

MINUTES
W.C. & A.N. MILLER DEVELOPMENT COMPANY
BOARD OF DIRECTORS
January 19, 2012

Participants:

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

Michael Fallon
Paul (Jay) Maddock, Jr.
Geoffrey (Geoff) Miller
James (Jim) Myers, Jr.

Robert (Bob) Beers, Jr. 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 November 17, 2011 Minutes:

The following corrections were noted:

- a. On page 1: remove Teleconference from header;
- b. On page 3 (g): add the word "commitment" after the word forward on the 2nd line;
- c. On page 5, section 8: remove the 4th sentence of the paragraph.

Motion was made by Michael Fallon to approve the November 17, 2011 Meeting Minutes as amended and seconded by James Myers, Jr. All were in favor, none opposed.

2. 100th Anniversary Celebration:

Kathy Kile showed the Board the beginnings of the booklet that Frances Seay and she are putting together for the Celebration on April 21, 2012. Kathy further explained that post cards would be sent out weekly to hopefully stir up excitement for the celebration and encourage others to provide stories. It was recommended that the phrases that are used in the booklet have a positive spin to them.

3. Presentation by Paul Kiernan, Holland & Knight, regarding the Haymount Litigation

Mr. Kiernan provided an update to the Board of Directors regarding the litigation.

4. Presentation by Alan Gordon, CPA, P.A. regarding Audit versus Review

Alan Gordon explained the in depth process they use for the Agreed Upon Procedures Review as well as the procedures followed for a Review. He explained that an Audit would cost approximately \$30,000 to \$50,000 more and the real reason one is done is because it is required by either a lender or an insurance company. Rob Miller reported

that after checking with counsel and the Company's lenders that the lenders did not require an audit.

5. **Review and Approval of September 30, 2011 reviewed Financial Statements**

Rob Beers explained to the full Board that it was the opinion of the Audit & Finance Committee that the Company would stay with the Review process for fiscal year 2011/2012. It was explained to the full Board that both Rob Miller and Patty Emory review McShea's work on a monthly basis. It was further noted that the Agreed Upon Procedures Review deals with the minutia of the Company's finances. It was recommended that Rob Beers as Chairman of the Audit & Finance Committee will report to the Shareholders regarding the decision to remain with the Review at the Annual Meeting in April.

Motion was made by Roberts Beers, III as Chairman of the Audit & Finance Committee to approve Alan L. Gordon, CPA, P.A. to perform a Review and Agreed Upon Procedures Review of the Company's books for the fiscal year ending September 30, 2012 and seconded by Paul Maddock, Jr. All in favor, none opposed.

Motion was made by Robert Beers, III as Chairman of the Audit & Finance Committee to approve the reviewed Financial Statements for the fiscal year ended on September 30, 2011 and seconded by Geoffrey Miller. All in favor, none opposed.

Rob Beers explained that during the Agreed Upon Procedures Review it was noted that there was some ambiguity regarding the instructions given to Alan Gordon's firm regarding the fact that if there is a lease renewed or new tenant whose square footage is greater than 15% of the Building that the Board needs to approve it.

Motion was made by Robert Beers, III as Chairman of the Audit & Finance Committee to approve the Agreed Upon Procedures Report for fiscal year ended on September 30, 2011 and seconded by Deborah Vaughan. All in favor, none opposed.

6. **Company Update**

- a. Revised October 2011 Financial Statements: Rob Miller explained that the statements had to be revised due to the journal entries that were made for the fiscal year ending September 30, 2011.
- b. November 2011 Financial Statements: Rob Miller explained that we are providing new schedules and asked the Board members to provide feedback regarding them. It was recommended that the Variance Report only provide an explanation on those items of significance. Rob Miller explained that issues regarding Crate & Barrel to the full Board and how the outcome may impact the Budget.
- c. Quarterly Report of Leasing Activity: Rob Miller reviewed the chart regarding the transactions that have occurred since October 1, 2011. He explained that by the end of June 2012 we should have possession of half of the 1st floor of 4900 Massachusetts

Avenue and that we will be converting that space for one retail user. A discussion occurred regarding the vacant lot on 49th Street. Rob Miller explained that for the Company to do anything other than what has been agreed upon between the citizens and DC government we would need to hire Wayne Quinn of Holland & Knight, who is the leading real estate attorney to determine what we will be able to put in that space and gain approval from both the citizens and the DC Government.

