

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

Established in 1912

May 2, 2014

Dear Shareholders:

We 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, 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 \$4,570,091 which is a year to date decrease in cash of (\$1,030,614) versus a budgeted decrease of (\$685,235). The variance is due to the timing issue of the real estate taxes which are billed in March but collected in April. Our current investments of \$3,117,158 reflect a year to date increase of \$293,078. Accounts Receivable has increased by \$224,360 primarily due in part to a timing issue as stated above. Fixed Assets, primarily Building and Tenant Improvements, are up year to date by \$1,047,996. 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 (\$190,903) and Accrued Expenses have decreased by (\$144,828) year to date. Prepaid Rental Income has decreased by (\$204,438) year to date. The Total Current Liabilities have decreased year to date by (\$545,036). Long Term Liabilities have decreased year to date by (\$1,154,675).

### **B. Income Statement**

Rental Income year to date is \$8,031,325 which is down from Budget by (\$143,265) but up from the same period last year by \$305,249, 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 \$2,173,237 which are less than Budget by (\$73,561) primarily

due to cost cutting and the timing of certain projects. Real Estate Taxes year to date are \$720,405 which is an increase over Budget of \$9,729. Depreciation expense year to date is \$1,060,471 which is in line with Budget. Year to date Debt Service is \$2,262,085 which is \$1,082 over Budget. Net Rental Income is (\$78,352) less than Budget. Total Operating Expenses are \$853,217 which is \$1,963 under Budget. Unrealized Investment Gain/Loss year to date is \$297,591 and is found under Other Income and Expenses. Year to date the Net Income is \$1,217,419 versus a Budget of \$989,745 which is an increase of \$228,239 and is an increase from the same period last year by \$405,186.

C. Cash Flow Statement

As previously stated, year to date there has been a decrease in cash of (\$1,030,614) so that our current cash position is \$4,570,091 along with our investment of \$2,500,000 and cumulative unrealized investments gains of \$626,745 giving us total cash and cash equivalents of \$7,687,249.

**II. Leasing Activity**

Our leasing efforts have been slow due to the horrible weather we have been having in Washington, DC area. Our office vacancy has increased by .20% leaving us with a vacancy of 9,397 square feet. Our retail vacancy has stayed the same with 7,439 square feet available. Our residential vacancy has decreased to 10.4% with 13 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](mailto:rmiller@wcanmiller.com)].

Sincerely,

  
Michael C. J. Fallon

  
Robert R. Miller

Enclosures

W.C. and A.N. Miller Development Company  
Balance Sheet  
as of March 31, 2014

**ASSETS**

	3/13/2014	12/31/2013	9/30/2013	YTD Variance
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 4,570,091.49	\$ 4,944,051.14	\$ 5,600,705.52	(1,030,614.03)
Investments	2,490,412.30	2,492,730.85	2,494,925.95	(4,513.65)
Unrealized Investments Gain/Lo	626,745.20	565,860.48	329,154.00	297,591.20
Accounts Receivable, net	412,137.93	451,977.42	187,777.56	224,360.37
Straightline Rent	5,916,588.55	5,916,588.55	5,916,588.55	0.00
Miscellaneous Receivables	(2,133.30)	187.08	49,592.73	(51,726.03)
Provision for Loss	0.00	0.00	0.00	0.00
Other Receivables	915,645.67	922,712.21	929,623.77	(13,978.10)
Inventory	37,318.04	37,318.04	37,318.04	0.00
Prepaid Expenses	281,839.75	425,232.01	456,624.52	(174,784.77)
<b>Total Current Assets</b>	<u>15,248,645.63</u>	<u>15,756,657.78</u>	<u>16,002,310.64</u>	<u>(753,665.01)</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	50,493,324.96	50,080,645.98	49,724,367.54	768,957.42
Property and Equipment	475,239.36	473,700.84	462,707.86	12,531.50
Capital Improvements - Opt	1,876.00	1,876.00	1,876.00	0.00
Building on 49th Street	37,711.61	37,711.61	36,738.61	973.00
Tenant Improvements	13,420,820.70	13,409,073.19	13,155,286.27	265,534.43
Less: Accumulated Depreciation	23,110,341.33	22,663,368.15	22,216,394.97	893,946.36
<b>Net Fixed Assets</b>	<u>48,168,531.28</u>	<u>48,189,539.45</u>	<u>48,014,481.29</u>	<u>154,049.99</u>
<b>Other Assets</b>				
Deferred Leasing Commissions,	1,483,595.78	1,375,119.99	1,397,114.65	86,481.13
Deferred Finance Charges, net	1,058,495.40	1,077,149.25	1,104,505.14	(46,009.74)
Accum Amort Def	(8,702.04)	0.00	0.00	(8,702.04)
Deposit	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	0.00
Deposit on Refinance	0.00	0.00	0.00	0.00
Real Estate Tax Escrow	154,140.69	269,347.48	68,985.70	85,154.99
<b>Total Other Assets</b>	<u>10,452,392.88</u>	<u>10,486,479.77</u>	<u>10,335,468.54</u>	<u>116,924.34</u>
<b>TOTAL ASSETS</b>	<u>\$ 73,869,569.79</u>	<u>\$ 74,432,677.00</u>	<u>\$ 74,352,260.47</u>	<u>(\$ 482,690.68)</u>

