

W.C. AND A.N. MILLER
DEVELOPMENT COMPANY
AND SUBSIDIARIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

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Alan L. Gordon, CPA, P.A.

December 13, 2013

To the Board of Directors and Stockholders of
W.C. and A.N. Miller Development Company

We have reviewed the accompanying consolidated balance sheets of W.C. and A.N. Miller Development Company and Subsidiaries as of September 30, 2013 and 2012, and the related consolidated statements of income (loss), retained deficit, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Supplementary Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



ALAN L. GORDON, CPA, P.A.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 5,602,354	\$ 1,434,684
Accounts receivable, net of allowance for doubtful accounts (Note 1)	6,153,958	3,919,263
Other receivables (Note 3)	929,623	969,121
Inventory (Notes 1 and 4)	37,317	37,317
Current portion of deferred income taxes	1,328,181	1,389,662
Prepaid expenses	456,626	441,106
Total Current Assets	<u>14,508,059</u>	<u>8,191,153</u>
Fixed Assets (Note 5 and 6)		
Land	6,849,900	6,849,900
Buildings	49,724,367	49,317,516
Property and equipment	462,708	66,120
Improvements	13,193,901	12,906,199
Total	<u>70,230,876</u>	<u>69,139,735</u>
Less, Accumulated depreciation	22,216,395	20,551,320
Net Fixed Assets	<u>48,014,481</u>	<u>48,588,415</u>
Other Assets		
Deferred leasing commissions, net	1,397,115	1,300,883
Deferred financing charges, net	1,104,505	1,149,602
Deposit	17,630	17,630
Long term portion of deferred taxes	6,419,052	6,184,221
Real estate tax escrow	68,985	115,780
Fair market value of long term investments (Notes 1 and 2)	2,824,080	-
Total Other Assets	<u>11,831,367</u>	<u>8,768,116</u>
TOTAL ASSETS	<u>\$ 74,353,907</u>	<u>\$ 65,547,684</u>

	2013	2012
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Current maturities of long term debt (Note 9)	\$ 2,420,516	\$ 26,260,415
Accounts payable	163,440	106,300
Accrued expenses	1,460,655	1,165,676
Security deposits	458,490	393,684
Prepaid rent income	714,003	530,549
Total Current Liabilities	<u>5,217,104</u>	<u>28,456,624</u>
Long Term Liabilities		
Long term debt, net of current maturities (Note 9)	<u>94,477,728</u>	<u>60,808,114</u>
Total Long Term Liabilities	<u>94,477,728</u>	<u>60,808,114</u>
TOTAL LIABILITIES	<u>99,694,832</u>	<u>89,264,738</u>
Minority Interest (Note 8)	<u>(6,803,475)</u>	<u>(6,544,807)</u>
Stockholders' Deficit		
Common stock - \$100 par value, 10,000 shares authorized, 8002 shares issued and outstanding	800,200	800,200
Retained earnings (Deficit)	<u>(19,337,650)</u>	<u>(17,972,447)</u>
Total Stockholder's Deficit	<u>(18,537,450)</u>	<u>(17,172,247)</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	 \$ <u><u>74,353,907</u></u>	 \$ <u><u>65,547,684</u></u>

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

	2013	2012
Rent Income		
Rent income (Note 13)	\$ 18,176,558	\$ 15,177,455
Rent expenses	(4,533,812)	(4,427,234)
Depreciation and amortization (Note 1)	(2,068,685)	(2,028,573)
Interest expense	(4,550,553)	(5,026,648)
Real estate taxes	(1,364,929)	(1,297,061)
Net Rent Income	<u>5,658,579</u>	<u>2,397,939</u>
Revenues		
Sales	-	-
Cost of sales	-	-
Gross Profit (Loss)	<u>-</u>	<u>-</u>
Operating Expenses	<u>1,317,851</u>	<u>1,430,485</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>4,340,728</u>	<u>967,454</u>
OTHER INCOME (EXPENSES)		
Dividend and interest income	264,257	249,911
Unrealized gain on investment (Note 2)	329,154	-
Miscellaneous income	64,511	-
Loss on disposition of fixed assets	(117,125)	(388,888)
TOTAL OTHER INCOME (EXPENSES)	<u>540,797</u>	<u>(138,977)</u>
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	<u>4,881,525</u>	<u>828,477</u>
Provision (Credit) for Income Taxes (Notes 1 and 12)		
Current	70,078	1,341
Deferred	(173,350)	(332,661)
Total Provision (Credit) for Income Tax	<u>(103,272)</u>	<u>(331,320)</u>
NET INCOME (LOSS)	4,984,797	1,159,797
Retained Deficit, Beginning of Year	(17,972,447)	(18,932,244)
Less, Dividends paid	<u>(6,350,000)</u>	<u>(200,000)</u>
RETAINED DEFICIT, END OF YEAR	<u>\$ (19,337,650)</u>	<u>\$ (17,972,447)</u>

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

	2013	2012
Cash Flows for Operating Activities:		
Net Income (Loss)	\$ 4,984,797	\$ 1,159,797
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	2,074,208	2,033,474
Unrealized gain on appreciation of long term investments	(329,154)	-
Loss on disposition of fixed assets	103,534	382,492
Loss on disposition of intangibles	13,591	6,396
Income allocated to minority interest	(258,668)	(246,261)
Accounts receivable	(2,234,695)	(110,936)
Other receivables	39,498	(26,982)
Deferred income taxes	(173,350)	(332,661)
Prepaid expenses	(15,520)	(10,334)
Current maturities of long term debt	(23,839,899)	24,940,213
Accounts payable	57,140	(330,055)
Accrued expenses	294,979	305,971
Security deposits	64,806	24,471
Prepaid rent income	183,454	(139,154)
Total Adjustments	(24,020,076)	26,496,634
Net Cash Provided by Operating Activities	(19,035,279)	27,656,431
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(1,271,793)	(1,182,398)
Acquisition of intangibles	(396,741)	(1,241,069)
Acquisition of long term investments	(2,494,926)	-
Acquisition of real estate tax escrow	46,795	108,478
Net Cash Used for Investing Activities	(4,116,665)	(2,314,989)
Cash Flow for Financing Activities:		
Disposition of long term debt	(41,770,286)	(26,260,402)
Acquisition of long term debt	75,439,900	-
Dividends paid	(6,350,000)	(200,000)
Net Cash Provided by (Used for) Used for Investing Activities	27,319,614	(26,460,402)
Net Increase (Decrease) in Cash and Cash Equivalents	4,167,670	(1,118,960)
Cash and cash equivalents, Beginning of Year	1,434,684	2,553,644
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,602,354	\$ 1,434,684

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W.C. and A.N. Miller Development Company and its subsidiaries are primarily engaged in real estate development and investment of residential and commercial property, and rental and property management in the District of Columbia, Maryland, and Virginia.

Principles of Consolidation

The consolidated financial statements include the accounts of W.C. and A.N. Miller Development Company and its wholly owned subsidiaries and majority-owned ventures. Significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of the following companies:

	Form of Entity	Percentage Ownership
Haymount Corporation	Corporation	100%
Commonwealth Homes, LLC	LLC	100%
Sumner Highlands, LLC	LLC	100%
Haymount Limited Partnership II	Partnership	100%
Haymount Limited Partnership	Partnership	85%

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

The Company classifies their investments as non-current. Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair market values based on quoted prices in active markets in the consolidated balance sheet.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Bad Debts

Tenant receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

	<u>2013</u>	<u>2012</u>
Gross accounts receivables	\$ 6,195,144	\$ 4,023,712
Less, allowance for bad debt	<u>41,186</u>	<u>104,449</u>
Accounts receivable, net of allowance for doubtful accounts	\$ <u>6,153,958</u>	\$ <u>3,919,263</u>

Inventory

Inventory consists of predevelopment work on the land owned by Haymount Limited Partnership II and is carried at cost determined under the specific cost method of accounting, including interest and real estate taxes during the period of development and construction, and a provision for overhead.

