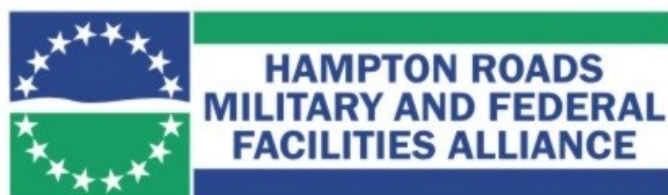


ANNUAL REPORT

2008



One Region...One Team...One Task

from the Executive Director...

This report summarizes the operations of the Hampton Roads Military and Federal Facilities Alliance for the fiscal year beginning July 1, 2007 and ending June 30, 2008.

This past year is the second full fiscal year of Alliance operations and the first in which a full staff of three individuals was employed. The Board of Directors was also expanded into the private sector and successfully populated with seven local area business leaders.

Major Alliance activity focused on leading key actions to protect and preserve existing Navy capabilities in Hampton Roads and to further evolve a regional framework to establish Hampton Roads as a center for unmanned systems in defense, homeland security and civil environments.

This past year has unquestionably validated regional leaders' wisdom in creating the Alliance. The Board of Directors itself reaffirmed their commitment to the Alliance and ensuring an enduring source of revenue. Alliance activities have demonstrated Alliance value to the Virginia Congressional delegation and the Governor and his staff.

Overall, the state of the Alliance is sound and the contribution to the future of the region is growing in importance. Funding stability, however, remains a challenge as the Alliance moves in to the new year.



Frank Roberts
August 31, 2008

**Collaborating to Capture Capabilities
for the Future of Hampton Roads**

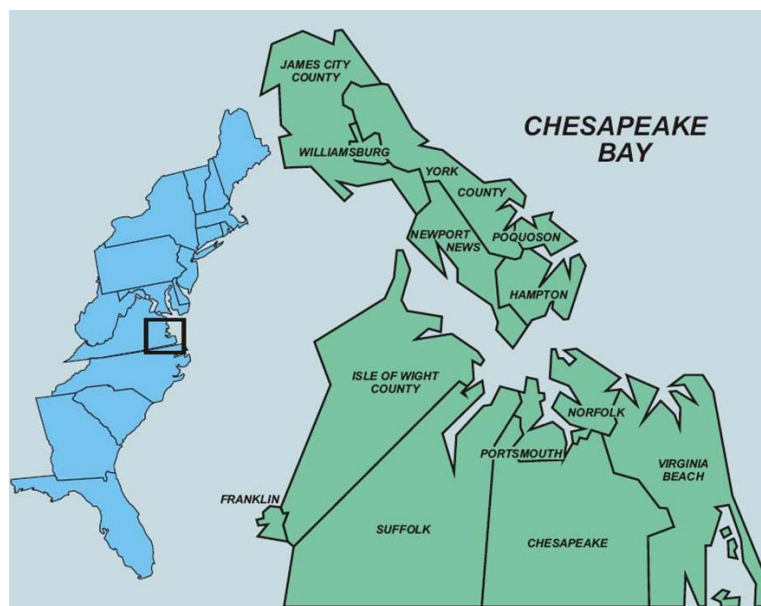
INTRODUCTION

The Hampton Roads Military and Federal Facilities Alliance (HRMFFA) was established by formal action of the Hampton Roads Mayors and Chairs Caucus in February 2006. That formal action filed Articles of Incorporation with the Commonwealth of Virginia State Corporation Commission, thus creating HRMFFA as a not-for-profit, tax-exempt corporation.

Article I, the Purpose section of the Articles of Incorporation, states that HRMFFA exists:

“...to receive, maintain, and administer assets in perpetuity exclusively for the purposes of promoting the common good and welfare of the residents of the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, Virginia, and the residents of the Counties of Isle of Wight, James City, and York, Virginia, by influencing legislation or other actions of the Federal government, or agencies or entities controlled or funded by the Federal government, in order to retain in, and attract to, the Region facilities, institutions, organizations or investments owned, operated, or funded by the Federal government or such agencies or entities.”

HRMFFA is in essence a ‘public’ corporation in that the 1.6 million residents of Hampton Roads are ‘shareholders’ whom the Alliance serves. Those residents represent 21% of the population of the Commonwealth of Virginia Those ‘shareholders’ interests are represented by their elected official – Mayor or County Board of Supervisors Chair – who serves as a Director on the HRMFFA Public Sector Board.



