TurnKey Holdings is a property consulting, management and investment company. This newsletter features TurnKey's real estate investments and the Los Angeles area marketplace with some discussion of economic trends and related matters.*

TurnKey Real Estate Alert!*

In order for you to continue to receive this TurnKey Alert, we need your updated email address, as we have terminated "snail mail" circulation. Please email us your name, telephone and current email and snail mail addresses to turnkeyprop@ca.rr.com. If you request removal from this circulation, please advise by email.. . Thanks.

Joseph M. Ebin – February 2011

To Our Partners and Friends:

The President's Corner(1,2,3)

Staying Focused on the Details…We are bombarded with economic data, including: GDP, jobs reports, unemployment, CPI, manufacturing utilization, etc. The same information is often spun one way and then another way. It is pretty clear though that the US is digging out of a mess, parts of California will continue to suffer unusually high unemployment for the immediate future and some sectors and industries will prosper more than others. These periods call for more focused and qualified property management and controls, in both revenue production and expenditures. The day-to-day details are the key to thriving during these periods.

DCR's to Brag About ….The TurnKey-controlled properties are, thankfully, enjoying very conservative debt coverage ratios ("DCR's"); this is the ratio of operating cash flows (net operating income) to debt service payments, the higher the better. Most lenders are looking for minimal DCR's of 1.2:1.00, net operations producing a gross margin of safety of 20% over debt payments. For 2010 the TurnKey-controlled properties achieved average DCR's of 1.7:1.0, meaning that they enjoyed a 70% gross margin of safety from operations after covering mortgage payments. Ergo, these properties produced healthy cash distributions even with a weak economy and somewhat reduced revenues.

Past and Continuing Performance…TurnKey Holdings and its affiliates are continuing their great success with the real estate purchased after the collapse of the S&L industry (1994-2000). These projects have paid our investment groups 40% per annum on average for those properties sold. The specific returns net to the investors for the properties sold have ranged from 24% per annum to 62% per annum on the equity investments and from about 12% per annum to 31% per annum on the participating mortgage investments. Through December 31, 2010, for those projects we continue to own and manage, they have already returned to us 204% on average, equivalent to yields of 17%-46% per annum on the individualized investments for time periods of 10.3 to 16.8 years. These yields include cash flows from operations and mortgage related distributions. There should be substantially more to come when they are sold.

Why are our numbers so good, often above industry norms?

(i) We purchase with a contrarian perspective, often buying when the market is selling off and selling into buying waves. This can be a ten-twenty year cycle;
(ii) We set and execute achievable management and repositioning programs for the assets;
(iii) We obtain favorable financing when the market permits without overleveraging (some of the projects were purchased with little leverage and later financed at attractive terms);
(iv) We are not afraid to sell and take profit.

Going Forward….*The distressed economy should create opportunistic property purchase opportunities. We are seeking them out and competing to acquire them on reasonable terms. New opportunities*, such as we expect to have in the next 48 months, will be unique and not repeatable. Therefore, we must be ready to act when they present themselves. We continue to advise our partners to maintain a fair amount of liquidity for these expected equity or mortgage investments.*

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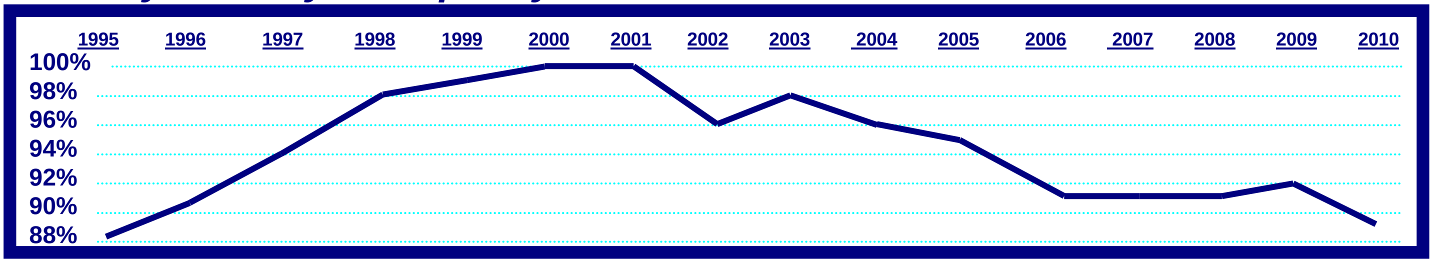
TurnKey's Yearly Occupancy Results(4)



