



A National Cooperative

SUMMER 2001

Operation Enterprise Exhibits At World Real Estate Gathering

Operation Enterprise, the national marketing initiative for the United States Army Armament Retooling and Manufacturing Support (ARMS) Program, showcased the capabilities of Army Ammunition Plants at the International Development Research Council (IDRC) Pacific Northwest World Congress, held in Seattle, WA on May 12-16, 2001. More than 2,000 of the 3,500 membership attended this "Super Bowl for Corporate Real Estate" four-day event and included executives of corporate real estate, other asset managers, service providers and economic developers.

IDRC, headquartered in Atlanta, GA, is the world's leading professional association for corporate real estate executives and the IDRC World Congress is the profession's leading education and networking forum. Operation Enterprise is a national cooperative marketing program that collaborates with ten Army ammunition plants to market the facility capabilities to both national and international markets. The combined resources of the ten facilities exceeds 100,000 acres, 17 million square feet of buildings, and 400 miles of rail access and storage capacity. Under the ARMS Program, incentives are offered to businesses to use these diverse Government facilities which include complete infrastructure, utilities, land, buildings and equipment at very flexible and reasonable terms.

Representatives from eight of the ten Army facilities participated in the 2001 Spring World Congress meetings and were on hand to discuss the specific assets and commercial opportunities available at the ten plants involved in the ARMS Program.

Mr. Dave Ratcliff, Business Manager of Defense Reconversion & Development for Alliant Ammunition and Powder Co. LLC, prime contractor to the Army at the 6,900-acre Radford Army Ammunition Plant in Radford, VA stated, "A wealth of re-manufacturing capabilities are offered at Radford and at the other Army bases involved in Operation Enterprise. The more we expose facility re-use potential to the commercial sector of our country, the sooner economic advantages can be realized by local and state economies and by the federal government. It is a win-win situation for all partners in this program. The Army has top-quality government assets that once

served a vital purpose and now stand ready for use by commercial businesses. To display these facilities and capabilities to their fullest, we decided to go to the top real estate market network. IDRC offers that route." Mr. Ratcliff stated further, "This IDRC Spring 2001 World Congress stresses using a wide variety of resources to provide global business opportunities for the companies that IDRC members represent. Operation Enterprise is no stranger to this philosophy, using many avenues to demonstrate the program, including its web site."



Representatives of the U.S. Army and facility managers of Army ammunition plants manned the trade show booth at the IDRC 2001 Spring World Congress, held in Seattle, WA.



2000 ARMS Program: Savings & Economic Impacts

At the request of the Executive Advisory Committee (EAC) of the ARMS Public/Private Task Force (PPTF), the Operations Support Command (OSC) commissioned PricewaterhouseCoopers (PwC) to quantify the benefits (savings and economic impacts) from the ARMS Program for 2000 for active, inactive, and excess Army Ammunition Plants (AAPs) that have participated in the ARMS Program.

This study included the following 16 AAPs:

Badger	Kansas	Louisiana*	Riverbank*
Holston*	Lake City*	Milan*	Scranton*
Iowa*	Lone Star*	Mississippi*	Sunflower
Indiana	Longhorn	Radford*	Volunteer

*Ten plants that currently participate in the ARMS Program.

2000 ARMS Program Savings Analysis

PwC quantified the ARMS Program savings, the sources of which are (1) services performed in lieu of rent, (2) overhead absorbed by ARMS tenants, (3) overhead absorbed by investments and incentives and (4) rent shared with the Government.

