

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
February 7, 2014

Participants:

Robert (Bob) Beers, Jr.
Michael (Mike) Fallon
Paul (Jay) Maddock, Jr.
James (Jim) Myers, Jr.
Deborah (Debbie) Vaughan

Robert (Rob) Beers, III
Katharine (Kathy) Kile
Geoffrey (Geoff) Miller
Robert (Rob) Miller

The Board meeting began at 9:12 am at the Company's offices in Bethesda, Maryland. Attached is the supporting documentation that was given to all members in advance of the meeting.

1. **Approval of Meeting Minutes of November 14, 2013 and December 13, 2013**

Motion was made by James Myers, Jr. and seconded by Geoffrey Miller to approve the Meeting Minutes of November 14, 2013 and December 13, 2013. All were in favor, none opposed.

2. **Company Update**

a. Approval of Updated 2013/2014 Budget

The Budget is updated to reflect the opening balances after the Review.

Motion was made by Robert Beers, Jr. and seconded by Geoffrey Miller to approve the Revised 2013/2014 Budget. All were in favor, none opposed.

b. Review of October, November and December 2013 Financials

Cash is down Year to Date (YTD) by (\$656,654.38) due primarily to the significant capital work being performed throughout the Company's portfolio but is in line with Budget. Unrealized Investments is up YTD by \$236,706.48. Accrued Expenses are up YTD by \$247,129.82 due to all of the capital work being done. Long Term Debt is in line with Budget. Net rental Income is over Budget by \$73,466.30. Operating Expenses are \$19,300.12 over Budget primarily due to Office Administration unbudgeted end of year bonus of \$10,000 and Executive Compensation Committee's unbudgeted expenses of \$9,500. Unrealized Investment is up by \$236,706.48 YTD. Cash is down by \$656,654.39 due to the capital improvements being made on all of the properties.

c. Property Updates

1. Shops at Sumner Place

Net Operating Income is down by (\$23,565). Some of the Building Improvements have been delayed due to weather. There is an 8.9% vacancy in the offices and 0% in retail. Rob Miller noted that we are finally driving the market.

2. Spring Valley Office

Net Operating Income is over budget by \$137,143. Tenant Improvements are \$47,543 under budget due to the slow build-out of the tenant in 4301 50th Street. Building Improvements are over budget by \$65,625 due to the long lead time of certain budgeted items that finally arrived. Rob Miller noted that the landscaping enhancements are almost complete and that the pay on foot and in lane parking upgrade is installed. He noted that we have received approval for a monument sign on the side of 4900 Massachusetts Avenue at which time we will remove all building signage. Vacancy is 2%.

3. Spring Valley Retail

Net Operating Income is below budget by \$47,039 due to Chicken Out vacating. Rob Miller explained that we had a Letter Intent with a local bank for the Chicken Out space. He further explained that Walgreens has gone silent so our marketing efforts are shifted towards multi-tenanted occupancy for the first floor of 4900 Massachusetts Avenue vacancy.

4. Sumner Highlands

Rob Miller explained that rentals are below budget averaging occupancy of 88% to 92%. The good news is we are below budget in expenses by \$21,763.

d. Company Updates

1. Pay on foot parking in Spring Valley is a success with revenue up and decreasing expenses.

2. Potential Investment in Florida

Rob Miller explained that there is a “shovel” ready opportunity in Stuart Florida for a 12,000 square foot office/warehouse complex. Its biggest users will be those that purchase luxury motor homes from the adjacent property owner, Liberty Motor Homes. After a discussion it was recommended that this project to be done through a new LLC. It was

noted that a conversation with our tax attorney, Christopher Scott, is needed to determine how much money can be lent from the C Corp to the LLC.

Motion was made by Robert Beers, III and seconded by James Myers, Jr. to authorize Robert Miller to proceed with the development of the City Commerce Center in Stuart, Florida. All were in favor, none opposed.

3. Lawsuit against CNA

Rob Miller explained that we have filed the lawsuit and that we should expect an answer sometime in late February. Additionally, we should receive court dates shortly.

4. Capital Improvements

As previously noted, the final capital improvements are substantially completed. Just final work needed on new roof at Shops of Sangamore as well as the landscaping enhancements throughout our portfolio.

5. Revisions to 2012 1099s

Rob Miller noted that revised 2012 tax returns have been filed and that revised 1099s will be sent out to all shareholders re-characterizing ordinary income as return of capital.

6. Closure of Haymount Limited Partnership

Rob Miller explained that he will be having a meeting next month with our accountant and attorneys to determine the best way to wind down operations of HLP.

3. **Committee Reports**

a. Audit and Finance did not have anything new to report.

b. Governance and Nominating

Minutes from the November 13, 2013 meeting were distributed. Mike Fallon noted that he is awaiting all of the Self Assessments at which point he will compile into one report.

c. Ad Hoc Committee

Mike Fallon explained the Mission Statement of the Committee was 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 first step was to go to our tax attorney, Christopher Scott. It was determined that the Company should remain as a C Corporation until the tax loss carry forward has been exhausted, at which point a conversion to an “S” Corporation would likely be recommended. The Committee further evaluated the merits of a theoretical transaction wherein the Shareholders might convert their Miller Company interests into the “UPREIT” units of one or more publically traded REITs, as a means of achieving enhanced diversification and liquidity. After the study, including advice and counsel from Mr. Randall Griffin, a recognized REIT expert, it was determined that such a transaction would not be achievable without significant tax consequences to the Shareholders. Following this study, it was determined that the Strategic Plan should be modified to provide for accelerated Shareholder distributions coupled with an aggressive portfolio realignment. Subsequently, a discussion occurred regarding the sale of the Spring Valley Retail portion of our portfolio in a 1031 exchange. It was discussed that should potential replacement properties not be found, the tax loss carry forward would absorb any resulting tax at the corporate level.

Mike Fallon further explained that the Committee had discussed that the current Company policy of a 50/50 split of the Company’s free cash flow being used for growth of the Company and distributions to Shareholders was not sufficient to either grow the portfolio or to enhance Shareholder liquidity. The Committee agreed that the distribution to Shareholders should be increased from 50% to 75% of the Company’s free cash flow. Mike Fallon also noted that the Board needs to consider some type of Shareholder buyback program.

d. Executive Compensation Committee

At 5:30 pm, the Board requested that Patty Emory and Rob Miller leave the meeting at which point they went into Executive Session. The Board came out of Executive Session at 6:20 pm at which time the meeting was adjourned.

Patricia Emory, Corporate Secretary

April 4, 2014
Approved