

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

Established in 1912

August 7, 2012

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, 2012. 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 \$2,563,644.63 and at the end of the third quarter we have \$2,561,331.31 which is a year to date decrease of (\$2,313.32). It is important to note that we have had several unbudgeted cash expenditures mainly comprised of (1) \$331,392.26 which was a final payment to the IRS for the 2007 payroll liability; (2) \$71,934.76 which was 2 installments to the District Government for a 2007 payroll tax liability; and (3) \$200,000 special dividend payment for a total of \$603,307.02 unbudgeted expenses. Year to date the Accounts Receivables have increased by \$59,423.92 with the Other Receivables up by 19,833.32 and Prepaid Expenses are down by (\$348,851.32). Building and Tenant Improvements are up by \$726,611.22 year to date. Total Assets year to date have decreased by (\$665,767.95).

Liabilities

Accounts Payable has decreased year to date by (\$65,359.25) and Accrued Expenses have increased by \$494,293.86 year to date. Prepaid Rental Income has increased by \$83,142.58 year to date. The Total Current Liabilities have increased year to date by \$154,705.06. Long Term Liabilities have decreased year to date by (\$983,320.15). Total Stockholder's Deficit has increased year to date by \$163,367.94 to (\$17,968,104.44).

B. Income Statement

Rental Income year to date is \$10,788,987.43 which is down from Budget by (\$500,482.57) which variance is primarily due to a timing issue regarding the payment of Operating Expenses and Real Estate taxes by our larger tenants who only pay annually but the Budget shows that these items are to be paid monthly. Rental Expenses year to date are \$3,079,258.58 which are less than Budget by \$152,750.42. Real Estate Taxes year to date are \$988,441.24 which is an increase over Budget of \$77,281.24. Depreciation expense year to date is \$1,472,532.16 which is \$33,176.84 below Budget. Year to date Debt Service is \$3,755,826.21 which is \$2,765.79 below Budget. Therefore, year to date Net Rental Income is \$389,070.76 less than Budget which we anticipate being at Budget or close to it by the end of our fiscal year. Total Operating Expenses are \$1,099,581.16 which is \$27,604.16 over Budget but as noted above we have had several unbudgeted expenses that are the cause of this. Year to date the Net Income is \$373,358.08 versus a Budget of \$800,833 which is a decrease of \$437,465.04 but as previously noted we anticipate that we will be at or near Budget by the end of the fiscal year.

C. Cash Flow Statement

As previously stated, year to date there has been a slight decrease in cash of (\$2,313.32) so that our current cash position is \$2,561,331. As noted above we have had over \$600,000 in unbudgeted expenses along with a decrease in Long Term Debt of (\$983,320).

II. Leasing Activity

Our leasing efforts continue to improve. Our office vacancy has been reduced by 3.66% leaving us with 12,093 square feet available. Our retail vacancy has been reduced by 2.5% leaving us with 1,272 square feet to lease which space is expected to be leased by the end of this month. Our residential vacancy has been reduced by 2.4% with only 3 units to lease.

A notable event to report is that we were successful in renegotiating the Crate & Barrel lease whereby they exercised their next option to renew two (2) years early and increased their rent during the remaining two years along with the renewal period by over \$1,000,000. The decrease in vacancy and the renegotiated Crate and Barrel lease will have a profound effect on our cash going forward.

III. Haymount Litigation

As you are aware, the Company has been sued by a bankruptcy trustee regarding a \$4.5 million dollar judgment against Haymount Limited Partnership. The lawsuit has been extremely expensive to defend, time consuming and a distraction to management. In December 2011, we filed a Motion for Summary Judgment and a hearing was held in front of the Judge on June 25, 2012 at which time the Judge indicated that we should prepare for trial in that she would be filing an unfavorable ruling. Approximately one week later, during the horrible weather and power outages, we received the opinion from the Judge granting our Motion for Summary Judgment and dismissing the case. The story is not over yet but this is a huge victory. The Plaintiff has

filed a notice of Appeal in order to protect his rights but the huge litigation expenses have come to an end. We now will wait and see what will happen in the Appellate court.

IV. Refinance of the Shops at Sumner Place Loan

The current loan is due to expire on January 1, 2013. We have been working for quite some time now to find a replacement loan. We recently received a commitment to replace our current loan which has a 6.35% interest rate with an interest rate of 4.08%. We anticipate that the loan will close on October 1, 2012 to avoid any prepayment penalty required by our current lender. The rate has been locked and we should realize approximately \$600,000 per year reduction in interest expense.