PwC determined that ARMS savings to the Army were \$33M, with savings to the Government of \$31M. Under this distinction, the Army benefited from overhead absorption generated by ARMS investments, but the Government did not benefit from the same overhead absorption because it appropriated the funds to support

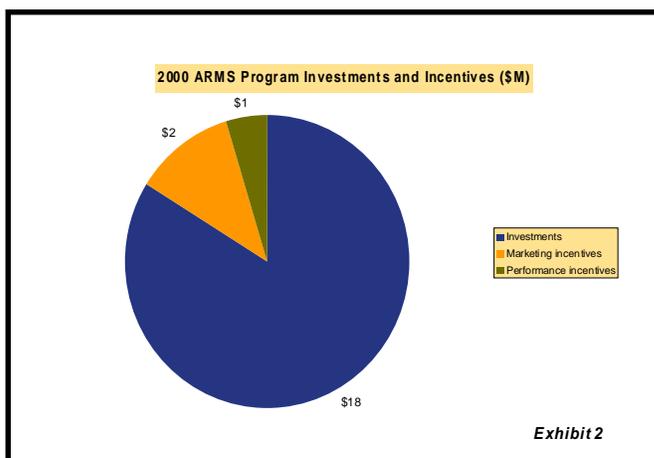
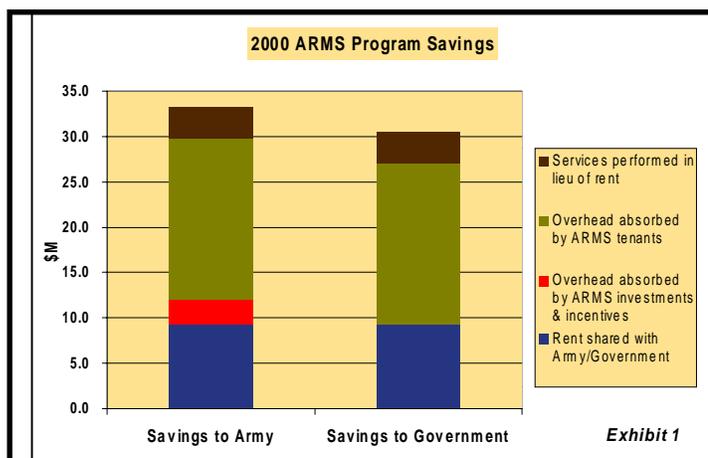
the Army/ARMS investments (See Exhibit 1, below.). In 2000, ARMS investments and incentives were \$21M. Thus, savings benefiting the Army and Government well exceeded the total of ARMS investments and incentives (See Exhibit 2, below.). However, the number of ARMS tenants decreased. In 1999, there were 184 tenants. In 2000, there were 170 tenants. The number of ARMS tenant employees also decreased. In 1999, there were 2,765 ARMS tenant employees. In 2000, there were 2,584 ARMS tenant employees (See Exhibit 3 on page 3.).



2000 ARMS Program Economic Impact Analysis

PwC quantified ARMS Program economic impacts using the Department of Commerce Bureau of Economic Analysis Regional Input-Output Modeling System II. The resulting ARMS direct and indirect economic impact was \$461M in 2000. ARMS investments accounted for \$21M, tenant activities accounted for \$376M, and multiplier (or indirect) effects accounted for \$63M. Also, a total of 3,399 jobs were attributed to the ARMS Program for 2000. Without the existence of the ARMS Program, these jobs would likely not exist (See Exhibit 4 on page 3.).

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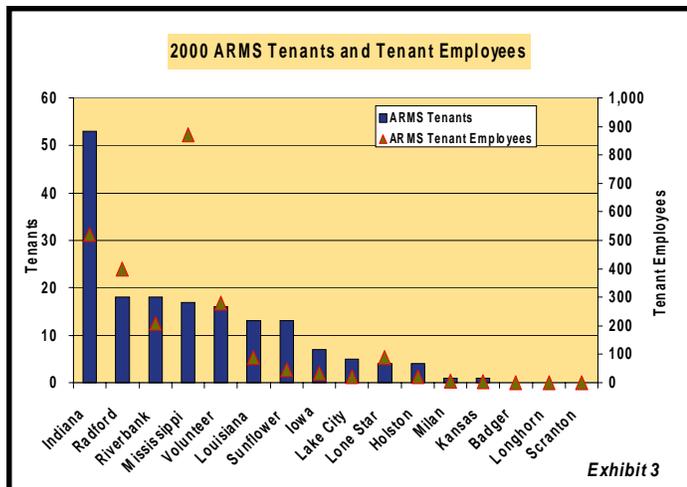


