

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
April 11, 2013

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 10:00 am at Company's Corporate Office. Attached is the supporting documentation that was given to all members in advance of the meeting.

1. **Approval of Meeting Minutes of March 8, 2013:**

Motion was made by Deborah Vaughan and seconded by Robert Beers, Jr. to approve the March 8, 2013 Meeting Minutes, as corrected. All were in favor, none opposed.

2. **Company Update:**

a. Review of February 2013 Financial Statements:

Rob Miller explained how our Investment accounts are set up and how we are tracking the gain/loss on the financial statements. He further explained that the refinance of the Cardinal Bank loan will generate an additional \$2 million in cash giving us approximately \$7 million in cash and/or liquid investments by the middle of March. Rob Miller noted that he and Jim Myers, as head of the Audit & Finance Committee, need to meet to further discuss the management of the Company's cash.

Rob Miller explained that the Rent Income is below budget due to timing issues of the opening of several stores and office tenants at the Shops at Sumner Place. He further explained that the Rent Expenses are down due to a mild winter and the delay in performing some of the budgeted capital projects at the properties. Operating Expenses for the Corporate Offices is over budget by \$27,630.64 year to date primarily due to the gifts for Bud Miller, unbudgeted lenders fees and Patty Emory's bonus. If these were totaled and added back in we would be approximately \$59,000 under budget. February saw an increase in cash by \$142,384 and March should show an additional \$2 million from the refinance of the Cardinal loan.

b. Property Updates:

1. Shops at Sumner Place

Rob Miller explained that he will be deferring the larger capital items to next fiscal year. He explained that Leasing Commissions are over budget due to the renewal of the Long & Foster lease which is not due to expire until 2/2014

but was renewed early at their request. He further stated that we only have two (2) vacant suites and that in one of the vacant spaces we will be looking into making smaller suites out of it.

2. Spring Valley Retail

Rob Miller explained that the first floor of 4900 Massachusetts Avenue and the first floor of 4910 Massachusetts Avenue will be considered retail spaces in that that is how they are being marketed and leased. He further explained that we are working with RightTime Medical who is very interested in the space at 4900 Massachusetts Avenue. At present, we are working with them to see whether or not they need a Certificate of Need should they open in this location.

3. Spring Valley Office

Rob Miller explained that we are working with an oral surgeon to take the entire 1st floor of 4301 50th Street. We are currently in round 1 of leasing comments. He went on to explain that the tenant improvements will be \$80 per foot with \$35 of that going towards base building (bathrooms, elevator lobby and the like).

4. Sumner Highlands

Rob Miller explained that January through March are our toughest months to lease. He further explained that there will be a tremendous amount of new inventory coming on line over the course of the next 6 to 12 months. He noted that our rental rates are reviewed monthly and are competitive to our market set. The biggest hurdle we have here is that it is not close to the Metro.

b. Discussion regarding the proposed Building on 49th Street

Rob Miller explained that he is working with an architect in developing site plans that help transition this proposed building from residential to commercial. The biggest hurdle he sees is getting the neighbor whose property abuts this site to agree to it. He further explained that we have not heard back from DC regarding our ability to “bridge” over the culvert pipe on this site. Rob Miller noted that we have reached out to Walgreens to see if they would be interested in this location.

A preliminary timeline would be to have Walgreens show interest in the property and design the property for them. The building could be rotated which would alleviate the need to have to “bridge” over the culvert pipe. He hopes that this could be completed by the end of the fiscal year. Then he would approach the neighbors, then the Spring Valley-Wesley Heights Association, then the Advisory Neighborhood Commission and finally DC.

c. Housekeeping:

1. Increase in Board Fee for Michael Fallon

Motion was made by Deborah Vaughan and seconded by James Myers, Jr. to approve increase Michael Fallon's Board of Director fee by \$1,000 per month in recognition of the work he has and will be doing as Chairman of the Board. All were in favor, none opposed. Michael Fallon recused himself from the discussion and vote regarding this matter.

