

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
November 17, 2011

Participants:

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|-------------------------|-------------------------|
| Robert (Bob) Beers, Jr. | Robert (Rob) Beers, III |
| Michael Fallon | Katharine (Kathy) Kile |
| Paul (Jay) Maddock, Jr. | Geoffrey (Geoff) Miller |
| Robert Miller (Rob) | James (Jim) Myers, Jr. |
| Deborah Vaughan | |

Ernest (Bud) Miller attended via teleconference. The Board meeting began at 9 am at Columbia Country Club. 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 October 7, 2011 Minutes:**

Motion was made by Robert Beers, III to approve the October 7, 2011 Meeting Minutes and seconded by Paul Maddock, Jr. All were in favor, none opposed.

2. **Approval of Haymount Litigation Expenses:**

Motion was made by Robert Beers, III to approve the expenditure of the fees for the Haymount litigation through September 30, 2011 and seconded by Deborah Vaughan. All were in favor, none opposed.

3. **Company Update:**

a. **September 2011 Financial Statements:**

Rob Miller explained that cash is down over Budget and forecast due to a timing issue. The retail tenants were billed for the real estate taxes but the majority of them will not reimburse us until they have been presented a paid receipt. He further explained that the Rent Expenses are down due to the settlement with Ballet Petite whereby the legal expenses and 3 year CAM will be paid by the Tenant over the five (5) year term of their lease. Under the Operating Expenses of the Company, Legal – Lender, Rob Miller explained that Holland & Knight billed us separately for their work on the Cardinal Loan. He noted that although the fees were \$50,223.41 they saved the Company over \$200,000 in recording fees.

b. **Property Updates:**

The Board reviewed the Property Performance Report that McShea prepared and asked that these reports be prepared annually for the Board.

Shops @Sumner Place: Rob Miller explained that the Company experienced terrific leasing activity this past year with a 12.6% increase in office leasing over

budget. He noted that the Passion Fin lease for approximately 3,000 square feet had been executed.

Spring Valley Office: Rob Miller noted that the additional increase in income of \$74,000 is a result of an unbudgeted Asset Management Fee. He noted that several of our leases allow us to charge an additional fee as part of their common area maintenance fees. Rob explained that we are in negotiations with United Bank regarding their renewal and hope to increase their base rent from \$36 per foot net net to low \$60s triple net.

Spring Valley Retail: Rob Miller explained that the reason for the increase in income is due to the increase in the parking fee from Crate & Barrel and the increase in base rent of Chicken Out. Further, he explained that the renewal with Bank of America had been renegotiated, but not signed yet. Their rent will increase from \$50 per square foot to \$83. A discussion was had regarding Chicken Out and the fact that it is in bankruptcy. Rob explained that this was a prepackaged bankruptcy and that they were planning on accepting our lease at any time now. He further explained that they owe us monies for rent and monthly common area expenses since July but that a payment schedule had been arranged. Rob then explained that during the due diligence of the Cardinal Loan several issues regarding Crate & Barrel were discovered. They are: (1) that increases in their base rent were never done according to the lease whereby every 5 years it should be reset at 3% of the prior years' percentage rent spread over 12 months; (2) the Lease calls for the Landlord to receive a portion of any overage paid by the subtenant, Starbucks, to the Tenant which has not been collected; and (3) the Lease calls for the Tenant to not open a store within a 5 mile radius of their current location without Landlord's approval and the Tenant has just opened CB2 on Wisconsin Avenue approximately 2 miles away and Landlord was never notified. Rob Miller stated that although we will most probably not be able to collect all past monies these issues should give us some leverage when renewing their lease.

Sumner Highlands: Rob Miller noted that the Complex has a NOI of \$155,016. He explained that the vacancy is higher than desired due to the relocation of the employees from National Geospatial.

Leasing Activity: Rob Miller noted that the first lease for a medical tenant has been signed for the Shops @Sumner Place. He explained that this type of tenant will be the way this property's new leases should be headed going forward. He further explained that 4301 50th Street vacancy of 4,433 square feet is our biggest vacancy and that American University, tenant of the lower level and 2nd floor of the Building, is looking at the leasing the first floor. Finally, he explained that McShea will be handling the retail leasing for the Company in that there is such a small amount of space left to lease.

- c. Haymount Litigation: Rob Miller explained that the Motion to Dismiss has been dismissed by the Court. A Motion for Summary Judgment has been filed by both

sides. Our next step is to respond to the Plaintiff's Motion and then the Judge is to rule on these motions and set a trial date. He explained that this has been extremely expensive and that he has been brainstorming with counsel to see if there is any way to resolve this matter. It was suggested that counsel be asked what would be the ramifications of placing HLP into bankruptcy – does Miller's debt have seniority in this case. Rob Miller stated that he will speak with them and report back to the full Board.

