

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

Established in 1912

July 31, 2014

Dear Shareholders:

We 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, 2014. 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 current cash is \$4,911,049 which is a year to date decrease in cash of (\$689,656) versus a budgeted decrease of (\$263,291). The variance is due to unbudgeted vacancies and the timing of the billing of repairs versus when they were budgeted. Our current investments of \$3,218,497 reflect a year to date increase of \$394,417. Accounts Receivable has decreased by (\$13,274). Fixed Assets, primarily Building and Tenant Improvements, are up year to date by \$1,147,842. This is primarily as a result of major capital improvements we have been working on since the beginning of the Fiscal Year.

Liabilities

Accounts Payable has decreased by (\$145,423) and Accrued Expenses have decreased by (\$216,301) year to date. Prepaid Rental Income has decreased by (\$156,393) year to date. The Total Current Liabilities have decreased year to date by (\$482,357). Long Term Liabilities have decreased year to date by (\$1,782,068).

B. Income Statement

Rental Income year to date is \$11,933,661 which is down from Budget by (\$356,286) but up from the same period last year by \$306,068, which variance is primarily due to a decrease in the occupancy at Sumner Highlands as well as unbudgeted vacancy at 4866 Massachusetts Avenue. Rental Expenses year to date are \$3,218,300 which are less than Budget by (\$56,063) primarily

due to cost cutting and the timing of certain projects. Real Estate Taxes year to date are \$1,080,607 which is an increase over Budget of \$14,593. Depreciation expense year to date is \$1,590,707 which is in line with Budget. Year to date Debt Service is \$3,415,938 which is \$25,214 over Budget. Net Rental Income is (\$340,034) less than Budget. Total Operating Expenses are \$1,193,429 which is \$32,060 over Budget. Unrealized Investment Gain/Loss year to date is \$401,342 and is found under Other Income and Expenses. Year to date the Net Income is \$1,765,120 versus a Budget of \$1,731,486 which is an increase of \$33,634.24 and is an increase from the same period last year by \$319,643.

C. Cash Flow Statement

As previously stated, year to date there has been a decrease in cash of (\$689,659) so that our current cash position is \$4,911,049 along with our investment of \$2,500,000 and cumulative unrealized investments gains of \$718,497 giving us total cash and cash equivalents of \$8,129,546.

II. Leasing Activity

Our leasing efforts have increased over the past quarter. Our office vacancy has decreased by .44% leaving us with a vacancy of 8,551 square feet. Our retail vacancy has stayed the same with 7,439 square feet available. Our residential vacancy has decreased to 7.2% with 9 units to lease.

This concludes our report to the Shareholders. Should you have any questions in regards to these or any other matters, please do not hesitate to call Rob at 443-315-9721 or e-mail him [rmiller@wcanmiller.com].

Sincerely,


Michael C. J. Fallon


Robert R. Miller

Enclosures

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

Balance Sheet
as of June 30, 2014

ASSETS

	06/30/2014	3/31/2014	12/31/2013	9/30/2013	YTD Variance
Current Assets					
Cash and Cash Equivalents	\$ 4,911,049.29	\$ 4,570,091.49	\$ 4,944,051.14	\$ 5,600,705.52	(689,656.23)
Investments	2,488,001.10	2,490,412.30	2,492,730.85	2,494,925.95	(6,924.85)
Unrealized Investments Gain/Lo	730,495.76	626,745.20	565,860.48	329,154.00	401,341.76
Accounts Receivable, net	174,503.90	412,137.93	451,977.42	187,777.56	(13,273.66)
Straightline Rent	5,916,588.55	5,916,588.55	5,916,588.55	5,916,588.55	0.00
Miscellaneous Receivables	34,950.83	(2,133.30)	187.08	49,592.73	(14,641.90)
Provision for Loss	0.00	0.00	0.00	0.00	0.00
Other Receivables	908,420.64	915,645.67	922,712.21	929,623.77	(21,203.13)
Inventory	37,318.04	37,318.04	37,318.04	37,318.04	0.00
Prepaid Expenses	193,217.17	281,839.75	425,232.01	456,624.52	(263,407.35)
Total Current Assets	15,394,545.28	15,248,645.63	15,756,657.78	16,002,310.64	(607,765.36)
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	50,527,709.76	50,493,324.96	50,080,645.98	49,724,367.54	803,342.22
Property and Equipment	480,951.02	475,239.36	473,700.84	462,707.86	18,243.16
Capital Improvements - Opt	1,876.00	1,876.00	1,876.00	1,876.00	0.00
Building on 49th Street	37,920.11	37,711.61	37,711.61	36,738.61	1,181.50
Tenant Improvements	13,480,361.88	13,420,820.70	13,409,073.19	13,155,286.27	325,075.61
Less: Accumulated Depreciation	23,557,314.51	23,110,341.33	22,663,368.15	22,216,394.97	1,340,919.54
Net Fixed Assets	47,821,404.24	48,168,531.28	48,189,539.45	48,014,481.29	(193,077.05)
Other Assets					
Deferred Leasing Commissions,	1,500,711.39	1,483,595.78	1,375,119.99	1,397,114.65	103,596.74
Deferred Finance Charges, net	1,039,841.55	1,058,495.40	1,077,149.25	1,104,505.14	(64,663.59)
Accum Amort Def	(17,404.08)	(8,702.04)	0.00	0.00	(17,404.08)
Deposit	17,630.05	17,630.05	17,630.05	17,630.05	0.00
Deferred Taxes	7,747,233.00	7,747,233.00	7,747,233.00	7,747,233.00	0.00
Deposit on Refinance	0.00	0.00	0.00	0.00	0.00
Real Estate Tax Escrow	347,916.02	154,140.69	269,347.48	68,985.70	278,930.32
Total Other Assets	10,635,927.93	10,452,392.88	10,486,479.77	10,335,468.54	300,459.39
TOTAL ASSETS	\$ 73,851,877.45	\$ 73,869,569.79	\$ 74,432,677.00	\$ 74,352,260.47	(\$ 500,383.02)