On-going operations in calendar year 2010: (2, 3)

The TurnKey-controlled properties achieved an average economic occupancy rate of 89% for the twelve month period of 2010, as compared to 92% in 2009. The multifamily results alone for 2010 were higher at 94% economic occupancy. From on-going operations, these properties generated operating cash flows after debt service, averaging 32% per annum with operating distributions averaging 14% per annum**.**

(1) At the Rancho Tech Center, we created a mixed-use business park environment from an industrial park. As a result, we repositioned 54% of the warehouse space to office, medical and fast food. The 2010 effective occupancy was 83%, as compared to 90% the prior year. The operating cash flow for the trailing 12 month period decreased to 9% from 10% in 2009. To date from operations and refinance distributions, the investor-members have received cumulative distributions of 172% of their invested capital, equivalent to 16.7% per annum over the 10.3 year holding period.

(2) At the Studio Palms Apartments, this three story multifamily property with all two bedroom units, near Sony Studios, generated an average effective occupancy for the 2010 year of 95%, as compared to 96% the prior year. The 2010 operating cash flow was 19% per annum, as compared to 22% for the prior 12 months, all based on the original investment which was previously returned through mortgage recastings. To date from operations and refinance distributions, the investor-members have received cumulative distributions of 237% of their invested capital, equivalent to 18% per annum over the 13.1 year holding period.

(3) At the Hamel Villas, this classic two story property off Burton Way, half townhomes with garages, achieved 90% effective occupancy, as compared to 76% the prior year when it was purchased and remodeled. This property is centrally located within a short commute to Beverly Hills, Century City and Hollywood, walking distance to Cedars-Sinai and the Beverly Center

(4) At the Serrano Club Apartments, this mid-town, multi-family project generated average occupancy for the year of 95%, as compared to 93% the prior year. The 2010 operating cash flow yielded 73% per annum, as compared to 51% for the prior 12 months, all based on the original investment which was previously returned years ago. To date from operations and refinance distributions, the investor-members have received cumulative distributions of 1,764% of their invested capital, equivalent to 46% per annum over the 16.8 year holding period.

We thank you and all of our colleagues in the real estate investment areas for your support in helping us to fulfill our strategic plans. Our business model embraces the concept that innovative and opportunistic tactics will generate exceptional results for us and our partners.

Until next time,

Joseph M. Ebin, President

***This is not an offering. If such an offering were made, it would be only via appropriate offering materials and only to qualified prospective investors. Past results are no indicator of future performance.** (1) Properties owned by entities formed through TurnKey Holdings and First Capital, LLC; TurnKey Holdings and TurnKey Property Management Systems are dba's for City Wide Management, Inc; economic returns do not include Hamel Villas and Golden Mermaid Apartments which are owned directly by Ebin family affiliates; (2) Returns net of promotional interests of managing member, computed as the average ratio of cash distributions to investors/members from operations, debt refinancings and sale on a per project basis over the cash investment per project; Cumulative distributions are calculated on the ratio of investor-members cumulative distributions to date over original investments plus capital calls, if any. (3) Operating cash flows are based upon operations before adjusting for capital expenses and non-recurring items and before allocations among different classes of partners. (4) Economic occupancy is the ratio of income collected over potential income and may differ from physical occupancy. For calendar year 2000 forward, we report economic occupancy; prior to that date, physical occupancy. Newly acquired properties are included after stabilization of operations. Sold properties are dropped from computations going forward.

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