

**REVISED MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
July 17, 2014**

Participants:

Robert (Bob) Beers, Jr. (via telephone)	Robert (Rob) Beers, III
Michael (Mike) Fallon	Katharine (Kathy) Kile
Paul (Jay) Maddock, Jr.	Geoffrey (Geoff) Miller
Robert (Rob) Miller	Deborah (Debbie) Vaughan

James Myers, Jr. was absent. The Board meeting began at 10 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 April 4, 2014 and July 2, 2014.**

Motion was made by Robert Beers, III and seconded by Paul Maddock, Jr. to approve the Meeting Minutes of April 4, 2014 and July 2, 2014. All were in favor, none opposed.

2. **Company Update**

a. **Review of May 2014 Financial Statements:**

Income is down due to vacancy at 4866 Massachusetts Avenue and the slow lease up at Sumner Highlands. Net Income is in line with Budget. It was noted that we are \$300,000 below in cash versus budget as a result of the vacancies as well as some timing issues of repairs and tenant build-outs as well as unbudgeted expenses regarding the WRIT transaction.

b. **Property Reports:**

1. Shops at Sumner Place's net operating income is \$100,000 under budget. This is primarily due to unbudgeted repairs and the timing of the lease up of our vacant spaces.
2. Spring Valley Offices tenant improvements are below budget due to VIKa taking the give back space from Long & Foster as is as well as the build-out of 4301 50th Street has had delays so our portion is not due as of yet. Building Improvements have been made up primarily of landscape enhancements, the new monument sign as well as a new parking booth. Regarding the vacancy at 4315 50th Street, we are currently looking at adding amenities to the complex by adding a conference center, fitness center and/or a storage facility in this space. A survey is being sent around to our tenants to see if there is any need/desire for these amenities. The first floor of 4900 Massachusetts Avenue vacancy is in large part due to prospective retail tenants cannot visualize what the property can look like. We are hearing from brokers that the building just isn't good for retail more quasi-retail.

3. Spring Valley Retail income is down due to the vacancy at 4866 Massachusetts Avenue (the old Chicken Out space).
4. Sumner Highlands' occupancy is up. A new manager has been hired who is working hard to lease up the property as well as ensuring that the property is in top condition.

c. Investment Opportunities:

1. Rob Miller explained that Sumner Highlands is not a property in which we would want to sell at the present time due to the fact that the prepayment penalty is approximately \$4.5 million. 2021 is when the property can be refinanced.

Shops at Sumner Place is ripe for harvesting in that it is full with no deferred maintenance and solid rental rates. We should get a low 5% cap rate. Rob Miller explained that he has received calls regarding it but wants to hold off until we complete the deal with WRIT for Spring Valley Retail.

2. Rob Miller explained that our loss carry forward can be as high as \$30 million but that includes the write off of all HLP debt which would result in phantom income for our partners. Therefore, our loss carry forward is \$24.9 million which would leave approximately \$13 million that would not be sheltered thus requiring us to purchase a property for that amount is of immediate concern.

1031 Exchange requires that up to 3 properties be identified within 45 days of sale and you have 135 days to purchase a property.

3. Florida Investment Property is almost completed just working through some permitting issues. The deal is structured such that we would purchase the property after the build-out is completed but we would provide the financing for the build-out. Total cost will be \$950,000 to \$1 million. Once the property is fully leased up we should yield 9 to 10%.

4. Potential Properties to Purchase

a. Commerce Executive VI

The property is adjacent to the silver line metro station which is scheduled to open shortly. The property was built in 1998 for a full building user. The property is not a good fit for us in that there are too many large tenants and if one moves out 25% of the building would be vacant.

b. One Central Plaza

The property is directly on Rockville Pike across from the old White Flint Shopping Center which is currently being redeveloped. The property is within walking distance of the Metro adjacent to a property that JBG just completed renovations to. The issue is the property is out of our price range requiring us to bring in a partner for a joint venture.

c. 6100 Executive Boulevard

The property would be a value added transaction. WRIT will be vacating the property leaving 35,000 square feet vacant. There are 2 floors of spec suites as well as three buildings vacant in the area. WRIT looking at a 7 ¾% cap rate for approximately \$40 million.

d. Haymount Limited Partnership Litigation

Rob Miller explained that there is a settlement conference on August 1, 2014 which will pave the way on where to go next. All motions have been filed so it should be a very simple case. Rob Miller explained that our damages are \$660,000.

Board adjourned for lunch from 12:05 to 1:30 pm

3. **Committee Reports**

a. Governance and Nominating Committee

Debbie Vaughan began her committee's report with the key take away points of the completed Board survey. The committee agreed that a baseline has been established to evaluate Board performance in the future, and a set of issues has been highlighted to be addressed ongoing in the future. Debbie Vaughan asked Mike Fallon to continue the survey discussion with the full Board.

Mike Fallon explained that the Board Assessment survey established a baseline for the Board's performance. It has been asked that at our 3 annual face to face Board meetings one of the following occurs: (a) touring of the properties; (b) a meeting with our third party managers; (c) as well as a meeting with our outside advisors as needed. It is recommended that the survey be done yearly in the same confidential manner as it was done this year. The survey responses were reviewed. Listed below are some areas where discussion occurred.

Points of discussion:

1. Committee assignments should be reviewed yearly prior to the Shareholders Annual Meeting. Mike Fallon will speak with each Board member to make sure they are okay with their assignment.
2. Enhancement of skill sets of the members of the Board of Directors can be done. Board members are asked to contact Mike Fallon regarding the course desired to be taken and how much the Company will reimburse.
3. A valuation of the Company shares needs to be done as well as the establishment of an internal “marketplace” for shareholders to trade their interests. It was requested that Management hire a valuation company to provide us with a value of the Company’s shares.
4. Introduce staggered terms for the Board members so that no more than 3 Board members would be up for election in any given year. It was recommended that counsel be obtained to make revisions to our By-Laws so that at the next Annual meeting the Shareholders would vote on this concept and at the 2016 Annual Meeting the shareholders would be voting on a slate that has three Board members being elected for 3 year terms; three members elected for 2 year terms and three members elected for 1 year terms. This way there is continuity on the Board. It was discussed that the Governance and Nominating Committee needs to establish criteria for a person to serve on the Board.
5. Proportionate representation on the Board of Directors based on shares held by the respective families was discussed and it was requested that counsel be obtained to evaluate and recommend alternative approaches to accomplish this.

4. **Housekeeping**

- a. Patty Emory has asked that each Board member respond to each and every e-mail sent out to ensure that you have received it.
- b. Please provide to Patty Emory your travel plans at least one week in advance of the meeting so that arrangements can be made in a timely manner.

Motion was made by Deborah Vaughan. and seconded by Robert Beers, III to adjourn the meeting at 3:01 pm. All were in favor, none opposed.

Rob Miller and Patty Emory were asked to leave the room whereby the Board of Directors went into Executive Session until 4:10 pm.

Patricia Emory, Corporate Secretary

November 13, 2014

Approved