HRMFFA ‘Shareholders’

In addition to the public 'shareholders', business 'shareholders' are represented by the business leaders who have chosen to serve on the HRMFFA Private Sector Board. As with any corporation, the 13 Directors serving on the Public Sector Board and up to 10 Directors on the Private Sector Board provide oversight and strategic direction.

An Executive Director serves at the pleasure of the Board and is the chief executive of the corporation, responsible for the day-to-day operations, administration, and financial activities of the corporation and implementation of Board strategic guidance. Operational, administrative, and financial functions are provided for by permanent staff, augmented by contract support as necessary to fulfill corporate requirements.

Public corporations provide dividends to their 'shareholders'. In the HRMFFA case, the dividend is sustainment, or growth, of military and federal capabilities and associated private sector interests – that ultimately preserves and fosters the economic vitality of the Hampton Roads region.

OPERATIONS

The HRMFFA business model is based upon developing and cultivating relationships at the federal, state, regional, and local levels in both the public and private sector in order to provide a collaborative network of partners and to minimize costs in accomplishing the HRMFFA mission.



In implementing this business model, HRMFFA reaches out to organizations and activities and provides orientation briefs to create an understanding about the HRMFFA mission and develop collaborative relationships.

During the past year orientation briefs were given to:

Association of Unmanned Vehicle Systems International - Hampton Roads Chapter (AUVSI-HR)	U.S. Joint Forces Command (USJFCOM) / Greater Hampton Roads Chapter, National Defense Industrial Association (GHRC-NDIA) annual industry symposium
Chesapeake Economic Development Advisory Committee	Tidewater Association of Service Contractors (TASC)
Chesapeake Rotary International Club	Urban Land Institute (ULI)
Future of Hampton Roads, Inc Board	Virginia Beach Military Economic Development Advisory Committee (MEDAC)
Hampton Roads Chamber of Commerce, Virginia Beach Division Board	Virginia Beach Vision Board
Hampton Roads Economic Development Alliance (HREDA) Marketing Group	Virginia Employment Commission (VEC) – Eastern Region
Hampton Roads Highway Incident Management (HRHIM) Committee	
Newport News City Council	

In addition to orientation briefings to groups, relationships were established with the following individuals and organizations through one-on-one discussions:

Air Combat Command (Commander*, Vice Commander, Political Advisor)	Operations Integration Center
Commanding Officer, Naval Surface Warfare Center Dam Neck,	Director, Veterans Administration Medical Center
Commander, Coast Guard Fifth District*	Editorial Boards, Virginian-Pilot & Daily Press
American Logistics Association	Executive Director, Virginia Modeling Analysis and Simulation Center (VMASC)
Commander, Maintenance and Logistics Atlantic Command	Executive Officer, Naval Station Norfolk*
Commander, Marine Forces Command	Fleet Forces Command (Commander, Vice Commander)
Commander, Naval Medical Center Portsmouth*	Fort Monroe Federal Area Development Authority (FMFADA)
Commander, Navy Exchange Service Command*	Great Dismal Swamp National Wildlife Refuge Manager*
Commander, Navy Region Mid-Atlantic*	Hampton University, Vice President for Government Relations
Commanding Officer, Integrated Support Command	Joint Ground Robotics Enterprise (JGRE)
Commanding Officer, Naval Amphibious Base Little Creek*	Naval Air Station Oceana (Commanding Officer, Executive Officer)*
Commanding Officer, Naval Facilities Engineering Command	Naval Facilities Engineering Command, Plans and Community Liaison Officer
Commanding Officer, Naval Weapons Station, Yorktown*	Naval Station Norfolk, Business Manager
Deputy Commander, Network Warfare Command	Navy Space and Warfare Systems Command (SPAWAR) Systems Center Charleston
Deputy Director, Army Counter-IED	Oceana-Fentress Advisory Council
	Old Dominion University (ODU) Economic

Forecasting Team
Officer in Charge, Naval Support Activity
Northwest Annex*
President, American Federation of
Government Employees (Local union)
Tidewater Government Industry Council
(TGIC)

Vice Commander, SPAWAR
Virginia National Defense Industrial Authority
(VNDIA) Military Programs Manager*
Virginia Port Authority
USJFCOM Legislative Affairs Director*

