



TWINROCK
PARTNERS

QUARTERLY NEWSLETTER | Q2 14

IN THIS ISSUE:

Letter from Chairman
Recent Acquisitions
Acquisitions Pipeline
TRP Housing Market Overview
Oklahoma Market Overview
Recent OKC Developments
Key Company Updates
Annual Philanthropic Event

TwinRock Investors,

Welcome to the inaugural issue of the TwinRock Quarterly Newsletter. First and foremost, we would like to offer our thanks for your continuing loyalty, support and trust.

This issue will be the first of many quarterly newsletters to give you a snapshot of our recent acquisitions, upcoming investment pipeline, overview of our markets and key updates relevant to the company.

The first half of 2014 has been both productive and exciting for TwinRock. Our funds continue to perform and we were able to acquire two multifamily properties in Tulsa, Oklahoma.

Our upcoming investment pipeline reflects our confidence in the growth prospects of the Midwest Region as we continue to target properties in Oklahoma and other parts of the country.

We would also like to take this opportunity to extend an invitation to you and your guests to attend our company's first annual philanthropic event in remembrance of the victims of 9/11 at the William Lyon Air Museum on September 11th, 2014 at 5:00 pm.

Sincerely,



Michael L. Meyer
Chairman



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2014 ACQUISITIONS



TwinRock Partners acquired two properties in Tulsa, Oklahoma in the early half of 2014.

Southern Elms



Southern Elms is a 78 unit apartment complex located in Tulsa, OK. The property was built in 1964 and consists of 65,644 SF situated on over 2 acres. The property is experiencing high rental demand and cash flow.

The investment strategy is to continue taking advantage of high annual cash returns throughout the hold period.

Implementation has begun on a cost savings water conservation initiative to add low flow toilets and fixtures to the property.



Coppermill

Coppermill is a 544 unit apartment complex located in Tulsa, OK. It consists of 377,600 SF situated on over 24 acres. The property was built in 1978.

Implementation of our strategy to rebrand and renovate the property is already underway. TRP has decided to rebrand the property to Yaletowne Apartments, repositioning it as a higher-end community.



Renovation on the property is also underway on selected units that are being upgraded on turnover. TRP recently selected a new community manager for Yaletowne.

External Link: [Yaletowne Clubhouse Renovation Look Book](#)



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QUARTERLY NEWSLETTER

UPCOMING INVESTMENT PIPELINE

Artisan Ridge Apartments



Artisan Ridge Apartments is a 312 unit complex consisting of 36 residential buildings and 1 single-story office/clubhouse building, located in Oklahoma City, Oklahoma that is under contract and available for new investors.

The property represents a value add opportunity that was developed and constructed in 1984 and recently renovated.

TwinRock Partners has been in contract to purchase Artisan Ridge for the past couple of months. We have recently completed our due diligence for the project and we have concluded that the cash returns will be significantly enhanced by phasing out government subsidized tenants. As a result of our findings and change in our business plan, we were able to successfully re-negotiate a substantial sales price reduction with the seller.

The neighborhood and surrounding complexes are in demand by market rate tenants, and the nearby new development will further enhance the neighborhood. By upgrading the property image, changing management, rebranding of the property and a significant capital improvement plan, we expect to achieve above-average occupancy and rents compared to the other complexes. The conversion will cause increased turnover and vacancy in the short term, but should result in a solid, stable and more valuable property afterwards.

The purchase price is \$12,175,000 or \$39,022 per unit. Based on the current NOI, the cap rate on the purchase price is 8.8% and 7.5% on total cost.

External Links: [Investment Memorandum](#) | [Aerial Video Presentation](#)



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QUARTERLY NEWSLETTER

UPCOMING INVESTMENT PIPELINE

Carriage Square Apartments



Tuscan Villas



Both Carriage Square Apartments and Tuscan Villas, two adjacent properties in Oklahoma City, Oklahoma are available to new investors. TwinRock Partners was able to successfully aggregate Tuscan Villas, an off market property that has been fully renovated, to the current Carriage Square project. By aggregating the two adjacent properties, management will realize operational efficiencies and cost savings to both properties through economies of scale.

