



FREDERICKSBURG REGIONAL ALLIANCE

Annual Report 2005-2006



CITY OF FREDERICKSBURG

CAROLINE COUNTY

KING GEORGE COUNTY

SPOTSYLVANIA COUNTY

STAFFORD COUNTY



Letter to Investors

November 6, 2006

DEAR INVESTOR,

Thank you for your continued support of regional economic development and the opportunity to present the Fredericksburg Regional Alliance's 2005-2006 Annual Report. We are pleased to report that the Alliance and our economic development partners, both at the local and state level, assisted 35 companies to expand or relocate their operations in the Fredericksburg Region. This is the best fiscal year in the history of the Alliance, resulting in \$186 million in capital investment and the creation of approximately 2,300 new jobs. These and other projects in the future will help drive the regional economy at a strong rate of growth for several years to come.

During 2005, the volume of all goods and services produced in the region grew 7.4%, totaling over \$7.95 billion. Virginia's economy as a whole expanded at a rate of 5.5% while the national economy grew at 3.5%. Furthermore, continued strong economic growth should maintain or decrease the region's impressive unemployment rate, which ended 2005 at 2.7%.

During the past year the Alliance employed several integrated marketing strategies aimed at increasing project activity. FRA sponsored and or attended six meetings with brokers in Richmond, Baltimore, Washington, D.C. and Northern Virginia, which gave the region an audience and networking opportunities with over 300 commercial real estate brokers. The Alliance continues to focus on brokers and site consultants because 90% of all prospects utilize their services.

The 2005 Target Mail Campaign reached over 1,500 corporate executives, commercial brokers, site consultants, government agencies,

and defense contractors. The Alliance also ran 9 ads promoting the region and had 4 major editorials with 24 pages of total coverage. In addition, the region received front-page coverage in *USA Today*, *The Washington Post*, and a feature cover story in the *Washington Business Journal*. Combined, these activities help saturate the market and increase name recognition with corporate decision makers.

During the last half of 2005 and through the 3rd Qtr of 2006, the Alliance staff handled 117 commercial projects with 90% being generated through the Alliance office. In addition, Alliance staff personally responded to over 254 inquiries from investors, local and state government officials, corporate executives, brokers, real estate investment trusts, site consultants, and higher education institutions. The Alliance strives to be a one-stop shop for regional economic statistics, demographics, and commercial real estate information vital to existing businesses and prospects alike. In addition, the Alliance collects, analyzes, and presents underlying trends affecting the regional economy in an attempt to assist our investors, clients, and the local business community as they seek to expand and grow their business.

Current project activity in direct contact with the Alliance is at its highest level in seven years. Through 3rd Qtr 2006, the Alliance has handled 77 projects, personally fielded 183 inquiries, and facilitated 71 regional visits by site consultants, brokers, and corporate executives. Activity on the Alliance's website has increased by over 60% over the past year and is currently averaging over 35,000 hits a month; the on-line site and building database continues to be one of the most heavily viewed areas on the site. The database currently has over 350 commercial buildings and/or land sites available for lease or purchase throughout the region.

During the past 12 months, the Alliance has completed 46 existing industry visits to companies within the Fredericksburg Region. Information obtained from the visits is incorporated in the Alliance's marketing and business retention strategy. In addition, any issues that come up in the visit are brought to the attention of the appropriate people and/or organizations both at the local and state level that are best suited to assist in solving the firm's problem.

Several trends in the region are worth monitoring going forward and will lead to strong economic growth, increased opportunities for higher paying jobs, and the opportunity to live, work, shop, and play in the Fredericksburg Region. The state's approval of Mary Washington Hospital in Stafford



County and the arrival of HCA to Spotsylvania County will create over 700 new jobs and inject over \$310 million of capital investment into the regional economy. This announcement, coupled with the full implementation of BRAC, with the potential of up to 6,000 new jobs over the next seven years, will increase construction of Class A office space, help attract support industries in the health, defense related, and professional business service sectors, and lastly provide similar private sector employment opportunities for the region's commuter workforce currently working outside of the region. Furthermore, as household incomes continue to rise, the demand for higher end retail opportunities will increase and projects like WorldStreet at Celebrate VA, the \$80 million renovation of Spotsylvania Towne Center (formerly Spotsylvania Mall), and ongoing developments at South Point II will play major roles in filling this need.

The Alliance continues to partner with public utilities, the Virginia Economic Development Partnership, each area locality, and other organizations to increase regional name recognition through attendance at trade shows, face to face meetings with corporate decision makers, and direct contact with senior real estate managers at various federal agencies. The Alliance is equally pleased to report that 99.5% of all pledges were collected during the last fiscal year.

I would like to again thank the public and private sector investors, the Fredericksburg Regional Council, the George Washington Regional Commission, the Fredericksburg Regional Chamber of Commerce, the Virginia Employment Commission, our educational institutions, public utilities, our legal counsel, each member of the Alliance Board of Directors, and the Alliance staff for their hard work in promoting economic development in the region.

G. William Beale
Chairman of the Board

Mission Statement

The Fredericksburg Regional Alliance is an economic development organization that promotes and assists existing businesses and helps aggressively market the Fredericksburg Region to corporate decision makers who are planning to expand or relocate their company. The Alliance, which receives both

public and private funding, works in close partnership with officials from the City of Fredericksburg and the Counties of Caroline, King George, Spotsylvania and Stafford to provide a wide range of services designed to facilitate the creation of higher paying jobs while increasing the tax base.





The Leadership: A Public/Private Partnership

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Johnson Realty Advisors
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King George County
Luck Stone
MediCorp Health System
MidAtlantic Broadband
Mid-Atlantic Foam
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NTS VA Development Co. Fawn Lake
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Stafford County
Stafford IDA
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Ukrop's/First Market Bank Fund
Ultimate Pontiac, Buick, GMC, Isuzu
Union Bank & Trust
University of Mary Washington
Verizon
Virginia Community Bank
Virginia Credit Union
Virginia Heartland Bank
Vulcan Materials Company
Wachovia Bank
Web Equipment
Worrell Management Group

THANK YOU

The Alliance would like to thank all of our public and private sector investors, without whose participation none of our activities would be possible. We are pleased to announce that the Alliance achieved a 99.5% collection rate on all pledges in fiscal year 2006. Thank you for your continued support.