* new individual in a position with whom a
prior relationship was established

In addition to political relationships previously established, relationships have also been developed with the following key individuals in the political arena to assist in executing the HRMFFA mission:

Virginia Congressional Delegation

- Representative Wittman + staff
- Jason Lee (Senator Warner's Hampton Roads district representative)

Commonwealth of Virginia

Deputy Secretary of Commerce and Trade
State Historic Preservation Officer

Virginia General Assembly

Hampton Roads Caucus of the General
Assembly

Regional/Local

City of Hampton Federal Facilities Support
Director
City of Portsmouth City Manager

HRMFFA continues to maintain corporate membership in the many military/defense related trade and professional associations and participate in local chapter activities as a means to broaden the information sharing network about regional/local impacts of federal policy. Organizations with an asterisk (*) have local chapters. HRMFFA also joined the National Defense Industrial Association (NDIA) this year.

- Air Force Association*
- Association of Naval Aviation*
- Association of the U.S. Army*
- Association of Unmanned Vehicle Systems International*
- Marine Corps Association
- National Defense Industrial Association (NDIA)*
- Navy League of the United States*
- Tailhook Association*

HRMFFA established corporate membership in the Greater Williamsburg Chamber of Commerce and participates in their Armed Forces Committee activities; the Hampton Roads Chamber of Commerce and serves on their Norfolk Division Economic Development Committee and Armed Services Committee; and the Virginia Peninsula Chamber of Commerce and serves on their Board, the Legislative Committee, and the Military Affairs Committee.

The Virginia National Defense Industrial Authority (VNDIA) staff and Board continued their orientation visits to military installations and key commands this year. HRMFFA staff accompanied VNDIA on their visits to:

- Naval Air Station Oceana
- Naval Amphibious Base Little Creek
- Naval Station Norfolk
- US Fleet Forces

Due to the small size of the HRMFFA staff, outsourced support is critical to the ability to accomplish the HRMFFA mission and meet the business requirements of the corporation.

Mission related support for government relations activities, legislative advocacy, and representation in DC was provided by Akin Gump Strauss Hauer and Feld LLP under a fixed fee, plus expenses, retainer contract aligned with the HRMFFA fiscal year. At the start of the fiscal year, the firm of Hyjek and Fix was partnered with Akin Gump to provide the necessary support. The business relationship between Akin Gump and Hyjek and Fix was ended in September 2007. This enabled Akin Gump to reduce costs to HRMFFA by voluntarily absorbing expenses within the monthly retainer fee, resulting in an overall savings of approximately \$30,000 for the fiscal year. In March 2008, a separate task was added to the contract to provide specific expertise and effort to respond to the Navy Environmental Impact Statement (EIS) examining the relocation of ships to Mayport, FL. This specific task extends into the next calendar year and is directly funded by Commonwealth of Virginia grant funds.

Specific support to lead the HRMFFA strategic initiative evolving Hampton Roads into a center for unmanned systems synergy and innovation – Robot Venture - was provided by Klett Consulting Group, Inc. under two fixed fee contracts for the 2007 and 2008 calendar years. These contracts are directly funded by Commonwealth of Virginia grant funds.

Required legal support is provided by the law firm of Kaufman and Canoles on a fee for services basis. Mr. Vincent Mastracco of Kaufman and Canoles is the HRMFFA Registered Agent.

Information technology (IT) support is provided by Convergent Technologies on a fee for services basis and is done in partnership with the Hampton Roads Partnership (HRP). HRMFFA and HRP use the same IT network and server capability and share other office support systems (printer, copier, fax, etc.).

The annual audit of HRMFFA financial affairs was conducted by Burrus Paul Turnbull LLC on a fixed fee contract. The audit for fiscal year 2007 was completed and reported in September 2007 with one minor reportable deficiency.

Key activities

Starting in January 2007, HRMFFA spearheaded the regional development of a Military Installations Needs Assessment requested by the VNDIA Board of Directors. The report was delivered in August 2007 and lauded by the VNDIA Board as a comprehensive analysis of the current situation and needs of the two dozen plus military installations in Hampton Roads. This report enabled VNDIA to develop its strategic plan.

In November 2007, HRMFFA began exploring compatible uses that might provide economic opportunities to a community in which the Navy might want to build an outlying landing field (OLF). During the year, HRMFFA developed numerous ideas, researched them and then provided information to the Commonwealth and the Navy for further consideration. In April and May 2008, HRMFFA attended the seven Navy public open house events to gather information regarding citizen concerns in order to develop strategies to assist the Navy in the OLF site selection process. HRMFFA submitted comments to the public scoping process.

