

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
November 15, 2012

Participants:

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

The Board meeting began at 9:00 am at Columbia Country Club. Attached is the supporting documentation that was given to all members in advance of the meeting.

1. **Approval of October 12, 2012 Minutes:**

Motion was made by James Myers, Jr. and seconded by Deborah Vaughan to approve the October 12, 2012 Meeting Minutes. All were in favor, none opposed.

2. **Approval of Items to stay in compliance with Audit & Finance Committee's Agreed Upon Procedures:**

- a. Management had budgeted for Springvale Meadows expenses of only \$21,000 but \$148,925.28 was spent;
- b. Management renewed the Bank of America Lease for 10 years at \$83.00 per foot with no tenant improvements; and
- c. Management renewed the McEneaney Lease for the upper two floors of 4315 50th Street for 3 years at \$38.00 per foot with no tenant improvements.

Motion was made by James Myers, Jr. and seconded by Deborah Vaughan to approve these actions by Management.

3. **Company Update:**

- a. September 2012 Financial Statements

Rob Miller reviewed the Year to Date financials:

1. Real Estate taxes were not budgeted for Sumner Highlands in fiscal year 2011/2012.
2. Sumner Highlands had a vacancy rate of 5.1% but we had only budgeted for a 4% vacancy. Rob Miller noted that more concession has been needed as well to file the vacant apartments.

3. Shops at Sumner Place income is down by \$101,553 due to:
 - a. The vacancy of Bethesda Market along with the extra (6 months) time it took to finalize the deal with Passion Fin.
 - b. CVS's 3 year CAM issue was settled which reduced Rental Income.
 - c. Expenses were down by (\$160,488) due to the mild winter and the reversal of the Bad Debt associated with CVS.
4. Spring Valley Office's Rental Income is less than budget by (\$112,604) due to the vacancy at 4301 50th Street along with the vacancy of ½ of the 1st floor of 4900 Massachusetts Avenue.
5. Spring Valley Retail's Operating Expenses are higher than budget by \$120,102 primarily due to the litigation with Crate and Barrel.
6. Operating Expenses (expenses relating to running the Company) are over budget by \$96,922.63 primarily due to the 2007 DC payroll taxes.
7. Cash is below budget by (\$1,190,518.63) primarily due to the payments to the IRS and DC Government for the 2007 payroll taxes as well as the Springvale Meadows expenses.
- b. Rob Miller explained that US Renal had a hard start date for construction to begin of 60 days from October 30, 2012.
- c. Rob Miller explained that he has asked Phillips Realty Capital to approach Cardinal Bank to see if the note could be refinanced.
- d. Rob Miller explained that he is working with our landscaping team to put together designs to redo the plantings at all of the properties. Once designs are completed and priced he will come back to the Board for approval.
- e. New Building at 49th Street, NW: Rob Miller explained that he would like to propose to the citizens a 24,000 square foot property which will have 12,000 in retail and 4 condominiums of 2,500 square feet.

4. **Discussion of Strategic Plan and Dividend Policy**

An extensive discussion occurred among the Board of Directors regarding the proposed unsecured Subordinated Promissory Note along with an additional dividend to help cover the taxes. It was agreed that a Strategic Plan was developed and approved and that we should now implement it. It was decided that Rob Miller would work with Alan Gordon and our tax attorney, Christopher Scott to put together an explanation to the Shareholders regarding a distribution of \$5 million in the form of an unsecured Subordinated

Debtenture along with \$1.2 million dividend to help cover the taxes. Rob Miller would put together a revised spreadsheet in advance of the December 14, 2012 Board of Directors teleconference meeting.

5. **Governance and Nominating Committee Update**

- a. Bob Beers proposed that following individuals for the 2013 Board of Directors

Robert W. Beers, Jr.
Robert W. Beers, III
Michael Fallon
Katharine Kile
Paul Maddock, Jr.
Geoffrey T. Miller
Robert R. Miller
James Myers, Jr.
Deborah Vaughan

Motion was made by Paul Maddock, Jr. and seconded by James Myers, Jr to present the Slate of Directors to the Shareholders for vote at the Annual Meeting in January 2013. All in favor, none opposed.

- b. A discussion occurred regarding the candidates for Chairman and Vice Chairman of the Board.

Motion was made by Robert Miller and seconded by Robert Beers, III that the Chairman of the Board to be elected at the Annual Shareholders Meeting shall be Michael Fallon and the Vice Chairman will be Deborah Vaughan. All in favor, none opposed.

- c. It was discussed that the Board of Directors should rotate which committee they are a part of. Additionally, it was suggested that due to the fact that a majority of the Board members have been on the Board for a long time that it might be helpful to have fresh eyes and ideas brought to the Board with new family members.

6. **Audit & Finance Committee Update**

Rob Beers explained that his Committee will review the 5 year capital improvements budget and Rob Miller stated that he will update it annually. It was discussed that the financial review and Agreed Upon procedures report will be available the first week of December.

A lengthy discussion occurred regarding investing any or all of the available cash. It was decided that Jim Myers would work with Rob Miller in determining where to invest the money and how much should be invested based on our Budget and long range plans.

7. **Executive Compensation Committee Update**

Bud Miller thanked Debbie Vaughan for all of her hard work. She, in turn, thanked all of her Committee members.

Debbie Vaughan explained that her Committee felt it was necessary to set a dollar amount to be used towards a “Benefit Package” for the CEO. The amount determined is \$34,000 per year. This way Rob Miller can decide into what categories of benefits the \$34,000 should be allocated.

Motion was made by Robert Beers, III and seconded by Michael Fallon that Robert R. Miller, CEO of the Company, shall budget \$34,000 for benefits for the CEO and the CEO shall determine into what categories of benefits this amount shall be allocated. All in favor, none opposed. Robert Miller abstained from voting on this matter.

A discussion occurred regarding the potential Bonus for Rob Miller. The Goals and Objectives as well as the Stretch Goals were reviewed. It was explained that these would be reviewed on a quarterly basis and that for next year these will be established prior to the Budget being complete.

Motion was made by James Myers, Jr. and seconded by Michael Fallon that the bonus potential for Robert Miller as CEO is \$150,000 which is detailed in the “Executive Compensation Document Fiscal Year 2012/2013”. All in favor, none opposed. Robert Miller abstained from voting on this matter.

At approximately 2:30 pm Rob Miller and Patty Emory were excused from the meeting and the remaining Directors went into Executive Session.

At approximately 3:30 pm the meeting adjourned.

Patricia R. Emory, Corporate Secretary

January 25, 2013

Approved