

**W.C.&A.N. MILLER**  
**DEVELOPMENT COMPANY**  
Established in 1912

May 21, 2013

Dear Shareholders:

I would like to take this opportunity to provide you with an update on the Company's activities during the Second Quarter of the fiscal year ending on March 31, 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 \$1,434,686.07 and at the end of the second quarter we have \$4,822,047.44 which is a year to date increase of \$3,387,364.37 and \$475,606.85 over budgeted year to date. In keeping with the Company's Strategic Plan, we have invested \$2,500,000 with Mattson Money, a Cincinnati based money manager. Thus, our year to date cash plus investments is \$7,322,047.44 which is over budget by \$5,887,364.37 this is due in part to the refinancing of our Spring Valley Retail property and Shops @ Sumner Place. Year to date, Accounts Receivable has decreased by (\$102,744.67) with Other Receivables decreasing by (\$22,791.48) and Prepaid Expenses are down by (\$202,048.91). Building and Tenant Improvements are up by \$175,832.09 year to date. Total Assets year to date have increased by \$5,196,079.61.

Liabilities

Accounts Payable has decreased by (\$87,770.71) and Accrued Expenses have decreased by (\$126,829.02) year to date. Prepaid Rental Income has increased by \$83,289.23 year to date. The Total Current Liabilities have decreased year to date by (\$99,271.50). Long Term Liabilities have increased year to date by \$10,833,620.36. This is primarily due to the issuing of the shareholder promissory notes and the refinancing of the Shops @ Sumner Place and Spring Valley Retail. Total Stockholder's Deficit has increased year to date by \$5,537,767.44 to (\$22,708,924.67).

B. Income Statement

Rental Income year to date is \$7,726,075.62 which is down from Budget by (\$210,851.38) but up from the same period last year by \$791,028.16, which variance is primarily due to a decrease in the occupancy at Sumner Highlands as well as delayed occupancy of several of our retail and office tenants at the Shops at Sumner Place and Spring Valley Office Complex versus what was budgeted. Rental Expenses year to date are \$2,128,397.04 which are less than Budget by (\$186,697.96) primarily due to cost cutting and the timing of certain projects. Real Estate Taxes year to date are \$680,614.32 which is an increase over Budget of \$754.32. Depreciation expense year to date is \$1,056,070.47 which is \$76,060.47 over Budget. Year to date Debt Service is \$2,298,156.96 which is \$14,557.96 over Budget. Net Rental Income is \$115,526.17 less than Budget which we anticipate being at Budget or close to it by the end of our fiscal year. Total Operating Expenses are \$791,603.76 which is \$28,833.72 over Budget due to legal fees related to the refinancing of Shops at Sumner place and Spring Valley Retail Center as well as annual bonus to Patty Emory and parting donations in honor of Bud Miller, our former Chairman. Unrealized Investment Gain/Loss year to date is \$61,792.53 and is found under Other Income and Expenses and will be reconciled at year end. Year to date the Net Income is \$812,232.56 versus a Budget of \$914,656.40 which is a decrease of (\$102,423.84) but is up from the same period last year by \$661,702.87, 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 an increase in cash of \$3,387,364 so that our current cash position is \$4,822,048 along with our investment of \$2,500,000 we have total cash and cash equivalents of \$7,322,047.44.

**II. Leasing Activity**

Our leasing efforts continue to improve. Our office vacancy has been reduced by .44% leaving us with 11,244 square feet available. Our retail vacancy has increased by 1.57% leaving us with 4,575 square feet to lease which space is expected to be leased by the end of the third quarter. Our residential vacancy has been increased by 5.6% with 12 units to lease.

A notable event to report is that we were successful in renewing Long & Foster leases early for an additional five (5) years at market rental rates at both of their locations.

**III. Haymount Litigation**

We are waiting for the 3<sup>rd</sup> Circuit Court of the United States of America to rule on the appeal, we anticipate a ruling sometime this year.

#### **IV. Refinance of the Spring Valley Retail Complex loan**

Due to the renewals that were negotiated last year with Crate and Barrel, Bank of America and the Ski Center, we were successful in amending out current loan with Cardinal Bank lowering our rate from 4.85% to 4.35%. With an increase in debt to \$16,600,000 which provided an additional \$2,014,387.05 in cash, which cash is earmarked for future investments.

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](mailto:rmiller@wcanmiller.com)].

Sincerely,

A handwritten signature in blue ink that reads "Rob".