Demographic and Economic Trends

Since 2000, the region's population has increased by 55,900. An impressive 77.5% of this growth has been the result of net migration (in migration minus out migration) as opposed to natural growth (births minus deaths). This pattern suggests that once people move to the region, they usually end up staying. As you would expect with this type of growth, the region's civilian labor force has maintained a steady increase over this same period and the unemployment rate for the Fredericksburg Region continues to be well below the state average. This trend bodes well for the region compared to other areas of the state, which rely more on natural growth to increase their population.

UNEMPLOYMENT RATE

LOCALITY	AUG-05	AUG-06
Fredericksburg	4.7%	4.5%
Caroline County	3.7%	3.2%
King George County	3.1%	3.2%
Spotsylvania County	2.4%	2.3%
Stafford County	2.4%	2.4%
FREDERICKSBURG REGION		
Virginia	2.7%	2.6%
Virginia	3.5%	3.3%

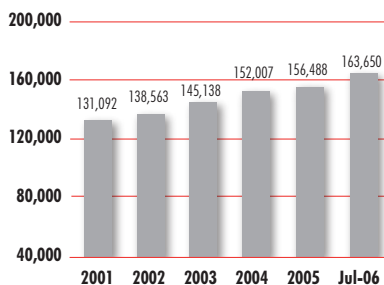
Source: Virginia Employment Commission

POPULATION 2000-2005

	2000	2005	% CHANGE 2000-2005	% DUE TO NET MIGRATION
RADCO	241,044	296,900	23.2%	18.0%
Northern Virginia	1,815,197	2,043,700	12.6%	6.0%
Richmond Regional	865,941	925,800	6.9%	4.1%
Hampton Roads	1,533,739	1,590,600	3.7%	-0.1%
VIRGINIA	7,079,030	7,567,500	6.9%	3.7%

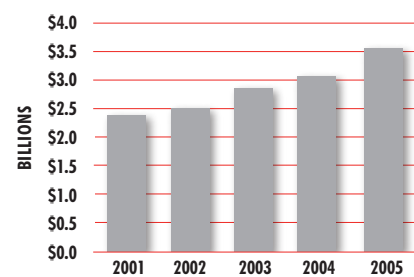
Source: Weldon Cooper Center for Public Service

CIVILIAN LABOR FORCE



Source: Virginia Employment Commission

TAXABLE SALES



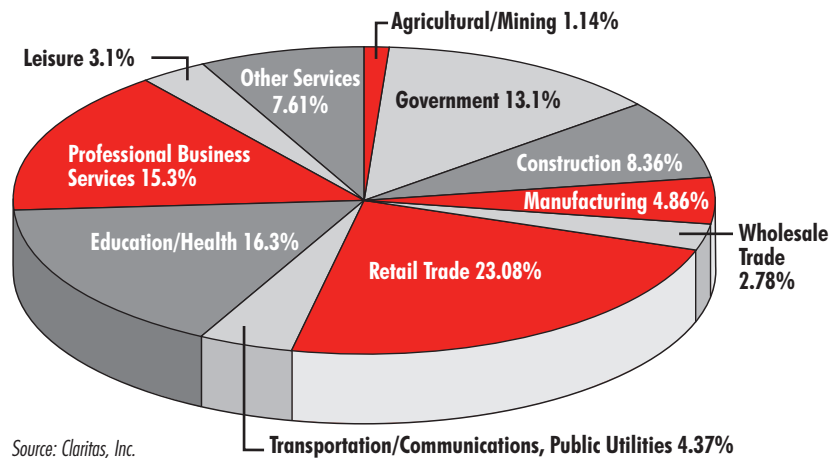
Source: Virginia Dept. of Taxation

The Fredericksburg Region's work force expanded 4.6% from July 2005 to July 2006. Since 2001, the region has added over 32,550 workers to its ranks and has averaged nearly 5% growth annually. Virginia averaged 2% annual growth over this same time period.

Taxable sales in the region have been experiencing double digit gains since 2002 and have increased over 52% since 2001 to over \$3.6 billion dollars in 2005. Taxable sales in Virginia have increased just 26% over this same time period.

EMPLOYMENT DIVERSIFICATION: 2ND QUARTER 2006

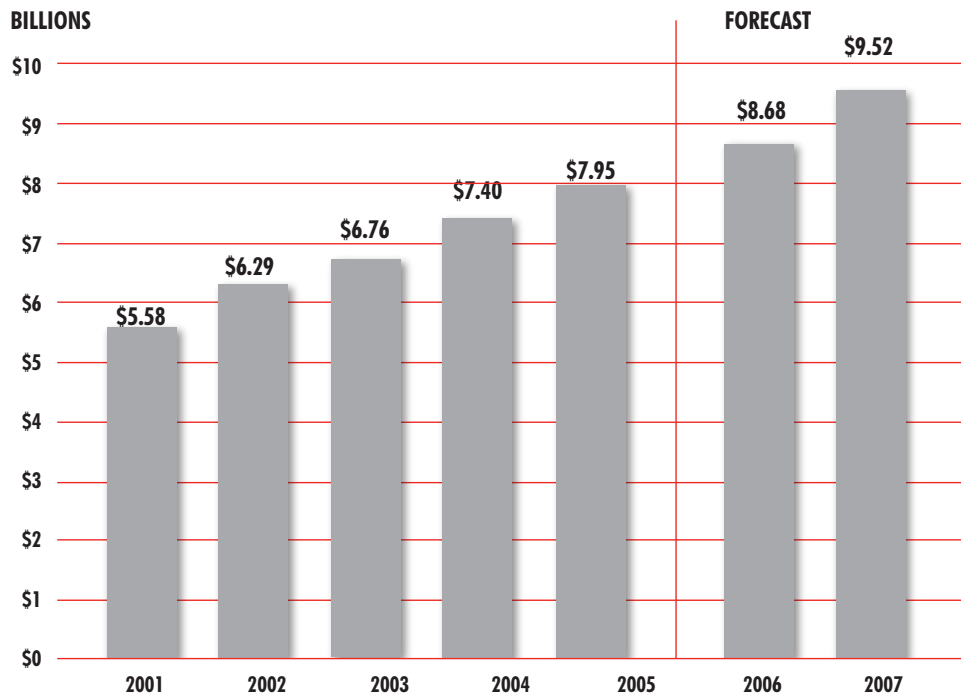
Retail Trade is the largest private sector employer in the region, comprising 23% of employment in over 2,100 establishments located throughout the region. The second largest employer is the Education and Health industry, employing over 19,800 workers or 16.3% of total employment. Professional and Business Services accounts for 15.3% of regional employment compared with 17% in the state. The area also has above average sized sectors in Construction and Leisure.



