Strategic Plan
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I. Introduction

Strategic Planning is an organization's process for defining its direction and allocating its resources. The language of strategic planning has a tendency to become both rigid in its definitions and distorted in its application. Yet, there is a fundamental logic and protocol, which when carefully utilized, can help to establish a hierarchy of decision making. This protocol can help to marshal a variety of competing and conflicting elements into a useful way of thinking about and acting upon important business decisions.

In developing a plan for the conduct of the W.C. and A.N. Miller Development Company ("Miller Company") we have borrowed definitions and structures from a variety of sources, and in order to clarify this plan a few working definitions may prove helpful:

Vision: For our purposes the corporate Vision is the answer to, "Why the entity exists". It is the "50 - 100 year view", which will, hopefully, be as accurate then as it is now. The vision is more a statement of purpose as compared to a targeted destination.

Mission: If the vision tells us what we want to be, then the Mission seeks to describe "What We Do" in pursuit of our vision.

Strategy: The Strategy that we implement outlines the specific steps that should be taken to achieve our mission. The strategy is a "road map" which responds to the environment ("Current Situation"); establishes critical targets to be accomplished ("Goals"); and lays out a route, or a list of actions ("Path") which must be taken in order to travel from our current situation to the future point we have targeted.

The validity of this plan is fully dependent upon the degree to which we have correctly captured our firm's intentions; and accurately articulated our current environment. If we have been observant in our recitation of these conditions, then the goals that are presented should appear self-evident and appropriate.

However, at its best, this plan only has value in the moment, and will serve as a future baseline for regular reevaluation and re-verification.

II. <u>Vision Statement</u>

A source of capital preservation, wealth creation and income generation; consistent with the highest standards of business and professional ethics.

III. <u>Mission Statement</u>:

While preserving and enhancing a long family legacy and history in the development and management of office, retail and residential properties, and maintaining a responsive and professional relationship with its tenants, the Miller Company shall be a mechanism for the retention, growth and transfer of capital assets and a source of secure, predictable and growing distributions. The portfolio will employ appropriate leverage and retain levels of liquid reserves adequate to address unbudgeted capital events or disruptions in budgeted revenues. The Company will also seek to make opportunistic additions to the portfolio which will achieve its vision.

IV. **<u>Strategic Plan</u>**:

This Strategic Plan embodies three fundamental components:

A. Current Situation: An evaluation of the current condition and environment.

B. Targeted Goals: A definition of the Goals and Objectives which will close the "gap" between our Mission and our Current Situation.

C. Path: A map of the preferred route to achieve the Goals and Objectives; and an allocation and prioritization of the resources needed to achieve the Goals and Objectives.

A. **Current Situation**

A predicate for any Strategic Plan is a candid evaluation of the current business circumstance and environment. A common format for expressing a current situation is through an articulation of the Strengths, Weaknesses, Opportunities and Threats which confront an enterprise. Our current situation can be summarized as follows:

Strengths: The current asset base, Company history and reputation provide a solid basis for future growth. The current Management team and Board composition have a solid grasp and a unified focus, and our Shareholder base has exhibited patience and commitment to the stabilization and redirection of the business. Our current Tenant roster is healthy and diversified, and our geographic marketplace has significant barriers to entry, which minimizes competitive pressures. Furthermore, our history and current performance has strengthened and solidified our banking and finance relationships.

Weaknesses (Internal): We are, however, confronted by residual vestiges of our recent history, and the remnants of previously deferred capital expenditures, compounded by the ongoing costs of the Haymount lawsuit and the need to complete the refinancing of portions of the portfolio. The legacy of the corporate structure ("C Corp.") maximizes potential for tax liabilities, and the natural progression of generational transfers creates an expanding diffusion of our Shareholder base who must balance the dilemma of growth in the portfolio against the desire for a stable and growing dividend.

Opportunities: Even within a market place which has been historically defensive in terms of the ebb and flow of tenant demand, there are opportunities to acquire and reposition distressed or underperforming assets, and to benefit from historically low costs for both debt and third party equity contributions. Furthermore, there are opportunities for new development ventures while competitors are currently on the "sidelines".