Robert R. Miller

Enclosures

W.C. and A.N. Miller Development Company  
Balance Sheet  
as of March 31, 2013

**ASSETS**

	3/31/2013	12/31/2012	9/30/2012	YTD Variance
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 4,822,047.44	\$ 5,076,346.31	\$ 1,434,683.07	3,387,364.37
Investments	2,500,000.00	0.00	0.00	2,500,000.00
Unrealized Investments Gain/Lo	61,792.53	0.00	0.00	61,792.53
Accounts Receivable, net	175,139.50	281,035.04	277,884.17	(102,744.67)
Straightline Rent	3,512,731.89	3,512,731.89	3,512,731.89	0.00
Miscellaneous Receivables	235,252.00	92,248.18	128,646.40	106,605.60
Provision for Loss	0.00	0.00	0.00	0.00
Other Receivables	946,328.71	957,795.36	969,120.19	(22,791.48)
Inventory	37,318.04	37,318.04	37,318.04	0.00
Prepaid Expenses	237,713.40	281,650.65	439,762.31	(202,048.91)
<b>Total Current Assets</b>	<u>12,528,323.51</u>	<u>10,239,125.47</u>	<u>6,800,146.07</u>	<u>5,728,177.44</u>
<b>Fixed Assets</b>				
Land	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	0.00
Buildings	49,426,828.21	49,339,522.73	49,317,516.27	109,311.94
Property and Equipment	74,838.71	73,838.72	64,244.02	10,594.69
Capital Improvements - Opt	1,876.00	1,876.00	1,876.00	0.00
Building on 49th Street	17,630.00	0.00	0.00	17,630.00
Tenant Improvements	12,972,718.90	12,916,233.58	12,906,198.75	66,520.15
Less: Accumulated Depreciation	21,456,528.05	21,003,924.14	20,551,320.26	905,207.79
<b>Net Fixed Assets</b>	<u>47,887,263.75</u>	<u>48,177,446.87</u>	<u>48,588,414.76</u>	<u>(701,151.01)</u>
<b>Other Assets</b>				
Deferred Leasing Commissions,	1,408,306.53	1,387,946.02	1,300,883.14	107,423.39
Deferred Finance Charges, net	1,167,758.57	1,027,259.42	549,602.41	618,156.16
Deposit	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	0.00
Deposit on Refinance	0.00	0.00	600,000.00	(600,000.00)
Real Estate Tax Escrow	159,253.60	287,484.31	115,779.97	43,473.63
<b>Total Other Assets</b>	<u>10,326,831.75</u>	<u>10,294,202.80</u>	<u>10,157,778.57</u>	<u>169,053.18</u>
<b>TOTAL ASSETS</b>	<u>\$ 70,742,419.01</u>	<u>\$ 68,710,775.14</u>	<u>\$ 65,546,339.40</u>	<u>5,196,079.61</u>

## LIABILITIES AND STOCKHOLDERS' DEFICIT

	3/31/2013	12/31/2012	9/30/2012	YTD Variance
<b>Current Liabilities</b>				
Accounts Payable	\$ 18,529.99	(\$ 2,112.24)	\$ 106,300.70	(87,770.71)
Accrued Income Taxes	0.00	0.00	0.00	0.00
Accrued Expenses	1,037,505.69	1,123,070.35	1,164,334.71	(126,829.02)
Prepaid Income/RE	80,091.16	80,091.16	80,091.16	0.00
Security Deposits	425,722.92	418,769.92	393,683.92	32,039.00
Prepaid Rent Income	533,746.43	568,830.65	450,457.20	83,289.23
<b>Total Current Liabilities</b>	<u>2,095,596.19</u>	<u>2,188,649.84</u>	<u>2,194,867.69</u>	<u>(99,271.50)</u>
<b>Long-Term Liabilities</b>				
Notes Payable (1)	97,902,150.12	96,345,372.00	87,068,529.76	10,833,620.36
<b>Total Long-Term Liabilities</b>	<u>97,902,150.12</u>	<u>96,345,372.00</u>	<u>87,068,529.76</u>	<u>10,833,620.36</u>
<b>Total Liabilities</b>	<u>99,997,746.31</u>	<u>98,534,021.84</u>	<u>89,263,397.45</u>	<u>10,734,348.86</u>
Minority Interest (2)	(6,546,402.63)	(6,546,402.63)	(6,545,900.82)	(501.81)
<b>Total Minority Interest</b>	<u>(6,546,402.63)</u>	<u>(6,546,402.63)</u>	<u>(6,545,900.82)</u>	<u>(501.81)</u>
<b>Stockholders' Deficit</b>				
Common Stock	800,200.00	800,200.00	800,200.00	0.00
Dividend	(6,350,000.00)	(6,350,000.00)	(200,000.00)	(6,150,000.00)
Retained Earnings (Deficit)	(17,159,124.67)	(17,727,044.07)	(17,771,357.23)	612,232.56
<b>Total Stockholders' Deficit</b>	<u>(22,708,924.67)</u>	<u>(23,276,844.07)</u>	<u>(17,171,157.23)</u>	<u>(5,537,767.44)</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>	<u>\$ 70,742,419.01</u>	<u>\$ 68,710,775.14</u>	<u>\$ 65,546,339.40</u>	<u>5,196,079.61</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 March 31, 2013

