

**MINUTES**  
**W.C. & A.N. MILLER DEVELOPMENT COMPANY**

**BOARD OF DIRECTORS**

**April 24, 2009**

**Participants:**

Robert (Bob) Beers, Jr.  
Katharine (Kathy) Kile  
Geoffrey (Geoff) Miller  
James (Jim) Myers, Jr.  
Deborah (Debbie) Vaughan

Robert (Rob) Beers, III  
Ernest (Bud) Miller  
Robert R. Miller  
Monica Satrape

The Board meeting began at 9 am at Columbia Country Club's Board Room. Attached is an Agenda that was given to all members in advance of the meeting but has been revised to reflect the order of business during the meeting. Patricia R. Emory acted as Corporate Secretary for the meeting.

1. Approval of Board of Directors Meeting Minutes: The following minutes were reviewed and approved as indicated.

October 24, 2008: Motion by Debbie Vaughan, seconded by Geoff Miller. All were in favor, none opposed.

January 22, 2009: Motion by Bob Beers, seconded by Jim Myers. All were in favor, none opposed.

January 24, 2009: Motion by Geoff Miller, seconded by Bob Beers. All were in favor, none opposed.

February 2, 2009: Motion by Rob Beers, seconded by Jim Myers. All were in favor, none opposed.

2. Financial Statements:

- a. Income Statement: Monthly the Net Income is below budget but year to date we are above. The Gross Profit is the same. The Operating Expenses are just the Company's direct expenses and is over budget due to the payment to Pasko & Farrell in lump sum versus spread-out over 12 months as was budgeted.

- b. Pass Through Expenses: Rob Miller explained that there was an error in billing the tenants previously and that McShea is now working on getting the right amounts out to the tenants. Further, he explained that for fiscal year 2007/2008 they were under-billed by approximately \$345,000. For national tenants, we can only go back 3 years to collect this error. At present, none of the national tenants have paid. It appears that over 2 million dollars was not billed going back to 2001.

3. “Recreating” Financials: Rob Miller reported that over the next 4 weeks, the Balance Sheet will be reconciled with the goal of having it complete by the end of May. He explained that there will be significant changes to the Balance Sheet. This is being done only for fiscal year 2007/2008 due to the fact that the tax returns have been filed for the prior years. Rob Miller further explained that there will be a Board Meeting for the approval and acceptance of the documents once complete.

4. Reznick: Rob Miller explained that he had met with the attorney that he wishes to hire to pursue the case against Reznick. Mr. Marcus, the attorney, stated that we can go back to the auditor prior to Reznick, AWR, in that they did not pick up the errors in calculating the pass through expenses as well. The process will require a “forensic” auditor to review the work Reznick did and prepare an opinion. Based on the opinion, the demand letter is issued and we await a response. Rob Miller explained that it will cost approximately \$25,000 to get to the demand letter stage. It was decided that prior to demand letter going out, the Board will review to make sure all in agreement.

**RESOLVED:** A Motion was made by Monica Satrape and seconded by Jim Myers that gives Rob Miller the authority to pursue the legal matters against Reznick and AWR with a cap of \$50,000 in fees. All were in favor, none opposed.

5. Review of major tenants, capital expenditures for the properties and McShea’s performance:

a. Major Tenants: Rob Miller explained that there would be a problem if we lost one of our big tenants. He reported that at this time all seem in good shape. Ritz Camera filed bankruptcy and they need to advise if they are going to accept or reject our lease. Rob Miller explained that he meets monthly with the leasing specialist for both retail and office to stay on top of what is occurring with the leasing/renews of our buildings. In reviewing what is coming up, Rob Miller explained that we are being realistic and upfront and if we see a tenant in trouble we are meeting with them to see what can be done to help them out even if leaving is the best option. National tenants want into our buildings. Our occupancy is 100% in Spring Valley; 100% in retail portion of Shops at Sumner Place and approximately 10% vacant in office portion of Shops at Sumner Place.

b. Capital Expenditures: Rob Miller explained that the following work needs to be done this year:

1. The roofs at 4900 and 4910 Massachusetts Avenue;
2. The energy management system at 4910 Massachusetts Avenue.
3. The exterior of the retail in Spring Valley will receive painting;
4. Replacement of Burdeshaw’s windows;
5. The painting and recarpeting of the corridors in the office portion of Shops at Sumner Place as well as 4910 Massachusetts Avenue.

Rob Miller explained that McShea is looking into any and all “green” tax credits we can get with doing these changes. He further explained that all projects are triple bid and if bids

don't come in in-line with the budget they are sent out for re-bid. Rob Miller also explained that the correct decision was made by the Board in picking McShea. The tenants seem much happier.