Depreciation and Amortization

Buildings and improvements included in investment property and operating assets included in property and equipment are stated at cost. These assets are depreciated and amortized using the straight-line method over the estimated useful lives of three to forty years. Leasing commissions, rent concessions and loan charges included in deferred charges are amortized over the life of the lease or loan agreement. Depreciation expense for the years ended September 30, 2013 and 2012 was \$1,742,192 and \$1,726,897, respectively. Amortization expense for the years ended September 30, 2013 and 2012 was \$332,016 and \$306,573, respectively.

Amortization expense for the five years subsequent to September 30, 2013, is as follows:

<u>September 30,</u>	
2014	\$ 333,049
2015	315,737
2016	278,001
2017	253,510
2018	244,489

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Rental revenues from tenants with leases having scheduled rental increases are recognized on a straight-line basis over the term of the lease; all other rental revenue is recognized as earned. Contingent rental income is recognized once the target or goal used to determine the contingent rental income is met.

Income taxes

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which requires the establishment of a deferred tax asset or liability for the recognition of future deductions or taxable amounts, and operating loss and tax credit carryforwards. Deferred tax expense or benefit is recognized as a result of the change in the deferred asset or liability during the year.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$34,437 and \$48,407, respectively, for the years ended September 30, 2013 and 2012.

NOTE 2. INVESTMENTS

Investments consist of the following:

	<u>2013</u>	<u>Market</u> <u>Value</u>	<u>Cost</u> <u>Basis</u>
Money Market Fund	\$	44,882	\$ 44,882
Equities		<u>2,779,198</u>	<u>2,450,044</u>
	\$	<u>2,824,080</u>	\$ <u>2,494,926</u>
	<u>2012</u>		
Money Market Fund	\$	--	\$ --
Equities		<u>--</u>	<u>--</u>
	\$	<u>--</u>	\$ <u>--</u>

During the year ended September 30, 2013, the company established a long term mutual fund investment plan through a brokerage account. Dividend income for the years ended September 30, 2013 and 2012 was \$46 and \$ -0-, respectively. There was no interest income earned in this brokerage account.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2. INVESTMENTS (Continued)

Interest earned from all other cash accounts for the years ended September 30, 2013 and 2012, was \$264,211 and \$249,911, respectively.

NOTE 3. NOTE RECEIVABLE

During the year ended September 30, 2008, the Company purchased a note receivable in the amount of \$8,250,230 from Haymount Mezzanine, LLC at a purchase price of \$825,023. The receivable is being carried at cost and is due from Haymount Limited Partnership, an 85% subsidiary of the Company. For presentation purposes, neither the receivable nor the related payable has been eliminated in consolidation. (Note 8)

NOTE 4. INVENTORY

Unimproved land is comprised of 101 acres in Caroline County, Virginia owned by Haymount Limited Partnership, II, which is a 100% subsidiary of the Company as of September 30, 2013.

NOTE 5. REAL ESTATE INVESTMENT PROPERTY

The Company owns and manages commercial and residential income producing properties in the District of Columbia and Montgomery County, Maryland. As of September 30, 2013, and 2012 respectively, the commercial and residential income producing properties were as follows:

	<u>2013</u>	<u>2012</u>
Investment property	\$ 70,130,303	\$ 69,086,145
Less, Accumulated depreciation	<u>22,201,640</u>	<u>20,537,817</u>
	\$ <u>47,928,663</u>	\$ <u>48,548,328</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consists of all the following at September 30, 2013 and 2012 respectively:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 24,351	\$ 24,351
Furniture, fixtures and equipment	76,222	29,239
Office equipment	--	--
	<u>100,573</u>	<u>53,590</u>
Less, Accumulated depreciation	14,755	13,503
	<u>\$ 85,818</u>	<u>\$ 40,087</u>

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, other receivables, accounts payable, and notes payable approximate their carrying amounts due to the short maturity of these assets and the variable interest rates on these obligations. The cost basis of notes payable to and due from affiliates is a reasonable estimate of its fair value.

NOTE 8. MINORITY INTEREST

Minority interest represents the ownership interest of Haymount Limited Partnership, which has been consolidated into these financial statements. As of September 30, 2013 and 2012, respectively, minority interest consists of the following:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ (6,544,807)	\$ (6,298,546)
Distributions	--	--
Allocation of net income to minority interest	(258,668)	(246,261)
Balance, end of year	<u>\$ (6,803,475)</u>	<u>\$ (6,544,807)</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9. LONG TERM DEBT

Long-term debt consists of the following at September 30, 2013, and 2012 respectively:

	<u>2013</u>	<u>2012</u>
Operating Notes Payable:		
Note Payable – WC & AN Miller Development Company. Non-interest bearing, payable by Haymount Limited Partnership on demand	\$ 8,250,230	\$ 8,250,230
Note Payable – Shareholder Promissory Notes. By board approval, \$50,000 per month through September 30, 2013, \$100,000 per month thereafter subject to budgetary constraints. Interest at 3.0 % per annum, Due in full December 2032, Unsecured.	4,303,289	--
Total Operating Notes Payable	<u>12,553,519</u>	<u>8,250,230</u>
Note Payable – MetLife. \$186,671 per month including interest at 6.35% per annum, Due January 2013, Secured by the real estate assets, paid in full, October 9, 2012	--	25,492,553
Note Payable – Key Bank. \$114,586 per month including interest at 6.47% per annum, Due June 2021, Secured by the real estate assets.	16,995,501	17,261,516
Note Payable – TIAA. \$190,991 per month including interest at 7% per annum. Due October 2018. Secured by the real estate assets.	21,331,141	21,600,484
Note Payable – Cardinal Bank, \$78,207 per month including interest at 4.85% per annum. Due August 2021, Refinanced March 15, 2013, Secured by the real estate assets.	--	14,463,746
Note Payable – Cardinal Bank, \$86,152 per month including interest at 4.35% per annum. Due March 2023. Secured by the real estate assets.	16,450,780	--
Note Payable – Guardian Loan. \$144,612 per month including interest at 4.08%, Due October 2022, Secured by the real estate assets.	29,567,303	--
Total Investment Property Notes Payable	<u>84,344,725</u>	<u>78,818,299</u>
	96,898,244	87,068,529
Less, Current Maturities	<u>2,420,516</u>	<u>26,260,415</u>
Long Term Debt	\$ <u>94,477,728</u>	\$ <u>60,808,114</u>

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9. LONG TERM DEBT (Continued)

Maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	
2014	\$ 2,420,516
2015	2,621,955
2016	2,735,122
2017	2,615,855
2018	1,760,546
Thereafter	\$ 84,744,250

The maturities of long term debt schedule above includes the shareholder promissory note increased to \$100,000 per month. As noted in the description of this debt, payments are subject to board discretion and may change.

NOTE 10. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and accounts and notes receivable.