Carriage Square is a 254 unit complex consisting of 28 residential buildings, clubhouse and 2 standalone laundry facilities. Tuscan Villas is a 48 unit complex consisting of 3 residential buildings. Both are located in the heart of the Interstate 240 Corridor in South Oklahoma City near major retail development. Large employers such as State and Federal Government, Chesapeake Energy, OG&E Energy Corp., OU Heath Sciences, Devon, Integris, Cox Communications and are within a short commute of the properties. Both properties represent a solid investment with high in-place cash flow and value-add opportunity.

The property has frontage and high visibility on I-240, a major retail and restaurant corridor that carries 100,000 vehicles daily and is within walking distance to shopping centers. There is a pedestrian bridge adjacent to the properties that leads to a \$45 million retail development owned by Inland American.

The properties are within minutes of Oklahoma City Community College, numerous retail development centers, CrossRoads Mall, Will Rogers Airport and the FAA Training Center.

External Links: [Aerial Video Presentation](#)



TRP HOUSING FUND MARKET OVERVIEW

The overall price increases in the Fund's general housing market indicate healthy price appreciation for the Fund's underlying assets.

Inland Empire

The median sales price of single-family homes increased 4.3% in the quarter to \$286,900, up from \$275,000 as of March 2014; representing an increase of 14.5% year-over-year, up from \$250,555 as of June 2013. Median home prices increased at a faster pace quarter-over-quarter this quarter compared to last quarter.

While strong buyer demand drove rapid price appreciation in the Inland Empire market over the last year, the statistics indicate that demand was on the rise this quarter after slowing down slightly last quarter, and this relatively strong buyer demand was evident in the increased median home prices at quarter end compared to last quarter. Home sales in Riverside and San Bernardino Counties during the Second Quarter totaled 13,760, up 24.7% from last quarter and down 6.9% quarter-over-quarter from last year.

Homes available for sale in Riverside and San Bernardino Counties at Second Quarter end decreased by 4.9% from the end of last quarter and the number of houses available for sale increased 17.4% year-over-year (to 18,009 as of June 2014, up from 15,335 as of June 2013) as the supply of new listings outpaced the number of sales over the past year. The "months supply" of inventory decreased to 3.9 for the month of June 2014, compared to 4.6 from the end of last quarter and increased 20.3% year-over-year from 3.2 months in June 2013.

John Burns Real Estate Consulting reported that nearly 4.0% of US households had a child aged 25-34 living at home in 2012 as opposed to only 3.0% in 2006. That equates to 1.2 million more adults living with their parents nationwide as of 2012 than did in 2006. This major demographic shift created a lot of pent-up demand that someday will be unleashed into the market (John Burns Real Estate Consulting, Building Market Intelligence, April 2014).

Antelope Valley

The median sales price of single-family homes increased by 9.1% in the quarter to \$207,200, up from \$189,990 as of March 2014; representing an increase of 15.1% year-over-year, up from \$179,950 as of June 2013. The overall price increases the past year indicate healthy price appreciation for the Fund's underlying assets in this region.

Home sales in Lancaster, Palmdale, and Quartz Hill during the First Quarter were up 35.1% from last quarter and down 4.4% quarter-over-quarter from last year. Houses available for sale in Lancaster, Palmdale and Quartz Hill at Second Quarter-end increased 18.6% from the end of last quarter and the number of houses available for sale increased 85.1% year-over-year. The "months supply" of inventory on the market decreased to 2.8 for the month of June 2014 compared to 3.0 from the end of last quarter and is up 70.0% year-over-year from 1.6 months in June 2013.

Clark County (Las Vegas), Nevada

According to Redfin, the median sales price of single-family homes increased 5.2% in the quarter to \$187,302, up from \$178,000 as of March 2014; representing an increase of 19.6% year-over-year, up from \$156,550 as of June 2013. These price increases indicate healthy price appreciation for the Fund's underlying assets in this region as well.

