



News @ ARMS

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ARMS Program Generates Savings of over \$322 Million; Economic Impact of \$5.4 Billion

Inside This Issue

Success Defined: The ARMS Program Generates Savings of over \$322 Million; Economic Impact of \$5.4 Billion
pgs. 2,5 &6

Start & Grow Your Defense Related Business
pg. 3

ARMS Facilities Prime Locations for Recycling Businesses
pg. 4



SUCCESS

Aerial view of Holston Commercial Complex



Success Defined: The ARMS Program Generates Savings of Over \$322 Million; Economic Impact of \$5.4 Billion

To achieve success, it's best to view the opportunities that lie before you and maximize their potential. It was in this spirit over a decade ago that the U.S. Army had the vision to see the glass as half full – brimming with possibilities. Turning liabilities into assets was a daunting task - over 100,000 acres, 17 million square feet of buildings and 400 miles of rail access/storage capacity were going unused and under utilized at several aging U.S. Army Ammunition Plant facilities which were putting a drain on their operating budgets. A creative solution was needed to help turn these liabilities into revenue generators. Public-private partnership strategies were explored and the seed of the U.S. Army Armament Retooling and Manufacturing Support (ARMS) program was planted. The most

successful public-private partnership to date, the ARMS program has attracted a diverse range of tenants from pallet recyclers to rocket engine manufacturers who benefit tremendously from innovative asset management techniques.

Just how innovative and groundbreaking is ARMS? The self-sufficiency success of the ARMS program participants mark the first time in modern U.S. history that any Department of Defense facility has been able to operate effectively at no cost to the federal government. Congress passed the ARMS act in 1992 to enable the Army to develop a prototype defense reuse plan for its ammunition plants. At that time, idle plants were costing the Army between \$3.5 million to \$6 million annually for maintenance and protection. To turn these budget draining plants into profit

producing assets, the ARMS program broke from the classic government contracting model to create the innovative Facility Use Contracting Initiative - a streamlined program that is attracting private business and industry to locate on the installations and make use of existing facilities and infrastructures already in place.

Essentially, the Army conducts business with one facility contractor per site, saving time and complications of Army/tenant multiple agreements. The facility contractor can then negotiate commercial terms and conditions between his organization and multiple tenants. Facility contractors are encouraged and motivated to bring on tenants because this activity greatly reduces overhead costs to the facility. The ARMS program also has initiated long term contracting terms and management of environmental risks to encourage capital investments that can be recouped.

“The ARMS program and Facility Use subcontracts represent your tax dollar and mine hard at work. This program is making sure facilities built with government dollars can still provide a return on our investment through commercial utilization, reduce the carrying cost of these facilities and acknowledge a better state of readiness after being upgraded for commercial use should a major national defense issue make it necessary,” said Jack Figg, Director of Business Development and Community

Continued on Page 5





Start and Grow Your Defense Related Business at an Army Owned Facility



Circa 1940's change houses transformed into modern offices for Esterline Defense Group at Milan Commercial Complex, TN

Start with a Clean Slate - Facilities are Available Immediately and Can Be Configured to Your Needs.

From Office/Administrative Facilities to Production and Manufacturing - Let Us Help Grow Your Business.



Machine shop at Lake City Business Center, MO

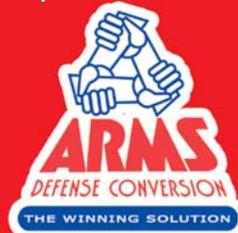
Large or Small - Our Facilities Are Geared to Serve Your Business Needs.



Aerial view of facilities at Radford AAP, VA

Secure.
Affordable.
Located In Your Customer's Backyard.

For more information visit openterprise.com/defense. Site provides contact information for each location.



Multiple Sites Available

- Manufacturing Synergies with Potential Customers
- Immediately Available
- Incentives Available
- 24/7 Security
- Configurable to Specific Requirements
- Affordable, Flexible Terms
- Support Services Available



Geographically Diverse Locations

Grow Your Business

Wide Open Spaces



Geographically Diverse Locations

ARMS Sites are a Perfect Match for Recycling and/or Renovation Operations

- Large Amounts of Open Space
- Separately Fenced Areas
- 24/7 Security
- Existing Infrastructure
- Incentives Available
- Available Buildings
- Affordable, Flexible Terms
- Controlled Access

Army Owned Real Estate Prime Location for Defense Recycling/Renovation Businesses



Large open areas and buildings suitable for staging areas for return of equipment/materials from overseas.

Sites easily adapted to both large and small needs.



Most with both rail & road access.

24/7 Security.

For more information visit openterprise.com/defense. Site provides contact information for each location.



Imagine
Your
Company
Here...



Affairs at the Lake City Business Center located in Independence, Mo. "In the meantime we are growing small businesses that make a contribution to our local economy and our way of life. It is a win/win for both the government as owner and the tenant who might not otherwise be able to afford comparable space in the private sector."

Originally the ARMS program featured 15 AAP locations but 5 were transferred to reuse authorities and/or states. With the recent Base Realignment and Closure (BRAC) restructuring, there are ten remaining facilities generating savings - with six locations in Iowa, Missouri, Pennsylvania, Tennessee and Virginia active in attracting new businesses and tenants.