LIABILITIES AND STOCKHOLDERS' DEFICIT

	06/30/2014	3/31/2014	12/31/2013	9/30/2013	YTD Variance
Current Liabilities					
Accounts Payable	\$ 121,613.22	\$ 76,133.33	\$ 104,320.90	\$ 267,036.67	(145,423.45)
Accrued Income Taxes	0.00	0.00	0.00	0.00	0.00
Accrued Expenses	1,071,678.91	1,143,152.76	1,535,110.15	1,287,980.33	(216,301.42)
Prepaid Income/RE	82,637.70	82,637.70	82,637.70	82,637.70	0.00
Security Deposits	494,250.77	453,622.51	448,731.80	458,490.22	35,760.55
Prepaid Rent Income	474,972.79	426,927.08	600,662.28	631,365.36	(156,392.57)
Total Current Liabilities	<u>2,245,153.39</u>	<u>2,182,473.38</u>	<u>2,771,462.83</u>	<u>2,727,510.28</u>	<u>(482,356.89)</u>
 Long-Term Liabilities					
Notes Payable (1)	95,116,176.45	95,743,569.23	96,369,392.76	96,898,243.95	(1,782,067.50)
Total Long-Term Liabilities	<u>95,116,176.45</u>	<u>95,743,569.23</u>	<u>96,369,392.76</u>	<u>96,898,243.95</u>	<u>(1,782,067.50)</u>
 Total Liabilities	<u>97,361,329.84</u>	<u>97,926,042.61</u>	<u>99,140,855.59</u>	<u>99,625,754.23</u>	<u>(2,264,424.39)</u>
 Minority Interest (2)	 (6,804,590.07)	 (6,803,872.56)	 (6,803,872.56)	 (6,803,475.00)	 (1,115.07)
Total Minority Interest	<u>(6,804,590.07)</u>	<u>(6,803,872.56)</u>	<u>(6,803,872.56)</u>	<u>(6,803,475.00)</u>	<u>(1,115.07)</u>
 Stockholders' Deficit					
Common Stock	800,200.00	800,200.00	800,200.00	800,200.00	0.00
Dividend	0.00	0.00	0.00	(6,350,000.00)	6,350,000.00
Retained Earnings (Deficit)	(17,505,062.32)	(18,052,800.26)	(18,704,506.03)	(12,920,218.76)	(4,584,843.56)
Total Stockholders' Deficit	<u>(16,704,862.32)</u>	<u>(17,252,600.26)</u>	<u>(17,904,306.03)</u>	<u>(18,470,018.76)</u>	<u>1,765,156.44</u>
 TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	<u><u>\$ 73,851,877.45</u></u>	<u><u>\$ 73,869,569.79</u></u>	<u><u>\$ 74,432,677.00</u></u>	<u><u>\$ 74,352,260.47</u></u>	<u><u>(\$ 500,383.02)</u></u>

- 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.
- 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, 2014

