

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

BOARD OF DIRECTORS

November 5th and 6th, 2009

Participants:

Robert (Bob) Beers, Jr. [arrived at 2:20]	Robert (Rob) Beers, III
Katharine (Kathy) Kile	Ernest (Bud) Miller
Geoffrey (Geoff) Miller	Robert R. Miller
James (Jim) Myers, Jr.	Monica Satrape
Deborah (Debbie) Vaughan	

1. Tour of Properties

The Board meeting began at 10 am at Columbia Country Club's Board Room and commenced with a tour of the Company owned properties.

After lunch, the official business of the Board commenced at 1:10pm.

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.

2. Presentation of the Financial Review Process by Alan Gordon

Mr. Gordon explained that an Audit is the testing of the internal controls of a company to make sure that they are working accurately. In order for an audit to be performed for 2009 for the Miller Company, an audit of 2008 would have to be done as well which would be cost prohibitive.

Mr. Gordon explained that during a review you make sure that all of the Balance Sheet accounts are accurate. You test certain expense accounts for accuracy as well as look at invoices to make sure that they are set-up properly – prepaid versus an expense. Further, in reviewing our balance sheet he will provide an analysis of where the Company is versus industry averages. Additionally, Mr. Gordon stated that he would review all bank statements and reconciliations to ensure that all cash is accounted for.

Mr. Gordon said that he would report to the Audit and Finance Committee and Robert Miller simultaneously. Once approved, the financial statements would be presented to the Board. He hopes to have this done by December 15, 2009.

The recommendation of the Finance and Audit Committee was that the Company's financial statements for the year ending September 30, 2009 be reviewed and that during the upcoming year the Committee would study the matter further and make a recommendation to the Board if

the Company's financial statements should be reviewed or audited. The Board unanimously approved the Committee's recommendation.

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

June 10, 2009
July 28, 2009
August 7, 2009

Motion by Geoffrey Miller, seconded by Deborah Vaughan. All were in favor, none opposed.

4. Review of September 2009 Financial Statements

Robert Miller wanted it noted that cash in the bank is actually \$300,000 more due to a check that has never cleared our Chevy Chase Bank. The check is for the real estate taxes for the levy year 2008 [ending 6/30/09] for Shops at Sumner Place. Montgomery County states that the check cleared but the Bank does not show the same. This matter has been researched by all parties.

Robert Miller further explained that the change in the Notes Receivable Account is due to the moving of the opening balance of the Notes Receivable for the Commercial Properties from an intercompany account. The decrease in Cash Flow is due to the payment of the real estate taxes. Tenant Receivables and Prepaid Expenses increased due to the billing of the CAM charges.

Robert Miller stated that from 2008 to 2009 income was increased by \$3,000,000 and wanted it noted that the last severance payment was made as of November 2009. Also noted was the fact that the Company made a profit due to the reduction in the Spring Valley Office loan of \$5,500,000. This all occurred with a reduction in inventory of \$2,000,000, \$2,000,000 paid in severance and major improvements to the properties. Further, it was noted that debt was paid down by \$10,000,000 this year and all debt is now secured with term.

5. Update on case against Reznick

Robert Miller explained that our attorney, Mr. Marcus said that any case against Reznick will be hard due to contributory negligence. Mr. Marcus hired an accounting firm that said that an audit would not find this problem but others in the accounting profession do not agree so Robert Miller will go back to Mr. Marcus to further discuss. It was mentioned by several Board members that Reznick was touted as the real estate audit experts so shouldn't they be held to a higher standard. A question was also raised as to what venue/law the Company would be pursuing Reznick under – DC or Maryland. Robert Miller said that he would go back to Mr. Marcus to ask that as well as further pursue the matter of whether or not Reznick should have been aware of this error with the billing of the CAM charges.

Robert Beers, Jr. joined the Board Meeting at the end of this discussion.

6. Update on Haymount Limited Partnership

Robert Miller explained about the lawsuit that has been brought against Haymount Limited Partnership (HLP) in New Jersey. He stated that the summary judgment motions for both parties had been denied and the case is going forward to trial in January. He explained that there is no money in HLP, and that he has not been paying the legal bills presented by McGuire Woods. He stated that he in fact had to hire Holland & Knight to compel McGuire Woods to explain what this case was about. Robert Miller proposes that the strategy of this case is to inform the Court that HLP will no longer offer a defense, will not appear at the January hearing and that HLP has no funds. Robert Miller explained that a judgment might occur at which point they could attach a lien on the assets of the Company which are the 6 acres and house along with the upside of the Avanti transaction. It is noted that the Miller Company has approximately \$30,000,000 in unsecured debt against HLP and at present we are exploring avenues to secure the debt. Prior to securing this we need to make sure that in no way can the Miller Company be brought into this matter.