In January 2008, HRMFFA staff supported the annual Aerospace Day at the Virginia General Assembly, assisting in ensuring legislators had a full appreciation of the critical importance of NASA Langley Research Center, NASA Wallops Island, and the variety of aerospace activities in the state. HRMFFA also planned and facilitated the closing day luncheon for participants.

In March 2008, HRMFFA began a detailed review of the Navy draft EIS addressing the possible homeporting of additional ships at Naval Station Mayport, FL. HRMFFA coordinated the development of detailed comments that were ultimately submitted by Governor Kaine and companion concerns submitted by HRMFFA leadership.

In April 2008, HRMFFA coordinated a day long visit of the Deputy to the Commanding General, Combined Armed Services Command (CASCOM) at Fort Lee, to Hampton Roads to expose him to the vast array of capabilities and technology support available in Hampton Roads and to discuss partnering opportunities.

In May 2008 HRMFFA submitted comments in support of the announced U.S. Coast Guard Modernization Programmatic Environmental Assessment (PEA) due to its potential impact on Hampton Roads.

Throughout the year the Robot Venture effort continued to grow in size and scope. The community of interest now includes over 100 individuals and has created an ever expanding network of interest focused on turning Hampton Roads into a center for unmanned systems activity in the defense, homeland security, first response and education sectors.

HRMFFA met with all three declared candidates for Governor to ensure their awareness of critical military and federal policy issues affecting Hampton Roads and the Commonwealth.

Looking ahead

The Navy anticipates releasing the final EIS regarding Mayport in November 2008 followed 30 days later by the Record of Decision (ROD). HRMFFA will respond rapidly upon the release of the final EIS to assess if and how comments submitted by Governor Kaine and HRMFFA were addressed in order to determine if further comment is valuable before the ROD. Once the ROD is released, HRMFFA will assess if continued response is warranted.

The draft EIS on the OLF should be completed summer 2009. HRMFFA will be ready to thoroughly review and respond to that draft and attend all public hearings. HRMFFA will continue to explore compatible use ideas and coordinate as possible with the Virginia Congressional delegation, the Governor's staff, and local officials to chart a pathway for a successful outcome.

The future for NASA Langley Research Center will be a concern. With a new administration and ultimately a new NASA Administrator, it will be important to understand any changes in NASA emphasis, programs, and budgeting processes and work to ensure Langley Research Center remains a viable, stable center.

It is highly likely that the new federal fiscal year will begin in October 2008 without any appropriations legislation having been enacted. The expectation is that a Continuing Resolution will be passed enabling federal activities to continue operating at 80% of the current fiscal year's level. The new administration would be left to approve appropriations legislation after taking office on January 20, 2009.

The Congressionally directed review of Service roles and missions deserves careful scrutiny as the outcome of that analysis would be a precursor to a Base Realignment and Closure (BRAC) action.

FINANCES

The annual budget – exclusive of grants – has normalized at approximately \$850,000. This budget funds personnel costs for HRMFFA staff, basic operating and administrative costs, and outsourced support (government relations representation, legal support, IT support, audit, etc.)

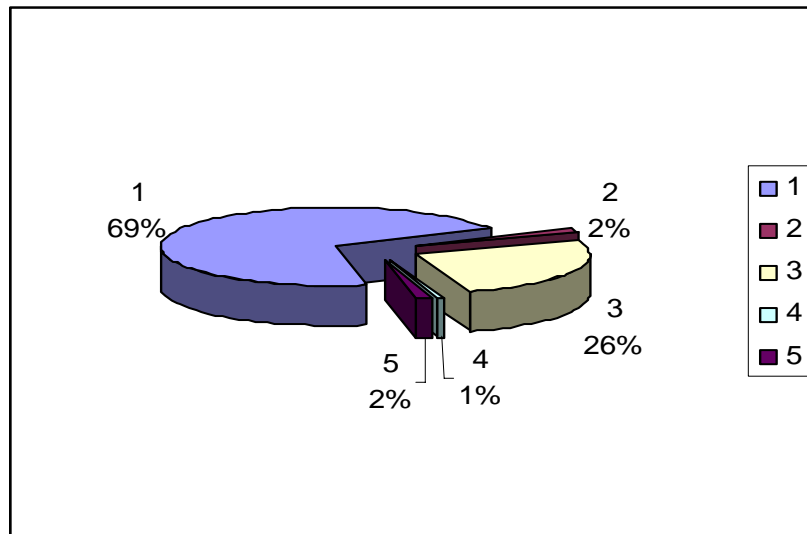
During the past fiscal year, revenue was provided from five sources:

- 13 Hampton Roads jurisdictions @ \$.44 per capita
- 4 Private Sector Board fees
- Money market account interest
- Regional organizations
- Commonwealth grants
 - 2007 grant period: January 1, 2007 – December 31, 2007
 - 2008 grant period: January 1, 2008 – December 31, 2008

Revenue Summary

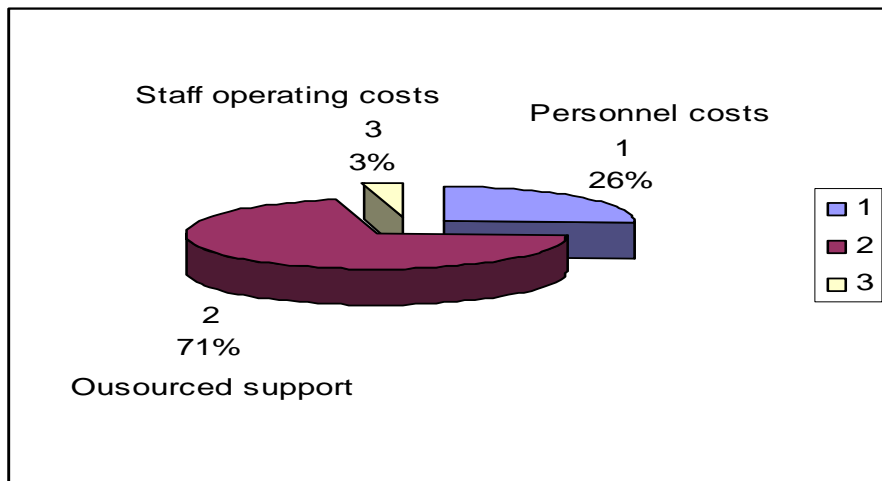
July 2007 – June 2008

<i>Jurisdictions</i>	\$691,744.00
<i>Regional organizations</i>	\$ 16,777.49
<i>VNDIA grants</i>	\$254,050.82
<i>Interest income</i>	\$ 5,346.53
<i>Private Sector Board fees</i>	\$ 17,500.00
TOTAL	\$985,418.84



Revenue Sources

In addition to revenue received during the fiscal year, \$2,374 was carried forward as retained earnings from the prior fiscal year. \$4,154 was carried forward in to the current fiscal year from the fiscal year herein reported.



Expense Profile

The Year Ahead

Revenue from the Commonwealth of Virginia Military Strategic Response Fund (MSRF) grant expires at the end of December 2008. This revenue has been critical to HRMFFA operations, staffing, and level of effort since January 2007. The 2008 General Assembly did not appropriate any additional funds for the MSRF program that could be competitively awarded. Therefore, sustainment of HRMFFA level of effort is dependent on financial commitment of the beneficiaries. This roughly equates to a per capita rate of \$.51 for the 13 jurisdictions.

For the current year jurisdictions were asked to fund HRMFFA at \$.50 per capita. The City of Franklin elected not to fund HRMFFA for the 2008-2009 fiscal year, resulting in a revenue reduction of \$4,184. The City of Hampton capped funding at \$50,000, which is a revenue reduction of \$22,631 from the requested \$72,631. This level of funding is the equivalent of \$.34 per capita. The City of Virginia Beach has funded \$190,727, which is a revenue reduction of \$26,008, and the equivalent of funding at \$.44 per capita.

The end result is that funding from the 13 jurisdiction 'shareholder' base is \$52,823 short of planned revenue to meet expenditures. Other sources of revenue will need to be found in order to sustain the HRMFFA organization and level of effort across the fiscal year.