V. Annual Shareholders Meeting

As you are aware we celebrated the 100th Anniversary of the Company at this year's Annual Meeting. All those who attended had a great time. Please note that the Annual Meeting for 2013 will be held in January 2013. The reasoning for this change is that the information presented at the Annual Meeting is not relevant if the meeting is held in April.

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
Comparative Balance Sheet
as of June 30, 2012

ASSETS

	6/30/2012	3/31/2012	12/31/2011	9/30/2011	YTD Variance
Current Assets					
Cash and Cash Equivalents	\$ 2,561,331.31	\$ 2,605,272.17	\$ 2,878,679.03	2,563,644.63	(2,313.32)
Accounts Receivable, net	757,118.80	787,464.41	970,036.24	697,694.88	59,423.92
Straightline Rent	2,981,801.42	2,981,801.42	2,981,801.42	2,981,801.42	0.00
Miscellaneous Receivables	29,563.01	55,100.49	13,740.10	128,831.16	(99,268.15)
Provision for Loss	0.00	0.00	0.00	0.00	0.00
Other Receivables	961,973.04	931,574.22	936,916.17	942,139.72	19,833.32
Inventory	37,318.04	37,318.04	37,318.04	37,318.04	0.00
Prepaid Expenses	81,917.24	179,086.57	286,700.20	430,768.56	(348,851.32)
Total Current Assets	<u>7,411,022.86</u>	<u>7,577,617.32</u>	<u>8,105,191.20</u>	<u>7,782,198.41</u>	<u>(371,175.55)</u>
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	49,348,024.54	49,107,720.38	48,983,364.02	48,920,164.52	427,860.02
Property and Equipment	262,215.66	262,215.66	262,215.66	262,215.66	0.00
Capital Improvements - Opt	28,883.00	28,883.00	28,883.00	28,883.00	0.00
Tenant Improvements	12,879,491.96	12,841,841.88	12,596,845.05	12,580,740.76	298,751.20
Less: Accumulated Depreciation	21,036,439.51	20,585,488.91	19,599,203.01	19,126,490.37	1,909,949.14
Net Fixed Assets	<u>48,332,075.63</u>	<u>48,505,071.99</u>	<u>49,122,004.70</u>	<u>49,515,413.55</u>	<u>(1,183,337.92)</u>
Other Assets					
Deferred Leasing Commissions,	1,686,691.51	1,595,150.91	949,720.42	881,166.63	805,524.88
Deferred Finance Charges, net	641,216.11	641,216.11	641,216.11	641,216.11	0.00
Deposit	17,630.05	17,630.05	17,630.05	17,630.05	0.00
Deferred Taxes	7,241,222.00	7,241,222.00	7,241,222.00	7,241,222.00	0.00
Real Estate Tax Escrow	297,478.10	326,255.63	283,990.14	214,257.46	83,220.64
Total Other Assets	<u>9,884,237.77</u>	<u>9,821,474.70</u>	<u>9,133,778.72</u>	<u>8,995,492.25</u>	<u>888,745.52</u>
TOTAL ASSETS	<u>\$ 65,627,336.26</u>	<u>\$ 65,904,164.01</u>	<u>\$ 66,360,974.62</u>	<u>66,293,104.21</u>	<u>(665,767.95)</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts Payable	(\$ 12,497.59)	\$ 34,096.30	\$ 165,774.25	\$ 52,861.66	(65,359.25)
2007 Payroll Tax Liability	0.00	0.00	350,493.41	383,493.41	(383,493.41)
Accrued Income Taxes	0.00	0.00	0.00	0.00	0.00
Accrued Expenses	1,352,948.23	1,147,987.23	966,162.89	858,654.37	494,293.86
Prepaid Income/RE	76,863.67	76,863.67	76,863.67	76,863.67	0.00
Security Deposits	396,384.49	377,822.66	385,333.27	370,263.21	26,121.28
Prepaid Rent Income	675,981.88	837,878.09	770,024.61	592,839.30	83,142.58

Total Current Liabilities

2,489,680.68	2,474,647.95	2,714,652.10	2,334,975.62	154,705.06
--------------	--------------	--------------	--------------	------------

Long-Term Liabilities

Notes Payable (1)	87,405,397.82	87,737,014.54	88,065,402.30	88,388,717.97	(983,320.15)
Guaranty Reserve	0.00	0.00	0.00	0.00	0.00