Robert Miller proposes a meeting with all partners of HLP to explain that the only assets of HLP are the 6 acres and the house and the upside of the Avanti transaction. Additionally, he will explain that there is the debt owed to the Miller Company of approximately \$30,000,000. It will need to be explained to the limited partners that if the debt is forgiven they may realize 4.5 million in capital gains. It was agreed by all that Robert Miller should go forward with this meeting.

Deborah Vaughan asked about the 101 acres owned by HLP II. Robert Miller said that he will be viewing the land in the near future. He does not recommend selling it right now but to hold it until Haymount is complete.

7. Review of Shops at Sumner Place Brochure

Robert Miller explained how he is approaching the vacancy at this property. He would like to market the interior space as a personal service area for our patrons. He would make the former Booktopia space a regular hair salon catering to the older client. Then from Edible Arrangements to the current nail salon, make this an upscale spa having all services for our patrons. The current nail salon would become a mother daughter salon. Under this scenario, Edible Arrangements would be relocated to the former Pet Store. For the vacancies on the strip portion of the Center, he is working with PetCo for the placement of their new concept “Unleashed” for the former Ritz space and a portion of the Damon & Draper space. The balance of the Damon & Draper space would go to a restaurant. Robert Miller explained that he wants to wait to get the right mix of tenants. Deals are expensive to do and he wants to make sure that the tenant that we choose is a viable one.

8. Review and approval of the 2009/2010 Budget and Business Plan

Robert Miller explained that there are two components to our budget – McShea’s budget for the operating properties and the Company’s normal expenses. He explained that several meetings occurred with McShea to make sure that these numbers are accurate and then the

Company information is added which is then consolidated into the Budget and Cash Flow statement. The budget has been approved by the Audit and Finance Committee on October 7, 2009. Robert Miller explained that he believes the major variable is the sale of the 3 lots in Montgomery County. He said that he will defer his bonus until these lots are sold. Further, he explained that he thinks that the timing of tenant improvements and leasing commissions are aggressive and that he believes that this money will be spent over the next year and a half versus the 12 months assumed in the budget. He wanted to note that the Burke and Herbert note has a requirement that the Company reduce the note by \$650,000 in August 2010 which is reflected in the Budget.

Robert Miller explained that his short term goal for the Company is this Budget and Cash Flow statement. His long term goals are to get in a cash flow positive position; have free cash flow to work with building the Company and to pay the Shareholders dividends. The dividend proposed in the budget is sustainable. Robert Miller stated that he would like to have a minimum of \$2,000,000 in cash and maintain a debt to equity ratio of 60/40 which is what the market is at right now. He then proposes that the additional free cash go towards paying dividends and to build the Company. He further explained that he sees the first opportunity for the Company would be the building of the office building on the upper parking lot in Spring Valley.

Robert Miller explained that McShea is putting together a long range cash flow for the operating properties showing where we should be 5 and 10 years down the road. He stated that he hopes to have this by the Annual Meeting.

It was decided that the dividend announcement will be made at the Annual Meeting. Therefore, the Shareholders will receive the end of the year statements but not the budget prior to the meeting. It will be explained that this is a sustainable dividend barring any unforeseen catastrophe at which point they would be suspended. Robert Miller wants to hand out checks to those present at the Annual Meeting.

Motion was made by Robert Beers, III and seconded by Ernest Miller that the 2009/2010 Budget is approved with the exception of 1) the opening cash balance which will be changed to reflect the outstanding \$300,000 check along and 2) executive compensation. All were in favor, none opposed.

The meeting adjourned for the day at 4:40 pm.

The meeting resumed at 9:02 am on Friday, November 6, 2009.

9. Indemnification of President and Corporate Secretary

Robert Miller explained that he and Patricia Emory are the only officers of the Company but are not employees and such need to have some type of indemnification agreement. Further, Ernest Miller explained that in 2007 a new indemnification agreement was done for the Board members so that it was in compliance with Delaware law but that it was not a strong agreement. The version attached is not the final one and once it has been completed it will be presented to the Board for approval.

10. Discussion of President and Corporate Secretary as Employees of the Company

Robert Miller explained that both he and Patricia Emory are not employees and in order to better protect the Company he recommends that they become full time employees of the Company effective January 1. This was approved by the Board unanimously. Ernest Miller asked that the budget be amended to reflect this change.

11. Discussion of the various alternatives for the legal structures of the Company

Robert Miller explained that a C Corporation, which the Miller Company currently is structured, is taxed at 2 levels – the corporate level and the Shareholder level for any dividends. Due to the \$30,000,000 loss carry forward the Company would not have a problem transferring assets to a single purpose entity/LLC. The problem lies with the Shareholders as they would be taxed on the gain from the book basis to the current market value. He also explained that certain entities would not permits trusts to be Shareholders. Further, single purpose entities would not allow cash flowing among various entities. Thus if one entity needed cash, there would be a cash call on that entity's Shareholders. He purposes that all new ventures be set-up as single purpose entities. It was asked that Alan Gordon prepare an opinion as to why the deferred tax is not listed on our Balance Sheet.