Exhibit 3

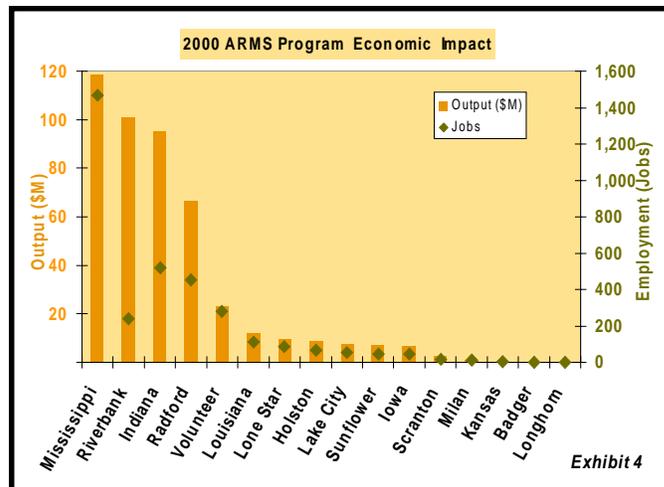


Exhibit 4

Industrial Park Expands

The former Mississippi Army Ammunition Plant (MSAAP), a 1.6 million square foot facility, is now home to 18 commercial and government tenants, including Boeing Space Systems and the Naval Oceanographic Office. This industrial park, now called the MSAAP Industrial Complex, also houses a technology business incubator. Current employment at the park is approximately 800.

Mr. Wayne Gouguet, Director of Marketing and Strategic Development for Mason Technologies Inc. (MTI), the company that has managed the facility since the late 1970s, recently stated that "MSAAP has developed into a booming industrial park that truly is a public/private partnership." The Army plans to open an additional 500,000 square feet of space for facility reuse in January 2002, thereby widening prospects for further business development. "This is quite an opportunity for someone to come in and take advantage of the space," Mr. Gouguet said.

The Army discontinued its ammunition production at MSAAP in 1990, when 1,700 were employed at the plant. Although the Army continued to use part of the plant, the majority of facilities at MSAAP were dormant until 1993. At that time, Congress passed the original ARMS Act legislation that gave the Army the authority to provide unused and underused Government facilities to the private sector through facility use contracting.

MSAAP was one of the first ten Army facilities where contractors like MTI began to recruit businesses under the ARMS Act. The Act provided the Army the authority to fund innovative features of the Program that are attractive to businesses. One such feature is the rehabilitation of closed Army manufacturing facilities for tenant use.

Facility rehabilitation helps contractors like MTI implement the ARMS Program to offset Army facility operating costs through rental of available space and equipment. In return for its funding assistance, the Army expects each facility use contractor to retain plant skills critical to the Army's ammunition mission, for use in the event of a national emergency.

"The existing infrastructure is running at only 30% capacity. Even at 50%, it would still qualify as very underutilized. The anticipated 500,000 square foot addition will include a 20-foot underbeam ceiling height that's perfect for large industrial activities such as fabrication and assembly," Mr. Gouguet said.

Located on the grounds of the Stennis Space Center, MSAAP offers enhanced security, an amenity valued by some businesses seeking suitable locations in which to set up shop. Other MSAAP amenities include its location within an established foreign trade zone and its accessibility to major interstate highways, rail and water ports. MTI is creating new opportunities at MSAAP for businesses seeking to join the thriving Gulf Coast economy.



A welder works on parts for automation control equipment assembly at MSAAP. MSAAP currently has 18 tenant businesses.



Copy of Operation Enterprise ad appearing in *US Business Review August 2001 issue*

OPERATION ENTERPRISE....

**OFFERS ACCESS TO NATIONAL AND INTERNATIONAL MARKETS
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AT TEN INDUSTRIAL LOCATIONS**

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- Facilities Use Contracts
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