	3/31/2013	12/31/2012	9/30/2012	Variance
MetLife	\$ 0.00	\$ 0.00	25,492,553.17	(25,492,553.17)
Key Bank	17,130,654.09	17,196,613.02	17,261,516.48	(130,862.39)
TIAA	21,468,195.79	21,534,925.45	21,600,484.54	(132,288.75)
Cardinal Bank	16,600,000.00	14,406,215.37	14,463,745.74	2,136,254.26
Guardian Life	29,828,682.07	29,957,388.33	0.00	29,828,682.07
Promissory Note	4,624,388.34	5,000,000.00	0.00	4,624,388.34
Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	0.00
	<hr/>			
Total Long Term Debt	97,902,150.12	96,345,372.00	87,068,529.76	10,833,620.36
	<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
5. Guardian Life - 10/2022
6. Promissory Notes - 12/31/2032

W.C. and A.N. Miller Development Company  
Income Statements  
as of March 31, 2013

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
<b>Rental Activities</b>				
Rent Income	\$ 7,726,075.62	\$ 7,936,927.00	\$ (210,851.38)	\$ 6,935,047.46
Rent Expenses	\$ (2,128,397.04)	\$ (2,315,095.00)	\$ 186,697.96	\$ (1,881,570.54)
Real Estate Taxes	\$ (680,614.32)	\$ (679,860.00)	\$ (754.32)	\$ (658,958.28)
Depreciation	\$ (1,056,070.47)	\$ (980,010.00)	\$ (76,060.47)	\$ (981,688.06)
Debt Service-Interest	\$ (2,298,156.96)	\$ (2,283,599.00)	\$ (14,557.96)	\$ (2,523,024.40)
<b>Net Rental Income</b>	<b>\$ 1,562,836.83</b>	<b>\$ 1,678,363.00</b>	<b>\$ (115,526.17)</b>	<b>\$ 889,806.18</b>
 <b>Gross Profit</b>	 <b>\$ 1,562,836.83</b>	 <b>\$ 1,678,363.00</b>	 <b>\$ (115,526.17)</b>	 <b>\$ 889,806.18</b>
 <b>Operating Expenses</b>				
Bank Charges	\$ 514.95	\$ 150.00	\$ 364.95	\$ 66.18
Computer Supplies	\$ 4,835.81	\$ -	\$ 4,835.81	\$ 1,888.86
Computer Consultant	\$ 7,883.04	\$ 4,800.00	\$ 3,083.04	\$ 6,000.00
Executive Compensation	\$ 137,500.02	\$ 137,500.02	\$ -	\$ 126,000.00
Executive Bonus - Prior Year	\$ 100,000.00	\$ 100,000.00	\$ -	\$ 40,000.00
Office Administration	\$ 61,000.00	\$ 51,000.00	\$ 10,000.00	\$ 52,000.00
Payroll Taxes	\$ 13,862.23	\$ 11,400.00	\$ 2,462.23	\$ 10,258.50
Equipment Rental	\$ 1,724.55	\$ 3,600.00	\$ (1,875.45)	\$ 3,556.78
General Insurance	\$ 27,780.00	\$ 25,000.00	\$ 2,780.00	\$ 23,360.00
Legal - General	\$ 31,908.13	\$ 30,000.00	\$ 1,908.13	\$ 19,909.49
Legal - Loan/Lenders	\$ 17,050.00		\$ 17,050.00	\$ -
Legal - Haymount	\$ 64,064.40	\$ 100,000.00	\$ (35,935.60)	\$ 193,745.24
Benefits	\$ 11,282.69	\$ 17,000.02	\$ (5,717.33)	\$ 9,550.81
Management Meals	\$ 3,725.41	\$ 2,700.00	\$ 1,025.41	\$ 3,265.17
Office Supplies	\$ 7,771.86	\$ 3,000.00	\$ 4,771.86	\$ 4,332.03
Other Taxes and Licenses	\$ 1,166.00	\$ 2,720.00	\$ (1,554.00)	\$ 10,435.18
Other Real Estate Taxes	\$ 2,799.72	\$ 2,800.00	\$ (0.28)	\$ 2,644.18
Postage	\$ 2,314.32	\$ 2,250.00	\$ 64.32	\$ 2,594.79
Public Relations			\$ -	\$ 2,025.00
Accounting	\$ 3,926.50	\$ 4,500.00	\$ (573.50)	\$ 1,273.38
Promotion and Entertainment	\$ 37,795.40		\$ 37,795.40	\$ 1,529.99
Internal Control Review	\$ 3,385.00	\$ 6,000.00	\$ (2,615.00)	\$ 4,315.00
Review/Tax Returns/Fin St.	\$ 42,838.75	\$ 51,000.00	\$ (8,161.25)	\$ 48,152.63
Rent	\$ 43,979.82	\$ 45,000.00	\$ (1,020.18)	\$ 41,460.61
Telephone	\$ 2,960.46	\$ 2,550.00	\$ 410.46	\$ 2,405.17
Management Travel	\$ 13,724.87	\$ 18,000.00	\$ (4,275.13)	\$ 13,002.61
Payroll Processiong Fees	\$ 2,502.28	\$ 1,800.00	\$ 702.28	\$ 1,426.86
Board of Directors Fees	\$ 114,000.00	\$ 112,000.00	\$ 2,000.00	\$ 81,000.00
Annual Shareholder Meeting	\$ 1,210.66	\$ 7,000.00	\$ (5,789.34)	\$ 1,649.10