	06/30/2014	3/31/2014	12/31/2013	9/30/2013	Variance
Key Bank	16,784,416.49	\$ 16,855,915.97	\$ 16,926,271.31	16,995,500.81	(211,084.32)
TIAA	21,116,244.14	21,189,147.75	21,260,772.48	21,331,140.76	(214,896.62)
Cardinal Bank	16,214,661.93	16,292,281.88	16,372,931.55	16,450,779.62	(236,117.69)
Guardian Life	29,165,119.97	29,300,548.79	29,434,605.59	29,567,304.26	(402,184.29)
Promissory Note	3,585,504.09	3,855,445.01	4,124,582.00	4,303,288.67	(717,784.58)
Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	8,250,229.83	0.00
Total Long Term Debt	95,116,176.45	95,743,569.23	96,369,392.76	96,898,243.95	(1,782,067.50)

Notes Repayment Schedule:

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

W.C. and A.N. Miller Development Company
Income Statements
as of June 20, 2014

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Rental Activities				
Rent Income	\$ 11,933,661.41	\$ 12,289,947.00	\$ (356,285.59)	\$ 11,627,593.39
Rent Expenses	\$ (3,218,300.23)	\$ (3,274,363.00)	\$ 56,062.77	\$ (3,119,786.08)
Real Estate Taxes	\$ (1,080,606.77)	\$ (1,066,014.00)	\$ (14,592.77)	\$ (1,020,921.28)
Depreciation	\$ (1,590,706.71)	\$ (1,590,703.00)	\$ (3.71)	\$ (1,584,105.72)
Debt Service-Interest	\$ (3,415,938.31)	\$ (3,390,724.00)	\$ (25,214.31)	\$ (3,440,506.29)
Net Rental Income	\$ 2,628,109.39	\$ 2,968,143.00	\$ (340,033.61)	\$ 2,462,274.02
 Gross Profit	 \$ 2,628,109.39	 \$ 2,968,143.00	 \$ (340,033.61)	 \$ 2,462,274.02
 Operating Expenses				
Bank Charges	\$ 1,391.42	\$ 1,800.00	\$ (408.58)	\$ 989.97
Schwab Fees	\$ 6,961.56	\$ 5,250.00	\$ 1,711.56	\$ 2,740.94
Computer Supplies	\$ 1,199.00	\$ 2,600.00	\$ (1,401.00)	\$ 5,666.97
Computer Consultant	\$ 12,462.00	\$ 9,000.00	\$ 3,462.00	\$ 12,539.29
Office Administration	\$ 90,325.00	\$ 80,325.00	\$ 10,000.00	\$ 86,500.00
Dues and Subscriptions	\$ 89.00	\$ -	\$ 89.00	\$ -
General Insurance	\$ 33,452.25	\$ 29,000.00	\$ 4,452.25	\$ 27,780.00
Legal - General	\$ 8,571.47	\$ 45,000.00	\$ (36,428.53)	\$ 39,241.78
Legal - Loan/Lenders	\$ -	\$ -	\$ -	\$ 24,099.43
Legal - Commercial Leasing	\$ -	\$ -	\$ -	\$ 7,065.00
Legal - Haymount	\$ 133,136.35	\$ 60,000.00	\$ 73,136.35	\$ 69,507.99
Benefits	\$ 24,982.65	\$ 25,499.99	\$ (517.34)	\$ 16,763.96
Management Meals	\$ 5,488.43	\$ 5,400.00	\$ 88.43	\$ 4,916.18
Office Supplies	\$ 13,654.53	\$ 5,400.00	\$ 8,254.53	\$ 10,796.57
Other Taxes and Licenses	\$ 1,736.85	\$ 1,600.00	\$ 136.85	\$ 2,337.41
Payroll Taxes	\$ 20,334.63	\$ 24,000.00	\$ (3,665.37)	\$ 19,341.75
Estimated Taxes (Federal & State)	\$ 52,695.00	\$ 52,695.00	\$ -	\$ -
Postage	\$ 2,847.83	\$ 3,375.00	\$ (527.17)	\$ 2,399.70
Public Relations	\$ -	\$ -	\$ -	\$ 212.59
Accounting	\$ 6,949.00	\$ 10,800.00	\$ (3,851.00)	\$ 6,566.50
Review/Tax Returns/Fin St.	\$ 55,517.40	\$ 57,000.00	\$ (1,482.60)	\$ 42,838.75
Internal Control Review	\$ 3,725.60	\$ 6,000.00	\$ (2,274.40)	\$ 3,385.00
Promotion and Entertainment	\$ 4,415.92	\$ 3,150.00	\$ 1,265.92	\$ 39,422.50
Charitable Contribution	\$ 2,000.00	\$ 1,500.00	\$ 500.00	\$ 11,000.00
Rent	\$ 82,025.31	\$ 81,000.00	\$ 1,025.31	\$ 68,084.44
Executive Compensation	\$ 253,125.00	\$ 253,125.00	\$ -	\$ 206,250.03
Executive Bonus	\$ 150,000.00	\$ 150,000.00	\$ -	\$ 100,000.00
Executice Compensation Committee Fees	\$ 9,500.00	\$ -	\$ 9,500.00	\$ -
Office Phone & Internet	\$ 5,219.15	\$ 5,400.00	\$ (180.85)	\$ 3,183.61
Cell Phones & Mobile Devices	\$ 6,362.93	\$ 6,750.00	\$ (387.07)	\$ 5,510.86
Management Travel	\$ 16,618.14	\$ 31,500.00	\$ (14,881.86)	\$ 17,344.32