- d. Addition to 4900 Massachusetts Avenue, NW: Rob Miller thanked Geoff Miller and his firm for taking the time to prepare the estimates. A review of the costs associated with the project was made. The cost of the garage makes this project cost prohibitive. It was asked that Management find out the following: (1) average cost of condominium space in the area; (2) what would be the loan interest on this type of project; (3) price for retail space that would not require a parking garage; and (4) price for retail space with residential on top. It was discussed that to do 3 or 4 above, the Company would have to approach the citizens for their approval.
- e. Sumner Highlands, LLC: Rob Miller explained that he hired Holland & Knight to advise the Company on the tax consequences of the Company transferring its interest in Sumner Highlands, LLC to the shareholders of the Company proportionate to their interests in the Company. It was discussed that approximately \$1,000,000 would be needed to cover the shareholders tax consequences which could be obtained by refinancing the Shops @Sumner Place. The next step to this process is to order an appraisal to determine the true cost of this transfer. It was decided that an appraisal is not needed at this time.
- f. Capital Improvements Update: Rob Miller explained that the Budget does not include the replacement of the roof at the Shops @Sumner Place. He explained that this is the original roof and felt that when we refinance the property we would take some of the proceeds to replace it which should cost approximately \$300,000 to use asphalt shingles as shown in the first picture attached.
- g. Refinance of Shops @Sumner Place: Rob Miller explained that we are trying to get a forward commitment now but most companies are looking at deals that will close by the end of the year. He further explained that he had just signed a letter with MetLife to try and negotiate the prepayment penalty. He also explained that MetLife will not be renewing this loan and that he will look to other life companies and/or Banks.
- h. Company Website: Rob Miller explained that the new Company's website is still a work in progress but that it will be up and running by the Shareholder's meeting in April. He explained that there will be a public page with our contact information along with a link to McShea. Then there will be login areas where a Shareholder will be able to view the quarterly updates and all year-end financial statements along with historical information on the Company. The Directors will

have a log in as well which will allow them access to Board meeting minutes, monthly Financial Statements and Committee documents.

5. **Review of 2011/2012 Budget:**

A discussion was had reviewing the elements of the Budget. Rob Miller explained that we should break even this year. It was noted that over the next 5 years the capital improvements that are needed are primarily due to deferred maintenance and once it has been completed the need will drop off drastically and then a capital reserve can be put into the budget. McShea has put together a 5 year plan which will be sent to the Board. Additionally, it was noted that the Company's operating expenses will decrease once the Haymount Litigation and the 2007 Payroll Tax Liability go away.

Motion was made by Michael Fallon to approve the 2011/2012 Budget and seconded by Robert W. Beers, III. All were in favor, none opposed.

6. **Report from Audit & Finance Committee:**

Rob Beers reported that it was the opinion of his Committee that due to the deferred maintenance required, the Haymount Litigation along with the refinancing of the Shops @Sumner Place not to issue any dividends at this time. It was agreed by the Committee that once the aforementioned issues are resolved the Board can revisit this matter. Rob Beers explained that his Committee will look at the financial reports provided by Management and will advise on which reports to improve, eliminate and/or add to. A discussion occurred regarding the need for an audit versus a review and it was decided that this issue would be discussed further at the January meeting where Rob Beers will present a statement to the full Board. Finally, the Committee stated that they will be reviewing their Charter and that it will be presented to the full Board once the revision is complete.

7. **Report from Strategic Planning Committee:**

Mike Fallon reviewed what was discussed and agreed upon during his Committee Meeting yesterday. He explained that first the Board needs to agree upon a Vision (creates Mission) and Mission Statement (creates purpose) and then plan how to achieve those goals. First an evaluation of the current situation needs to be done, Goals should be set, having a 3-5 year time frame, and then a path is established on how to achieve the goals and then money is allocated. He hopes that this can be done by the January meeting so that it can be presented to the Shareholders in the April meeting. Mike Fallon hopes to have Committee members' drafts to the entire Committee by December 15, 2011 and have a conference call around the 1st of the year.

At 12:30 to 12:40 the Board went into Executive Session.

8. **Report from Governance and Nominating Committee:**

Bob Beers explained that Kathy Kile had reviewed the By-Laws and presented to the Board five (5) changes that she feels should be done. It was asked that all Board members review and provide comments prior to the January Board meeting. Further, he stated that he will be sending out an evaluation form for each Board member to complete and return to him. Bob Beers went on to explain that his Committee will be establishing a Code of Ethics for the Company as well as establishing a way to choose future Directors based on qualifications and the merits that that person would bring to the Board. Additionally the Committee will work on a policy statement for Family Directors to become a Board member. Also, training should be provided to all new Board members and this Committee will establish what that will entail. A discussion occurred regarding term limits for Board members with staggering terms. It was agreed that this issue would be tabled and two (2) alternatives will be presented to the Board at our meeting in January.

9. **Report from Executive Compensation Committee:**

Debbie Vaughan said that they are reviewing the Charter which is a work in progress at this time. She stated that they hope to develop a more formal performance evaluation process as well as an incentive program for Rob Miller. The two goals they have right now is that once the Strategic Plan is in place the Committee will have a face to face meeting with Rob Miller and discuss his current compensation and establish where to go from there.

The Board went into Executive Session from 1:25 to 2:30 at which time Rob Miller and Patty Emory left the meeting.

10. **100th Anniversary Celebration:**

Kathy Kile presented a book that she wishes to share with all of the Shareholders. It is *Washington at Home an Illustrated History of Neighborhoods in the Nation's Capital, 2nd Edition* by Kathryn Schneider Smith. Kathy Kile explained that Chapter 24 is about the Company. Further, she stated that she would like to receive stories from the shareholders about their memories of the Company and hopes to get a mailing out requesting the same. Additionally, she explained that Francis Seay is working on a family tree and that it would be nice to have it on display at the meeting. It was requested that after the Shareholders meeting in April that a tour of the Miller properties and communities should be given.

There being no other business, at 2:50, a Motion was made by Deborah Vaughan and seconded by Michael Fallon that meeting was adjourned.

Patricia R. Emory, Corporate Secretary

January 19, 2012

Approved