12. Discussion of the January 2010 Annual Meeting

It was recommended that the Annual Meeting be held on the last Saturday in January going forward so that all can plan for it. Robert Miller stated that Alan Gordon will handle the voting at January's Annual Meeting as he did last year.

13. Discussion for need for January Board of Director's Meeting

It was agreed that there would be a half day meeting on Friday, January 29th with just an organizational meeting for by-law compliance on the 30th as part of the Annual Meeting.

14. Slate for the Board of Directors for 2010

It was agreed that the current Board of Director's would serve for 2010.

Motion was made by Robert Beers, Jr. and seconded by James Myers, Jr. that the current slate of Officers be the Slate proposed to the Shareholders as the Board of Directors for 2010. All were in favor, none opposed.

A discussion occurred in regards to the amount of face to face meetings needed. It was agreed that there be 3 face to face meetings, January, April and October. Robert Miller explained that he tries to have monthly teleconference meetings to discuss the financial statements which are ready by approximately the 5th of each month. He further stated that if there is anything immediate to discuss that he would request a conference call.

15. Discussion of the future of the Company and its use of free cash flow

Robert Miller explained that his business plan is to have \$2,000,000 in cash reserves with a debt to equity ratio of 60/40. Once we have free cash flow he would like to give a sustainable dividend and then reserve for future investments. The reason for the \$2,000,000 is in case of a catastrophic event such as Crate & Barrel closing. It was discussed that the first refinance is not until 2013. It was asked if a capital improvement reserve will be in the budget and Robert Miller explained that until all deferred maintenance is complete a replacement reserve will not be in the budget. At present there is about \$500,000 in deferred maintenance still to be completed.

It was recommended that the Audit and Finance Committee research what the industry standard is for how much free cash goes towards dividends versus growth of the company. Additionally, it was requested that each Board member discuss with their family what their thoughts are in regards to dividends versus growth and get back to Robert Beers, III.

Another issue was brought forward which is the matter of stock buy-back and the Washington Securities and Subordinated Debenture loans. Ernest Miller explained that the Washington Security loan is in default in that all partners are deceased. Robert Miller explained that he does ensure that the tax documents are prepared. He further explained that the reason the pay-off is not in this budget is that he wanted to have dividends this year. Robert Beers, III requested that the payoffs be included in the 2010/2011 budget so that we can get these loans off our books. These matters will be addressed by the Audit and Finance Committee and their recommendations will be brought to the Board prior to the Annual meeting.

16. Future role of CEO as it relates to time commitment, compensation and the like

Robert Miller explained the day to day operations of the Miller Company and that they require a full time commitment from him at this time.

The Board went into Executive Session at approximately 11 and Robert Miller and Patricia Emory were excused from the meeting. The Board discussed the great performance of Robert Miller since he became CEO in July 2008 and how the results of this performance saved the Company from bankruptcy. As a result of this performance the Board unanimously voted to grant Robert Miller a bonus of \$200,000. It is the Board's intention that payment of this bonus would be made in two equal increments in 2010 and 2011, but that actual payment would only be made if the Board determined that the payment of either increment would not have a material effect on the Company or diminish the Company's ability to pay planned dividends. The Board also indicated that this bonus was a special situation tied to the unique circumstances the Company faced during the last year and was not a precedent for any future bonus.

The Board also discussed Robert Miller's current monthly salary of \$12,500. It was the sense of the Board that this salary was significantly below that of CEOs in peer companies. Based on this sense and Mr. Miller's outstanding performance the Board unanimously decided to increase Mr. Miller's monthly salary to \$15,000 effective October 1, 2009.

The Board then asked Ernest Miller to leave the room. The Board discussed Ernest Miller's performance during the last year, and Katharine Kile, Geoffrey Miller, Robert Beers, III,

Robert Beers, Jr., James Myers, Jr., Monica Satrape and Deborah Vaughan wanted to express their thanks to Ernest Miller for his role in working with Robert Miller in guiding the Company through the crisis in 2009. They are very pleased he will continue to serve on the Board for 2010.

The Board came out of Executive Session at approximately 11:45 and Robert Miller, Ernest Miller and Patricia Emory rejoined the meeting.

17. Governance and Nominating Committee

The committee will be comprised of Robert Beers, Jr. as Chairman, Geoffrey Miller and Katharine Kile. Ernest Miller will sit in as an outside member to give his perspective.

Motion was made by James Myers, Jr. and seconded by Robert Beers, III that the above persons shall serve on the Governance and Nominating Committee. All were in favor, none opposed.

It was agreed that the Committee discuss at the Annual Meetings their process and that all input is welcome.

Motion was made by Robert Beers, Jr. and seconded by Monica Satrape that the Board Meeting adjourn. All were in favor, none opposed.

There being no other business the meeting adjourned by 12:30 pm.

Patricia R. Emory, Corporate Secretary

March 5, 2010
Approved