Source: Claritas, Inc.

Strong Economic Base

FREDERICKSBURG REGION GROSS REGIONAL PRODUCT



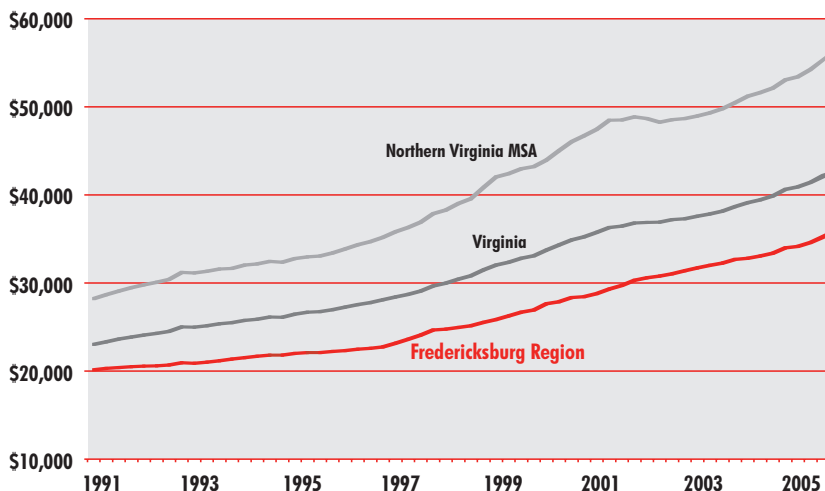
The Fredericksburg Regional Economy continues to strengthen and expand as the region moves toward becoming an independent employment center located between Washington, D.C. and Richmond, VA. The region has experienced growth in the number of Business Establishments, Average Annual Wages, and Total Employment. This positive activity has led to very impressive economic growth exceeding 9% annually since 2001 and illustrates the vibrancy of the region's existing businesses and their continued commitment to the area.

Source: IMPLANPro, Chmura Economics & Analytics, and Virginia Employment Commission

From 2001 through 2005, the Fredericksburg Gross Regional Product (GRP) averaged a 9.3% annual increase. As of 2005, the GRP measured at \$7.95 billion. Regional growth is expected to continue to be strong through 2007. The Fredericksburg GRP is forecast to grow 9.2% in 2006 and to advance a further 9.7% in 2007.

ANNUAL AVERAGE WAGES

Average wages regionally have increased in a trend similar to that in the state, though the rate of increase has been slightly lower. Over the 14 years ending with the third quarter of 2005, average wages increased 72.6% locally and 78.6% in the state. Northern Virginia wages grew 90.4% over this same period.





Fredericksburg Region Industry Snapshot

SECOND QUARTER 2006

RETAIL SECTOR SUMMARY

Total Establishments	Total Employees	Annualized Sales
2,122	28,058	\$3,302,600,000

HEALTH CARE SECTOR SUMMARY

Total Establishments	Total Employees	Annualized Sales
1,335	18,351	\$1,352,300,000

SERVICE SECTOR SUMMARY

Total Establishments	Total Employees	Annualized Sales
4,024	29,461	\$2,312,700,000
7,481	75,870	\$6,967,600,000

Source: Claritas, Inc.

The chart at left is data for the 2nd Qtr ending June 2006 and highlights the Retail, Healthcare, and Service sectors in the Frederickburg Region on an annualized basis. These three sectors collectively employ over 93,000 workers and represent nearly 88% of all private sector businesses in the region.

As of June 2006, there were 8,544 private sector business establishments in the Frederickburg Region. This represents an increase of over 64.3% or 3,344 businesses since the year 2000. Northern Virginia private business establishments grew 17.8% over this period while the Richmond Regional Planning District and the Hampton Roads PD expanded 11.8% and 12.1% respectively.

Further analysis reveals that several sectors of the Frederickburg regional economy are expanding faster than in other parts of the state. The charts on the next page compare, by Regional Planning District, firm expansion across five industry segments from Q1 2005 to Q1 2006.

BUSINESS EXPANSION ACROSS FIVE INDUSTRY SEGMENTS

BUSINESS AND PROFESSIONAL SERVICES INDUSTRY GROWTH (Q1 2005 - Q1 2006)

Area	Average Establishments	Average Employment	2005 - 2006 Growth Rate	#of Firms
RADCO PD	1,149	12,085	8.4%	
Northern Virginia PD	18,274	309,209	5.6%	
Richmond Regional PD	5,247	87,057	5.5%	
Hampton Roads PD	6,399	102,653	6.0%	

HEALTH AND EDUCATION INDUSTRY GROWTH (Q1 2005 - Q1 2006)

Area	Average Establishments	Average Employment	2005 - 2006 Growth Rate	#of Firms
RADCO PD	550	21,703	8.1%	
Northern Virginia PD	5,455	168,826	5.5%	
Richmond Regional PD	2,428	104,976	2.4%	
Hampton Roads PD	3,374	151,316	2.7%	

FINANCIAL SERVICES INDUSTRY GROWTH (Q1 2005 - Q1 2006)

Area	Average Establishments	Average Employment	2005 - 2006 Growth Rate	#of Firms
RADCO PD	631	7,515	6.9%	
Northern Virginia PD	5,809	59,150	5.4%	
Richmond Regional PD	3,128	43,455	3.4%	
Hampton Roads PD	4,117	38,405	5.5%	

