

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS TELECONFERENCE
September 10, 2010

Participants:

Robert (Bob) Beers, Jr.
Katharine (Kathy) Kile
Geoffrey (Geoff) Miller
James (Jim) Myers, Jr.

Robert (Rob) Beers, III
Ernest (Bud) Miller
Robert (Rob) Miller
Deborah Vaughan

Monica Satrape was not in attendance. The Board meeting began at 11 am. 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. July 2010 Financial Statements:

Rob Miller stated that our cash position is better than expected. We forecasted to have @\$2 million in the bank and we have @\$2.3 million.

Rob Miller advised the Board that in August and September there will be a significant change in the cash flow due to the Burke & Herbert curtailment along with the payment of the real estate taxes.

He explained that we received McShea's budgets for next year late last week and hopes to have the consolidated budget to the Audit & Finance Committee by the 24th of September.

A discussion occurred concerning the 3 lots in Montgomery County regarding pulling them from MLS listing and re-listing in the Spring. Rob Miller is to speak with the agent to see what she feels is the best approach to keeping the lots "fresh" on the market.

Robert Beers, Jr. asked several questions regarding the Financial Statements. They are as follows:

a. We are currently three quarters of a million dollars off budget. What is this comprised of? Ernest Miller explained that the majority of it was for 2007 Payroll Tax Liability (\$539,032.68)

b. Is the Bad Debt Expense for the 3 year CAM billing? Rob Miller stated that it was and that that number will most probably increase in that we are now working with the local retailers. He explained that if we push these tenants we will put them out of business.

c. Two items under McShea's statement: (1) Garage Contractor is over budget this month by \$26,958 – Rob Miller explained that these are the expenses associated with running the parking and that the corresponding income is found on page 1 of this statement under "Other Income", "Contracting Income"; and (2) R & M General expense

is over budget by \$23,873. Rob Miller explained that he would have to ask McShea specifically what this is for. McShea's response is as follows: "About 50% of the variance is for the common areas work (painting and ceiling tiles only) [at 4900 Massachusetts Avenue]. The balance is for work associated with the clean up from the pipe break at 4910. As with the garage beam at Sumner, any insurance proceeds that we receive will offset the expense."

d. What is the Asset Management Fee? Rob Miller explained that we have the right under our leases to charge a fee [2%] for the Miller Company along with McShea's fee of 3% so this line takes it out in that this is not real income to the Company.

2. **Burke & Herbert Bank and Trust Curtailment:**

Rob Miller explained that we have made the payment of \$678,750.00. He further explained that he met with Taylor Burke and that the Bank has agreed to establish a line of credit for one half of the amount of the curtailment (\$339,375) with the lots in Montgomery County as security. The line of credit will be available as long as we have the lots.

3. **Update on Company:**

Rob Miller explained that he reviewed our financials to try and determine why we were over budget and he found the following cash expenditures that were not budgeted for. They are as follows:

a. Development Company	
Prepaid Income Taxes	34,490.00
2007 Payroll Tax Liability of (539,032.68)	67,072.50
DC Personal Property Taxes for Past 10 Years	33,598.88
Snow Removal Expenses	254,202.82
Tenant Vacancies	
Dr. Morrison (26,914.94 monthly)	86,431.85
Kane & Davis (\$17,148.99 monthly)	37,315.34
Jerry's Sub (\$5,420.76 monthly)	24,100.12
Litigation Expenses for Tenant Issues (after Budget)	61,869.61
b. Haymount LP - Litigation Fees	50,711.53
c. Springvale Meadows	127,516.86
d. Sunshine Brookes - Real Estate Taxes	10,845.30
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	788,154.81

Rob Miller explained that we were able to offset some of these increases in expenditures by not performing some of the capital improvements as well as tenant improvements and leasing commissions did not occur as budgeted do to the timing of lease renewals and new tenants moving in.

Rob Miller further explained that by going through the budget process he has found that we will be tighter this year than hoped to be due to the vacancies that we have.

It was asked how vacancies are being handled and Rob Miller explained that McShea is working diligently to fill the spaces. He also explained that he had a heart to heart meeting with our retail broker with KNLB and that there are now 8 serious contenders for the retail vacancies at the Shops at Sumner Place.

4. **Board of Directors Term:**

Rob Miller wanted to clarify the matter of how long the current Board of Directors would serve in that there had been some questions raised by some of the Board members. Rob Miller read the following from the By-Laws of the Company from Article III – Board of Directors, Section 1 – Number, Election and Term of Office: (c) “Each director shall hold office until the annual meeting of the shareholders next succeeding his election, and until his successor is elected and qualified, or until his prior death, resignation or removal.” Rob Miller further explained that the Board has the right to move the date of the annual meeting which motion is then ratified by the Shareholders at the next annual meeting.

5. **Board Tour of Properties:**

It was requested that there be a tour of the properties the day before the next face to face Board meeting which will be on Thursday, November 11, 2010. The tour will be in the afternoon of the 10th and will be led by someone from McShea in that Rob Miller will be preparing for the Board meeting.

6. **October Teleconference Meeting:**

Rob Miller asked that the next teleconference Board meeting be moved to Friday, October 8th at 10am in that he will be meeting with McShea on the 7th and will have more up to date information to share with the Board.

There being no other business the meeting adjourned at 12:00 pm.

Patricia R. Emory, Corporate Secretary

October 8, 2010

Approved