ORGANIZATION

Formal

The corporation has no members. The Board consists of no less than 13 and no more than 23 Directors. 13 Public Sector Directors are the ex officio of the HRMFFA jurisdictions. Positions for 10 Private Sector Directors were added to the Board with an amendment to the Articles of Incorporation and By-Laws in February 2007. Those Directors are individuals who own, serve as president or chief executive or other similar capacity, with respect to businesses located within the region. During the fiscal year seven Private Sector Directors were added, providing a new dimension to Board oversight and management. The Board conducted quarterly meetings in September 2007, December 2007, and March 2008 and held its annual meeting in June 2008. A first ever Board strategic planning workshop was conducted over two days in April and May 2008 and examined corporate structure and funding.

Public Sector Directors (13)

Mayor Dalton S. Edge – Chesapeake

Mayor James P. Councill III – Franklin

Mayor Ross A. Kearney II – Hampton

* Mayor Joe S. Frank – Newport News

* Mayor Paul D. Fraim – Norfolk

Mayor Gordon C. Helsel, Jr. – Poquoson

Mayor Dr. James W. Holley III – Portsmouth

Mayor Linda T. Johnson – Suffolk

Mayor Meyera E. Oberndorf – Virginia Beach

Mayor Jeanne Zeidler – Williamsburg

Chairman Thomas H. Ivy – Isle of Wight (July 2007 – December 2007)

Chairman Stan D. Clark – Isle of Wight (January 2008 – June 2008)

Chairman John J. McGlennon – James City (July 2007 – December 2007)

Chairman Bruce C. Goodson – James City (January 2008 – June 2008)

Chairman Kenneth L. Bowman – York (July 2007 – December 2007)

Chairman Thomas E. Shepperd (January 2008 – June 2008)

* Co-Chairs

Private Sector Directors (7)

Richard C. Marr, Vice President, Lockheed Martin Center for Innovation (September 2007 – March 2008)
James D. McArthur, Vice President, Lockheed Martin Center for Innovation (March 2008 – June 2010)
Ray Breeden, President, The Breeden Company (September 2007 - June 2010)
C. Grigsby Scifres, Chair, Hampton Roads Chamber of Commerce (December 2008 – June 2011)
Charles A. Schue, President, Ursa Nav (March 2008 – June 2011)
William A. Clifford, President, BAE Ship Systems (June 2008 – June 2011)
Miles B. Wachendorf, Chief Operating Officer, EchoStrom Worldwide (June 2008 – June 2011)
Dr. Roger N. Whiteway, Vice President, Whitney, Bradley, Brown, Inc. (June 2008 – June 2011)

The HRMFFA has three corporate officers: an Executive Director who serves as the chief executive, a Treasurer, and a Secretary. The Executive Director is a full-time, paid employee of the corporation. The Treasurer is the President of the Hampton Roads Partnership, and is not compensated by the corporation. The Treasurer provides an alternative officer to sign checks for the corporation. The Secretary is the Executive Director of the Hampton Roads Planning District Commission, and is not compensated by the corporation. The Secretary provides an alternative officer to sign official correspondence.

In addition to the Executive Director, the HRMFFA staff consists of a full-time, paid Administrative Assistant and a full-time, paid Government Relations Coordinator. The Administrative Assistant serves as receptionist, office manager, and executive assistant to the Executive Director, and is responsible for financial account management. The Government Relations Coordinator works with the 13 HRMFFA jurisdictions and the Akin Gump government relations team to coordinate actions and chairs the HRMFFA working group, an unofficial activity that assists in accomplishing the HRMFFA mission.

The By-Laws provide for a standing Executive Committee which serves as the primary decision-making body for the corporation. The Executive Committee is comprised of five Public Sector Directors - elected by the Board, the current Chair of the Hampton Roads Chief Administrative Officers group, and the three HRMFFA officers. The Executive Committee meets as necessary to provide strategic direction to the Executive Director. The Executive Committee used to meet by conference call as necessary. In May 2007, it was learned that electronic meetings of this Committee did not comply with Commonwealth statutes and conference call meetings were suspended. The Executive Committee met face-to-face in May 2008 and has established a regular meeting protocol to meet in the months of February, May, August, and November – the month preceding quarterly Board meetings. Executive Committee actions are reported at the Board meetings.