The company maintains cash balances at several banks. Corporate bank accounts may be insured by the Federal Deposit Insurance Corporation up to \$250,000 for all deposits with each bank. At September 30, 2013, based on those limits, the Company's uninsured cash balances total \$4,838,545.

NOTE 11. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective January 1, 2006, the Company adopted a supplemental executive retirement plan for the benefit of a select group of management or highly compensated employees selected by the Board of Directors. The Plan provides for a supplemental retirement income benefit upon the participant's reaching normal retirement age or to his designated beneficiaries in the event of the death of the participant. Payments are to be made over a 10-year period. As of September 30, 2013, there is one participant under the plan. Said participant is entitled to 10 annual payments of \$100,000. The Company has not accrued a liability for the plan payments and will expense the payments as they occur.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 12. INCOME TAXES

Deferred income taxes are provided for differences between financial statement and income tax reporting, principally from the different methods of depreciation used and the recognition of income from tenants having scheduled rental increases. The provision for income taxes consists of the following for the years ended September 30, 2013, and 2012, respectively.

		<u>2013</u>	<u>2012</u>
Current income tax -	Federal	\$ 34,560	\$ --
	State	35,518	1,341
		<u>70,078</u>	<u>1,341</u>
Deferred income tax -	Federal	28,143	(298,329)
	State	(201,493)	(34,332)
		<u>(173,350)</u>	<u>(332,661)</u>
Total Income Tax Provision (Credit)		\$ <u>(103,272)</u>	\$ <u>(331,320)</u>

As of September 30, 2013, tax attribute carryovers consisted of the following:

Net operating loss carryover	\$ 24,916,349
AMT net operating loss carryover	34,130,776
AMT contribution carryover	1,000

Federal corporate net operating losses may be carried forward up to twenty years. The net operating loss above will expire between 2027 and 2030 under current tax law.

The Tax Reform Act of 1986 expanded the corporate minimum tax (AMT). Under this act, the Company's tax liability is the greater of its regular tax or the AMT. The Tax Reform Act of 1997 repealed the AMT for corporations with gross income less than \$5 million. The AMT net operating loss carryover is limited to 90% of the alternative minimum taxable income without regard to the net operating loss.

The Company's federal tax returns for the years ended September 30, 2013, and 2012 are subject to examination by the IRS, generally for three years after they are filed. In addition, the Company's state tax returns for the same years are subject to examination by state tax authorities for similar time periods.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 13. RENTAL INCOME

The Company leases commercial properties in Washington, D.C. and Maryland under non-cancelable leases that expire at various dates through 2026 and apartment properties under lease terms of one year. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

In addition to minimum rental payments, certain retail store leases require contingent payments based on sales levels. For the years ended September 30, 2013, and 2012, the Company recorded retail percentage of sales rental income of approximately \$11,296 and \$12,093 respectively.

The following is a schedule of future minimum lease receipts required under non-cancelable leases that have initial or remaining terms in excess of one year as of September 30:

Year ended September 30,	
2014	\$ 11,283,210
2015	10,989,368
2016	9,528,874
2017	7,859,342
2018	6,718,921
Thereafter	13,385,689

NOTE 14. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space in Bethesda, Maryland, under an operating lease set to expire November 30, 2014. Under the terms of the lease, minimum rent has scheduled predetermined increases. The lease contains certain increases to the minimum rent amounts. These contingencies are related to real estate taxes and common area maintenance costs. In addition, the lease contains required monthly payments representing estimated annual operating expenses that are subject to periodic adjustment.

For the year ended September 30, 2013, and 2012, rent expense under this operating lease was \$238,575 and \$230,587 respectively, and is included as part of the rental activities comprising Net Rent Income.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

The Company leases storage space in Palm City, Florida, under an operating lease on a month-to-month basis set to expire on May 1, 2014. The lease payments are \$1,500 per month and are expensed as operating expenses.

Minimum future rent payments under the non-cancelable operating lease is as follows:

Years ending September 30,	Amount
2014	\$ 242,569
2015	41,641

Effective October 1, 2011, the Company has sublet the Bethesda office space under an operating lease that expires November 30, 2014. All depreciable property from East-West Highway was transferred on October 1, 2011 at no cost to the subtenant. At the time of the asset transfer, the Company recognized a loss on the disposition of the assets in the amount of \$79,024.

For the years ended September 30, 2013 and 2012, rent income under this operating lease was \$156,750 and \$156,750 respectively, and is included as part of the rental activities comprising Net Rent Income. Minimum future rent payments under the operating sublease are as follows:

Years ending September 30,	Amount
2014	\$ 156,750
2015	26,125
2016 and after	--

The Company also leased computer software and Internet connection lines under month to month operating leases. Total equipment rental expense for the years ended September 30, 2013, and 2012 was \$4,518 and \$6,829, respectively, and is included in operating expenses.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Pending Litigation

1. *International Benefits Group, Inc. v. Haymount Limited Partnership, L.P., Westminster Associates II, Inc., Haymount Corporation, John Clark, Edward J. Miller, Jr., and American Property Associates, Ltd., pending in the U.S. District Court for the District of New Jersey, Civil Docket No. 2:06-cv-02363-KSH-PS.* This case was filed by the bankruptcy trustee for International Benefits Group ("IBG") to recover a \$3,000,000 brokerage fee that IBG claims it is owed in connection with certain financing associated with the Haymount redevelopment project in Caroline County, Virginia. The litigation has been pending since at least May of 2006. Plaintiff claimed entitlement to the following damages: (1) the \$3,000,000 Loan Fee, (2) \$1,000,000 in interest, and (3) \$10,000,000 in lost profits. Plaintiff further claimed that it was entitled to treble damages for a statutory civil conspiracy.

Dan Slone and Perry Miles of McGuire Woods in Richmond, VA, were the lead counsel in the case, assisted by Joseph Schwartz of Riker Danzig in Morristown, NJ, as local counsel. Cross-motions for summary judgment were filed in 2008, but were denied by the court in November of 2008. Additional cross-motions for summary judgment were filed early in 2009, but those too were denied by the court. Edward J. Miller was dismissed as a defendant in the litigation. The court set a trial date of January 11, 2010.

In late 2009, McGuire Woods filed a motion with the court requesting permission to withdraw as counsel of record, and informing the court that Haymount Limited Partnership and Haymount Corporation had no assets and did not intend to present a defense at the scheduled trial. The court denied counsel's motion for leave to withdraw and entered a Judgment dated January 8, 2010, in favor of the plaintiff in the amount of \$4,469,158 against Haymount Limited Partnership, Westminster Associates II, Inc., and Haymount Corporation. In March 2010, Plaintiff filed a copy of the court's January 8, 2010 judgment against Haymount Limited Partnership with the Caroline County, Virginia Circuit Court, attaching the judgment to the property and house owned by Haymount Limited Partnership. Between the date of the judgment and the fall of 2010, Plaintiff's counsel conducted post-judgment discovery regarding the defendants' assets. No other events have occurred in the case since that post-judgment discovery concluded in the fall of 2010.

