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.*

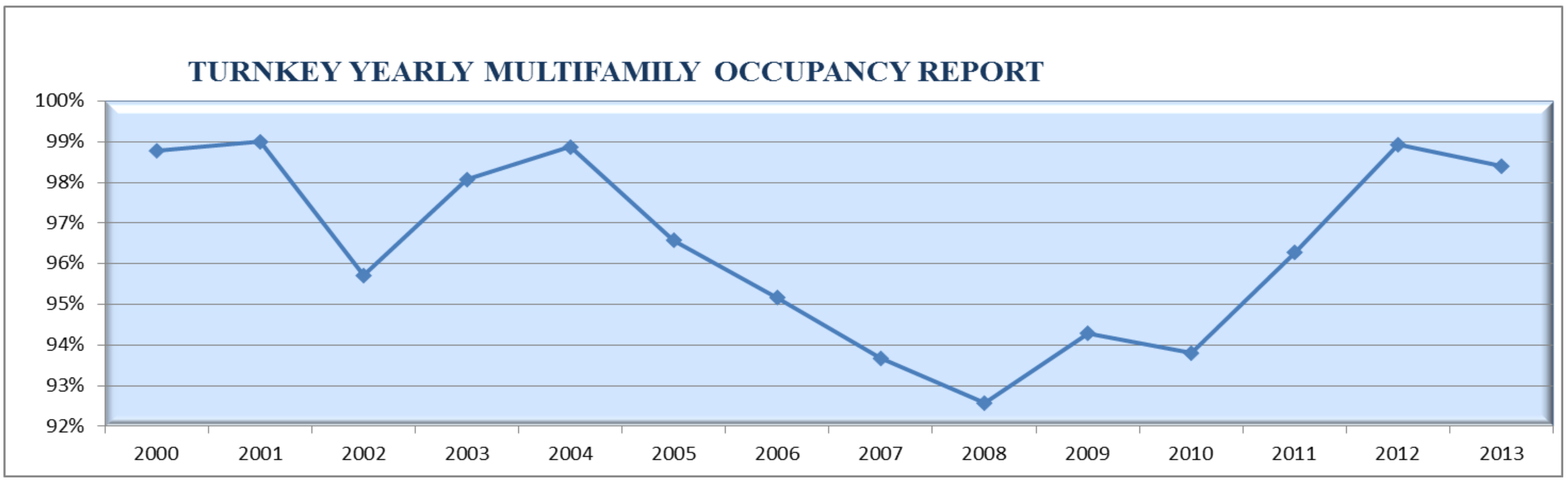
TurnKey Real Estate Alert!* *(1,2,3)*

Joseph M. Ebin – March 2014

To Our Partners and Friends:

A Broad Turn Around In Local Real Estate…For decades the leading economic indicators ad seriatim have been the broad stock indices, followed by single family homes, investment real estate, commodities, etc. With finer tuning and constant intervention by the Fed, centralized lending through large financial institutions and the GSE's, these economic sector waves of progress and decline are now somewhat blurred. What isn't blurred, however, is the direct relationship between employment and real estate fundamentals. California's unemployment rate has dropped from 12.4% in February 2010 to 8.3% in December 2013 and the Los Angeles-Long Beach-Santa Ana Metro Area unemployment rate has dropped from 11.8% to 7.9% for the same periods.

Employment affects effective demand which, in turn, affects residents-per-unit, a key marker for multifamily real estate. Residents-per-unit is the number of persons living in the same rental unit/household. This key marker declines with more employment as occupants per household drop and this decline spearheads rental demand. E.g., if residents-per-unit in a firming economy declines from 2.5 per household to 2.0 per household, that is a 20% upsurge in rental demand without dealing with other factors such as population growth/decline, etc. Partially as a result of declining residents per unit, a good thing, Turnkey's 12 month trailing achievement in occupancy and cash flow performances are very strong, as high as the peak periods of 2003-2004. If these current positive trajectories hold, we could expect to hit new all-time highs in the very short term for net operating incomes, operating cash flows and valuations, the key components of real estate.



The TurnKey-controlled multifamily properties achieved an average economic occupancy rate of 98.4% for the twelve month period of 2013, as compared to 98.9% in 2012 (1,2,3,4,).

Past and Continuing Performance…occupancy and debt service ratios (3)…The key investment components for TurnKey and its affiliates have been opportunistic purchases, executing cost-effective refurbishments, creative leasing techniques, obtaining or refinancing into lower debt service loans and "hands on" property management. Ergo, this past year we refinanced three properties to take advantage of aggressively low fixed rate interest rate products ranging from 3.35-4.25% interest fixed for five to fifteen years. Overall, the debt service coverage ratios (DSCR's) for the TurnKey affiliated properties (the net operating incomes divided by the annual debt service payments) ranges from 1.80:1.00 to 2.6:1.0, with an average of 2.24:1.0 Turnkey's exuberant DSCR's are the key to cash flow distributions to our partners and safe operating margins. Most institutional lenders consider healthy debt service ratio to be above 1.25:1.00. In 2013 from on-going operations, TurnKey Holdings' properties generated operating cash flows after debt service averaging 35% per annum, ranging from 7.3% per annum for the newest property to 84% per annum for a property held 19.8 years. The distributions to investors for these properties for this 2013 period averaged 31% per annum, ranging from 6.2% to 94% per annum. These results are far above industry norms and are a result of very selective investing principals.