Executive Committee

Mayor Paul D. Fraim – Norfolk
Mayor Joe S. Frank – Newport News
Mayor Linda T. Johnson – Suffolk
Mayor Ross A. Kearney II – Hampton
Mayor Meyera E. Oberndorf – Virginia Beach

James D. McReynolds – Chief Administrative
Officers Group Chair
Frank Roberts – HRMFFA Executive Director
E. Dana Dickens – HRMFFA Treasurer
Arthur L. Collins – HRMFFA Secretary (July
2007 – April 2008)
Dwight L. Farmer – HRMFFA Secretary (May

– June 2008)

A standing Advisory Subcommittee supports the Executive Committee as required. The Advisory Subcommittee structure consists of one to three owners, presidents, or chief executives of businesses within the region whose primary source of revenue is derived from the provision of goods or services to the federal government, and two to four members of the Virginia General Assembly representing the region. Currently, only two of three business executive positions are filled: Mr. Mike Petters, President of Northrop Grumman Newport News, and Mr. Ron Racinowski, Vice President, Mid-Atlantic Region, USAA, serve on the Advisory Subcommittee.

Informal

A retired flag and general officers group, the Flag Officers Group, or FOG, was created in 2007 to specifically advise the Executive Director regarding military matters. The FOG consists of seven retired flag and general officers – one from the Air Force, Army, Coast Guard, and two each from the Marine Corps and Navy. The Flag Officers Group meets as required, normally once per quarter. FOG members provide their expertise and time on a pro bono basis.

Flag Officers Group

John H. Admire, Major General, U.S. Marine Corps (Ret)
Edward L. Dyer, Brigadier General, U.S. Army (Ret.)
William J. Ecker, Rear Admiral, U.S. Coast Guard (Ret.)
Jon Gallinetti, Major General, U.S. Marine Corps (Ret)
Timothy A. Peppe, Major General, U.S. Air Force (Ret.)
Frederic R. Ruehe, Rear Admiral, U.S. Navy (Ret)
Byron E. (Jake) Tobin, Rear Admiral, U.S. Navy (Ret.)

A HRMFFA working group is chaired by the HRMFFA Government Relations Coordinator. HRMFFA jurisdictions who have dedicated staff to address military and federal issues participate in the HRMFFA Working Group. The Working Group meets periodically as required. Joint meetings with local representatives from the Virginia Congressional delegation were instituted earlier in the year and prove productive in the exchange of information.

Working Group

Whitney “Holly” Graning – HRMFFA (Lead)
Mary Ann Saunders – Chesapeake
Elizabeth Kersey (thru February 2008) –
Hampton
Bruce Sturk - Hampton
Dr. Rhonda Sturgis (thru May 2008 –
Newport News

Ron Williams – Norfolk
John Maher (thru December 2007) –
Portsmouth
Ken Chandler – Portsmouth
Cindy Rohlf (thru March 2008) – Suffolk
Joe Howell - Suffolk
Bob Matthias – Virginia Beach

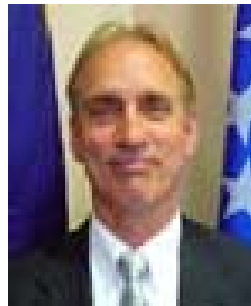
OFFICERS



Frank Roberts
Executive Director



Arthur L. Collins
Secretary
July 2007 – April 2008



Dwight L. Farmer
Secretary
May 2008 – June 2008



E. Dana Dickens
Treasurer

STAFF



- Whitney "Holly" Graning
Government Relations Coordinator



Corbie L. Gaertner
Administrative Assistant
July 2007 – September 2007



Eddie L. Butler
Administrative Assistant
October 2007 – June 2008

GOVERNMENT RELATIONS TEAM

Akin Gump Strauss Hauer & Feld LLP



John Simmons



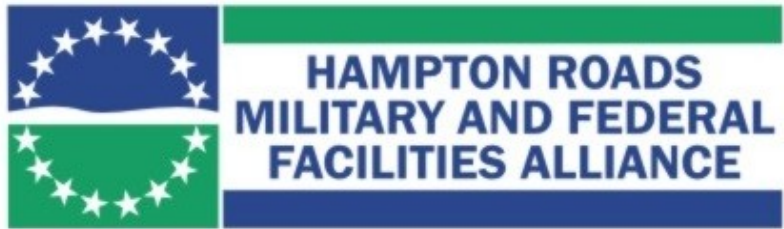
Ryan Vaart



Chris Goode
Captain
US Navy Reserve



Bert Steele
Major
US Marine Corps Reserve



Hampton Roads Military and Federal Facilities Alliance
430A World Trade Center
101 W. Main Street
Norfolk, VA 23510
Phone: 757-644-6324 / Fax: 757-625-4684
www.hrmffa.org