INFORMATION INDUSTRY GROWTH (Q1 2005 - Q1 2006)

Area	Average Establishments	Average Employment	2005 - 2006 Growth Rate	#of Firms
RADCO PD	87	1,803	6.1%	
Northern Virginia PD	1,601	50,182	3.0%	
Richmond Regional PD	457	12,224	1.1%	
Hampton Roads PD	521	16,161	5.0%	

CONSTRUCTION INDUSTRY GROWTH (Q1 2005 - Q1 2006)

Area	Average Establishments	Average Employment	2005 - 2006 Growth Rate	#of Firms
RADCO PD	1,153	10,251	5.6%	
Northern Virginia PD	5,403	77,815	4.0%	
Richmond Regional PD	3,600	38,805	3.4%	
Hampton Roads PD	4,649	48,183	5.5%	

Fredericksburg Region Defense-Related Industry

ECONOMIC IMPACT OF MILITARY INSTALLATIONS IN THE FREDERICKSBURG REGION 2006

	Direct	Ripple Effect	Total Impact
Marine Corps Base Quantico			
Employment	10,216	4,837	15,053
Spending	\$809,219,408	\$445,342,104	\$1,254,561,512
Naval Surface Warfare Center Dahlgren			
Employment	4,673	2,831	7,504
Spending	\$474,240,304	\$260,620,994	\$734,861,298
Fort A.P. Hill— Permanent			
Employment	1,089	547	1,636
Spending	\$93,387,020	\$51,375,284	\$144,762,304
Fort A.P. Hill— Transient (Training)			
Employment	1,600	678	2,278
Spending	\$115,780,664	\$63,766,643	\$179,547,307
Total Military Impact			
Employment	17,578	8,893	26,471
Spending	\$1,492,627,396	\$821,105,025	\$2,313,732,421

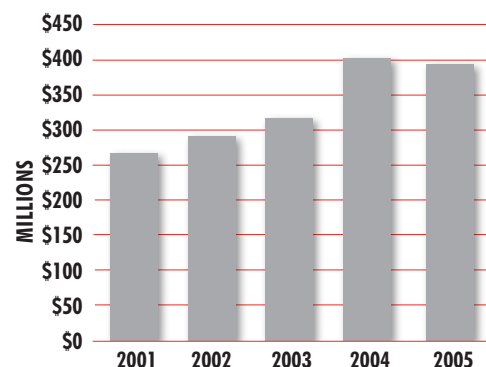
Source: IMPLANPro

Employment for Quantico and Dahlgren provided in *Distribution of Personnel by State and by Selected Locations*, September 30, 2004, U.S. Department of Defense. Employment for Fort A.P. Hill provided by Fort A.P. Hill via the Army's Standing Installation Plan for 2005. Spending figures are in 2006 dollars.

There are three major military installations in the Fredericksburg area: Marine Corps Base Quantico; Naval Surface Warfare Center, Dahlgren Division; and Fort A.P. Hill. The direct employment at Quantico is 7,795 military personnel and 2,421 civilian. The economic impact of the bases on the region is larger than employment at the installations because additional jobs are created when the base purchases supplies from firms in the region and employees spend their income at local establishments. The ripple effects of direct employment are estimated to generate an additional 4,837 jobs in the region. At Dahlgren are 607 military personnel and 4,066 civilian. Ripple effects of Dahlgren are estimated to be 2,831 jobs. Fort A.P. Hill has over 400 civilian personnel and about 200 full-time military personnel. As a training installation, A.P. Hill hosts an average of 1,600 personnel in daily training. Fort A.P. Hill is forecasting considerable mission growth for training over the next five years. Fort A.P. Hill has other impacts on the community, such as hosting scout jamborees; the 10-day National Boy Scout Jamboree in 2005 brought in a reported 45,000 scouts and a total transient visitation estimated at 300,000. In total, these three military installations are estimated to create 8,893 additional jobs through ripple effects and to have a total spending effect of \$2.3 billion.

DEPT. OF DEFENSE CONTRACT AWARDS, FREDERICKSBURG REGION

Since 2001, defense contracts awarded to companies in the Fredericksburg Region have expanded by nearly \$120 million, according to the Department of Defense (DoD). Currently there are 654 active defense contractors in the Fredericksburg Region registered with the Department. These firms are eligible to compete for various contracts to support the overall mission of the U.S. military and to support the region's military installations.



Source: Dept. of Defense, Directorate for Information

Strategic Marketing Activities at Home and Abroad

REGIONAL COMMERCIAL REAL ESTATE BRIEFINGS

Since 2002, the Fredericksburg Regional Alliance has held or attended 20 commercial real estate briefings reaching over 360 commercial brokers in target markets such as Northern Virginia, Washington D.C., Maryland, and Richmond. By doing so, Alliance staff and local economic development officials have effectively increased relations with key players in the corporate real estate community while at the same

time highlighting the tremendous growth of the Fredericksburg Region. These relationships have proven to be very helpful as companies look to expand or relocate in the region and hire a broker to head the search. The Alliance will continue to market itself as a one-stop shop for comprehensive demographic, economic, and commercial real estate data vital to decision makers in the corporate real estate industry.

ALLIANCE ADDRESSES HUNGARIAN TECHNOLOGY COUNCIL

Alliance staff met with 14 members of the Hungarian Technology Council in a two-hour discussion of business opportunities during a visit to Budapest, Hungary on Monday, November 21, 2005. Since the meeting, the President of the council has visited with the Alliance staff in the U.S. and another member of the Hungarian Technology Council has visited with Alliance staff to discuss the region's technology related industry.

GLOBAL MARKETING REACH

Since October 2005, individuals and or companies within the following countries have requested information from the Alliance website:

United Kingdom, Canada, China, Russia, Germany, Switzerland, Seychelles, Netherlands, Singapore, Lithuania, Romania, Argentina, Australia, Philippines, Japan, Italy, Belgium, Trinidad & Tobago, Spain, Hungary, Brazil, South Korea, South Africa, France.

