



Press Release

McClellan Business Park to Restructure

McClellan Business Park, LLC is moving forward with a capital restructuring and recapitalization that may result in the sale of all or a portion of the former Air Force Base.

McClellan, CA - McClellan Business Park, LLC (MBP) is a venture comprised of Morgan Stanley Real Estate Fund III, Stuart Lichter of Industrial Real Estate Group and local developer Larry Kelley of Kelley Properties. The County of Sacramento selected MBP in 1999 to acquire and redevelop McClellan Air Force Base. McClellan Air Force Base was renamed McClellan Business Park (McClellan Park) in 2001 at the time the acquisition closed with the County of Sacramento. Since that time MBP has actively managed and leased buildings at the former base.

McClellan Park consists of approximately 3,000 acres with approximately ten million square feet of buildings. MBP acquired and is redeveloping about 8.5 million square feet of useable buildings and roughly 600 acres of developable land. To date MBP has leased nearly 4.7 million square feet of space at McClellan Park, with another one million square feet under negotiation. Approximately 1,000 acres remains under public ownership for various uses, including a public airfield, military BX and Commissary, a regional law enforcement training center, Los Rios Community College extended education, various administrative buildings and other uses. The public property will not be affected by the restructuring.

"We have been looking very closely at the best way to position this project to maximize the value and redevelopment potential going forward" said Larry Kelley, President of McClellan Business Park, LLC. "When we started the redevelopment of McClellan it was perceived by the investment community as an incredibly risky venture, and did not appeal to the traditional institutional real estate investor. Thanks to the efforts of the McClellan Park team, and cooperation of the County and redevelopment agency, the project is at a point where it appeals to those investors. It is time to bring in those institutional investors with the patient capital and resources required to make the investments to bring the business park to the next level." Eastdil Secured has been engaged to assist MBP with the restructuring.

McClellan Park is widely viewed as the most successful military base reuse project in the nation, and serves as an example for how to handle the many challenges surrounding military base reuse. The Air Force designed and built McClellan over decades based on specific uses and without regard to conventional master planning and building codes. In addition, the contamination left behind by years of aviation maintenance and logistics operations resulted in the former base being designated as a superfund site, over which the Air Force assumed the remediation obligation. After years of working closely with the County of Sacramento, the United States Air Force, the local community and all regulatory agencies many of these issues have been resolved. Due to the progress which has been made, there is a more predictable timetable for the completion of the environmental clean up. In addition, under the terms of a development agreement with the County, buildings are being effectively re-utilized and significant progress has been made defining and installing infrastructure upgrades.

Significant investments have been made to bring buildings into private use and most buildings have been brought up to modern standards. A signage plan has been developed to help orient visitors to the park and improve circulation. The park's hotel, Lionsgate, provides quality hotel and dining service. A health club caters to the growing community at the park, and McClellan Jet Services provides the highest quality aviation services in the west, catering to business jets and private aircraft. Other amenities include a day care facility, quality restaurants, public airfield, and industrial rail service and transmodal operations, in a centrally located infill location. Major national tenants have taken notice. Some of the more prominent transactions at the park include deals with Northrop Grumman, Surewest, Raytheon, General Dynamics, Sears, JC Penney, the USDA Forestry Division, Flight Options, XO Jet, CalTrans, and others.

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