<u>Threats (External):</u> The current economy, while less disruptive to our geographic markets as compared to many others, has tightened the playing field, as evidenced by lower absorption rates, increased vacancies, tenant credit issues and shifting retail and office models. We have been relatively insulated from many of the national market pressures, but as a portfolio, we must recognize that we have a single market exposure. Our ability to take advantage of historically attractive growth opportunities is also mitigated by the existence of fewer but well capitalized competitors, significantly tighter credit standards, and a limited amount of internally generated equity.

B. **Targeted Goals**

Targeted goals are stepping stones which will lead us toward the accomplishment of the Mission and which are responsive to our analysis of our Current Situation. In order to serve their intended purpose, Goals must be "SMART", i.e.: Specific, Measurable, Achievable, Relevant and Time-bound. We have organized our Goals into four (4) fundamental categories:

1. Overcoming our "Recent Past"

2. Enhancing Portfolio Performance

3. Portfolio Growth Opportunities

4. Board Level Goals

1. <u>Overcoming our “Recent Past”</u>

    a. Deferred Maintenance

    Background and discussion of relevant facts:

    During the later stages of the prior management team’s stewardship of the portfolio, a significant volume of capital repair and replacement expenditures were deferred. As a result, the condition of the properties became functionally and aesthetically deficient during a period of heightened competitive pressures.

    Current management has undertaken an aggressive program of restoration and repairs, which have supported recent releasing and refinancing efforts. While substantially completed, certain remaining components of this restoration remain to be completed, notably at 4900 Massachusetts Avenue and Sumner Place.

    Goal:

    Complete, within budget, the replacement of the windows at 4900 Massachusetts Avenue and at the Shops @Sumner Place by the end of the current fiscal year (9/30/2012). Replace, within the approved budget for FY 2012/13, the mansard roof at the Shops @Sumner Place by the end of next fiscal year (9/30/2013).

    b. Capital Reserve/Replacements

    Background and discussion of relevant facts:

    Due to the Company’s prior cash flow deficiencies, there existed a significant amount of deferred maintenance. More recently, a large portion of our free cash flow has been utilized to correct the deficiencies.

    Going forward, the Company needs to establish a Capital Reserve account in order to have available sufficient funds to meet the needed on- going capital requirements for anticipated reserves and replacements.

Goal:

Establish a Capital Reserve list projecting five (5) or more years of the anticipated Capital requirements (see Exhibit II A). Based on the Capital Reserve list, the Company will set-aside the necessary amount of money in the Capital Reserve account to make the capital expenditures as warranted.

Oversight:

Implementation of this goal to be overseen by the Audit & Finance Committee.

c. Haymount Lawsuit

Background and discussion of relevant facts:

The Miller Company and several of its former and current executives and subsidiaries have been named Defendants in a case brought about by a bankruptcy attorney due to an alleged contractual dispute with Haymount Limited Partnership. Plaintiff in this suit claims that a fraudulent transaction occurred when the Defendants sold the land to Avanti. Specifically, the lawsuit revolves around a $5 million mezz loan the makers of which are made up of the Miller Company and its shareholders. The potential claim is in excess of $10 million. To date we have spent $446,243.50 and have budgeted to spend an additional $250,000 in fiscal year 2011/12. Our attorneys advise us that the Plaintiff's claim of fraudulent conveyance is likely to be unsuccessful. The defense of the Plaintiff's allegations is absolutely necessary to protect the value of the Miller Company and its current and former executives. We anticipate that this issue should be resolved over the next 12 months.

Goal:

Obtain a satisfactory, Board approved, resolution of the Haymount Litigation by December 31, 2012.

2. Enhancing Portfolio Performance

a. Operating Results:

Background and discussion of relevant facts:

In October 2008, the Miller Company hired a third party management company, McShea, to manage the day to day operations of the Company's portfolio. Concurrently with their engagement, an audit was performed of all leases which showed material deficiencies in the way the leases were previously administered. Management authorized McShea to fully administer the terms and conditions of the leases and enter into a "collection" phase whereby they determined what amounts of monies should have been paid to the Company and billed the tenants accordingly. It is management's belief that all leases are now being properly administered. In 2010, Management and McShea established groups of selected properties which represent the competitive set against which our properties compete (see Exhibit I). These "peer groups" establish the standard for periodic measurement in the categories of: vacancy, rental rates and net absorption.