Collectively these 24 countries represent over 2,300 requests for information. The Fredericksburg Regional Alliance will continue to aggressively market the region both at home and abroad in an effort to attract jobs and investment to the Fredericksburg Region.



INTERNATIONAL PENETRATION: CHINA

The Fredericksburg Regional Alliance, in partnership with our local economic development partners, welcomed the region's first Chinese company to Stafford County this year. Subsequent to Universal Stone Inc.'s arrival in Stafford, the Changzhou region of China announced their plans to open a trade office in Stafford to promote the region and the Northern Virginia market. The announcement came during a regional reception hosted by the Alliance at the Riverside Business Center in Stafford County. The event drew about 110 people from the local business community to welcome the 15-member trade delegation from Changzhou, China. While in the United States, the delegation also visited Washington D.C., San Jose and Los Angeles, CA before returning to China.



WASHINGTON BUSINESS JOURNAL REGIONAL HELICOPTER TOUR

The Alliance, in partnership with the local economic development offices, sponsored a 2-hour helicopter tour of the entire Fredericksburg Region. The Managing Editor and chief reporter covering Northern Virginia attended the event. Various on-going commercial projects and regional assets were viewed and Alliance staff and local officials were on hand to talk in detail about the region's economic growth and potential going forward. The Alliance maintains close relations with WBJ executives in an effort to yield increased news coverage focusing on

the Fredericksburg Region throughout the Greater Washington Metropolitan market.

The strategy is beginning to pay off. The *Washington Business Journal* in September 2006 ran a front-page cover story on Dulles-based M.C. Dean, a government contractor whose work includes developing and managing government satellite communication systems, and their \$15 million expansion into Caroline County. At full build-out the firm will employ 140 under 360,000 square feet of manufacturing space with salaries ranging from \$40,000



to \$100,000. The article goes on to discuss several trends driving economic growth over the next several years, including the potential impact of BRAC, the addition of more office space in the region, and the draw of cheaper land and labor costs for companies looking to expand or relocate.

COSTAR GROUP EXPANDS COVERAGE FOR DC AND RICHMOND METRO AREAS TO FREDERICKSBURG REGION

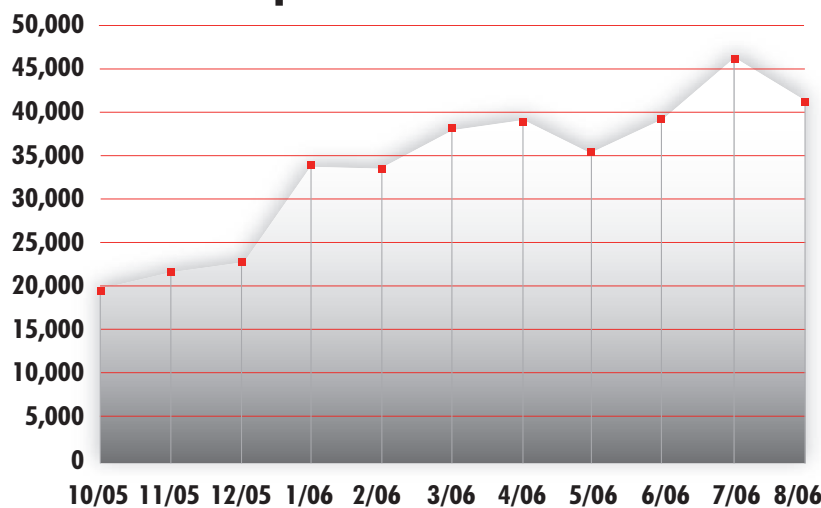
The Fredericksburg Regional Alliance over the last several years has met periodically with CoStar executives to discuss the Fredericksburg Region's commercial real estate market and its growing interest within the commercial real estate community. Approximately six months ago, after meeting with the Alliance and our local economic development partners, the firm decided to add all commercial inventory within the Fred-

ericksburg Region to their Washington, D.C. and Richmond databases.

On October 9, 2006 the database was activated and the region's inventory of over 1,000 commercial properties, representing over 22.6 million square feet, was made available to CoStar subscribers in both the Washington, D.C. and Richmond metro markets. CoStar Group, Inc. (NASDAQ: CSGP), founded in 1987, is the number one provider of information services to commer-

cial real estate professionals in the United States and the United Kingdom. CoStar's suite of services offers customers access via the Internet to the most comprehensive database of commercial real estate information in 66 U.S. markets and the United Kingdom. Headquartered in Bethesda, Maryland, the company has approximately 1,000 employees throughout the U.S. and the U.K., including the largest professional research organization in the industry.

Requests for information



WEBSITE ACTIVITY

Since October 2005, the Fredericksburg Regional Alliance website has received over 370,000 requests for information. This equates to over 1,120 requests per day with visitors having access 24 hours a day, 7 days a week, from destinations around the globe. In today's fast paced global economy, it is vital to have market information readily accessible to corporate decision makers on demand. The Alliance strives to provide this valuable service to our clients.



Supporting Local Industry

2006 COMMUTER LABOR STUDY

The Fredericksburg Regional Alliance engaged Dr. Stephen Fuller and The Center for Regional Analysis at George Mason University to perform an update to the 2003 Commuter Study. The 2006 study will compare the new findings with the 2003 version in an effort to better understand the commuting segment of the regional workforce. The results of the study will be useful for both existing and potential new firms as they strive to meet their labor needs. The Alliance would like to thank our locality partners as well as the Fredericksburg Regional Council and the George Washington Regional Commission for their strong support of both the 2003 and the 2006 studies. The Alliance also appreciates funding support from the Economic Development Authorities in the City of Fredericksburg, Stafford, and Spotsylvania Counties.

ALLIANCE SUPPORTS REGIONAL BRAC EFFORTS

Realizing the tremendous economic impact of the three military bases on employment and spending in the Fredericksburg Region, measured at approximately \$2.3 billion in 2005, the Alliance contributed \$20,000 to the Fredericksburg Regional Chamber of Commerce (FRCC) in support of the region's efforts to defend the bases. Alliance staff worked hand in hand with the FRCC and elected officials at the local, state, and federal level as they collected the necessary information needed by the BRAC Commission to accurately assess the region's military operations.