Total Long-Term Liabilities

87,405,397.82	87,737,014.54	88,065,402.30	88,388,717.97	(983,320.15)
---------------	---------------	---------------	---------------	--------------

Total Liabilities

89,895,078.50	90,211,662.49	90,780,054.40	90,723,693.59	(828,615.09)
---------------	---------------	---------------	---------------	--------------

Minority Interest (2)

(6,299,637.80)	(6,299,423.96)	(6,299,410.46)	(6,299,117.00)	(520.80)
----------------	----------------	----------------	----------------	----------

Total Minority Interest

(6,299,637.80)	(6,299,423.96)	(6,299,410.46)	(6,299,117.00)	(520.80)
----------------	----------------	----------------	----------------	----------

Stockholders' Deficit

Common Stock	800,200.00	800,200.00	800,200.00	800,200.00	0.00
Dividend	(200,000.00)	0.00	0.00	(150,000.00)	(50,000.00)
Retained Earnings (Deficit)	(18,568,304.44)	(18,808,274.52)	(18,919,869.32)	(18,781,672.38)	213,367.94

Total Stockholders' Deficit

(17,968,104.44)	(18,008,074.52)	(18,119,669.32)	(18,131,472.38)	163,367.94
-----------------	-----------------	-----------------	-----------------	------------

TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT

\$ 65,627,336.26	\$ 65,904,164.01	\$ 66,360,974.62	\$ 66,293,104.21	(665,767.95)
------------------	------------------	------------------	------------------	--------------

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 Companies
Long Term Debt
June 30, 2012

	06/30/2012	03/31/2012	12/31/2011	09/30/2011	YTD Variance
N/P MetLife	25,646,241.62	25,797,515.87	25,946,413.83	26,092,972.84	(446,731.22)
Key Bank Loan	17,325,381.34	17,388,224.23	17,450,061.50	17,510,909.23	(185,527.89)
N/P - TIAA Loan	21,664,893.60	21,728,172.59	21,790,341.74	21,851,420.52	(186,526.92)
N/P - Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	8,250,229.83	0.00
N/P - Cardinal Loan - SVR	14,518,651.43	14,572,872.02	14,628,355.40	14,683,185.55	(164,534.12)
	<hr/>				
Total Long Term Debt	87,405,397.82	87,737,014.54	88,065,402.30	88,388,717.97	(983,320.15)
	<hr/>				

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

W.C. and A.N. Miller Development Company
Quarterly Income Statement
as of June 30, 2012

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Rental Activities				
Rent Income	10,788,997.43	11,289,480.00	(500,482.57)	10,153,490.19
Rent Expenses	(3,079,258.58)	(3,232,009.00)	152,750.42	(3,199,552.17)
Real Estate Taxes	(988,441.24)	(911,160.00)	(77,281.24)	(912,176.67)
Depreciation	(1,472,532.16)	(1,505,709.00)	33,176.84	(1,508,200.96)
Debt Service-Interest	(3,775,826.21)	(3,778,592.00)	2,765.79	(3,955,864.70)
Net Rental Income	<u>1,472,939.24</u>	<u>1,862,010.00</u>	<u>(389,070.76)</u>	<u>577,695.69</u>
Revenues				
Total Revenues	-	-	-	-
Cost of Sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporate Gross Profit	-	-	-	-
Gross Profit	<u>1,472,939.24</u>	<u>1,862,010.00</u>	<u>(389,070.76)</u>	<u>577,695.69</u>
Operating Expenses				
Auto Expenses	844.72	1,800.00	(955.28)	1,533.29
Bank Charges	74.83	450.00	(375.17)	163.90
Computer Supplies	1,978.76	3,000.00	(1,021.24)	-
Computer Consultant	11,443.75	7,200.00	4,243.75	12,696.97
Office Administration	73,000.00	73,000.00	-	64,000.00
Dues and Subscriptions	109.00	-	109.00	-
Equipment Rental	5,188.92	3,830.00	1,358.92	6,720.43
General Insurance	23,360.00	24,453.00	(1,093.00)	23,815.00
Legal General	42,387.59	45,000.00	(2,612.41)	14,441.91
Legal - Loans/lenders	10,000.00	-	10,000.00	13,839.06
Legal - Haymount	215,618.01	350,000.00	(134,381.99)	153,485.68
Leasing Commission - Corporate	-	-	-	29,782.50
Health Insurance	14,242.00	14,394.00	(152.00)	12,974.00
Management Meals	4,304.81	1,800.00	2,504.81	1,570.64
Annual Shareholder Meeting	10,404.65	10,000.00	404.65	2,616.71
Office Supplies	8,642.84	4,500.00	4,142.84	4,407.38