In August 2012, the Plaintiff's counsel sought additional post-judgment discovery regarding Haymount Limited Partnership's assets; in particular, a house and small parcel of property owned in Virginia and the Company's participation interest in any potential development of the formerly-owned Haymount property by its current owner, Avanti. Plaintiff's counsel initially served the discovery requests on Haymount Limited Partnership's former counsel at McGuire Woods; however, Holland & Knight responded on behalf of the Haymount Limited Partnership. Upon the direction of the magistrate judge in the case, Holland & Knight entered its representation in the matter, substituting for McGuire Woods.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

Pending Litigation (Continued)

Pursuant to a post-judgment discovery request, in January 2013, Plaintiff's designee inspected the property and house in Virginia owned by Haymount Limited Partnership. In February 2013, Plaintiff served additional post-judgment interrogatories on Haymount Limited Partnership in excess of the 25 allowed under the rules, and Haymount Limited Partnership objected. The Magistrate Judge ordered that Haymount Limited Partnership need only answer 11 additional interrogatories, which Haymount Limited Partnership answered in May 2013.

2. *Jonathan Kohn, Trustee v. McGuire Woods LLP, et al., Case No. 2:10-cv-05645-KSH-PS* (US District Court for the District of New Jersey) and Case No. 12-3028 (US Court of Appeals for the Third Circuit).

By Opinion and Order filed on August 16, 2013 (mandate issued September 9, 2013), the Third Circuit affirmed the grant of summary judgment by the District Court in favor of the Company and the named affiliates, confirming that the Company (and the affiliate entities named in the suit) were not liable to Trustee Kohn as alleged. Barring an effort by the Trustees to seek *certiorari* review in the U.S. Supreme Court, the Third Circuit's ruling ends the litigation favorable to the Company and its affiliates.

Company Management sent notice to its insurance carriers seeking coverage, but thus far, coverage has been denied.

Contingent Future Payments

The Company is an 85% owner of Haymount Limited Partnership (HLP). On May 30, 2008, HLP sold 1,600 acres of land to Avanti Development Corporation II (Avanti). Part of the consideration of the sale included a provision that allowed for future payments to be made by Avanti to HLP provided certain predetermined minimum returns on investment were met, among other allowances. Management's opinion is, that based on the present state of the real estate market, the likelihood of any payments to HLP under the agreement would be negligible.

NOTE 15. DISCONTINUED OPERATIONS

As of September 30, 2013, Commonwealth Homes, LLC, a wholly owned subsidiary of W.C. & A.N. Miller Development Company, dissolved due to discontinued operations.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16. COMPENSATED ABSENCES

Compensated Absences have not been accrued because they cannot be reasonably estimated by management.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2013

ASSETS	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Current Assets									
Cash and cash equivalents	\$ 5,602,354	\$ -	\$ 5,602,354	\$ 5,338,645	\$ -	\$ -	\$ 263,709	\$ -	\$ -
Accounts receivable, net of allowance for doubtful accounts	6,153,958	-	6,153,958	6,138,994	-	-	14,964	-	-
Other receivables	929,623	(41,632,178)	42,561,801	42,561,801	-	-	-	-	-
Inventory	37,317	-	37,317	-	-	-	-	37,317	-
Current portion of deferred income taxes	1,328,181	1,328,181	-	-	-	-	-	-	-
Prepaid expenses	456,626	-	456,626	354,529	-	-	101,019	564	514
Total Current Assets	14,508,059	(40,303,997)	54,812,056	54,393,969	-	-	379,692	37,881	514
Fixed Assets									
Land	6,849,900	-	6,849,900	5,449,225	-	-	848,737	538,905	13,033
Buildings	49,724,367	-	49,724,367	33,146,298	-	-	16,453,345	-	124,724
Property and equipment	462,708	-	462,708	457,311	-	-	5,397	-	-
Improvements	13,193,901	-	13,193,901	13,009,894	-	-	184,007	-	-
Total	70,230,876	-	70,230,876	52,062,728	-	-	17,491,486	538,905	137,757
Less, Accumulated depreciation	22,216,395	-	22,216,395	19,864,236	-	-	2,310,339	-	41,820
Net Fixed Assets	48,014,481	-	48,014,481	32,198,492	-	-	15,181,147	538,905	95,937
Other Assets									
Deferred leasing commissions, net	1,397,115	-	1,397,115	1,397,115	-	-	-	-	-
Deferred financing charges, net	1,104,505	-	1,104,505	1,104,505	-	-	-	-	-
Deposit	17,630	-	17,630	17,630	-	-	-	-	-
Long term portion of deferred taxes	6,419,052	(1,026,095)	7,445,147	7,445,147	-	-	-	-	-
Real estate tax escrow	68,985	-	68,985	16,405	-	-	52,580	-	-
Fair market value of long term investments	2,824,080	-	2,824,080	2,824,080	-	-	-	-	-
Investment in subsidiaries	-	41,102,552	(41,102,552)	(38,922,302)	(2,180,250)	-	-	-	-
Total Other Assets	11,831,367	40,076,457	(28,245,090)	(26,117,420)	(2,180,250)	-	52,580	-	-
TOTAL ASSETS	\$ 74,353,907	\$ (227,540)	\$ 74,581,447	\$ 60,475,041	\$ (2,180,250)	\$ -	\$ 15,613,419	\$ 576,786	\$ 96,451
LIABILITIES AND STOCKHOLDERS' DEFICIT									
Current Liabilities:									
Current maturities of long term debt	\$ 2,420,516	\$ -	\$ 2,420,516	\$ 2,136,769	\$ -	\$ -	\$ 283,747	\$ -	\$ -
Accounts payable	163,440	-	163,440	163,440	-	-	-	-	-
Other payables	-	(41,632,178)	41,632,178	-	13,825	-	1,176,841	609,262	39,832,250
Accrued expenses	1,460,655	1,341	1,459,314	1,420,954	-	-	38,360	-	-
Security deposits	458,490	-	458,490	412,292	-	-	46,198	-	-
Prepaid rent income	714,003	-	714,003	697,384	-	-	16,619	-	-
Total Current Liabilities	5,217,104	(41,630,837)	46,847,941	4,830,839	13,825	-	1,561,765	609,262	39,832,250
Long Term Liabilities									
Long term debt, net of current maturities	94,477,728	-	94,477,728	69,515,744	-	-	16,711,754	-	8,250,230
Total Long Term Liabilities	94,477,728	-	94,477,728	69,515,744	-	-	16,711,754	-	8,250,230
TOTAL LIABILITIES	99,694,832	(41,630,837)	141,325,669	74,346,583	13,825	-	18,273,519	609,262	48,082,480
Minority Interest	(6,803,475)	(6,803,475)	-	-	-	-	-	-	-
Stockholders' Deficit									
Common stock	800,200	(80,000)	880,200	800,200	80,000	-	-	-	-
Retained earnings (Deficit)	(19,337,650)	48,286,772	(67,624,422)	(14,671,742)	(2,274,075)	-	(2,660,100)	(32,476)	(47,986,029)
Total Stockholder's Deficit	(18,537,450)	48,206,772	(66,744,222)	(13,871,542)	(2,194,075)	-	(2,660,100)	(32,476)	(47,986,029)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 74,353,907	\$ (227,540)	\$ 74,581,447	\$ 60,475,041	\$ (2,180,250)	\$ -	\$ 15,613,419	\$ 576,786	\$ 96,451

