SH)	-	3,050
Prepaid Real Estate Tax Income	-	-
Prepaid rent income	(10,748)	111,393
Total Adjustments	71,604	(4,261,265)
Net Cash Provided by (Used for) Operating Activities	290,613	(2,815,790)
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(17,262)	(472,656)
Acquisition of deferred financing charges	6,948	(597,312)
Acquisition of deferred Leasing Commissions	(33,419)	(264,576)
Acquisition of real estate tax escrow	(59,882)	(208,890)
Acquisition of Investments	-	(2,500,000)
Acquisition of water escrow	-	-
Deposit on Refinance	-	-
Disposition of guaranty reserve	-	-
Disposition of deposit	-	600,000
Net Cash Used for Investing Activities	(103,615)	(3,443,434)
Cash Flow for Financing Activities:		
Disposition of long term debt	(151,517)	(26,851,093)
Acquisition of long term debt	-	37,229,937
Net Cash Used for Financing Activities	(151,517)	10,378,844
Net Increase (Decrease) in Cash and Cash Equivalents	35,481	4,119,622
Cash and cash equivalents, Beginning of Period	5,518,824	1,434,683
CASH AND CASH EQUIVALENTS, END OF YEAR	5,554,305	5,554,305