

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS TELECONFERENCE
February 11, 2011

Participants:

Robert (Bob) Beers, Jr.	Robert (Rob) Beers, III
Katharine (Kathy) Kile	Ernest (Bud) Miller
Geoffrey (Geoff) Miller	Robert Miller (Rob)
James (Jim) Myers, Jr.	Deborah Vaughan

Monica Satrape was absent. The Board meeting began at 10 am. Attached is the supporting documentation that was given to all members in advance of the meeting. Patricia R. Emory acted as Corporate Secretary for the meeting.

1. Approval of January 20, 2011 Minutes:

Ernest Miller noted that under item 7 the Executive Compensation Committee had requested a \$10,000 budget which was approved by the Board.

Rob Beers noted that under item 5, 3rd paragraph 2nd line, the word “not” should be removed.

These corrections are to be made and the minutes resubmitted for approval at our next meeting on March 11, 2011.

2. Review of December 2010 Financials:

Rob Miller noted that income is down this quarter by \$133,000. He noted that there are two items that are causing this reduction: (1) The Budget reflected that we should receive income from Long & Foster on the 3 year CAM but after a thorough review it has been determined that our calculations were incorrect resulting in a write-off of approximately \$74,000; (2) The CAM billings for Spring Valley Retail were budgeted to be billed in the first quarter but instead will be billed in the second quarter.

Rob Miller explained that all other Rental Expenses were in line with budget. He further explained that the Operating Expenses are over budget due to (1) Haymount legal expenses that were unanticipated; and (2) timing of the Review/Audit/Tax Return billings that were budgeted as a lump sum payment in January but have been billed as they expenses have occurred.

A discussion occurred regarding a reforecast of the Budget based on the first quarter actual and their effect on the year-end figures. Rob Miller explained that he is working with McShea on this and should have it ready for our next meeting in March.

3. **Update on Company:**

- a. Rob Miller informed the Board that he has switched the Company's retail broker to Streetsense who appear to be very excited to lease up our vacancies in our portfolio.
- b. Subway: Rob Miller stated that the deal is taking an enormous amount of time to close. He noted that the lease has been negotiated by all parties and we are now awaiting the assignment by Subway to a franchisee.
- c. Kicks Karate: Rob Miller noted that the lease is out for final comments and should be done by next week. He did note that this lease requires Safeway to approve due to its use is a restricted one in Safeway's lease. Safeway is to meet on February 15, 2011 to approve.
- d. Office Leasing:
 - 1. Dr. Elliott: She is taking approximately 2,833 square feet of space at 4910 Massachusetts Avenue. She signed a 10 year deal at \$38 a foot. She is relocating from Foxhall Square, one of our competitors.
 - 2. Shops at Sumner Place: Rob Miller explained to the Board that there has been a need for smaller spaces so we have been breaking down the larger spaces into approximately 500 square foot spaces and finishing them and each one has been leased rather quickly. We are presenting them to prospective as short term, as-is deals.
 - 3. American University Law School: They have agreed to take the remainder of the lower level space at 4301 50th Street. Rob Miller noted that the space will be rolled into their existing lease with us providing a \$15 allowance for tenant improvements.
 - 4. First Floor of 4301 50th Street: Rob Miller explained that there has been interest in the space but nothing concrete at the moment.
 - 5. MedStar: Rob Miller explained that they will be taking Dr. Perlman's space when he vacates at the end of April 2011. The lease has been negotiated at approximately \$43.00 per foot net of electric and cleaning which raises the price to approximately \$47 a foot with a \$20 allowance for tenant improvements.
 - 6. Chicken Out: Rob Miller explained that their lease expires at the end May 2011 and that they had an option to renew but failed to exercise it properly. Rob Miller noted that the space should lease quickly and that we should get a much higher rent than what we are currently getting. He stated that the leasing brokers will be offering it at \$70 per foot and we

should end up in the mid \$60 per square foot versus \$25 that we are getting now.

- e. Sumner Highlands: Rob Miller stated that the occupancy is strong and that the vacancies that we have right now should fill shortly. He went on to explain that he had asked McShea to survey the competition to see how the apartments rents compare to them. It was determined that our rate per square foot was higher than the average but that our rental rate was much lower so it was decided that the rental rates would be raised by approximately \$100 to \$150 per month. He did note that the renewals for existing tenants would not be raised as high. A copy of the comparison charts will be sent to all Board members.

4. **Report from Executive Compensation Committee:**

Debbie Vaughan explained that she has hired the 2 companies discussed last month and the requested information was sent to them on the February 7, 2011. She noted that it should take approximately 2 weeks for them to complete their studies and then she will want a conference call with them and the Committee and Rob. It was noted that the reports should be done prior to the April Shareholders meeting.

5. **Haymount:**

Rob Miller explained that there are two avenues that are being pursued in this case: (1) working with Holland & Knight to get our insurance carrier to pay for the legal expenses under our Director and Officer coverage; and (2) the lawsuit itself.

(1) Rob Miller stated that the insurance carrier is at present not willing to cover us but he has finally agreed to have in-house counsel look at the matter and speak with our attorneys at Holland & Knight. He noted that it could take up to a year to get the insurance company to step in and at the end they might not and we could be forced to sue them to get them to participate in this suit.

(2) Rob Miller stated that the lawsuit itself is complicated. Rob Miller explained that we had filed a Motion to Dismiss and that the Plaintiff had filed his response which our attorneys are reviewing. He further explained that at a preliminary meeting with the Judge yesterday, the Judge is allowing discovery to occur prior to her ruling on the Motion to Dismiss. He stated that this round of discovery will most likely ask for the names of the members of ESI and Miller Investment thus bringing them into the lawsuit.

6. **3 Lots in Montgomery County, Maryland:**

Rob Miller stated that we have received an offer to purchase the 3 lots for \$630,000. The Letter of Intent asks for a 60 day study period and then we go to settlement. He noted that this was an all cash deal. He explained that the individual with the option agreement has completed his study and designed a house but that his agreement is not strong and we will be able to cancel it easily.

7. **Discussion on Sale of Sumner Highlands:**

Bud Miller stated that now was a good time to look at the possibility of the sale of the Apartments in that the property is in a positive cash flow position. Rob Miller stated that he thinks that the property is worth approximately \$30 million using a 4.5 cap rate on the free cash flow. He further noted that with our tax situation we would not owe any taxes should we decide to sell. It was decided that Rob Miller would pursue the exercise of the sale of the property to see what we could get for it.

8. **Governance and Nominating Committee Update:**

Bob Beers stated that he has received information from all 3 candidates and has spoken with each of them. He stated that the schedule will be as follows for the meeting with them on March 8, 2011 at the Hyatt Orlando Airport: 9 am will be Jay Maddock, Jr.; 12 noon will be Craig Aronoff and 3pm will be Mike Fallon. Bob Beers stated that he hopes to have an hour and half session with each candidate. It was decided that for those Board members that cannot attend these meeting that Bob Beers would set-up a conference call-in feature.

Bob Beers noted that he hopes to have the slate of Directors to the full Board no later than the end of the week of March 7, 2011.

9. **Update to Shareholders:**

Rob Miller stated that the update is complete and will go out to the Shareholders today with an electronic copy being sent to the full Board today as well.

There being no other business the meeting adjourned at 11:30 pm.

Patricia R. Emory, Corporate Secretary

March 11, 2011

Approved