See accompanying notes and independent accountant's review report

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2012

ASSETS	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Current Assets									
Cash and cash equivalents	\$ 1,434,684	\$ -	\$ 1,434,684	\$ 1,236,247	\$ -	\$ -	\$ 198,437	\$ -	\$ -
Accounts receivable, net of allowance for doubtful accounts	3,919,263	-	3,919,263	3,908,876	-	-	10,387	-	-
Other receivables	969,121	(44,855,083)	45,824,204	45,824,204	-	-	-	-	-
Inventory	37,317	-	37,317	-	-	-	-	37,317	-
Current portion of deferred income taxes	1,389,662	(244,789)	1,634,451	1,634,451	-	-	-	-	-
Prepaid expenses	441,106	-	441,106	340,895	-	853	98,318	554	486
Total Current Assets	8,191,153	(45,099,872)	53,291,025	52,944,673	-	853	307,142	37,871	486
Fixed Assets									
Land	6,849,900	-	6,849,900	5,449,225	-	-	848,737	538,905	13,033
Buildings	49,317,516	-	49,317,516	32,754,836	-	-	16,437,956	-	124,724
Property and equipment	66,120	-	66,120	60,927	-	-	5,193	-	-
Improvements	12,906,199	-	12,906,199	12,756,392	-	-	149,807	-	-
Total	69,139,735	-	69,139,735	51,021,380	-	-	17,441,693	538,905	137,757
Less, Accumulated depreciation	20,551,320	-	20,551,320	18,619,643	-	-	1,889,857	-	41,820
Net Fixed Assets	48,588,415	-	48,588,415	32,401,737	-	-	15,551,836	538,905	95,937
Other Assets									
Deferred leasing commissions, net	1,300,883	-	1,300,883	1,300,883	-	-	-	-	-
Deferred financing charges, net	1,149,602	-	1,149,602	1,149,602	-	-	-	-	-
Deposit	17,630	-	17,630	17,630	-	-	-	-	-
Long term portion of deferred taxes	6,184,221	373,525	5,810,696	5,810,696	-	-	-	-	-
Real estate tax escrow	115,780	-	115,780	63,523	-	-	52,257	-	-
Investment in subsidiaries	-	39,636,763	(39,636,763)	(37,534,113)	(2,102,650)	-	-	-	-
Total Other Assets	8,768,116	40,010,288	(31,242,172)	(29,191,779)	(2,102,650)	-	52,257	-	-
TOTAL ASSETS	\$ 65,547,684	\$ (5,089,584)	\$ 70,637,268	\$ 56,154,631	\$ (2,102,650)	\$ 853	\$ 15,911,235	\$ 576,776	\$ 96,423
LIABILITIES AND STOCKHOLDERS' DEFICIT									
Current Liabilities									
Current maturities of long term debt	\$ 26,260,415	\$ -	\$ 26,260,415	\$ 25,994,399	\$ -	\$ -	\$ 266,016	\$ -	\$ -
Accounts payable	106,300	-	106,300	104,094	-	-	2,206	-	-
Other payables	-	(44,855,083)	44,855,083	-	12,415	4,854,980	1,273,986	605,939	38,107,763
Accrued expenses	1,165,676	1,341	1,164,335	1,069,396	-	50,000	44,939	-	-
Security deposits	393,684	-	393,684	339,583	-	-	54,101	-	-
Prepaid rent income	530,549	-	530,549	511,589	-	-	18,960	-	-
Total Current Liabilities	28,456,624	(44,853,742)	73,310,366	28,019,061	12,415	4,904,980	1,660,208	605,939	38,107,763
Long Term Liabilities									
Long term debt, net of current maturities	60,808,114	-	60,808,114	35,562,384	-	-	16,995,500	-	8,250,230
Total Long Term Liabilities	60,808,114	-	60,808,114	35,562,384	-	-	16,995,500	-	8,250,230
TOTAL LIABILITIES	89,264,738	(44,853,742)	134,118,480	63,581,445	12,415	4,904,980	18,655,708	605,939	46,357,993
Minority Interest	(6,544,807)	(6,544,807)	-	-	-	-	-	-	-
Stockholders' Deficit									
Common stock	800,200	(80,000)	880,200	800,200	80,000	-	-	-	-
Retained earnings (Deficit)	(17,972,447)	46,388,965	(64,361,412)	(8,227,014)	(2,195,065)	(4,904,127)	(2,744,473)	(29,163)	(46,261,570)
Total Stockholder's Deficit	(17,172,247)	46,308,965	(63,481,212)	(7,426,814)	(2,115,065)	(4,904,127)	(2,744,473)	(29,163)	(46,261,570)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 65,547,684	\$ (5,089,584)	\$ 70,637,268	\$ 56,154,631	\$ (2,102,650)	\$ 853	\$ 15,911,235	\$ 576,776	\$ 96,423

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Rent Income									
Rent income	\$ 18,176,558	\$ -	\$ 18,176,558	\$ 15,781,988	\$ -	\$ -	\$ 2,394,570	\$ -	\$ -
Rent expenses	(4,533,812)	-	(4,533,812)	(3,866,481)	-	-	(667,331)	-	-
Depreciation and amortization	(2,068,685)	-	(2,068,685)	(1,648,204)	-	-	(420,481)	-	-
Interest expense	(4,550,553)	-	(4,550,553)	(3,441,529)	-	-	(1,109,024)	-	-
Real estate taxes	(1,364,929)	-	(1,364,929)	(1,254,339)	-	-	(110,590)	-	-
Net Rent Income	5,658,579	-	5,658,579	5,571,435	-	-	87,144	-	-
Revenues									
Sales	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-
Gross Profit (Loss)	-	-	-	-	-	-	-	-	-
Operating Expenses	1,317,851	(711)	1,318,562	1,304,253	1,410	1,988	2,855	3,313	4,743
NET INCOME (LOSS) FROM OPERATIONS	4,340,728	711	4,340,017	4,267,182	(1,410)	(1,988)	84,289	(3,313)	(4,743)
OTHER INCOME (EXPENSES)									
Dividend and interest income	264,257	(1,461,759)	1,726,016	1,726,016	-	-	-	-	-
Unrealized gain on investments	329,154	-	329,154	329,154	-	-	-	-	-
Miscellaneous income	64,511	-	64,511	100	-	64,327	84	-	-
Loss on sale of assets	(117,125)	-	(117,125)	(117,125)	-	-	-	-	-
Loss from passthrough	-	1,465,789	(1,465,789)	(1,388,189)	(77,600)	-	-	-	-
Interest expense	-	1,719,716	(1,719,716)	-	-	-	-	-	(1,719,716)
Cancellation of debt income	-	-	-	(4,841,788)	-	4,841,788	-	-	-
TOTAL OTHER INCOME (EXPENSES)	540,797	1,723,746	(1,182,949)	(4,291,832)	(77,600)	4,906,115	84	-	(1,719,716)
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	4,881,525	\$ 1,724,457	\$ 3,157,068	\$ (24,650)	\$ (79,010)	\$ 4,904,127	\$ 84,373	\$ (3,313)	\$ (1,724,459)
Provision (Credit) for Income Taxes									
Current	70,078								
Deferred	(173,350)								
Total Provision (Credit) for Income Tax	(103,272)								
NET INCOME	4,984,797								
Retained Deficit, Beginning of Year	(17,972,447)								
Less, Dividends paid	(6,350,000)								
RETAINED DEFICIT, END OF YEAR	\$ (19,337,650)								