2006 REGIONAL ECONOMIC PROFILE

On June 14, 2006 at the Fredericksburg Country Club, the Fredericksburg Regional Alliance presented a comprehensive report on the economy of the Fredericksburg Region to a diverse crowd of over 130. The report entitled "Economic Profile of the Fredericksburg Region: An Emerging Employment Center" focused on various factors contributing to the economic growth of the Fredericksburg Region. High-tech, health care, and professional employment growth was highlighted and the economic impact of the region's three military bases was quantified. Additionally, the region's labor market, diverse business community, and continued strong population growth was detailed. Lastly, consumer spending, the impact of domestic travel, and other statistics profiling the region were presented to the audience. The Alliance staff will continue to track current and future trends impacting the region's economic development and future growth, and periodic reports will be given to investors, local elected officials, and the general business community.

GM POWERTRAIN

Alliance staff met with Dave Clarkson, General Manager of GM Powertrain, several times to discuss the impact of GM's global restructuring. GM's total employee cost per hour is approximately \$61 while the exact same comparison in China is \$3 per hour. GM's future will largely be determined by their competitiveness in the global marketplace, their ability to design better products, and their success at competing with foreign carmakers, which are gaining more market share in the U.S. every year. GM Powertrain in Spotsylvania County is the only GM manufacturing plant in Virginia.

VERIZON EXECUTIVE TOUR AND ECONOMIC BRIEF

In April 2006, Alliance staff in coordination with the City of Fredericksburg Dept. of Tourism and Economic Development hosted 85 Verizon executives and sales associates who cover the Fredericksburg area market. A 20-minute economic overview of the region was given to attendees highlighting the region's growth, changing employment environment, and the transition the region is undergoing as it emerges as an independent employment center located between Washington, D.C and Richmond, VA. Regional demographic and economic data was distributed and after the briefing a historical tour of the City of Fredericksburg was taken.

SENATOR GEORGE ALLEN VISITS REGION

On August 7, 2006, the Fredericksburg Regional Alliance hosted a business roundtable discussion with U.S. Senator George Allen. Approximately 175 local business and community leaders attended the event and were able to hear the senator discuss a number of current business issues impacting economic development. Senator Allen highlighted current legislative efforts being made by Congress to address such issues as alternative energy solutions, tax policies, and comprehensive immigration reform. Other issues mentioned were homeland security initiatives and the positive impact of the BRAC recommendations on the region's three military bases.



2006 BUSINESS APPRECIATION WEEK AD

THANK YOU

From its earliest days as a thriving Colonial seaport, the Fredericksburg Region has excelled in commerce and industry. Today, the Fredericksburg Region is home to over 6,000 businesses. These businesses account for over 70% of all jobs created in the region and are the driving force behind our region's strong industrial tax base.



Fredericksburg
Regional Alliance
VIRGINIA'S PROFIT CENTER

While the importance of these factors is clear, the contributions of our region's existing businesses go far beyond statistical measure. Local businesses enrich our daily lives with the thousands of products and services they provide, and are excellent stewards, giving back to our community each year through volunteerism and charitable donations.

During National Business Appreciation Week, the Fredericksburg Regional Alliance, the City of Fredericksburg and the Counties of Caroline, King George, Spotsylvania and Stafford wish to thank the local businesses that help make the Fredericksburg Region such an enviable place to live and work. **And remember, the next time you need a product or service, look to an existing local business. Support the local companies that do so much for our community.**

The Fredericksburg Regional Alliance
540-361-7373 • www.fra-yes.org

CVS DISTRIBUTION

Over the past year, Alliance staff met on several occasions with senior executives of the local CVS plant to discuss traffic issues in the region and plans to celebrate the company's 25th year of operation locally.

THE 2006 VIRGINIA NIPPON CLASSIC

In June 2006, the Fredericksburg Regional Alliance and the Virginia Economic Development Partnership hosted the 16th Annual Virginia Nippon Classic at Mattaponi Springs Golf Club in Caroline County. This is the first time in the event's history that it has been held at the same golf course two years in a row. The Fredericksburg Region and Caroline County in particular were honored to welcome over 95 Japanese affiliated firms that have investments in Virginia and take advantage of an excellent opportunity to showcase the Fredericksburg Region. This is the fourth time the Fredericksburg Region has been chosen to host this event by the Japan-Virginia Society. The event has previously been held at Fawn Lake Country Club in Spotsylvania County and Augustine Golf Club in Stafford County.



Return on Investment: Alliance Reaches Broader Market

FY-2006 MARKETING CALENDAR OF EVENTS

Marketing Events

SUPERCOMM 2005*
Virginia Executive Reception
Semicon West*
IEDC Global Summit
SEUS-Japan*
Hong Kong Mission
Worldwide Food Expo*
MEDICA 2005*
Hungarian Technology Council
ICSC Mid-Atlantic 2006
Sunbelt Graphics 2006*
European Mission
Changzou Delegation Visit
China Mission (Five City Tour)
GSA Automated Acquisition Program
NVTC Annual Spring Gala
HealthSouth Corporate Visit
Virginia Executive Reception
Navy Opportunity Forum
America's Health Insurance Plans*
VEDP Industrial Team Visit
Economic Profile of the Fredericksburg Region
Virginia Nippon Classic
British Defense Contractor Visit
FRA & VEDP Luncheon
Texas Marketing Trip*
IEDC Annual Conference
VA Chamber Annual Congressional Luncheon
China Marketing Trip / Investment Conference
Real Estate Trends Conference