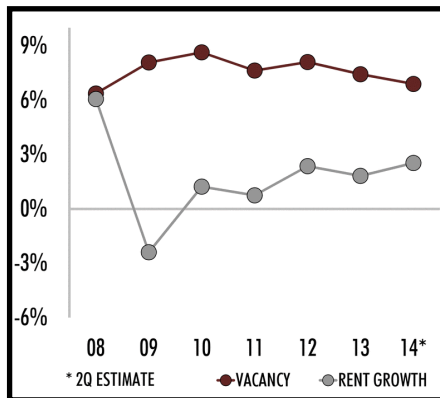
Home sales in Clark County during the First Quarter were up 9.63% from last quarter and down 21.3% quarter-over-quarter from last year. Houses available for sale in Clark County at Second Quarter end were up 5.3% from the end of last quarter and up 7.1% year-over-year. The "months supply" of inventory on the market increased to 5.5 for the month of June 2014 compared to 4.3 from the end of last quarter and is up 73.2% year-over-year from 3.2 months in June 2013.



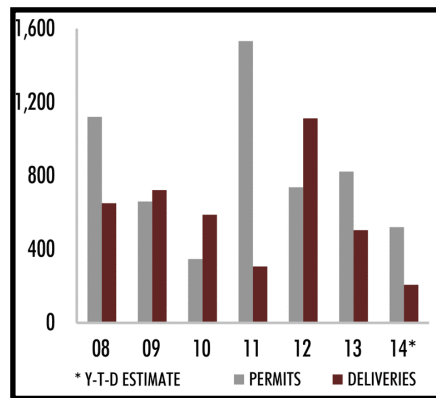
OKLAHOMA MARKET OVERVIEW

Tulsa

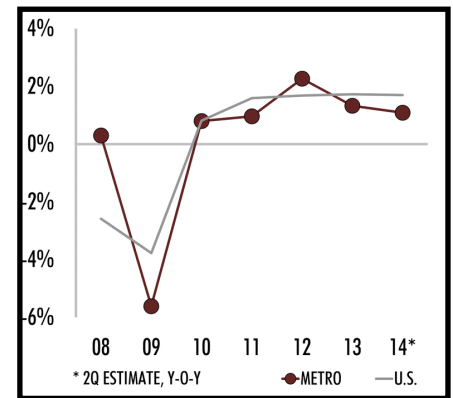
Vacancy



New Permits



Employment Growth



Businesses in the trade, transportation and utilities, manufacturing, and leisure and hospitality sectors ramped up hiring, significantly contributing to 4,700 new jobs in Tulsa, a 1.1% gain since June of 2013.

Unemployment rate was 4.6% in June of this year.

Home prices and sales velocity are moderating in the Tulsa metro area. In the last 12 months, sales of single-family homes slowed 1.8% to 31,700 transactions as the median home price dipped 0.1% to \$144,300.

Multifamily builders completed 210 apartments in the second quarter of this year, down 38.4% since the same period last year. More than 800 additional units are projected to be completed in the last half of 2014, two-thirds of which will be in the Arkansas River Southwest submarket.

In the last five years, deliveries averaged 650 apartments annually.

Multifamily developers trimmed the planning pipeline as permit requests totaled 1,000 annualized apartments in June, a decrease of 24.7% from the same period last year. Nevertheless, year-to-date annualized issuance was 15.9% higher than the five-year average.

Metrowide vacancy increased 20 basis points year over year, reaching 6.9% at the end of the second quarter.

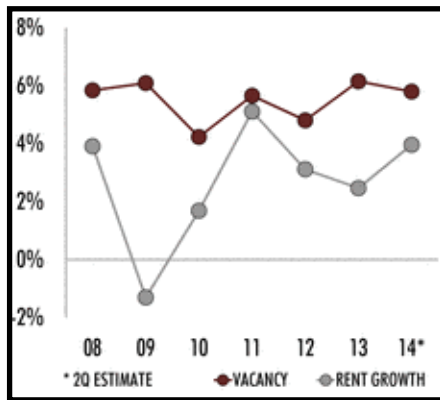
Asking rents advanced 2.5% since mid-2013, reaching \$687 per month in June. Rent appreciation was greatest in the East/Broken Arrow submarket, where monthly rent was \$702, a 7.1% year-over-year gain. Class A rents metrowide rose 1.7% to \$954 per month.