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF INCOME (LOSS) AND RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Consolidated	Elimination and Deferred Taxes	Combined	WC & AN Miller Development Company	Haymount Corporation	Commonwealth Homes, LLC	Sumner Highlands, LLC	Haymount Limited Partnership II	Haymount Limited Partnership
Rent Income									
Rent income	\$ 15,177,455	\$ -	\$ 15,177,455	\$ 12,784,952	\$ -	\$ -	\$ 2,392,503	\$ -	\$ -
Rent expenses	(4,427,234)	-	(4,427,234)	(3,814,794)	-	-	(612,440)	-	-
Depreciation and amortization	(2,028,573)	-	(2,028,573)	(1,611,434)	-	-	(417,139)	-	-
Interest expense	(5,026,648)	-	(5,026,648)	(3,899,688)	-	-	(1,126,960)	-	-
Real estate taxes	(1,297,061)	-	(1,297,061)	(1,192,348)	-	-	(104,713)	-	-
Net Rent Income	<u>2,397,939</u>	<u>-</u>	<u>2,397,939</u>	<u>2,266,688</u>	<u>-</u>	<u>-</u>	<u>131,251</u>	<u>-</u>	<u>-</u>
Revenues									
Sales	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-
Gross Profit (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses	<u>1,430,485</u>	<u>(590)</u>	<u>1,431,075</u>	<u>1,269,837</u>	<u>989</u>	<u>149,447</u>	<u>3,420</u>	<u>3,453</u>	<u>3,929</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>967,454</u>	<u>590</u>	<u>966,864</u>	<u>996,851</u>	<u>(989)</u>	<u>(149,447)</u>	<u>127,831</u>	<u>(3,453)</u>	<u>(3,929)</u>
OTHER INCOME (EXPENSES)									
Interest income	249,911	(1,392,151)	1,642,062	1,642,062	-	-	-	-	-
Loss on sale of assets	(388,888)	-	(388,888)	(388,888)	-	-	-	-	-
Loss from passthrough	-	1,395,490	(1,395,490)	(1,321,612)	(73,878)	-	-	-	-
Interest expense	-	1,637,824	(1,637,824)	-	-	-	-	-	(1,637,824)
TOTAL OTHER INCOME (EXPENSES)	<u>(138,977)</u>	<u>1,641,163</u>	<u>(1,780,140)</u>	<u>(68,438)</u>	<u>(73,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,637,824)</u>
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	<u>828,477</u>	<u>\$ 1,641,753</u>	<u>\$ (813,276)</u>	<u>\$ 928,413</u>	<u>\$ (74,867)</u>	<u>\$ (149,447)</u>	<u>\$ 127,831</u>	<u>\$ (3,453)</u>	<u>\$ (1,641,753)</u>
Provision (Credit) for Income Taxes									
Current	1,341								
Deferred	(332,661)								
Total Provision (Credit) for Income Tax	<u>(331,320)</u>								
NET INCOME (LOSS)	<u>1,159,797</u>								
Retained Deficit, Beginning of Year	(18,932,244)								
Less, Dividends paid	<u>(200,000)</u>								
RETAINED DEFICIT, END OF YEARS	<u>\$ (17,972,447)</u>								

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Consolidated</u>	<u>Elimination and Deferred Taxes</u>	<u>Combined</u>	<u>WC & AN Miller Development Company</u>	<u>Haymount Corporation</u>	<u>Commonwealth Homes, LLC</u>	<u>Sumner Highlands, LLC</u>	<u>Haymount Limited Partnership II</u>	<u>Haymount Limited Partnership</u>
Auto expense	\$ 1,167	\$ -	\$ 1,167	\$ 1,167	-	-	-	-	-
Bank charges	1,480	-	1,480	1,480	-	-	-	-	-
Board of directors fees	222,000	-	222,000	222,000	-	-	-	-	-
Charitable contribution	11,800	-	11,800	11,800	-	-	-	-	-
Consulting	16,614	-	16,614	16,614	-	-	-	-	-
Depreciation and amortization	5,522	-	5,522	5,522	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-	-
Equipment rental	4,518	-	4,518	4,518	-	-	-	-	-
Executive compensation	375,000	-	375,000	375,000	-	-	-	-	-
Health insurance	32,683	-	32,683	32,683	-	-	-	-	-
Insurance	28,633	-	28,633	27,780	-	853	-	-	-
Interest expense	103,289	-	103,289	103,289	-	-	-	-	-
Investment fees	5,120	-	5,120	5,120	-	-	-	-	-
Legal and accounting	215,303	(288)	215,591	209,806	1,310	-	2,555	-	1,920
Marketing and promotion	35,400	-	35,400	35,400	-	-	-	-	-
Meals and entertainment	10,958	-	10,958	10,958	-	-	-	-	-
Office salary	112,000	-	112,000	112,000	-	-	-	-	-
Office supplies	18,120	-	18,120	18,120	-	-	-	-	-
Other taxes and licenses	2,857	-	2,857	2,285	100	25	300	147	-
Payroll taxes	22,317	-	22,317	22,317	-	-	-	-	-
Payroll processing	4,498	-	4,498	4,498	-	-	-	-	-
Postage and delivery	3,252	-	3,252	3,252	-	-	-	-	-
Real estate tax expense	5,566	(423)	5,989	-	-	-	-	3,166	2,823
Rent	12,050	-	12,050	12,050	-	-	-	-	-
Repairs and maintenance	1,110	-	1,110	-	-	1,110	-	-	-
Telephone	7,120	-	7,120	7,120	-	-	-	-	-
Travel	59,474	-	59,474	59,474	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,317,851	\$ (711)	\$ 1,318,562	\$ 1,304,253	\$ 1,410	\$ 1,988	\$ 2,855	\$ 3,313	\$ 4,743

See accompanying notes and independent accountant's review report.

W.C. AND A.N. MILLER DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Consolidated</u>	<u>Elimination and Deferred Taxes</u>	<u>Combined</u>	<u>WC & AN Miller Development Company</u>	<u>Haymount Corporation</u>	<u>Commonwealth Homes, LLC</u>	<u>Sumner Highlands, LLC</u>	<u>Haymount Limited Partnership II</u>	<u>Haymount Limited Partnership</u>
Auto expense	\$ 905	\$ -	\$ 905	\$ 905					
Bank charges	120	-	120	130			(10)		
Board of directors fees	162,000	-	162,000	162,000					
Charitable contribution	1,000	-	1,000	1,000					
Consulting	14,525	-	14,525	14,525					
Depreciation and amortization	4,901	-	4,901	4,901					
Dues and subscriptions	2,104	-	2,104	2,104					
Equipment rental	6,829	-	6,829	6,829					
Executive compensation	292,000	-	292,000	292,000					
Health insurance	18,280	-	18,280	18,280					
Insurance	24,781	-	24,781	23,445		1,336			
Legal and accounting	369,108	(138)	369,246	364,490	889		2,920	27	920
Marketing and promotion	10,073	-	10,073	10,073					
Meals and entertainment	13,107	-	13,107	13,107					
Office salary	94,000	-	94,000	94,000					
Office supplies	15,781	-	15,781	15,781					
Other taxes and licenses	120,700	(8)	120,708	119,790	100	115	510	143	50
Payroll taxes	32,111	-	32,111	32,111					
Payroll processing	3,499	-	3,499	3,499					
Postage and delivery	4,749	-	4,749	4,749					
Real estate tax expense	5,798	(444)	6,242	-				3,283	2,959
Rent	7,800	-	7,800	7,800					
Repairs and maintenance	151,796	-	151,796	3,800		147,996			
Telephone	4,612	-	4,612	4,612					
Travel	69,906	-	69,906	69,906					
TOTAL OPERATING EXPENSES	\$ 1,430,485	\$ (590)	\$ 1,431,075	\$ 1,269,837	\$ 989	\$ 149,447	\$ 3,420	\$ 3,453	\$ 3,929

See accompanying notes and independent accountant's review report.