## LIABILITIES AND STOCKHOLDERS' DEFICIT

	3/31/2014	12/31/2013	9/30/2013	YTD Variance
<b>Current Liabilities</b>				
Accounts Payable	\$ 76,133.33	\$ 104,320.90	\$ 267,036.67	(190,903.34)
Accrued Income Taxes	0.00	0.00	0.00	0.00
Accrued Expenses	1,143,152.76	1,535,110.15	1,287,980.33	(144,827.57)
Prepaid Income/RE	82,637.70	82,637.70	82,637.70	0.00
Security Deposits	453,622.51	448,731.80	458,490.22	(4,867.71)
Prepaid Rent Income	426,927.08	600,662.28	631,365.36	(204,438.28)
<b>Total Current Liabilities</b>	<u>2,182,473.38</u>	<u>2,771,462.83</u>	<u>2,727,510.28</u>	<u>(545,036.90)</u>
 <b>Long-Term Liabilities</b>				
Notes Payable (1)	95,743,569.23	96,369,392.76	96,898,243.95	(1,154,674.72)
<b>Total Long-Term Liabilities</b>	<u>95,743,569.23</u>	<u>96,369,392.76</u>	<u>96,898,243.95</u>	<u>(1,154,674.72)</u>
 <b>Total Liabilities</b>	<u>97,926,042.61</u>	<u>99,140,855.59</u>	<u>99,625,754.23</u>	<u>(1,699,711.62)</u>
  Minority Interest (2)	<u>(6,803,872.56)</u>	<u>(6,803,872.56)</u>	<u>(6,803,475.00)</u>	<u>(397.56)</u>
<b>Total Minority Interest</b>	<u>(6,803,872.56)</u>	<u>(6,803,872.56)</u>	<u>(6,803,475.00)</u>	<u>(397.56)</u>
 <b>Stockholders' Deficit</b>				
Common Stock	800,200.00	800,200.00	800,200.00	0.00
Dividend	0.00	0.00	(6,350,000.00)	6,350,000.00
Retained Earnings (Deficit)	<u>(18,052,800.26)</u>	<u>(18,704,506.03)</u>	<u>(12,920,218.76)</u>	<u>(5,132,581.50)</u>
<b>Total Stockholders' Deficit</b>	<u>(17,252,600.26)</u>	<u>(17,904,306.03)</u>	<u>(18,470,018.76)</u>	<u>1,217,418.50</u>
 <b>TOTAL LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>	<u>\$ 73,869,569.79</u>	<u>\$ 74,432,677.00</u>	<u>\$ 74,352,260.47</u>	<u>(\$ 482,690.68)</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, 2014

	3/31/2014	12/31/2013	9/30/2013	Variance
Key Bank	\$ 16,855,915.97	\$ 16,926,271.31	16,995,500.81	(139,584.84)
TIAA	21,189,147.75	21,260,772.48	21,331,140.76	(141,993.01)
Cardinal Bank	16,292,281.88	16,372,931.55	16,450,779.62	(158,497.74)
Guardian Life	29,300,548.79	29,434,605.59	29,567,304.26	(266,755.47)
Promissory Note	3,855,445.01	4,124,582.00	4,303,288.67	(447,843.66)
Haymount Mezz	8,250,229.83	8,250,229.83	8,250,229.83	0.00
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Total Long Term Debt	95,743,569.23	96,369,392.76	96,898,243.95	(1,154,674.72)
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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 March 31, 2014