Places/Dates

Chicago, IL — June 5-9, 2005
Chicago, IL - June 21, 2005
San Francisco, CA - July 11-15, 2005
Chicago, IL - September 25-28, 2005
Tokyo, Japan - October 16-18, 2005
Hong Kong, China: October 23-26, 2005
Chicago, IL - October 26-29, 2005
Dusseldorf, Germany — Nov. 16-19, 2005
Budapest, Hungary: November 21, 2005
Washington, DC: March 9-10, 2006
Atlanta, GA - March 16-18, 2006
England, Germany, Hungary: April 7-17, 2005
Stafford, VA: March 24, 2006
Changzhou, China: April 20-May 3, 2006
McLean, VA: May 11, 2006
Tyson's Corner, VA: May 24, 2006
Montgomery, AL: June 2, 2005
New York City, NY: June 5-6, 2006
Washington, DC: June 5 - 7, 2006
San Diego, CA - June 7-9, 2006
Fredericksburg Region: June 9, 2006
Fredericksburg Country Club: June 14, 2006
Mattaponi Springs, VA: June 16, 2006
London, England: August 10-12, 2006
Richmond, VA: August 29, 2006
Dallas, Texas: September 11-14, 2006
New York City, NY: September 17-19, 2006
Washington, D.C.: September 20, 2006
Changzou, China: Sept. 23 - Oct. 3, 2006
Richmond, VA: October 10, 2006

**These 8 marketing events conducted with the Virginia Economic Development Partnership resulted in establishing ongoing relationships with 194 executives in domestic and global companies.*

The remaining 22 events sponsored or attended by the Alliance resulted in 173 long term contacts, which the Alliance will cultivate going forward in an effort to bring new jobs and capital investment to the Fredericksburg Region.

REGIONAL ANNOUNCEMENTS & EXPANSIONS

OSEC
VSE Corp
Union Bankshares Corp.
Indiana Floor, Inc.
Sisson's Excavating, Inc.
Quarles Petroleum
Mid Atlantic Precast, LLC
Free State Steel, Inc.
84 Lumber Company
Hawkins Glass Wholesalers
FedEx Corp.
Marketfare Foods
Free Lance-Star Publishing
Mid-Atlantic Foam
Mixed-Use Center - Health/Retail/Office
Commerce Center at Renaissance Plaza
Robinson, Farmer, Cox Associates
Corpcomm, Inc.
American Family Fitness Center
GM Powertrain
American Glass Industries
Beautiful Homes Supply
GEICO
Golds Gym
ARS Service Express
Tate Incorporated
M.C. Dean
LHS Molding & Millwork
Top Line Concrete
Clark's Lumber & Millwork
Roberts Video Services, Inc.
EVI — EDO Inc.
CarMax
Pom & Associates Insurance Brokers
Hampton Inn & Suites

During the past year there were 35 announcements and/or expansions in the Fredericksburg Region. This economic activity will create approximately 2,300 new jobs and infuse over \$186,000,000 of capital investment into the regional economy.

DIRECT MAIL CAMPAIGN

Target Audience	# of Pieces	Market Description
Accounting Firms	32	Top ranked* accounting firms in the Washington D.C. Metro area.
Advertising Agencies	25	Top ranked* advertising agencies in the Washington D.C. Metro area.
Architecture Firms	25	Top ranked* architecture firms in the Washington D.C. Metro area.
Associations	50	Top ranked* associations in the Washington D.C. Metro area.
Construction Firms	26	Top ranked* construction firms in the Washington D.C. Metro area.
CoreNet Mailer	260	Fortune 500 Corporate Real Estate Executives and National/International Site Consultants.
Defense Contractors	110	Defense Firms located in Northern VA, Maryland, and D.C.
Electrical Contractors	25	Top ranked* electrical contractors in the Washington D.C. Metro area.
Engineering Firms	25	Top ranked* engineering firms in the Washington D.C. Metro area.
General Contractors	25	Top ranked* general contractors in the Washington D.C. Metro area.
Graphic Design	26	Top ranked* graphic design companies in the Washington D.C. Metro area.
Home Mortgage Lenders	21	Top ranked* home mortgage lenders in the Washington D.C. Metro area.
Insurance Brokers	15	Top ranked* insurance brokers in the Washington D.C. Metro area.
Interactive Designers	23	Top ranked* interactive designers in the Washington D.C. Metro area.
Mechanical Contractors	16	Top ranked* mechanical contractors in the Washington D.C. Metro area.
Medical Supply	25	Top ranked* medical supply companies in the Washington D.C. Metro area.
Navy Forum Mailer	75	Small/Medium Sized highly advanced defense technology companies.
Property Management	25	Top ranked* property management companies in the Washington D.C. Metro area.
Real Estate Investment Trusts	17	Top ranked* real estate investment firms in the Washington D.C. Metro area.
Site Consultants	330	National and International site consultants and site selection firms. The majority of their clients are Fortune 500 companies and other nationally recognized corporations.
Technology	25	Top ranked* technology companies in the Washington D.C. Metro area.
Broker Postcard Mailing	280	Brokers in Richmond, Northern VA, Wash., D.C., and Baltimore, MD were mailed the FRA Postcard.
TOTAL	1,481	

**As listed in the 2005 Washington Business Journal, Book of Lists Edition*

PRINT ADVERTISING & MEDIA COVERAGE

Print Medium	Date of Publication	Ad Category	Description
VA Business Magazine	September 2005	Workforce Development	Two page Article
Free-Lance Star	March 2006	Business Recruitment	1-Page Ad
U.S.A. Today	March 16, 2006	Front Page Coverage	Two-Page Article
Washington Post	March 16, 2006	Front Page Coverage	Two-Page Article
Free-Lance Star	May 2006	Business Appreciation Ad	Two 1-page Ads
Caroline Progress	May 2006	Business Appreciation Ad	1-page Ad
King George Journal	May 2006	Business Appreciation Ad	1-page Ad
Washington Business Journal	May and June 2006	Business Recruitment	Two ½-page Ads
Free-Lance Star	June 2006	Existing Industry	Two 1-page Ads
Free-Lance Star	July 2006	Commuter Labor Study Promotion	Two ½ page Ads
Washington Business Journal	September 2006	Coverage on the Region's Expanding Economy	1-Page Article



Project Activity

ENSURING PROSPECTS' NEEDS ARE MET

The Alliance tracks prospect activity in 3 major categories, Inquiries, Projects and Visits. An Inquiry represents a broker or business representative contacting the Alliance for information about the region or a specific area of interest. The Alliance strives to provide accurate customized data to our clients in a timely and efficient manner that meets their needs. Some activities include researching comparable sales data, performing supply and demand studies for existing and prospective retailers, and identifying and quantifying underlying trends affecting the Fredericksburg regional economy and the regional real estate market.