W.C. AND A.N. DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF RENTAL ACTIVITIES - PARENT COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	4701	4611	4820	4860	4866	4872	4900	4910			4300				Total		
	Sangamore	Sangamore	Massachussets	Massachussets	Massachussets	Massachussets	Massachussets	Massachussets	4301 50th	4315 50th	Fordham	4900 Yuma	4300	East West	Development	Sumner	Combined
	Road	Road	Avenue	Avenue	Avenue	Avenue	Avenue	Avenue	Street	Street	Parking	Parking	Fordham	Highway	Company	Highlands	
Rental Revenues																	
Rental income	\$ 2,257,700	3,694,617	2,489,187	184,742	232,347	329,114	1,160,964	3,040,332	306,733	499,884	51,799	507,632	847,988	156,750	\$ 15,759,789	\$ 2,394,570	\$ 18,154,359
Tenant expense reimbursement	1,299	7,533	-	-	500	(300)	-	(394)	-	-	-	-	(200)	-	8,438	-	8,438
Interest income	3,284	8,517	562	26	21	62	287	640	136	136	-	-	90	-	13,761	-	13,761
Total Rental Revenue	2,262,283	3,710,667	2,489,749	184,768	232,868	328,876	1,161,251	3,040,576	306,869	500,020	51,799	507,632	847,878	156,750	15,781,988	2,394,570	18,176,558
Rental Expenses																	
Administrative expense	7,739	12,177	3,849	280	267	739	5,317	6,467	1,287	1,204	-	-	1,029	-	40,355	1,268	41,623
Advertising	-	-	-	-	-	-	1,881	-	-	-	-	-	-	-	1,881	32,556	34,437
Asset management	31,930	54,508	-	-	-	5,265	16,732	41,702	4,385	7,109	-	-	-	-	161,631	-	161,631
Bad debt	-	-	-	-	41,186	-	7,313	-	-	-	-	-	-	-	48,499	6,185	54,684
Charitable contributions	193	307	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Cleaning contract	110,188	32,417	-	-	-	-	38,407	106,728	14,926	21,715	-	-	-	-	324,381	25,334	349,715
Cleaning supplies	197	312	-	-	-	-	4,003	5,407	1,688	1,688	-	-	-	-	13,295	-	13,295
Credit checks and signage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,293	6,293
Engineer services	111,765	40,488	21,634	2,307	1,870	5,536	27,685	61,825	13,171	13,170	-	-	8,086	-	307,537	3,300	310,837
Engineering benefits and taxes	18,320	19,601	8,441	678	549	1,627	6,654	14,860	3,166	3,165	-	-	2,392	-	79,453	-	79,453
Exterminating	742	742	-	-	-	1,179	1,581	1,263	786	786	-	-	-	-	7,079	1,620	8,699
Fire protection	8,057	2,172	-	-	-	72	784	2,576	2,157	1,581	-	-	116	-	17,515	6,533	24,048
Garage contractor	-	-	-	-	-	-	-	-	-	-	71,857	144,458	-	-	216,315	-	216,315
Information Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197	197
Insurance	5,577	9,272	6,926	1,173	3,321	4,418	4,029	7,241	2,717	2,218	-	-	4,408	-	51,300	37,760	89,060
Insurance - medical, life and disability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,608	3,608
Legal and professional	15,469	13,520	-	-	6,669	-	13,664	9,200	11,529	1,161	-	-	-	-	71,212	8,101	79,313
Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,750	4,750
Management fee	74,504	127,186	36,526	6,377	8,468	12,285	39,042	97,305	10,233	16,587	1,813	17,767	18,358	-	466,451	82,185	548,636
Office expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,044	8,044
Porter service	13,359	36,464	13,556	997	808	2,395	8,847	19,756	4,208	4,208	-	-	3,497	-	108,095	-	108,095
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	238,575	238,575	-	238,575
Repairs and maintenance	161,088	171,219	15,208	2,689	1,935	7,074	73,731	129,219	11,099	21,159	-	-	17,179	-	611,600	192,456	804,056
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,457	126,457
Security contract	20,884	40,143	-	-	-	540	4,994	8,566	1,105	1,304	-	-	-	-	77,536	4,969	82,505
Snow removal	8,207	22,353	7,941	585	474	1,403	3,977	8,879	1,892	1,892	-	-	2,049	-	59,652	12,666	72,318
Tax appeals fee	-	-	-	-	-	-	-	1,468	210	210	-	-	-	-	1,888	-	1,888
Taxes payroll	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,243	10,243
Telephone expense	3,907	3,838	1,295	95	77	711	2,745	5,210	3,045	4,151	-	-	334	-	25,408	21,509	46,917
Trash removal	5,410	50,781	-	-	-	95	10,444	23,529	4,969	4,969	-	-	-	-	100,197	15,952	116,149
Uniforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,238	1,238
Utilities	346,113	95,295	-	-	-	10,735	53,406	253,393	34,740	37,696	1,994	-	2,754	-	836,126	54,107	890,233
Total Rental Expenses	943,649	732,795	115,376	15,181	65,624	54,074	325,236	804,594	127,313	145,973	75,664	162,225	60,202	238,575	3,866,481	667,331	4,533,812
Net Rental Income before Depreciation, Interest Expense and Real Estate Tax	1,318,634	2,977,872	2,374,373	169,587	167,244	274,802	836,015	2,235,984	179,556	354,047	(23,865)	345,407	787,676	(81,825)	11,915,507	1,727,239	13,642,746
Depreciation and amortization	930,747	51,801	30,557	2,745	8,799	24,616	106,286	308,082	45,882	98,161	1,259	3,979	35,290	-	1,648,204	420,481	2,068,685
Interest expense	-	1,227,533	440,434	32,427	26,279	77,819	364,044	812,971	173,186	173,186	-	-	113,650	-	3,441,529	1,109,024	4,550,553
Real estate tax	138,731	219,889	169,600	10,060	8,232	24,376	161,648	359,415	61,233	62,001	-	-	39,154	-	1,254,339	110,590	1,364,929
Total Depreciation, Interest Expense and Real Estate Tax	1,069,478	1,499,223	640,591	45,232	43,310	126,811	631,978	1,480,468	280,301	333,348	-	3,979	188,094	-	6,344,072	1,640,095	7,984,167
NET RENTAL INCOME (LOSS)	\$ 249,156	\$ 1,478,649	\$ 1,733,782	\$ 124,355	\$ 123,934	\$ 147,991	\$ 204,037	\$ 755,516	\$ (100,745)	\$ 20,699	\$ (23,865)	\$ 341,428	\$ 599,582	\$ (81,825)	\$ 5,571,435	\$ 87,144	\$ 5,658,579