Goal:

1. Meet or exceed budgeted financial results for all properties in the portfolio by September 30, 2012.

2. Achieve top decile performance results when paired against our peer group in the following categories:

    a. Occupancy
    b. Rental Rate
    c. Net Absorption

3. Industry Standards:

    Additionally, the portfolio is to be compared on an annual basis to the overall market in regards to rental rates, occupancy and operating costs. The market is defined as Washington Metropolitan Area to include the Upper Northwest Washington, DC and Bethesda, Maryland submarkets.

b. Financing

Background and discussion of relevant facts:

The current mortgage loan for Shops @Sumner Place is due in January 2013. The original Loan amount was $30 million and has a current loan balance of approximately $26 million. Management is currently working with a third party mortgage broker, Phillips Capital Realty. Management and its agent have put together a package on the property which will be presented to the market early in 2012. Management is also attempting to get the current mortgagee, MetLife, to eliminate and/or extend the period in which prepayment can be made without penalty.

Further, the Miller Company has certain loans which have limited prepayment penalties or are available for additional funding through secondary financing. As market conditions change and revenue streams increase on certain properties these properties may become candidates for refinancing at more favorable rates and/or at amounts that provide additional equity. Management will continually monitor the ability to replace existing mortgage obligations, reduce interest expense and the ability to create new equity.

Management will determine current leverage ratios and debt levels for current properties and submit for Board approval a recommended leverage target for the Company's overall portfolio.

Goal:

Complete the documentation of a Board approved forward commitment for the refinance of the Shops @Sumner Place mortgage on or before June 30, 2012. Develop and submit for Board approval a plan and recommendation for supplemental cash generation and/or overall portfolio leverage and debt service ratios.

c. Entity Structure

Background and discussion of relevant facts:

The Miller Company is currently structured as a "C" Corporation with a very diverse shareholder base spanning many generations and for whom the Miller Company holdings represent a greater or lesser share of their overall asset base. All of the Miller Company assets with the exception of one entity are owned in fee simple by the "C" Corporation. The one asset that is not, Sumner Highlands, LLC, is a wholly owned subsidiary of the Miller Company.

Entity structures to be considered should include, but not be limited to, retaining the existing structure; converting the "C" corporation to a Real Estate Investment Trust and/or an entity taxed as a partnership. Consideration should also be given to the tax efficiency of the entities as well as the appropriateness of these structures for achieving our mission, and the needs of our diverse shareholder base.

Goal:

The Board and management will undertake a study that will lead to a determination of the optimal structure for ownership of the Company and its assets both currently and prospectively.

Oversight:

Implementation of this goal to be overseen by the Audit & Finance Committee.

3. Portfolio Growth Opportunities

Background and discussion of relevant facts:

Our portfolio will grow in two (2) ways:

1. Internally through natural indigenous growth, amortization of debt and operating efficiencies and

2. Through the acquisition of new assets.

Goal:

Develop and gain Board approval for an investment strategy which will incorporate an asset acquisition plan, and investment criteria.

Oversight:

Implementation of this goal to be overseen by the Investment Committee

4. Board Goals

a. Succession Planning

Background and discussion of relevant facts:

Prudent governance dictates the need for a working succession plan for the stewardship of the Miller Companies. Once developed and adopted, this succession plan should be revisited periodically (at least annually) for its continued relevance and accuracy.

Goal:

Create a succession plan which incorporates a description of duties and responsibilities both currently and prospectively; as well as a process for identifying, selecting and transitioning successors. To be submitted to the Executive Compensation Committee for approval and recommendation to the full Board.

Oversight:

Implementation of this goal to be overseen by the Executive Compensation Committee.

b. Dividend Policy

Background and discussion of relevant facts:

One of the most common methods for calibrating the health of an enterprise is its dividend stream. This dividend stream is measured, not only by its absolute quantity, but by its quality; evidenced by a predictable and stable pattern of payments, growing over time.