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Other Taxes and Licenses	83,329.94	10,600.00	72,729.94	47,746.92
Payroll Taxes	15,712.20	5,625.00	10,087.20	6,099.50
Postage	3,701.47	3,150.00	551.47	3,229.12
Public Relations	10,017.68	-	10,017.68	-
Accounting	4,593.38	13,500.00	(8,906.62)	21,051.98
Review/Tax Returns/Fin St.	48,152.63	50,000.00	(1,847.37)	45,000.00
Internal Control Review	4,315.00	5,500.00	(1,185.00)	5,240.00
Promotion and Entertainment	2,193.30	-	2,193.30	541.65
Charitable Contribution	500.00	1,500.00	(1,000.00)	-
Rent	61,883.14	62,100.00	(216.86)	56,324.65
Springvale Meadows Expenses	32,288.91	21,000.00	11,288.91	-
Executive Compensation	189,000.00	189,000.00	-	162,000.00
Executive Bonus	40,000.00	-	40,000.00	-
Executive Comp Comm Fees	-	-	-	8,370.00
Storage	-	-	-	2,240.00
Telephone	3,676.87	3,150.00	526.87	2,869.87
Management Travel	19,244.31	22,500.00	(3,255.69)	16,494.41
Payroll Processiong Fees	2,467.18	2,025.00	442.18	3,894.78
Board of Directors Fees	121,500.00	116,500.00	5,000.00	85,000.00
RE Tax Expense	5,443.90	5,400.00	43.90	5,100.17
Board Travel and Meals	29,961.37	21,000.00	8,961.37	18,652.31
Total Operating Expenses	1,099,581.16	1,071,977.00	27,604.16	831,902.83
Net Operating Income	373,358.08	790,033.00	(416,674.92)	(254,207.14)
Other Income and Expenses				
Miscellaneous Income	-	-	-	51,500.00
Interest Income	3,888.73	10,800.00	(6,911.27)	4,219.12
Debt Service (Interest) Other	-	-	-	(28,587.96)
Pr Yr Adj - 2007 Pay Tax Liab	(13,878.85)	-	(13,878.85)	-
Total Other Income and Expenses	(9,990.12)	10,800.00	(20,790.12)	27,131.16
Net Income	363,367.96	800,833.00	(437,465.04)	(227,075.98)

W.C. and A.N. MILLER COMPANIES
STATEMENT OF CASH FLOW
For the Month Ended June 30, 2012

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	(101,680)	363,764
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Dividend	-	(200,000)
Depreciation and amortization	163,615	1,467,331
Loss on disposition of fixed assets		-
Income allocated to minority interest	(214)	(522)
Accounts receivable	238,688	39,270
Other receivables	2,032	(19,833)
Inventory		-
Deferred income taxes		-
Prepaid expenses	22,061	338,853
Current maturities of long term debt		-
Accounts payable	(50,956)	(438,676)
Accrued income taxes		-
Accrued expenses	68,699	494,294
Security deposits	(4,000)	26,122
Prepaid Real Estate Tax Income		-
Prepaid rent income	(118,748)	83,142
Total Adjustments	321,176	1,789,980
Net Cash Provided by (Used for) Operating Activities	219,497	2,153,745
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(89,105)	(726,610)
Acquisition of deferred financing charges	(48,068)	(362,908)
Acquisition of real estate tax escrow	(55,626)	(83,222)
Acquisition of water escrow	-	-
Disposition of guaranty reserve	-	-
Disposition of deposit	-	-
Net Cash Used for Investing Activities	(192,799)	(1,172,740)
Cash Flow for Financing Activities:		
Disposition of long term debt	(110,468)	(983,320)
Acquisition of long term debt	-	-
Net Cash Used for Financing Activities	(110,468)	(983,320)
Net Increase (Decrease) in Cash and Cash Equivalents	(83,770)	(2,315)
Cash and cash equivalents, Beginning of Period	2,645,101	2,563,645
CASH AND CASH EQUIVALENTS, END OF YEAR	2,561,331	2,561,331