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
<b>Rental Activities</b>				
Rent Income	\$ 8,031,325.10	\$ 8,174,590.00	\$ (143,264.90)	\$ 7,726,075.62
Rent Expenses	\$ (2,173,237.49)	\$ (2,246,798.00)	\$ 73,560.51	\$ (2,128,397.04)
Real Estate Taxes	\$ (720,404.51)	\$ (710,676.00)	\$ (9,728.51)	\$ (680,614.32)
Depreciation	\$ (1,060,471.14)	\$ (1,060,470.00)	\$ (1.14)	\$ (1,056,070.47)
Debt Service-Interest	\$ (2,262,085.41)	\$ (2,263,167.00)	\$ 1,081.59	\$ (2,298,156.96)
<b>Net Rental Income</b>	<b>\$ 1,815,126.55</b>	<b>\$ 1,893,479.00</b>	<b>\$ (78,352.45)</b>	<b>\$ 1,562,836.83</b>
 <b>Gross Profit</b>	 <b>\$ 1,815,126.55</b>	 <b>\$ 1,893,479.00</b>	 <b>\$ (78,352.45)</b>	 <b>\$ 1,562,836.83</b>
 <b>Operating Expenses</b>				
Bank Charges	\$ 931.47	\$ 1,200.00	\$ (268.53)	\$ 514.95
Schwab Fees	\$ 4,550.36	\$ 3,500.00	\$ 1,050.36	\$ -
Computer Supplies	\$ 1,129.00	\$ 2,000.00	\$ (871.00)	\$ 4,835.81
Computer Consultant	\$ 8,574.50	\$ 6,000.00	\$ 2,574.50	\$ 7,883.04
Office Administration	\$ 63,550.00	\$ 53,550.00	\$ 10,000.00	\$ 61,000.00
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	\$ 30,000.00	\$ (21,428.53)	\$ 31,908.13
Legal - Loan/Lenders	\$ -	\$ -	\$ -	\$ 17,050.00
Legal - Haymount	\$ 44,836.03	\$ 40,000.00	\$ 4,836.03	\$ 64,064.40
Benefits	\$ 17,629.23	\$ 17,000.00	\$ 629.23	\$ 11,282.69
Management Meals	\$ 4,438.11	\$ 3,900.00	\$ 538.11	\$ 3,725.41
Office Supplies	\$ 12,783.81	\$ 3,600.00	\$ 9,183.81	\$ 7,771.86
Other Taxes and Licenses	\$ 1,036.85	\$ 700.00	\$ 336.85	\$ 1,166.00
Payroll Taxes	\$ 15,907.17	\$ 16,500.00	\$ (592.83)	\$ 13,862.23
Estimated Taxes (Federal & State)	\$ 35,130.00	\$ 35,130.00	\$ -	\$ -
Postage	\$ 2,464.77	\$ 2,250.00	\$ 214.77	\$ 2,314.32
Accounting	\$ 2,950.00	\$ 7,200.00	\$ (4,250.00)	\$ 3,926.50
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	\$ 510.92	\$ 2,100.00	\$ (1,589.08)	\$ 37,795.40
Charitable Contribution	\$ 1,000.00	\$ 1,000.00	\$ -	\$ 11,000.00
Rent	\$ 54,559.64	\$ 54,000.00	\$ 559.64	\$ 43,979.82
Executive Compensation	\$ 168,750.00	\$ 168,750.00	\$ -	\$ 137,500.02
Executive Bonus	\$ 150,000.00	\$ 150,000.00	\$ -	\$ 100,000.00
Executive Compensation Committee Fees	\$ 9,500.00	\$ -	\$ 9,500.00	\$ -
Office Phone & Internet	\$ 3,049.46	\$ 3,600.00	\$ (550.54)	\$ 1,724.55
Cell Phones & Mobile Devices	\$ 4,406.39	\$ 4,500.00	\$ (93.61)	\$ 2,960.46
Management Travel	\$ 13,633.91	\$ 21,000.00	\$ (7,366.09)	\$ 13,724.87
Payroll Processing Fees	\$ 2,438.26	\$ 2,400.00	\$ 38.26	\$ 2,502.28