The Miller Company enjoyed such a dividend performance over much of its long history, owing to the stability of its underlying portfolio as well as the prudence of its investments. However, dividend streams tend to be a residual consequence of a corporations performance both negatively and positively. The Company's recent deviation from this historical pattern severely impaired the capacity to sustain dividend payments, and restorative therapies for the portfolio and the Company have taken precedence over current dividend distributions.

Goal:

To establish, document and communicate a policy for the allocation of available revenue for both preserving and growing the portfolio; and the eventual resumption of a stable and growing pattern of dividend distribution. This policy statement to be completed by the April 2013 Annual Meeting.

Oversight:

Implementation of this goal to be overseen by the Audit & Finance Committee.

c. Shareholder Relations

Background and discussion of relevant facts:

Currently, Management provides the Shareholders with quarterly updates of the Company's performance both in a narrative format as well as through the quarterly Balance Sheet, Quarterly Income Statement and Year to Date Statement along with Quarterly and Year to Date Cash Flow Statements. Annually, after the Board has reviewed and accepted the Annual Report prepared by the Company's independent accounting firm, Management provides an explanation of the report along with a copy of same and the ensuing year's Budget and Cash Flow Forecast.

Goal:

Management is to formally gain Board approval for the Shareholder Communications Plan which will be reviewed annually.

Oversight:

Implementation of this goal to be overseen by the Governance & Nominating Committee.

C. **Path**

In order to achieve the Goals and Objectives expressed in this Strategic Plan, priorities must be established and resources must be allocated.

The first priority, and the most immediate allocation of our human and capital assets must continue to be focused on the corrective steps which allow us to overcome our recent past. The following "Deferred Maintenance" Projects still need to be accomplished: (a) Replace windows on 1st through 3rd floors at 4900 Massachusetts Avenue ($58,815); (b) Replace windows on 1st and 2nd floor South Tower and 2nd floor North Tower at Shops at Sumner Place ($245,650); and (c) Replace standing seam roof at Shops at Sumner Place ($400,000). Items (a) and (b) have been priced and Item (c) has preliminary pricing. Items (a) and (b) are included in the 2011/12 budget with Item (a) already completed and Item (b) scheduled for this coming Spring. Item (c) – the existing shingles are made of asbestos and as a practical matter should be disposed of for environmental concerns. Additionally, aesthetically we have over the course of the past three years improved the appearance of the property and this is the last remaining item needed to complete the upgrade to the property. Items (a) and (b) will be complete in fiscal year 2011/2012 and Item (c) should be complete in Fiscal Year 2012/2013.

The expenditure of capital and the priority use of operating cash flows will continue to be directed toward the physical restoration of our portfolio and the establishment of a reserve fund which will be earmarked for the regular progression of periodic capital expenditures over a rolling five (5) year forecast period (Exhibit II). Concurrent with these expenditures, the defense of the Corporation in the Haymount lawsuit remains a regrettable, but essential claim on our available resources.

Beyond the stabilization and restoration of the portfolio’s physical condition; the immediate next claim upon available resources will be focused on the enhancement of the portfolio’s financial performance. This portfolio performance will be calibrated and measured, not only in terms of its rental rates and occupancy levels, but also reflecting the capital expenditures necessary to create stable, sustainable and credit-worthy tenancies. The restructuring of the debt components of our capital structure will seek to mitigate our exposure to concentrated maturities and high loan to value ratios while enhancing operating cash flows by taking advantage of historically low debt costs.

These two primary goals are essential requirements for the stabilization and survival of the Company. Happily, as of this writing, the accomplishment of these two goals are well advanced. However, notwithstanding the successful accomplishment of these two primary goals, the full realization of our Mission can only be accomplished through growth in both the size and scope of our portfolio.

Some measure of growth can be achieved through the indigenous growth of the current properties; this growth will occur through increasing operating efficiencies and rental increases which exceed the costs of operations. However, significant incremental growth can only be achieved through the judicious addition of investment properties to the portfolio.

A comprehensive program for the expansion of our portfolio will incorporate the considered evaluation of the alternative methods for Capital Formation and the implementation of alternative Investment Strategies.