Projects are contacts made to the Alliance involving a specific business location need. At this point the Alliance is made aware

of the business requirements and desired location(s) for the facility. The Alliance then transmits this information out to each jurisdiction, while searching our own regional database for sites that meet the prospect's requirements. Once this information is gathered, the Alliance forwards it to the prospect, following up with phone calls approximately every two weeks.

Site Visits represent a visit by the prospect to the region or to a specific location. The Alliance organizes these visits with all involved parties, making sure that all of the prospect's needs are met. Again, additional contacts are made following the visit. The Alliance tracks all of this activity, making monthly progress reports to each local economic development team.

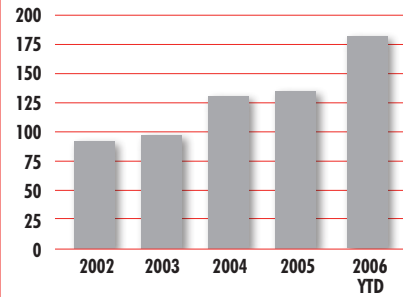
REGIONAL ECONOMIC DEVELOPMENT ACTIVITY AT 6-YEAR HIGH

The second half of 2005 and the first half of 2006 has proven to be the most successful time in Alliance history. During this time period the region has had more Inquiries, Projects, and Regional Visits than any point during the Alliance's existence. Comparing the first nine months of 2005 to data through the 3rd Qtr of 2006, Inquiries are up 74.3%, Projects are higher by 18.5%, Regional Visits are up over 330%, and Regional Announcements/

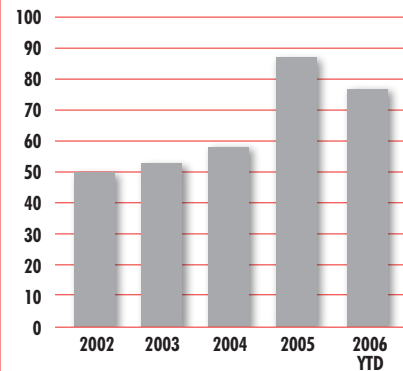
Expansions are up 100% compared to this time last year.

Demand for office space continues to be high as companies take advantage of the region's quality workforce and lower operating costs. Likewise, requests for industrial space remain very strong and in particular, demand for distribution and warehouse facilities has been very brisk as companies look to position themselves in the Greater Washington Market.

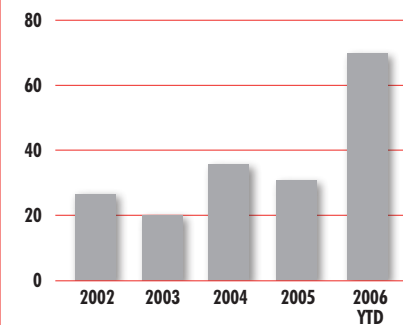
INQUIRIES



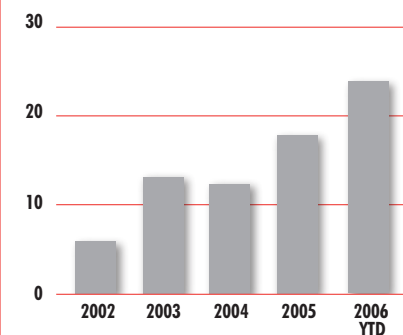
PROJECTS



VISITS



ANNOUNCEMENTS



ON-GOING PROJECTS

The Alliance continues to work closely with and aggressively promote the following projects:

Company	Employment	Investment	Status	Source
Grocery Store Distribution Company	600	\$71,000,000	Region	VEDP
VA Based REIT	TBD	\$80,000,000	Region	FRA
Food Manufacturing/Distribution Center	400	\$100,000,000	Region	VEDP
Consumer Goods Distribution Center	50	\$13,000,000	Region	FRA
Defense Contractor	45	\$25,000,000	Region	FRA
90 Mid-Size Projects	7,395	\$758,450,000	Region	FRA/VEDP

Totals: 8,500 jobs with over \$1.4 billion in potential Capital Investment

DIRECT COMMUNICATION WITH ALLIANCE

Over the past 6 years, the majority of all regional projects have been initiated by direct communication between the prospect and the Alliance. Over this time period, an average of 90% of all project inquiries have come as a result of direct communication to the Alliance. While the Alliance continues to work closely with valued partners, such as the Virginia Economic Development Partner-

ship, these figures illustrate the Alliance's pro-active stance and aggressive regional marketing campaign. Under current leadership, it has been the practice of the Alliance to actively participate with its economic development partners, while continuing to lead the way with an uncompromising in-house regional marketing operation.



THE STRENGTH OF PARTNERSHIP

The Fredericksburg Regional Alliance (FRA) is a public/private partnership created to provide CEOs, presidents, corporate real estate executives, facility planners and site selection consultants with a single source for comprehensive demographic, economic, and commercial real estate information on the Fredericksburg Region. It includes the City of Fredericksburg and the Counties of Caroline, King George, Spotsylvania and Stafford. FRA also provides a wide range of services to facilitate the site selection process and increase the profitability of existing industries.

The Alliance works in cooperation with local economic development offices, the Virginia Employment Commission (VEC), the Fredericksburg Regional Chamber of Commerce, the Fredericksburg Regional Council, the George Washington Regional Commission, educational institutions, the public utilities, and other regional groups. FRA offers a comprehensive range of services and information, including: demographic and economic data; community tours; site, building and office space inspection; industry-specific wage, workforce and labor availability information; tax and cost of living comparisons; financing options; and confidential project-specific proposals from Alliance localities.



P.O. Box 119 ▪ Fredericksburg, Virginia 22404-2300

2300 Fall Hill Avenue, Suite 270 ▪ Fredericksburg, Virginia 22401

540.361.7373 or 866.876.0971 ▪ Fax 540.361.7372

www.fra-yes.org