

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
November 14, 2013

Participants:

Robert (Bob) Beers, Jr. (via telephone)	Robert (Rob) Beers, III
Michael (Mike) Fallon	Katharine (Kathy) Kile
Paul (Jay) Maddock, Jr.	Geoffrey (Geoff) Miller
James (Jim) Myers, Jr.	Robert (Rob) Miller
Deborah (Debbie) Vaughan	

The Board meeting began at 9:12 am at the Company's offices in Bethesda, Maryland. Attached is the supporting documentation that was given to all members in advance of the meeting.

1. **Approval of Meeting Minutes of July 18, 2013 and September 13, 2013**

Motion was made by James Myers, Jr. and seconded by Michael Fallon to approve the Meeting Minutes of July 18, 2013 and September 13, 2013. All were in favor, none opposed.

2. **Review of September 30, 2013 Financial Statements:**

Balance Sheet: Cash is \$5,597,000 and Equity Investments are \$2,824,000 up 18% for the year.

Income Statement: Rental Income is below Budget due to the write off of bad debt. Rental Expenses are higher than budget due to various budgeted Capital items being expensed rather than being capitalized. Net Operating Income was over Budget by \$40,000.

Variance Report: Rental Income variance is under Budget due to higher vacancy at Sumner Highlands (\$115,123), unbudgeted vacancies at 4301 50th, 4315 50th and 4900 Massachusetts Avenue (\$99,751), unbudgeted concessions to tenants at the Shops at Sumner Place (\$246,305) and expenses are less than Budget therefore recovery income is less than Budget on all commercial properties by \$147,205.

3. **Company Update:**

a. **Leasing Activity:**

1. Shops at Sumner Place:

Retail has 0% vacant and the Offices have 6.8% vacancy.

2. Spring Valley Retail

Vacancy stands at 9.88%

3. Sumner Highlands

Occupancy is at 88%. Rob Miller explained that he is not happy with the leasing and stated that he had a meeting with Laurie Craft and Steve Lynch sharing his views and has been assured that leasing of our apartments will become a priority.

b. McShea/Avison Young

Rob Miller explained that McShea Management was acquired by Avison Young on November 1, 2013. He noted that all of our team with McShea is staying on.

c. Update on CNA claim

A claim has been made to CNA in the amount of \$628,000 which represents our legal expenses to defend the Haymount litigation. The statute of limitations runs out in the middle of December so if we do not hear back from them by then we will need to file a lawsuit to protect our rights.

d. Update on Haymount LP

Rob Miller stated that now that the lawsuits are over the Miller Company needs to look into closing down HLP. He explained that the Miller Company owns 85% of the partnership which has zero assets and liabilities of \$10 million (judgment). Additionally, there is \$45 million in debt owed to the Miller Company. One option would be to convert the \$45 million in debt to equity and sell our share of HLP to the other partners for \$1 and write off the \$45 million. If we do a structured sale it would eliminate any phantom gain to the partners. Rob stated that he hopes to have a meeting with the partners in January or February to discuss the matter.

4. **Committee Updates:**

1. Audit & Finance Committee:

The Committee is awaiting the Agreed Upon Procedures Report and the Reviewed Financials from our accountant. Alan Gordon's office is approximately 75% done and should have everything to Jim Myers, Chairman within the next 2 weeks.

2. Governance and Nominating Committee:

Debbie reported that the Committee thoroughly reviewed all issues regarding the Board's composition.

On behalf of the Committee, Debbie Vaughan proposed the existing Board serve for 2014/2015. It was stated that this Board has had a successful history of performance, especially through some of the most difficult times in the Company's history. The Committee concluded that the size of 9 is about the right number for solid voting, and that succession plans and term limits were difficult given the small number to rotate on and off the Board.

Motion was made by Deborah Vaughan and seconded by Robert Beers, III to continue with the same slate for the Board of Directors for 2014. All were in favor, none opposed.

A discussion took place regarding the development of a Board survey to be used for general feedback on overall Board function. The survey is expected to provide a document that will help the Board address areas that need improvement. It was pointed out that this is a tool used commonly on Boards, and is in line with good corporate governance practices.

3. Ad Hoc Committee:

Mike Fallon, Chairman, explained that the Committee had last met in September. He stated that it is a long slow process to determine the best course of action for the Company to obtain some liquidity. Jim Myers commented that the Committee has considered a sale of the company or a transaction such as selling a component of the Company's portfolio to a REIT. He explained that this is not an all or nothing transaction.

Rob Miller informed the Board that he has spoken with McShea/Avison Young about selling one of our properties that is at a historically high value and purchase a new property utilizing a 1031 exchange.

The Board went into Executive Session at 1:27 pm to discuss the results of the Executive Compensation Committee research.

4. Executive Compensation Committee:

During executive session, Rob Beers lead a discussion regarding Rob Miller's total compensation. He reviewed the findings of the two compensation consultants' reports with the Board. Rob Beers also relayed discussions from a meeting the previous evening with Rob Miller regarding his compensation. After a discussion, Rob Beers made a recommendation to the Board regarding Rob Miller's short term incentive pay, which was approved. He also gave parameters as to what a possible long term incentive plan would look like. Based on this

discussion Rob Beers and Mike Fallon will continue to work with Rob Miller in trying to formalize a long term incentive plan.

Motion was made by James Myers, Jr. and seconded by Deborah Vaughan to adjourn the meeting at 2:54 pm. All were in favor, none opposed.

Patricia Emory, Corporate Secretary

February 7, 2014

Approved