Management will develop and submit for Board approval a proposed plan for the solicitation, screening and underwriting of new additions to the portfolio. This plan will reflect the amount and likely sources of required equity capital, as well as the proposed degree to which leverage will be employed. Yield thresholds and other returns on investment criteria will be specified. This plan will be reviewed and updated at least annually, concurrent with the annual budgeting process.

Beyond the scope of management's goals, there remain certain programs for which the Board retains responsibility. These goals include Succession Planning, Dividend Policy, and Shareholders Relations.

Management has submitted a basic outline for Succession Planning, as outlined in Exhibit IV. The Executive Compensation Committee will review this Plan outline and make further recommendations to the full Board.

The current Dividend Policy, as recommended by the Audit & Finance Committee on January 18, 2012 is attached as Exhibit II. Upon adoption or modification by the Board, this policy will be communicated to the Shareholders at the Annual Meeting. This Policy will be updated as appropriate, with reviews no less than annually.

The current Shareholder Communication Plan is outlined in Exhibit V. The Board will review and modify this Plan as appropriate.

Revised as of July 25, 2012

EXHIBIT I

Peer Groups

Peer Group is defined as follows:

1. Offices at Shops @Sumner Place are compared to:

   6400 Goldsboro Road
   5272 River Road
   6500 Seven Locks Road
   6106 MacArthur Boulevard

2. Retail at Shops @Sumner Places are compared to:

   4530 40th Street, NW
   5225 River Road
   6708-6800 Wisconsin Avenue
   5252 Wisconsin Avenue
   5333 Wisconsin Avenue, NW

3. Spring Valley Offices are compared to:

   4400 Jennifer Street, NW
   3301 New Mexico Avenue, NW
   4200 Wisconsin Avenue, NW
   4530 Wisconsin Avenue, NW
   4620 Wisconsin Avenue, NW
   5100 Wisconsin Avenue, NW
   5101 Wisconsin Avenue, NW
   5225 Wisconsin Avenue, NW
   5028 Wisconsin Avenue, NW

4. Spring Valley Retail are compared to:

   4530 40th Street, NW
   4330 48th Street, NW
   4203 Davenport Street, NW
   4500 Wisconsin Avenue, NW
   4500 Wisconsin Avenue, NW
   4555 Wisconsin Avenue, NW
   4600-4614 Wisconsin Avenue, NW

EXHIBIT II

Recommended Dividend Policy
Audit & Finance Committee
January 18th, 2012

Terms: Net Free Cash Flow (NFCF)=Net cash flow from operations after debt curtailment and before any refinance proceeds.

Guideline:

- Distribute 50% of NFCF qualified by reserve minimum.
- Remaining 50% retained within company for reinvestment.

Criteria:
- Maintain minimum of two million dollars in cash reserves over and above an annually approved capital reserve fund (see Exhibit A).

The Audit & Finance committee will review the company's dividend policy on an annual basis and provide any recommended changes to the board.

Exhibit III

Investment Components

Capital Formation:

1. Funds from operations
2. Funds from refinancing
3. Funds from outside investors.

Investment Strategies

1. Equity requirements
2. Leverage
3. Cash on cash returns

Investment Types

1. Short Term
   a. Cash or cash equivalents
   b. REITs or other

2. Long Term
   a. Multi-housing
   b. Office/Medical
   c. Retail

3. Types of Real Estate
   a. Stabilized
   b. Distressed value added properties
   c. Under performing properties
   d. Developments
   e. Mortgages

EXHIBIT IV

SUCCESSION PLAN

1. Unintended

    a. Board appoints an interim CEO
    b. Board forms a search committee to replace interim CEO

2. Intended

    a. Board appoints a search committee to replace CEO
    b. CEO to work with incumbent CEO to facilitate a smooth transition.

EXHIBIT V

SHAREHOLDER COMMUNICATION PLAN

1. Management to provide Shareholders with an annual report to the Shareholders to include:

    a. Reviewed or Audited Annual Financial Statements
    b. Budget for ensuing year
    c. Cash Flow forecast for ensuing year.

2. Management to provide the Shareholders with a quarterly update to include:

    a. Management generated quarterly financial statements
    b. Cash flow statements.