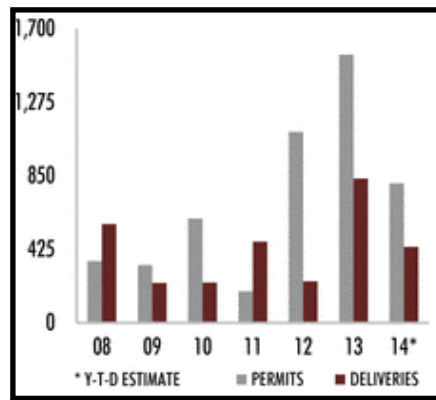
OKLAHOMA MARKET OVERVIEW

Oklahoma City

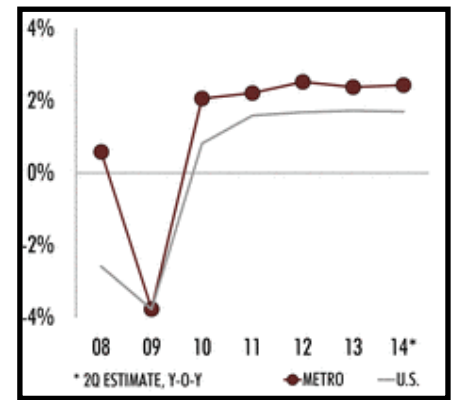
Vacancy



New Permits



Employment Growth



Aided by the growing construction and the leisure and hospitality industries, total employment expanded 2.4% in the past 12 months, as businesses added 14,700 positions in the metro area. The construction sector added 3,500 workers, expanding a metro-leading 13.1%, as development ramps up. The financial activities, the trade, transportation and utilities, and the education and health service sectors created a combined 6,300 positions, highlighting the broad-based growth in Oklahoma City.

Unemployment rate was 4.2% in June of this year.

Home sales declined 4.9% year over year to 37,400 transactions, but were still well above the 10-year average of 34,700 transactions. Elevated demand and velocity put upward pressure on single-family home prices, which advanced 4.1% to \$153,900.

After two consecutive quarters of negative demand, leasing activity ramped up in the second quarter with the absorption of 840 units. Leasing increased as a surge in home prices dissuaded some prospective homebuyers.

Builders completed 440 units in the first half of 2014, compared to 450 apartments in the same period in 2013. Development is projected to pick up in the second half of the year as three large projects come online totaling 741 units.

Through June of 2014, 800 multifamily permits were issued compared to 750 permits in the first six months of 2013.

Asking rents surged 4.0% in the previous 12 months to \$720 per month, while effective rent increased 5.2% year over year to \$715 per month as owners pulled back on concessions.



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Recent OKC Developments

“Since 1999, the number of Californians departing the Golden State for Oklahoma has outnumbered those going the opposite direction by more than 21,000... The influx of Californians is a sign of Oklahoma’s growing economic prowess.”

USA Today

Economic Development in Downtown OKC

MAPS 3 Project is an approved \$777 million initiative that includes: \$252 million Convention Center, \$130 million Downtown Park, \$130 million Streetcar System.

Project 180 is a \$141 million project to upgrade infrastructure throughout Downtown and is slated for completion this year.

Devon Energy completed construction on its \$750 million tower in 2012.

Continental Resources plans to move its headquarters to Downtown OKC.

Sandridge Energy spent \$100 million upgrading its OKC campus.

General Electric announced last year it is constructing a \$110 million research center in OKC.

Outlet Shoppes opened in 2012 and is a \$50 million outlet mall in west OKC.

Will Rogers Airport recently completed a \$110 million expansion project to improve its existing infrastructure.

