

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS MEETING
July 20, 2011

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 Miller (Rob)
James (Jim) Myers, Jr.	Deborah Vaughan

The Board meeting began at 9 am at the Columbia Country Club in Chevy Chase, Maryland. 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 June 10, 2011 Minutes:**

The following changes were asked to be made:

Under Item 1: Add "Jay Maddock, Jr. and Mike Fallon abstained."

On Page 4, in paragraph discussing Haymount, make the paragraph an additional item "f" and add the word "they" in the second sentence after: "in that".

Under item 7 b, 5th sentence needs to be changed so that it reads as follows: "Cardinal Bank has presented an offer to lend us \$14.7 million for this property which would give the Company a net proceed of @\$1.7 million."

Motion was made by Ernest Miller to approve the June 10, 2011 Meeting Minutes as changed and seconded by Michael Fallon. All were in favor, none opposed.

2. **Review of May 2011 Financials:**

Rob Miller explained that cash is down over \$200,000 due to the payments of the tenant improvements and leasing commissions as a result of the increase in our leasing activity over what was budgeted. It was noted that the East West Highway space is now rented for the remainder of the lease. Rob Miller reviewed the Balance Sheet and the Income Statement noting that the Rental Income is down by \$261,000 year to date due to unexpected vacancies as well as the DC Real Estate taxes that cannot be billed to the Spring Valley Retail tenants yet but were budgeted to be collected by now. Rental Expenses are up by \$68,000 year to date primarily due to our legal expenses. The primary cases are the Ballet Petite trial over the 3 year CAM whereby she is suing the Company; the Morrison Kravitz matter in which we have received \$35,000 from Mrs. Morrison to pay off the note owed and now have a judgment on Dr. Kravitz for \$450,000. The Operating Expenses are over budget by \$192,000 due to the Haymount litigation fees; Executive Compensation raise, and Board travel due to Orlando trip to interview prospective new directors.

3. **Company Update:**

- a. Fairfax County property: Rob Miller explained that we have had a long battle over the past 2 years to get Fairfax County and State of Virginia to accept the common areas of the project known as Springvale Meadows. He explained that we are now on our third inspector for the project. At present, we have had to extend the bond for another year. Rob Westbrook, a former employee, has handled this project for the Company at no cost and we are grateful for his efforts and diligence in pursuing this project to the bitter end.
- b. Three lots in Montgomery County: Rob Miller explained that the lots settled in July and we received net proceeds of \$590,000 after commissions and closing costs but that we will take a huge loss on them because of the carrying cost of 1.7 million.
- c. Leasing Activity:
 - 1. Shops at Sumner Place:
 - a. Offices: Rob Miller explained that we started the fiscal year with a vacancy of 19.53% (14,768 square feet) and are now currently at 11.12% (8,407 square feet). He explained that we have 2 deals in play right now and should they happen our vacancy will be down to 2.64% (2,000 square feet).
 - b. Retail: We started the fiscal year with a 7.22% vacancy and as of June 30, 2011 we have a 6.14% vacancy since we closed the Subway deal.
 - 2. 4900 Massachusetts Avenue: We started the fiscal year with a 6.52% vacancy and as of June 3, 2011 we have no vacancy at the property.
 - 3. 4910 Massachusetts Avenue: We started the fiscal year with a 7.89% vacancy and at June 30, 2011 have a 4.16% vacancy.
 - 4. 4301 50th Street: We started the fiscal year with a 52% vacancy and as of June 30, 2011 we have a 32.88% vacancy which equates to 5,948 square feet of space still available on the first floor.
 - 5. Spring Valley Retail: We started the fiscal year with no vacancy and that still remains true as of June 30, 2011.
 - 6. Sumner Highlands: We started the fiscal year with no vacancy and as of June 30, 2011 we have a 4% vacancy equating to 4 units.
 - 7. New Tenants: A discussion occurred concerning how it was determined what tenant improvement monies were given to a tenant. Rob Miller explained that he hoped to recover the tenant improvement monies and any concessions within the

first lease year. He further stated that the higher the base rent the more in tenant allowance he is willing to spend.

4. Haymount:

Rob Miller explained that the budget did not provide for any money to be spent on legal fees this fiscal year due to the current lawsuit was not filed until October 2010. To date the Company has spent \$177,894.97. Therefore, a motion needs to be made by the Board approving the expenditure of \$177,894.97 and authorizing the further expenditure of monies in this matter. After a discussion regarding upcoming matters in this case the following motion was made.

Motion was made by Robert Beers, Jr. to approve the expenditure of \$177,894.97 in the Haymount litigation matter to date and to further authorize management to spend an additional \$75,000 for (July through September) and seconded by Ernest Miller. All were in favor, none opposed.

5. Cardinal Bank Loan

- a. Commitment Letter: The Board reviewed the Commitment Letter and the following motion was passed.

Motion was made by Michael Fallon to approve Management to execute the Commitment Letter from Cardinal Bank dated July 14, 2011 and proceed with the closing of said loan as well as to opt for Option I under the Prepayment Penalty found in item 8 of said Commitment Letter and seconded by Robert Beers, Jr. All were in favor, none opposed.