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Payroll Processing Fees	\$ 3,459.00	\$ 3,600.00	\$ (141.00)	\$ 3,493.78
Board of Directors Fees	\$ 162,000.00	\$ 162,000.00	\$ -	\$ 168,000.00
House Plans for Neighbors	\$ (547.77)	\$ -	\$ (547.77)	\$ -
RE Tax Expense	\$ 6,027.18	\$ 6,600.00	\$ (572.82)	\$ 5,599.44
Costs associated with Sale of Property	\$ 331.34	\$ -	\$ 331.34	\$ -
Shareholders Annual Meeting	\$ 794.70	\$ 2,000.00	\$ (1,205.30)	\$ 1,210.66
Board Travel and Meals	\$ 16,578.60	\$ 30,000.00	\$ (13,421.40)	\$ 26,615.72
Total Operating Expenses	\$ 1,193,429.47	\$ 1,161,369.99	\$ 32,059.48	\$ 1,041,405.14
 Net Operating Income	 \$ 1,434,679.92	 \$ 1,806,773.01	 \$ (372,093.09)	 \$ 1,420,868.88
 Other Income and Expenses				
Miscellaneous Income	\$ 7,465.00	\$ -	\$ 7,465.00	\$ 100.00
Interest Income	\$ 3,848.51	\$ 4,500.00	\$ (651.49)	\$ 4,914.63
Interest Dividend Income	\$ -	\$ -	\$ -	\$ -
Debt Service (Interest) Other	\$ (82,215.45)	\$ (79,787.51)	\$ (2,427.94)	\$ (58,782.73)
Unrealized Investment Gain/Loss	\$ 401,341.76	\$ -	\$ 401,341.76	\$ 78,375.51
Total Other Income and Expenses	\$ 330,439.82	\$ (75,287.51)	\$ 405,727.33	\$ 24,607.41
 Net Income	 \$ 1,765,119.74	 \$ 1,731,485.50	 \$ 33,634.24	 \$ 1,445,476.29

W.C. and A.N. MILLER COMPANIES
STATEMENT OF CASH FLOW
For the Month Ended June 30, 2014

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	290,057	1,765,156
	-	-
Adjustments to Reconcile Net Income to Net Cash	0	0
Provided by Operating Activities	0	0
Dividend	-	0
Depreciation and amortization	171,034	1,570,513
Unrealized Investment Gain/Loss	(49,648)	(401,342)
Loss on disposition of fixed assets	-	-
Income allocated to minority interest	(554)	(1,115)
Accounts receivable	(11,617)	29,345
Other receivables	2,426	21,203
Inventory	-	-
Deferred income taxes	-	-
Prepaid expenses	3,243	(16,774)
Current maturities of long term debt	-	-
Accounts payable	14,688	(145,423)
Accrued income taxes	-	-
Accrued expenses	(55,538)	(216,301)
Security deposits	10,195	35,761
Prior Tenant Clearing (SH)	-	-
Prepaid Real Estate Tax Income	40,026	280,178
Prepaid rent income	(62,517)	(156,393)
Total Adjustments	61,738	999,652
Net Cash Provided by (Used for) Operating Activities	351,794	2,764,808
	-	-
Cash Flow for Investing Activities:	-	-
Acquisition of fixed assets	8,393	(1,127,897)
Acquisition of deferred financing charges	-	-
Acquisition of deferred Leasing Commissions	(8,230)	(271,316)
Acquisition of real estate tax escrow	(64,591)	(278,930)
Acquisition of Investments	55	6,925
Acquisition of water escrow	-	(1,182)
Deposit on Refinance	-	-
Disposition of guaranty reserve	-	-
Disposition of deposit	-	-
Net Cash Used for Investing Activities	(64,373)	(1,672,400)
	-	-
Cash Flow for Financing Activities:	-	-
Disposition of long term debt	(209,225)	(1,782,068)
Acquisition of long term debt	-	-
Net Cash Used for Financing Activities	(209,225)	(1,782,068)
	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	78,196	(689,659)
Cash and cash equivalents, Beginning of Period	4,832,854	5,600,706
	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	4,911,049	4,911,049