7. **Executive Compensation Committee Report**

At the request of Deborah Vaughan, Chairman of the Executive Compensation Committee, Rob Miller addressed the full Board and explained what he sees as his position within the Company and how he feels he should be compensated.

At 12:15 to 1:40 the Board went into Executive Session at which time Patricia Emory and Robert Miller were asked to leave the meeting. During the executive session the Executive Compensation Committee shared its findings, conclusions and recommendations for the full Board's consideration. The Board had an in depth discussion of the CEO's performance for the fiscal year ending September 30, 2011. The Board concluded that the CEO had done an excellent job and the Board decided by an 8-1 vote to award the CEO a \$40,000 bonus based on this performance and directed that this bonus be paid as soon as possible. The Board then ended the executive session, and the Chair of the Executive Compensation Committee and the Board's Chair communicated the Board's action to the CEO.

8. **Strategic Planning Committee Report**

Michael Fallon as Chairman of the Strategic Planning Committee explained that at the Annual Meeting of the Shareholders in April he would like to present to the Shareholders the Vision and Mission Statement along with the 4 Targeted Goals that his Committee has been and will be working on.

9. **Governance & Nominating Committee Report**

Robert Beers, Jr. as Chairman of the Governance & Nominating Committee stated that his Committee would like to propose to the full Board that we keep the same slate of Directors for the period April 2012 through April 2013.

Motion was made by Robert Beers, Jr., Chairman of the Governance & Nominating Committee, that the existing Board of Directors be the proposed slate to be voted upon by the Shareholders at the Annual Meeting in April 2012 for the period April 2012 through to the next Annual Meeting in April 2013 and seconded by James Myers, Jr. All in favor, none opposed.

A discussion occurred by the Board regarding changes that are needed to the By-Laws. It was decided that all of the Directors would send their recommended changes to Kathy Kile, copying all Board members. Kathy Kile would then combine all of the changes into

one document which would then be presented to an attorney who would assist in making the changes and ensuring that the document is in compliance with Delaware law.

Motion was made by James Myers, Jr. that the following change to the By-Laws be made in Article III – Board of Directors, Section 1 – Number, Election and Term of Office, (a) the size of the Board of Directors be 10 for an additional year so that it ends at the Annual Meeting in April 2013 and seconded by Robert Miller. All in favor, none opposed.

Motion was made by Ernest Miller that the Board of Directors compile all of the changes that are needed to the By-Laws and present them to an attorney for ensuring full compliance to Delaware Law, returning said corrected document to the Board of Directors for approval and then approval by the Shareholders at the Annual Meeting in April 2012 was seconded by Michael Fallon. All in favor, none opposed.

It was decided that each Chairman of the Board Committees will review the Committee Assessments that were provided by the Governance & Nominating Committee and return to the Governance & Nominating their comments. Additionally, the Governance and Nominating Committee will review the Board Assessment.

It was decided that it would be too difficult to create and approve a Shareholder Agreement in time for the Annual Meeting in April 2012 but that Robert Beers, Jr., Chairman of the Governance & Nominating Committee will present the idea of such a document to the Shareholders at the Annual Meeting.

It was decided that Director Eligibility Guidelines and Governance & Nominating Committee Charter will be discussed at our next Board meeting.

10. **Audit & Finance Committee Report**

Due to time constraints, the review of the Committee Charter and Recommended Dividend Policy will be taken up at the next Board meeting.

There being no other business, at 2:30, a **Motion** was made by Ernest Miller and seconded by Robert Beers, Jr. that meeting was adjourned.

Patricia R. Emory, Corporate Secretary

February 10, 2012

Approved