



TurnKey Property Management Systems 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!*

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Joseph M. Ebin - January 2009

To Our Partners and Friends:

The President's Corner.... The Big Picture^(1,2,3)

TurnKey Property Management Systems and its affiliates are enjoying unparalleled success with the real estate it purchased after the collapse of the S&L industry (1994-2000), the most recent great real estate buying opportunity. These projects have paid our investment groups 40% per annum on average for those properties we 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, which are part of a few of the projects. For those projects we continue to own, they have already returned to us 29% per annum on our investment on average and they continue to throw off substantial cash flows.

Why are our numbers so good, while many other real estate companies are faltering?

- (i) We are value buyers with a heavy contrarian perspective. We often buy when the market is selling off cheap and we sell into buying waves. This can be a ten-twenty year cycle;
- (ii) We set and execute achievable 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.

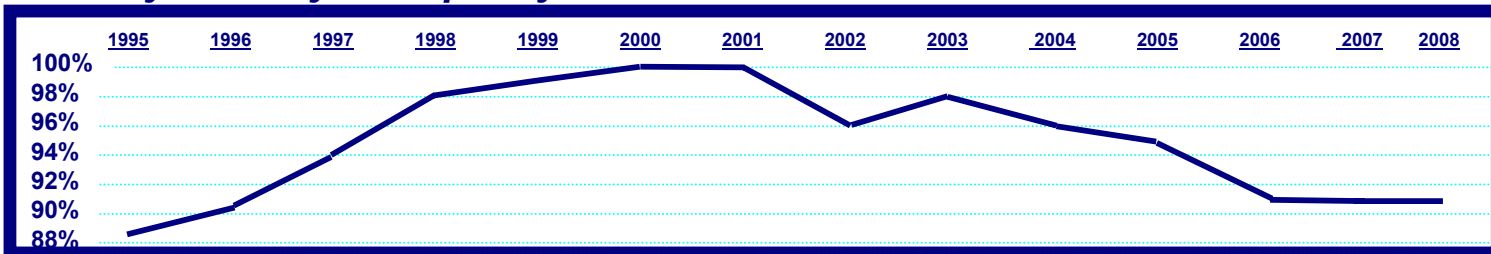
We believe that as a result of the current financial crisis, distressed property purchases will again create extraordinary results for our newly formed investment programs. New opportunities*, such as we expect to have in the next 24 months, will be unique and not repeatable. Therefore, we must be ready to act when they present themselves. In addition to accepting equity partners, we also expect to present mortgage investments for our pension plan and lower risk investors who have eagerly participated in these preferred pay out arrangements in the past.

The Past Year

From capital events, we generated extraordinary results. Studio Arnaz Equity, LLC, one our controlled affiliates, operated the Studio Arnaz apartments, located off Burton Way in Los Angeles. The Arnaz apartments were purchased in August 1999 for \$136 per square foot, \$88,500 per residential unit. In July 2008 the property was sold. The sale generated \$445 per square foot and \$289,600 per unit. The operations for nine years and the sale collectively generated a 389% return on our investment, equivalent to 43% per annum gross and 32% per annum net of original investment and net of promotional interests to managing member; every \$100,000 investment returned \$389,000.

How did this happen? Studio Arnaz was operated on a marginal basis by the prior owner, 20% of the units devoted to low-moderate income tenants. We converted it to a quality residential property, partially operated as "corporate rentals," marketed to Cedars-Sinai, movie studios, etc. Over time we managed to increase the rental stream by 85% and the net operating income by 184%. The value achieved at sale was based on the enhanced operations and cheap financing we obtained in 2004, which was assumed by the buyer. Team Lustig-Bower at CBRE marketed Studio Arnaz for sale and procured the Buyer, a very professional and successful job.

TurnKey's Yearly Occupancy Results⁽⁴⁾



On-going operations in calendar year 2008: (2, 3)

The TurnKey controlled properties achieved an average economic occupancy rate of 91% for the twelve month period; in the aggregate almost identical to the prior 24 months. From on-going operations with these multifamily and industrial properties, we generated operating cash flows after debt service, averaging 44% per annum with operating distributions averaging 13% per annum.

(1) **At the Rancho Tech Center**, we created a mixed-use business park in which we repositioned 61% of the warehouse space to office, medical and fast food. The 2008 effective occupancy was 94%. The operating cash flow increased to 22% per annum, as compared to 18% for the prior 12 months, all based on the original investment which was previously returned through mortgage recastings. To date, the investor-members have received cumulative distributions of 164% of their invested capital.

(2) **At the Studio Palms Apartments**, this multifamily property generated an average effective occupancy for the year of 97%, as compared to 99% the prior year. The 2008 operating cash flow was 30% per annum, as compared to 27% for the prior 12 months, all based on the original investment which was previously returned through mortgage recastings. To date, the investor-members have received cumulative distributions of 213% on their invested capital.

(3) **At the Studio Arnaz Apartments**, this partially hotel-style luxury property off Burton Way, generated an effective occupancy of 84% for the first six months, as compared to 91% for the same period in the prior year. This property was sold in July 2008. The operations for nine years and the sale generated a 389% return on original investment. This is equivalent to 32% per annum for the nine year period, net of the original capital. Every \$100,000 invested, generated a cash flow of \$389,000.

(4) **At the Serrano Club Apartments**, this restored, mid-town, multi-family project generated average occupancy for the year of 96%, as compared to 99% the prior year. The 2008 operating cash flow yielded 118% per annum, as compared to 125% for the prior 12 months, all based on the original investment which was previously returned through mortgage recastings. To date, the investor-members have received cumulative distributions of 735% on their invested capital.

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. Please verify that we have your current email contact.

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 Property Management Systems and First Capital, LLC; (2) Net of return of invested capital and promotional interests of managing members, 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 derived at by 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. Rancho Tech Center is included as of 2004 and Studio Arnaz for 2008 is annualized from first six months.

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