- b. Use of Proceeds: Rob Miller reviewed the attached chart with the Board explaining that there will be approximately \$1.8 million remaining when the loan closes. He proposes to pay-off the Subordinated Debentures and Washington Securities notes and then have the following deferred maintenance performed: (1) replacement of windows at 4900 Massachusetts Avenue and (2) the replacement of the windows in the office portion of Shops at Sumner Place on all floors but 1st floor North (these were replaced last year under a lease renewal with the tenant); and install the pay on foot parking system at the parking lots in Spring Valley. Rob Miller explained that the window replacements will save the Company money through the energy savings we will receive and the pay on foot should pay for itself within 18 months with the labor reduction as well as operating the lots 24/7. A discussion occurred about establishing a replacement/repair reserve and Rob Miller stated that he wanted cash to build-up 1st and then establish in the budget a reserve of 3% to 4% of the gross income. Further, a discussion occurred regarding the replacement of the mansard roof at the Shops at Sumner Place. It was decided that Management would obtain pricing and a picture of what the replacement would look like for discussion at the November Board meeting.

Motion was made by Michael Fallon to approve the repayment of the Subordinated Debentures and Washington Securities Notes as well as replace the windows at 4900 Massachusetts Avenue and the office portion of the Shops at Sumner place along with installing the pay on foot parking equipment at the Spring Valley parking lots and seconded by Paul (Jay) Maddock, Jr. All were in favor, none opposed.

6. Strategic Planning: A lengthy discussion occurred as to where this Company should/could go in the next 5 to 10 years. Jim Myers will locate a review that the Reznick Company (former auditors) did in 2006/2007 which detailed the tax consequences for each property owned should we wish to sell and/or refinance. It was decided that a committee should be formed that will do the research and they will report back to the Board who will then review and make a recommendation to the Shareholders.
7. Refinancing of Shops at Sumner Place: Rob Miller explained that the MetLife loan is due on January 1, 2013. He explained that we can borrow up to \$29.5 million on the property but the prepayment penalty of \$2,065,036 is rather stiff. He stated that he is looking to see if he can lock in a rate with an extended settlement date. Rob Miller stated that he will look into this matter further and report back to the Board.
8. Committees: A discussion occurred whereby it was decided that each member of the Committees look at their charter and recommend to their committee any changes that they feel need to be made and then bring to the full Board the recommended changes. It is to be noted that all Board members were informed that they can sit in on any Committee meeting they wish to. The following committees assignments were made:
 - a. Audit & Finance Committee: Robert Beers, III, Chairman
James L. Myers, Jr.
Michael Fallon

Motion was made by Ernest Miller that Robert Beers, III, as Chairman, James L. Myers, Jr. and Michael Fallon will serve on the Audit & Finance Committee and seconded by Robert Beers, Jr. All were in favor, none opposed.

- b. Governance & Nominating Committee: Robert Beers, Jr., Chairman
Kathy Kile
Paul (Jay) Maddock, Jr.

Motion was made by Ernest Miller that Robert Beers, Jr., as Chairman, Kathy Kile and Paul Maddock, Jr. will serve on the Governance & Nominating Committee and seconded by Robert Beers, III. All were in favor, none opposed.

- c. Executive Compensation Committee: Deborah Vaughan, Chairperson
Paul (Jay) Maddock, Jr.
Ernest Miller
Geoffrey Miller

Motion was made by Ernest Miller that Deborah Vaughan, as Chairperson, Paul (Jay) Maddock, Jr., Ernest Miller and Geoffrey Miller will serve on the Executive Compensation Committee and seconded by Robert Beers, III. All were in favor, none opposed.

d. Strategic Planning: Michael Fallon, Chairman
Robert Beers, III
Geoffrey Miller
Robert R. Miller
James L. Myers, Jr.

Motion was made by Ernest Miller that Michael Fallon, as Chairman, Robert Beers, III, Geoffrey Miller, Robert R. Miller and James L. Myers, Jr. will serve on the Strategic Planning Committee and seconded by James L. Myers, Jr. All were in favor, none opposed.

9. Year End Review: Management is to contact Alan L. Gordon, CPA, PA to provide a proposal for the Year End Review and Controls Audit to the Audit & Finance Chairman, Robert Beers, III. Additionally, a copy of the Controls language is to be sent to all Board members.
10. August Board of Directors Teleconference needs to be moved to the 19th at 10am.
11. November face to face Board meeting will be November 17, 2011 in Washington, DC.
12. Annual Meeting is set for Saturday, April 21, 2012 with a reception that evening in celebration of the 100th anniversary of the founding of the Company. Kathy Kile volunteered to be the point person for the evening event.
13. Company Website: Rob Miller explained that he is working with Lyndon Grey, former Company IT person, on re-establishing a Company website that will be helpful to both the Board of Directors and the Shareholders. It was suggested that we make this a public site that people can be directed to McShea via a link regarding the Company's properties.

The Board of Directors went into Executive Session at 1:30 excusing Robert Miller and Patricia Emory. During the Executive Session, the Board discussed the compensation of the CEO.

The Board came out of Executive Session at 2pm.

Meeting adjourned at 2:05 pm.

Patricia R. Emory, Corporate Secretary

August 19, 2011

Approved