2. Closing of Commonwealth Homes, LLC

Motion was made by Deborah Vaughan and seconded by Geoffrey Miller to close Commonwealth Homes LLC once all booking matters are concluded. All were in favor, none opposed.

3. Pay on foot parking installation in Spring Valley

Rob Miller explained that he had the project re-bid and that there is an increase in price by approximately \$110,000 from what is in the Budget. A discussion occurred whereby Rob Miller explained that the increase was due to an error in original number which had left out the electrical work needed for this project.

Motion was made by Paul Maddock, Jr. and seconded by Michael Fallon to approve the increase in the cost of the pay on foot parking equipment and installation in Spring Valley by \$110,000. All were in favor, none opposed.

d. Landscaping Project

Rob Miller explained that he is having our landscape company to put together proposals to redo all of the landscaping throughout our portfolio. The project will be then put out to bid to other companies. This work will not be done until October 2013 and costs will be part of that fiscal year's budget.

3. **Discussion of Bud Miller's parting thoughts**

A discussion occurred regarding Bud Miller's thoughts and the following are bullet points from said discussion:

- a. Each Board member has one (1) vote.
- b. The Board of Directors sets policy.
- c. All discussion and/or conversations regarding a matter are to be had with all members at the scheduled Meetings and not after the fact in phone calls with some members but not all. If someone is unsure of what is being asked of them to vote on they must speak up.
- d. Committees do the heavy lifting regarding policy and makes a recommendation to the full Board. The full Board is kept apprised of what the Committee is working on.

- e. Guide Posts for Committees:
 - 1. A Board member is assigned to a Committee for two (2) years at a minimum at which time Board members are rotated to another Committee; and
 - 2. Chairman of the Board picks Committee assignments after conversations with all Board members as to which Committee they would like to be on;
- f. Items 9, 10, 11 and 13 will be discussed in the Governance and Nominating Committee this year.

4. **Committee Reports**

It was asked of all Committees to spell out their major areas of activities and establish key calendar points for the year.

a. Audit & Finance:

Jim Myers as Chairman stated that he has a calendar of activities that occur each year. The Committee is being assigned the task of determining whether or not the Company should convert to “Funds from Operations” reporting. The Committee is further charged with making sure that all Board members know and understand our Financial Statements.

b. Executive Compensation:

Rob Beers as Chairman stated that his Committee met yesterday and have confirmed their objective and established a path to get there and will be setting a time table to accomplish their objectives. He further stated that he will be sending out to his Committee members the path to establish Long Term Compensation for Rob Miller and will be setting up a meeting with Rob Miller.

c. Governance and Nominating:

Debbie Vaughan as Chairman stated that her Committee met yesterday and that the Committee will be addressing the following this year:

- 1. Size of the Board;
- 2. Tenure on the Board;
- 3. Rotation of Board members in the Committees; and
- 4. Shareholder rights;

At 1:45 pm the Board of Directors went into Executive Session at which time Robert Miller and Patricia Emory were asked to leave the meeting.

At 2:40 pm Robert Miller was asked to rejoin the Board of Directors.

At 3:10 the Board of Directors came out of Executive Session. The following was what was decided:

A special Ad Hoc Committee has been established to evaluate and recommend the merits of pursuing a sale/merger/amalgamation or other alternatives for all or part of the portfolio in order to achieve a tax efficient conversion of current shareholder positions into one which addresses the following goals:

- a) Greater diversification with cost effective portfolio management;
- b) Enhanced Liquidity
- c) Valuation which approaches the “Full Market Value” of the Company's assets

The Ad Hoc Committee will be comprised of Mike Fallon, Rob Beers, Jim Myers and Rob Miller.

Motion was made by Michael Fallon and seconded by Robert Beers, Jr. to adjourn the meeting at 3:10 pm. All were in favor, none opposed.

Patricia R. Emory, Corporate Secretary

May 10, 2013

Approved