

**ARSENAL REAL ESTATE FUNDS ANNOUNCES THE CLOSING OF ITS  
\$150 MILLION OPPORTUNISTIC FUND**

**Morristown, NJ—August 17, 2006**—Arsenal Real Estate Funds ([www.arsenalre.com](http://www.arsenalre.com)) today announced that it has closed its inaugural fund with capital commitments of over \$150 million and a gross investment capability of over \$600 million. Founded in 2004 by veterans from the real estate industry, Arsenal invests in select multi-family, office, retail and in-fill land investments nationwide. Arsenal's strategy is to invest through its network of operating partners in development, redevelopment, repositioning and land reuse/entitlement opportunities.

An opportunistic fund, Arsenal Real Estate Fund I (AREF I) was built on the premise that the greatest returns to investors are provided through the development process where sufficient cost advantages exist between production cost of an asset relative to the market value of the completed asset. Profit potential is enhanced if the investment focus is targeted on scarce, high demand product. In that regard, the fund has invested in urban in-fill land reuse investments, affordable rental housing developments, waterfront residential development and entry-level condominium conversions in markets with barriers to entry. Arsenal has acquired or controls identified investments for nearly 70% of AREF I's capital and plans to have the balance of the Fund's capital invested within the next 12 months.

Gary Picone, Partner and Co-Founder of Arsenal, said, “Our investment strategy is one that my partners and I have successfully executed throughout our careers. AREF I’s flexible strategy positions us to perform well as we progress through the cycle. We initiated fundraising for our unique strategy at a time when institutional investors were clamoring for higher return opportunities in a market that had become intensely competitive. Our fund allows investors the opportunity to invest in our significant, off market deal flow generated through our network of real estate operators.”

Arsenal was founded in 2004 by an experienced team consisting of professionals from real estate finance and development. Gary Picone, John Maurer, and Joe Margolis, long-time veterans of Prudential Real Estate Investors, brought their combined track record of success in financing creative and profitable real estate transactions to the launch of Arsenal. Together, the three invested over \$5.1 billion in multi-family, office, retail and other investments while at Prudential.

J. Brian O’Neill, founder and chairman of King of Prussia, PA-based O’Neill Properties Group, joined Picone, Maurer, and Margolis in launching the firm. O’Neill, who has long been known as a premier developer in the real estate industry, revolutionized the redevelopment and recycling of surplus industrial properties and was a pioneer in the field of brownfield redevelopment.

The fund investors consist of several leading institutional investors, including corporate and public pension plans, foundations and university endowments. John Maurer, Partner and Co-Founder of Arsenal added, “We are grateful to the investors who share our view of the real estate market and have given us the resources to execute on our vision. We look forward to working with our investors to capitalize on the quality investment opportunities we are pursuing in the market.”

### **About Arsenal**

Arsenal is a private real estate investment manager focused primarily on higher return investments. Arsenal seeks to invest at all stages of the real estate manufacturing process, creating institutional quality assets for sale to core buyers. The firm works with strong local operating partners to develop, redevelop, or reposition infill sites in markets characterized by strong demand and constrained supply.

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