	Year to Date Actual	Year to Date Budget	Year to Date Variance	Year to Date Prior Year
Costs associated with Sale of Property	\$ 331.34	\$ -	\$ 331.34	\$ -
Board of Directors Fees	\$ 108,000.00	\$ 108,000.00	\$ -	\$ 114,000.00
House Plans for Neighbors	\$ (402.95)	\$ -	\$ (402.95)	\$ -
RE Tax Expense	\$ 2,799.72	\$ 3,300.00	\$ (500.28)	\$ 2,799.72
Shareholders Annual Meeting	\$ 794.70	\$ 2,000.00	\$ (1,205.30)	\$ 1,210.66
Board Travel and Meals	\$ 16,578.60	\$ 20,000.00	\$ (3,421.40)	\$ 17,096.89
<b>Total Operating Expenses</b>	<b>\$ 853,217.01</b>	<b>\$ 855,180.00</b>	<b>\$ (1,962.99)</b>	<b>\$ 791,603.76</b>
 <b>Net Operating Income</b>	 <b>\$ 961,909.54</b>	 <b>\$ 1,038,299.00</b>	 <b>\$ (76,389.46)</b>	 <b>\$ 771,233.07</b>
 <b>Other Income and Expenses</b>				
Miscellaneous Income	\$ 7,465.00	\$ -	\$ 7,465.00	\$ -
Interest Income	\$ 2,572.43	\$ 3,000.00	\$ (427.57)	\$ 3,595.30
Interest Dividend Income	\$ 36.71	\$ -		\$ -
Debt Service (Interest) Other	\$ (52,156.37)	\$ (51,554.47)		\$ (24,388.34)
Unrealized Investment Gain/Loss	\$ 297,591.20	\$ -	\$ 297,591.20	\$ 61,792.53
<b>Total Other Income and Expenses</b>	<b>\$ 255,508.97</b>	<b>\$ (48,554.47)</b>	<b>\$ 304,628.63</b>	<b>\$ 40,999.49</b>
 <b>Net Income</b>	 <b>\$ 1,217,418.51</b>	 <b>\$ 989,744.53</b>	 <b>\$ 228,239.17</b>	 <b>\$ 812,232.56</b>

W.C. and A.N. MILLER COMPANIES  
STATEMENT OF CASH FLOW  
For the Month Ended March 31, 2014

	Current Month	Year to Date
Cash Flows for Operating Activities:		
Net Income	367,169	1,217,419
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Dividend		
Depreciation and amortization	176,334	1,045,989
Unrealized Investment Gain/Loss	(29,080)	(297,591)
Loss on disposition of fixed assets		
Income allocated to minority interest		(398)
Accounts receivable	(187,818)	(171,205)
Other receivables	2,373	13,978
Inventory		
Deferred income taxes		
Prepaid expenses	6,193	14,681
Current maturities of long term debt		
Accounts payable	(1,503)	(190,903)
Accrued income taxes		
Accrued expenses	(399,766)	(144,828)
Security deposits	1,171	(4,868)
Prior Tenant Clearing (SH)		
Prepaid Real Estate Tax Income	40,026	160,103
Prepaid rent income	(153,665)	(204,438)
Total Adjustments	(545,736)	220,521
Net Cash Provided by (Used for) Operating Activities	(178,567)	1,437,940
Cash Flow for Investing Activities:		
Acquisition of fixed assets	(175,793)	(1,033,971)
Acquisition of deferred financing charges		
Acquisition of deferred Leasing Commissions	(37,561)	(198,294)
Acquisition of real estate tax escrow	275,850	(85,155)
Acquisition of Investments	104	4,514
Acquisition of water escrow		(973)
Deposit on Refinance		
Disposition of guaranty reserve		
Disposition of deposit		
Net Cash Used for Investing Activities	62,600	(1,313,879)
Cash Flow for Financing Activities:		
Disposition of long term debt	(212,883)	(1,154,675)
Acquisition of long term debt		
Net Cash Used for Financing Activities	(212,883)	(1,154,675)
Net Increase (Decrease) in Cash and Cash Equivalents	(328,850)	(1,030,614)
Cash and cash equivalents, Beginning of Period	4,898,941	5,600,706
CASH AND CASH EQUIVALENTS, END OF YEAR	4,570,091	4,570,091