Recent Articles on OKC Development Surrounding Prospective TwinRock Submarkets

Interactive Map of OKC | Past, Present, Future

Construction Set to Start on \$42 million Lift Apartments in Midtown OKC

Sessions set for new development along the Oklahoma River

Plan to develop Flatiron

Hotels Spring Up in OKC’s Bricktown

Chisholm Creek Begins Construction

Cabela’s Confirms Store in Northwest Oklahoma City

Uptown Grocery Co Plots New Location in The Village

Oklahoma Hits Bureau of Economic Analysis as One of the Fastest Growing Economies in the Nation

Oklahoma Poised to Become Top Oil Producer





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HOA LEGAL UPDATE

TwinRock Nevada HOA Memorandum

In 2013 and early 2014, TwinRock purchased HOA foreclosure homes at auction at significant discounts to market value in two of our funds with the belief that an HOA lien, also known as a super priority lien, eliminates a first deed of trust upon an HOA foreclosure sale. The issue is currently before the Nevada Supreme Court.

A decision by the Nevada Supreme Court is possible from the court by the end of the year. The Nevada Supreme Court has not only received written briefs but, in the early part of May also heard oral arguments pertaining to the super nine month lien law and the extinguishing of the first lender's loan by an association's foreclosure of a home.

It is probable that the State Supreme Court deems the cases heard in Oral Arguments in May to be factually insufficient to render a decision. If such is the case, the State Supreme Court must choose different and more complete cases currently in District Court to render a decision. If this becomes reality, a decision will be delayed.

The latest update to the HOA Superlien litigation can be construed as a positive development. It is a Uniform Common Interest Ownership Act Clarification Memorandum written by the Joint Editorial Board for Uniform Real Property Acts to the Commissioners of the Uniform Law Commission. The Uniform Law Commission provides states with non-partisan, well conceived and well-drafted legislation that brings clarity and stability to critical areas of statutory law.

In their memorandum released Mid-July, the Joint Editorial Board proposed amendments to text and comments of the Uniform Common Interest Ownership Act.

"Subsection (b) of the relevant part of the UCIOA would be amended to clarify that the association's lien has true priority over the lien of an otherwise first mortgage lender to the extent of the amount described above. Thus, if the association conducts a foreclosure sale of its association lien and the otherwise first mortgagee does not act to redeem its interest by satisfying the association's limited priority lien, the mortgagee's lien would be extinguished by the sale. This amendment is not intended to effect a substantive change, but merely to clarify that section 3-116 was intended to create a true lien priority for the association's lien to the extent of the priority granted by subsection (c)."

This proposed amendment directly supports our position as to ownership of the property and is also significant in that it is presented as a "Clarification" versus "Change."

In regards to the State Supreme Court, this "Clarification" memo is especially important. The Justices in the Oral Arguments in May all discussed the UCIOA. In our judgment, this "Clarification" reinforces legislative intent at the time the original bill was written.

Overall, our legal strategy remains the same, as we take a wait and see approach to the ruling. Our counsel is filing Quiet Title as necessary to prevent lender defaults.

We will continue to update you with any changes to the situation.

External Links

[UCIOA Clarification Memo](#)



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QUARTERLY NEWSLETTER

TwinRock Partners First Annual Philanthropic Event



SEPTEMBER 11, 2014

5:00 PM

William Lyon Air Museum

19300 Ike Jones Road

Santa Ana, CA 92707

Please join us for a brief update of the company's investments followed by wine and light hors d'oeuvres, all for a good cause while being inspired by "The Greatest Generation in Aviation".

This occasion marks our company's first annual philanthropic event, as we will continue to honor a different public service department annually. For those that are unaware, 9/11 had a significant impact to one of the Key Principals at the firm and in remembrance of 9 /11, TwinRock will donate to the NYPD Fallen Victims fund \$50 for each attendee. **Therefore, guests are welcome and encouraged.** In addition, a friend of the firm, an NYPD detective, will share his personal experience, discuss the importance of this charity, and help us select a specific family to support.

Your attendance is your donation. Please RSVP by calling 949-640-0600 or emailing Felecia@trp-llc.com