See accompanying notes and independent accountant's review report

W.C. AND A.N. DEVELOPMENT COMPANY AND SUBSIDIARIES
SCHEDULE OF RENTAL ACTIVITIES - PARENT COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	4701 Sangamore Road	4611 Sangamore Road	4820 Massachussets Avenue	4860 Massachussets Avenue	4866 Massachussets Avenue	4872 Massachussets Avenue	4900 Massachussets Avenue	4910 Massachussets Avenue	4301 50th Street	4315 50th Street	4300 Fordham Parking	4900 Yuma Parking	4300 Fordham	East West Highway	Total Development Company	Sumner Highlands	Combined
Rental Revenues																	
Rental income	\$ 1,987,796	\$ 3,165,487	\$ 1,126,096	\$ 183,954	\$ 239,542	\$ 323,841	\$ 1,179,865	\$ 2,553,059	\$ 296,482	\$ 518,030	\$ 63,755	\$ 510,832	\$ 468,013	\$ 156,750	\$ 12,773,502	\$ 2,392,503	\$ 15,166,005
Tenant expense reimbursement	(6,616)	5,056	-	-	(500)	-	-	56	-	-	-	-	-	-	(2,004)	-	(2,004)
Interest income	1,994	10,166	362	15	12	35	196	437	93	93	-	-	51	-	13,454	-	13,454
Total Rental Revenue	<u>1,983,174</u>	<u>3,180,709</u>	<u>1,126,458</u>	<u>183,969</u>	<u>239,054</u>	<u>323,876</u>	<u>1,180,061</u>	<u>2,553,552</u>	<u>296,575</u>	<u>518,123</u>	<u>63,755</u>	<u>510,832</u>	<u>468,064</u>	<u>156,750</u>	<u>12,784,952</u>	<u>2,392,503</u>	<u>15,177,455</u>
Rental Expenses																	
Administrative expense	8,006	13,169	3,137	254	261	744	2,592	5,691	1,117	1,100	-	-	920	-	36,991	3,045	40,036
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,407	48,407
Asset management	31,004	45,740	-	-	-	5,178	17,341	36,768	4,170	7,965	-	-	-	-	148,166	-	148,166
Bad debt	849	(76,955)	99,124	-	-	-	-	(3,252)	-	-	-	-	-	-	19,766	4,064	23,830
Cleaning contract	94,784	29,086	-	-	-	-	45,043	107,566	15,334	25,871	-	-	-	-	317,684	24,996	342,680
Cleaning supplies	1,495	971	-	-	-	-	571	6,582	1,645	1,671	-	-	-	-	12,935	-	12,935
Credit checks and signage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,229	7,229
Engineer services	107,249	41,929	21,883	2,307	1,870	5,537	27,342	61,060	13,008	13,008	-	-	8,087	-	303,280	3,300	306,580
Engineering benefits and taxes	25,026	15,112	6,147	582	511	1,571	6,285	12,951	2,848	2,755	-	-	2,019	-	75,807	-	75,807
Exterminating	742	1,337	-	-	-	1,179	1,581	2,010	1,036	786	-	-	-	-	8,671	2,620	11,291
Fire protection	5,819	1,319	-	-	-	273	1,724	8,019	1,342	1,472	-	-	275	-	20,243	9,156	29,399
Garage contractor	-	-	-	-	-	-	-	-	-	-	76,060	148,405	-	-	224,465	-	224,465
Information management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(106)	(106)
Insurance	6,775	10,827	5,284	784	1,873	2,398	3,818	10,645	2,461	1,878	-	-	2,980	-	49,723	24,765	74,488
Insurance - medical, life, and disability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,501	11,501
Legal and professional	12,156	34,257	30,521	-	5,290	3,142	4,681	8,380	5,662	-	-	-	3,553	-	107,642	13,459	121,101
Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,472	4,472
Management fee	72,343	106,726	32,995	6,344	8,368	12,082	40,460	85,791	9,708	19,820	2,215	17,861	14,853	-	429,586	80,349	509,935
Office expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,414	5,414
Porter service	21,667	39,257	8,222	605	491	1,453	5,769	12,883	2,744	2,744	-	-	2,122	-	97,957	-	97,957
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	230,587	230,587	-	230,587
Repairs and maintenance	137,755	123,880	20,589	1,258	954	7,336	89,824	146,414	64,222	18,985	-	-	12,973	-	624,190	158,915	783,105
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,232	110,232
Security contract	18,998	39,724	-	-	-	540	5,629	10,854	935	1,097	-	-	-	-	77,777	3,034	80,811
Snow removal	2,214	6,031	2,567	187	153	454	1,078	2,406	513	513	-	-	662	-	16,778	4,240	21,018
Taxes - payroll	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,551	9,551
Telephone expense	3,481	3,505	1,365	99	82	686	2,673	5,111	2,357	2,579	-	-	352	-	22,290	17,399	39,689
Trash removal	4,997	44,195	-	-	-	730	15,578	34,973	7,278	7,278	-	-	-	-	115,029	14,962	129,991
Uniforms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,963	1,963
Utilities	349,031	107,202	-	-	-	12,468	56,251	264,317	41,308	40,733	1,567	-	2,350	-	875,227	49,473	924,700
Total Rental Expenses	<u>904,391</u>	<u>587,312</u>	<u>231,834</u>	<u>12,420</u>	<u>19,873</u>	<u>55,771</u>	<u>328,240</u>	<u>819,169</u>	<u>177,688</u>	<u>150,255</u>	<u>79,842</u>	<u>166,266</u>	<u>51,146</u>	<u>230,587</u>	<u>3,814,794</u>	<u>612,440</u>	<u>4,427,234</u>
Net Rental Income before Depreciation, Interest Expense and Real Estate Tax	<u>1,078,783</u>	<u>2,593,397</u>	<u>894,624</u>	<u>171,549</u>	<u>219,181</u>	<u>268,105</u>	<u>851,821</u>	<u>1,734,383</u>	<u>118,887</u>	<u>367,868</u>	<u>(16,087)</u>	<u>344,566</u>	<u>416,918</u>	<u>(73,837)</u>	<u>8,970,158</u>	<u>1,780,063</u>	<u>10,750,221</u>
Depreciation and amortization	937,093	42,260	22,645	2,450	10,220	23,909	112,350	293,712	45,751	96,349	-	2,310	22,385	-	1,611,434	417,139	2,028,573
Interest expense	-	1,639,629	458,019	33,694	27,328	80,926	368,469	822,853	175,291	175,291	-	-	118,188	-	3,899,688	1,126,960	5,026,648
Real estate tax	133,477	211,562	164,802	10,061	8,230	24,376	151,937	328,392	54,130	67,297	-	-	38,084	-	1,192,348	104,713	1,297,061
Total Depreciation, Interest Expense and Real Estate Tax	<u>1,070,570</u>	<u>1,893,451</u>	<u>645,466</u>	<u>46,205</u>	<u>45,778</u>	<u>129,211</u>	<u>632,756</u>	<u>1,444,957</u>	<u>275,172</u>	<u>338,937</u>	<u>-</u>	<u>2,310</u>	<u>178,657</u>	<u>-</u>	<u>6,703,470</u>	<u>1,648,812</u>	<u>8,352,282</u>
NET RENTAL INCOME (LOSS)	<u>\$ 8,213</u>	<u>\$ 699,946</u>	<u>\$ 249,158</u>	<u>\$ 125,344</u>	<u>\$ 173,403</u>	<u>\$ 138,894</u>	<u>\$ 219,065</u>	<u>\$ 289,426</u>	<u>\$ (156,285)</u>	<u>\$ 28,931</u>	<u>\$ (16,087)</u>	<u>\$ 342,256</u>	<u>\$ 238,261</u>	<u>\$ (73,837)</u>	<u>\$ 2,266,688</u>	<u>\$ 131,251</u>	<u>\$ 2,397,939</u>

See accompanying notes and independent accountant's review report