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Board Travel and Meals	\$ 17,096.89	\$ 20,000.00	\$ (2,903.11)	\$ 20,281.54
Charitable Contribution	\$ 11,000.00	\$ 1,000.00	\$ 10,000.00	\$ 500.00
<b>Total Operating Expenses</b>	<b>\$ 791,603.76</b>	<b>\$ 762,770.04</b>	<b>\$ 28,833.72</b>	<b>\$ 728,629.10</b>
<b>Net Operating Income</b>	<b>\$ 771,233.07</b>	<b>\$ 915,592.96</b>	<b>\$ (144,359.89)</b>	<b>\$ 161,177.08</b>
<b>Other Income and Expenses</b>				
Debt Service Interest (Other)	\$ (24,388.34)	\$ (24,388.34)	\$ -	\$ -
Unrealized Investment Gain/Loss	\$ 61,792.53	\$ -	\$ 61,792.53	\$ -
Pr Yr Adj - 2007 Pay Tax Liability				\$ (13,878.85)
Interest Income	\$ 3,595.30	\$ 23,451.78	\$ (19,856.48)	\$ 3,231.46
<b>Total Other Income and Expenses</b>	<b>\$ 40,999.49</b>	<b>\$ (936.56)</b>	<b>\$ 41,936.05</b>	<b>\$ (10,647.39)</b>
<b>Net Income</b>	<b>\$ 812,232.56</b>	<b>\$ 914,656.40</b>	<b>\$ (102,423.84)</b>	<b>\$ 150,529.69</b>



W.C. and A.N. MILLER COMPANIES  
STATEMENT OF CASH FLOW  
For the Month Ended March 31, 2013

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	352,516	812,232
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Dividend	-	(6,350,000)
Depreciation and amortization	151,434	986,159
Unrealized Investment Gain/Loss	(68,061)	(61,793)
Loss on disposition of fixed assets	-	-
Income allocated to minority interest	-	(502)
Accounts receivable	(176,597)	(3,860)
Other receivables	3,838	22,791
Inventory	-	-
Deferred income taxes	-	-
Prepaid expenses	50,403	202,620
Current maturities of long term debt	-	-
Accounts payable	2,736	(88,341)
Accrued income taxes	-	-
Accrued expenses	(276,959)	(129,880)
Security deposits	2,401	32,039
Prior Tenant Clearing (SH)	1,525	3,050
Prepaid Real Estate Tax Income	-	-
Prepaid rent income	(80,125)	83,288
Total Adjustments	<u>(389,404)</u>	<u>(5,304,428)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(36,888)</u>	<u>(4,492,196)</u>
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(63,169)	(175,833)
Acquisition of deferred financing charges	(154,395)	(618,156)
Acquisition of deferred Leasing Commissions	(9,601)	(216,598)
Acquisition of real estate tax escrow	248,013	(43,474)
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	<u>20,849</u>	<u>(2,954,060)</u>
Cash Flow for Financing Activities:		
Disposition of long term debt	(125,870)	(26,396,317)
Acquisition of long term debt	2,229,937	37,229,937
Net Cash Used for Financing Activities	<u>2,104,067</u>	<u>10,833,620</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,088,028	3,387,364
Cash and cash equivalents, Beginning of Period	<u>2,734,020</u>	<u>1,434,683</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>4,822,048</u>	<u>4,822,048</u>