New Projects*…In May of 2013 TurnKey Holdings* purchased The Barcelona Apartments. This four story property in the Miracle Mile area has been under renovation by us and is now fully occupied. The amenity package here includes HVAC, new windows, updated kitchens and the property is mostly out of rent control. We locked down 30 year financing fixed at 3.35% for the first five years. Our projections here include cash flow of about 7.4% per annum on average for ten years* plus a sale residual projected to bring the entire return to the investors to about 19.4% per annum. We were pleased that our partner subscriptions were rapidly committed.

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Studio Palms Apartments

At this 1986 constructed three story property with all two bedroom units near Sony Studios, we generated effective occupancy for the year of 99.6%. The operating cash flow was 27% per annum based on the original investment. Through 2013, the investors have received cumulative distributions of 278% of their invested capital, equivalent to 17% per annum over the 16.2 year holding period.

Serrano Club Apartments This mid-town, multi-family project generated average occupancy for the year of 95.6%. The operating cash flow yielded 83% per annum, as compared to 80% for the prior 12 months. Through 2013, the investor-members have received cumulative distributions of 935% of their invested capital, equivalent to 47% per annum over the 19.8 year holding period.

Barcelona Apartments:

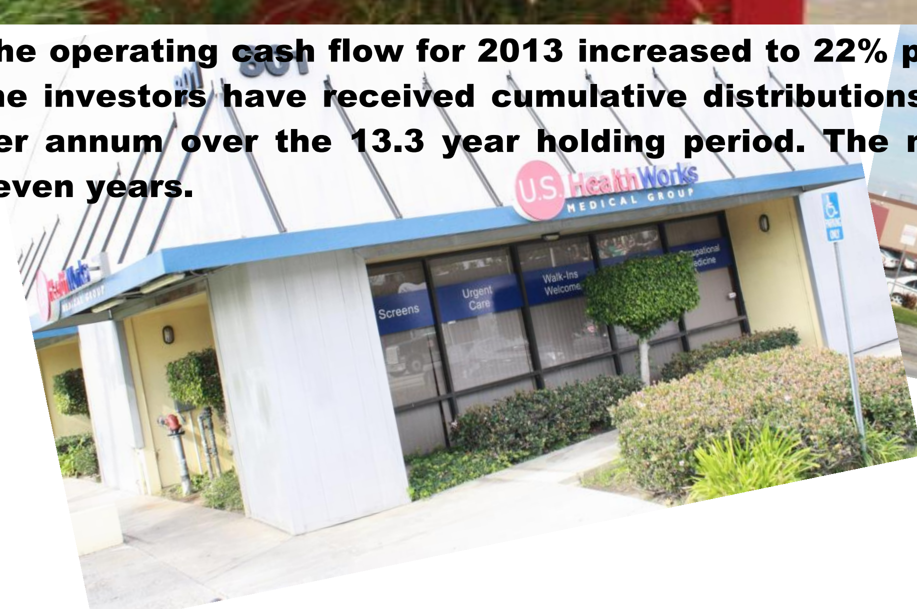
This four story Miracle Mile property located near LaBrea and Wilshire was purchased in May 2013 and it has been under renovation by us, now completed. Eighty percent of the apartments are free of rent control. During the May to December period the average occupancy was 98.5%.The 2013 operating cash flow yielded 7.3% per annum.

Hamel Villas This classic property off Burton Way, half townhomes with garages, achieved 100% effective occupancy, as compared to 100% the prior year. This property was recently refinanced with a fifteen year fully amortizing mortgage fixed at 3.375%, effectively pouring all the cash flow into a rapid loan pay down.

COMMERCIAL REAL ESTATE

These industrial properties were redeveloped by us during the period of 2000-2005 into a mixed-use business park with a medical clinic, staffing agencies and food court.

The operating cash flow for 2013 increased to 22% per annum from 18% per annum in 2012. Through 2013, the investors have received cumulative distributions of 200% of their invested capital, equivalent to 15% per annum over the 13.3 year holding period. The mortgage was just recast at 4.25% interest, fixed for seven years.



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. Projected returns are based on assumptions concerning future events and circumstances. Some assumptions inevitably will not materialize and unexpected events and circumstances may occur. Past results are no indicator of future performance.** (1) Properties owned by entities formed through City Wide Management, Inc. dba TurnKey Holdings and First Capital, LLC, both owned and controlled by Joseph M. Ebin. (2) Cumulative distributions (not including Hamel Villas) are calculated on the ratio of investor-members cumulative distributions from operations and refinancings over invested capital, even if previously returned. (3) Operating cash flows (not including Hamel Villas) are based upon operations before adjusting for capital expenses and non-recurring items and before allocations among different classes of partners. (4) Economic occupancy graph is for multifamily properties only; it is the ratio of income collected over potential income and may differ from physical occupancy.

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