6. Update on Chevy Chase Bank line of credit: Rob Miller explained that the Line has expired as of April 1, 2009 but that we are in the process of renewing it. The appraisal came back on Spring Valley retail at with a value of 18.1 million dollars which is significantly lower than anticipated. This will require that we reduce the principal amount of the loan to approximately 14 million dollars which would mean that we would need to come up with 1.4 million plus the 1% fee to close on the renewal. Rob Miller explained that he has never been happy with Chevy Chase line and that he asked the people at Phillips to see if they knew of any lenders and they came back with Burke & Herbert Bank and Trust Company out of Virginia. Burke & Herbert have agreed in principal to lending us 10.9 million secured against Spring Valley retail and a revolving line of credit secured by Corporate guarantee of 3.5 to 4.5 million dollars. Rob Miller explained that Chevy Chase can't close until June 2009 but Burke & Herbert can close as soon as possible. The fixed loan should have a rate of 7% while the revolving line will be Prime with a floor somewhere around 4. All banking will be moved to Burke & Herbert. There are two additional loans with Chevy Chase that Phillips will be speaking to Burke & Herbert about – Sunshine Brook and Chandlee Mill. Rob Miller discussed that his plan right now was to work with Burke & Herbert and if that fell through that he would renew with Chevy Chase and if that didn't work try to find some type of mezzanine deal and if that didn't work sell Sumner Highlands but in speaking with McShea and CB Ellis it is not good to sell this asset until leased up.

7. Haymount:

a. Avanti: Bud Miller explained that the only outstanding issue with Avanti is the letter of credit with SunTrust. Hopefully, this will be resolved soon. It was discussed that it would be prudent to approach Avanti about them buying the additional 100 acres plus our upside along with the house and acreage that John Clark is living in. It was agreed that we would let Avanti put a number on the table and go from there.

b. Lawsuit against HLP. Case in bankruptcy court and only asset to the bankruptcy court is the potential commission perceived to be due of 3 million dollars. Only asset of HLP is the upside of the sale of Haymount. Rob Miller explained that McGuire Woods has been defending us but not cooperating well so Holland & Knight has stepped in to assist us. Right now it will cost an additional \$5,000 to prepare motion and supporting documentation for summary judgment. There are \$35,000 in outstanding bills to McGuire Woods and it has been determined if they are to be paid in that they are representing Haymount and Haymount has no assets. It was agreed to go forward with the summary judgment documentation and see what occurs and decide at that time how to proceed.

8. Sumner Highlands:

Rob Miller explained that the property is still costing approximately \$100,000 to carry per month. We are currently 64% leased. When McShea took over the property was 56%. McShea is still confident that the property will lease up. A concession plan has been introduced, recently, offering 13 months at the price of 12 months. Rob Miller explained that the breakeven

point for the property is 100% leased. Rob Miller also explained that there are 4 units that were flooded that need approximately \$30,000 in repairs to fix. Insurance company has only paid \$9,000 but once work completed in units we will go back to them.

9. Audited Statement:

Rob Miller explained that it would cost @\$150,000 to have an audit done for fiscal year 2008. Further, he does not recommend it to be done in that it would be very hard for an auditing firm to do since all of the staff is gone and therefore any firm would put a high premium on the price to prepare the audit. There was a general discussion concerning this issue especially concerning the fact that the By-Laws say that one is to be done. Rob Miller explained that the real purpose of an audit is for the benefit of the Shareholders. It was discussed that if necessary, the By-Laws can be amended to cover the fact that an audit will not be done for fiscal year ending September 30, 2008. It was also discussed that the Audit & Finance Committee could meet with our accounting firm and then prepare a report back to the Board and Shareholders. It was decided that this issue will be tabled at this time and addressed at a later date once the review of the Balance Sheet as of September 30 2008 is complete. Once their review is complete, it will be presented to the Board then to the Shareholders.

10. Board Committees; 11. Size of Board and membership of it; 12. Strategic planning process:

Bud Miller stated that all three topics are inter-related. It was discussed that it is hard to put parameters on these issues until such time as we are in a positive cash flow basis. It was stated that, at present, Rob Miller's direction is to build reserves and pay down debt. It was further discussed that the Shareholders are pleased with the way things are moving forward. Rob Miller stated that at present our budget is our strategic plan.

a. Board Size: It was agreed that Bud Miller would remain until Company has turned around. It was also decided that each branch of the family should be represented on the Board. It was further decided that at the October Board Meeting the slate of Directors would be discussed and then sent to the Shareholders for the annual meeting in January but at present we would maintain status quo.

b. Committees: It was agreed that there is a need for the Audit & Finance Committee. It would ensure that the controls are in place and to meet with accounting firm. Rob Miller explained that he sees the control system as the budget. The Board approves the budget and anything that is outside of the budget needs to be approved by the Board.

**RESOLVED:** Monica Satrape, Robert Beers, III and James Myers, Jr will be the members of the Audit & Finance Committee. All were in favor, none opposed.

c. Audit & Finance Committee: By the end of May they are to get to the full Board their Charter and a plan of action which is to be reviewed by Rob Miller. They are to plan out 12 to 18 months.

13. Washington Securities:

Rob Miller explained that it is in the budget to pay off this debt this fiscal year but that he still needs to deal with Chevy Chase Bank and Burke & Herbert. Rob Miller explained that as an alternative he, through his personal charitable foundation, would purchase the debt of Washington Securities.

14. Rob Miller Anniversary: [Rob Miller left room.] It was discussed that in July Rob Miller will be on the job a year and that some type of bonus compensation should be given. Bud Miller explained that Rob Miller had told him that he would not accept a bonus until dividends were being paid to the Shareholders. Bud Miller said that he will speak with each of the Board members to discuss this matter further.

There being no other business the meeting adjourned by 3:10 pm.

Patricia R. Emory, Corporate Secretary

**June 10, 2009**

Approved