

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS TELECONFERENCE
June 10, 2011

Participants:

| | |
|-------------------------|-------------------------|
| Robert (Bob) Beers, Jr. | Robert (Rob) Beers, III |
| Michael (Mike) Fallon | Katharine (Kathy) Kile |
| Paul (Jay) Maddox, Jr. | Ernest (Bud) Miller |
| Geoffrey (Geoff) Miller | Robert Miller (Rob) |
| Deborah Vaughan | |

James (Jim) Myers, Jr. 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 April 29 and 30, 2011 Minutes:**

Motion was made by Geoffrey Miller to approve the April 29 and 30, 2011 Meeting Minutes and seconded by Robert Beers, III. All were in favor, none opposed. Jay Maddock, Jr. and Mike Fallon abstained.

2. **Welcome and Thank to New Members:**

Rob Miller welcomed both Mike Fallon and Jay Maddock to the Board and thanked them for their participation.

3. **Review of April 2011 Financials:**

Rob Miller explained that rental income was down due to unbudgeted vacancies along with the error with the DC government whereby the tax assessments have been improperly applied to the Spring Valley Retail lots and thus we are unable to bill the tenants for their share of the real estate taxes. He further explained that legal expenses are up due to the various lawsuits that are ongoing with the tenants. Additionally, Rob Miller explained that the Company had spent \$110,000 in capital improvements and leasing commissions this month. He reported that cash increased by \$132,000 versus a budget of \$62,000.

4. **Leasing Update**

- a. Rob Miller explained that the sublet tenant who occupies our space on East West Highway has renewed at their present rate for the remainder of our lease (11/30/2014).
- b. Retail Leasing:

1. Subway lease is fully executed and they have started construction on the space.
2. California Tortilla has toured the property and we are very close to signing a Letter of Intent with them for @1900 square feet of space. They are a local chain of @36 stores in DC area. They are somewhat comparable to a Chipotle. The deal is \$38 per foot with \$100,000 in tenant improvement monies for a 10 year deal. Rob Miller explained that the deal is a little more then he would like but he wants to bring a solid tenant in that will attract others. Additionally, he explained that we have preserved the end cap for another tenant.
3. Dry Cleaners lawsuit is over and we have won a judgment against them with no right of redemption. There is another operator who is interested in the space and will pay @\$60 per foot triple net which is approximately double what we are getting from the current operator.
4. There is a Japanese/Sushi restaurant that is interested in our Center. The operator is a top chef who will bring a following to the restaurant.

We are talking with approximately 10 to 15 other retail tenants. Rob Miller explained that the process is very slow to get anyone to commit in this market.

c. Office Leasing:

1. There is a lot of activity at the Shops at Sumner Place. We are close with two deals that will absorb @3,500 square feet of space. Both are at \$27.50 per month with \$30 in tenant improvement money.
2. Spring Valley office:
 - a. 4910 Massachusetts Avenue has two spaces for lease – 2,800 space [balance of old Kane & Davis space] and 5,200 space but tenant is obligated to pay rent through November 2011 on this space.
 - b. 4900 Massachusetts Avenue will have the entire first floor available for renewal in June 2012. We will renew with United Bank who is leasing ½ of space leaving @4,500. We are currently working with John Hopkins Hospital to establish a wellness center there similar to what MedStar will be placing in 4910 Massachusetts Avenue.
 - c. 4301 50th Street has @5,000 available remaining from Dr. Morrison vacating. Once the other two buildings fill up this space should rent. Currently, prospective tenants are looking for a Massachusetts Avenue address.

3. Spring Valley Retail:

- a. Chicken Out renewed at \$70 a foot with only a small commission due.
- b. Bank of America has reached out to us to renew early at a reduced rent. Their lease expires in October 2012. They are currently paying \$52.72 per square foot. We are currently looking at the market to see if another bank would be interest in the space. We have been advised that the space should be priced at @\$350,000 or \$113.00 per foot. This is considered one of the top 4 branches for Bank of America with \$80 million in deposits so we don't feel that they will go anywhere.

4. Sumner Highlands occupancy has increased and we are currently 95% occupied. Rob Miller explained that he was concerned about vacancies but the top person for McShea for residential had been out for a period of time due to health issues but is now back and the numbers are coming back. He further explained that in lieu of concessions they are offering specials on the units vacant the longest. He stated that he would like to see 96% to 97% occupancy. Rob Miller stated that the property was cash flow positive of @\$35,000 for April.

5. **Vacant Lots in Montgomery County:**

Rob Miller explained that all contingencies have been satisfied and that settlement should occur by the end of June. He also noted that they have not asked for any adjustment in price as had been anticipated.

6. **Litigation Matters:**

- a. Haymount: Rob Miller explained the case. The Motion to Dismiss has still not been ruled on and we do not know when it will be. We have completed providing Discovery in this case. Further, we are pursuing our insurance carrier for coverage under our D&O policy.
- b. Dr. Morrison/Kravitz: Dr. Morrison has filed for bankruptcy but we have received @35,000 from his wife due to her being a guarantor under the note. Dr. Kravitz's trial is in July.
- c. Lormal (aka Hair Boutique): We obtained possession and a judgment for @\$150,000 in District Court. To collect on the judgment we had to file suit in Circuit Court. Trial in the case will be in August with a Motions hearing in July.

- d. PNC: We have settled this case and will receive an additional \$100,000 over the term of the renewal.
- e. Ballet Petite: The tenant sued us over the 3 year CAM issue feeling that they are not obligated to pay it. We have tried to settle the case but the tenant is holding firm. The trial is to start on June 14 for 2 days. They have spent @\$250,000 to date while we have spent @\$27,000.

Rob Miller explained that this tenant and 2 others have not paid the back CAM. Once we receive ruling on this case we will approach the others.

- f. Haymount Litigation: This matter was discussed by the Board and it was noted that the Board needs to make a Motion to authorize the Haymount legal expenses in that they are over the approved threshold of \$25,000 but that the Board feels they need more information to make such a decision so this matter will be discussed at the next Board meeting in July.

7. **Refinance of the Shops at Sumner Place and Spring Valley Retail:**

- a. Shops: Rob Miller explained that he had just received the information but has not had the chance to complete his analysis yet. He did note that the prepayment penalty is high. He would like to review this matter further and discuss at next Board meeting.
- b. Spring Valley Retail: Rob Miller explained the history of the loan. In 2008 the site was pledged to Chevy Chase Bank for our revolving line of credit of \$15 million and that we were in technical default. He received a replacement loan at 7% for 7 years from Burke & Herbert Bank. He explained that the underwriting criteria has changed as well as the rates which would significantly reduce our interest costs and give us longer term. Cardinal Bank has presented an offer to lend us \$14.7 million for this property which would give the Company a net proceeds of @\$1.7 million. He explained that he would like to use this additional cash to pay off the unsecured notes that we have with Washington Securities and the Subordinated Debentures. The balance would be used for deferred maintenance on the properties such as the window replacement at 4900 Massachusetts Avenue and the Shops at Sumner Place.

MOTION was made by Ernest Miller for management to sign the Letter of Intent with Cardinal Bank but to defer the decision on which option to choose for the interest rate until a later time, seconded by Michael Fallon. All were in favor, none opposed.

Further, it was decided that a discussion will be had during the July meeting as to where the loan proceeds should be used.

8. **Hotels:**

A discussion was had regarding which Hotel the Board members stay when in town for meetings. It was decided that for the July meeting the Board members would stay at the Embassy Suites in Chevy Chase.

Meeting adjourned at 11:30 am.

Patricia R. Emory, Corporate Secretary

July 20, 2011

Approved