To date, the ARMS program has used \$270 million in government seed money to finance the development of master plans, infrastructure improvements, marketing and program implementation at the 10 participating Army ammunition plants. Private investments at Army facilities are now in excess of \$200 million from a total of 124 business tenants. In just six years, ARMS was able to recoup all expenditures and become the model for all defense conversion programs. All total, the ARMS program has saved the Army over \$322 million since 1993. In 2005, the program reached a new milestone of achieving an average annual rate of return of 9.0%.

"The ARMS program has been wholly successful, particularly by generating a substantial savings to help lower the cost of the industrial base to the Army - over \$322 million since 1993," said Earl Fox,

Industrial Specialist with the ARMS program. "These savings will continue to accrue well into the future as new commercial ventures and tenants are secured at the Army's remaining Army Ammunition Plants. ARMS is a definite bright spot among public-private partnerships and has ushered in a new era of programs and initiatives designed to replicate our success with ARMS."

The numbers tell the tale. The impact of the ARMS program has also been substantial in fostering business growth and creating stable, job opportunities for local economies. In a report from Computer Sciences Corporation, the ARMS program has created \$5.4 billion in economic output and

created or sustained 2,584 jobs from 1993-2005.

"We were the first company to get a facility use contract for 25 years," said Tony Hewitt, Commercial Development Director at the Holston Army Ammunition Plant located in Kingsport, Tenn. "Long term contracts enable us to do substantial deals and provide visible long term security to investors. We have the space availability, lower rents and flexibility in structuring the agreements. Overall, we've had an excellent pattern of success and here at Holston, we are breaking the mold by doing actual land transactions. We currently have five acres prepared for development along the road frontage. Currently we are in discussions with potential

Continued on Page 6

■ The ARMS Program cumulative Savings to Investment Ratio reached 1.20 in FY 2005.

■ The ARMS Program Average Annual Rate of Return reached 9% in FY 2005.



Success Defined: The ARMS Program... Continued

tenants to utilize this acreage with prime highway access.”

The transformation at many of the aging ARMS facilities has been quite dramatic. These Cold War installations are now bustling with business activity and employment opportunities. Many ARMS facilities have small business incubators that coordinate with local community and state economic departments to spur economic development. The synergy created by state and community partnerships has also resulted in some unique projects that highlight the facilities' role as a valued community leader.

At the Radford Army Ammunition Plant (RFAAP) in Radford, Va., the ARMS program team members facilitated the opening of water production facilities to support the local community of Price's Fork, which had been struggling with an old central water supply using ground wells. The U.S. Department of Agriculture provided a loan for construction of a pump station, water lines and tanks while the ARMS program provided funds for facility contractor Alliant Techsystems to install equipment. Water is now available for community growth and the revenues from the water transaction help to reduce the operating costs of the RFAAP.

“ATK Radford has been a leader in the acquisition and application of ARMS funding to attract commercial operations to the RFAAP,” said Dave Ratcliff- Sr. Program Manager at RFAAP ARMS. “With the transition from a cost plus to a fixed price competitive operation under a Facility Contract



2005 Validated Benefits & Savings (Non Cumulative)

- ARMS Program Savings
\$34.3 Million
- ARMS Investment & Incentives
\$3.9 Million
- ARMS Program Economic Impact
\$487.8 Million
- Companies on Board
93
- Jobs Generated/Sustained
2,584

1993-2005 Validated Benefits & Savings (Cumulative)

- ARMS Program Savings
\$322.7 Million
- ARMS Investment & Incentives
\$269.7 Million
- ARMS Program Economic Impact
\$5.4 Billion
- Average Annual Rate of Return
9.0%

in 1995, the ARMS Program has been very beneficial to the Radford operation. As a result, the revenue streams produced have been large in comparison to other GOCO plants, and have provided many benefits to

RFAAP by way of safety and environmental upgrade projects completed using ARMS revenues. More recently, ARMS revenues have been effectively utilized directly to reduce the total plant annual cost to the Army.”

With the goal of fostering local business development at Holston AAP, executives representing BAE SYSTEMS, Tennessee Valley Authority, Greater Kingsport Area Chamber of Commerce, Hawkins County Industrial Board, Tennessee Small Business Development Center, First Tennessee Development District, Northeast State Technical Community College, American Electric Power, City of Kingsport Tennessee, and Hawkins County Tennessee formed a group to establish the Holston Business Development Center - a “general purpose” small business incubator.

The Center opened in August 2003 has been a resounding success - attracting tenants such as eTech Security Pro, Fresh Focus, Landmark GIS, Lucentglow LLC, Mobile Medical diagnostic Services, Pinnacle Equipment and Protokraft LLC.

By looking at the glass as half full, the ARMS program has seized the opportunity to transform aging ammunition plants into strong business/economic assets. The innovative thinking behind the program represents true ingenuity that benefits both private businesses and ensures the long term success and vitality of our nation's defense infrastructure - at a significantly reduced cost to the taxpayer. Now that's success by anyone's definition.

