



Standard Management Company

Property Management, Asset Management, Acquisitions, Sales, and Financing

Established 1961

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Dear Friend,

Over fifty years of real estate investing has taught me that patience and persistence are virtues in any market. It would appear that property prices are leveling off and some areas declining. We hope to see buying opportunities soon. Stay tuned.

We welcome your questions and comments and look forward to a successful second half of 2006.

Samuel K. Freshman, President

Las Vegas Portfolio Value Up Sharply

Over the last decade, Standard has acquired over 1,000 apartments in the Southeastern Las Vegas and Henderson regions of Nevada. In 2005, we asked local brokers for their opinion of value on the portfolio and in 2006 we asked them to update their opinion. As shown in the table below, the portfolio's value has increased over 100% from the time of purchase through March 1, 2006.

Property (Mo. & Yr of Purchase)	Units	Approx. Purchase Price	Approx. Value as of 1/1/05	Approx. Value as of 3/1/06*
Cabana Club (11/96)	338	\$20,000,000	\$30,850,000	\$41,400,000
Sunset Pointe (6/02)	384	\$20,800,000	\$28,600,000	\$42,700,000
Galleria Palms (9/01)	216	\$13,000,000	\$16,500,000	\$25,900,000
Bay Breeze (3/01)	224	\$11,175,000	\$17,500,000	\$28,300,000
Total	1,162	\$64,975,000	\$93,450,000	\$138,300,000

Property Tax Reductions Achieved

Two of Standard's Las Vegas apartment communities received significant property tax reductions as a result of the efforts made by the asset management department. A combined appraised value of \$23,280,000 was achieved, equating approximately \$260,000 of annual property tax savings. Based on an annual analysis of local market conditions and a regular review of values on the portfolio, Asset Management continues to pursue potential property tax reductions.

Standard Increases Its Land Holdings

Standard has made a series of land investments recently.

After purchasing a large shopping center in Bakersfield and studying the growth taking place in Kern County, Standard's acquisition team began scouting for good land investments. Standard's first investment made was a 26-acre parcel of land zoned for a 227-pad mobile home park in Lamont, roughly 10 miles Southeast of central Bakersfield. Standard is currently evaluating a variety of options, including submitting a tentative tract map application for about 150 single family detached town homes and ultimately expects an unleveraged return of over 30% when it is sold.

The second land purchase in Kern County was a 20-acre parcel in Shafter, roughly 13 miles Northwest of Bakersfield. After closing, an engineering firm was hired to create a site plan and submit an application for a tentative tract map to subdivide the property into 50 single family home lots. Within seven months, our application was on track and we sold the property for slightly less than four times of our cost basis.

Property	Approx. Loan at Purchase	Approx. Equity at Purchase	Approx. Equity as of 1/1/05	Approx. Equity as of 3/1/06**
Cabana Club	\$14,975,000	\$5,025,000	\$15,875,000	\$25,425,000
Sunset Pointe	\$16,050,000	\$4,750,000	\$12,550,000	\$26,650,000
Galleria Palms	\$9,050,000	\$3,950,000	\$7,450,000	\$16,850,000
Bay Breeze	\$8,785,000	\$2,390,000	\$8,715,000	\$19,515,000
Total	\$48,860,000	\$16,115,000	\$44,590,000	\$88,440,000

* Average of two opinions of value, after deducting 2% selling costs.

**Actual equity is slightly higher due to principal reduction of amortizing mortgages; loan amounts used in this simplified calculation are original loan amount.

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The third property purchased is a 46-acre almond orchard in Shafter, zoned commercial, bordered by a state highway on one side and a major county road leading back to West Bakersfield on the other. This land will be suitable for a mixture of uses, including a shopping center, auto dealerships, or even some medium-density residential uses. We also purchased another parcel where the two roads meet and are considering adding to this block of land as opportunities arise.

In addition to these investments in Kern County, Standard purchased a parcel of land across from the Home Depot, in the city of Hemet. After a five year holding period, a portion has been sold at a multiple of the original purchase price, while the remainder is being developed into a shopping center and health club facility.

While land prices are at all-time highs in California, favorable purchases and added value opportunities still exist through entitlement, assemblage, and development. We will be happy to investigate any land investment opportunities in California and provide you with our thoughts. ■



Rosedale Village SC



Pacific Flamingo



404 North Maple Drive

Rosedale I

On July 29, 2004, Standard Management and its clients purchased the Rosedale Village shopping center in Bakersfield, California for \$17,175,000. Anchored by a Save Mart grocery store and a Dollar Tree, this deal was structured as a tenants-in-common transaction in order to complete an IRS Section 1031 Exchange and maximize tax efficiencies. This property has performed very well since the acquisition and spaces within the shopping center that became vacant are being leased at higher rents.

Rosedale II

During its due diligence on Rosedale Village I, Standard Management Company discovered that a portion of the shopping center, consisting of an empty 85,000 square foot building formerly occupied by Kmart, was owned by an associate of Standard Management Company. Capitalizing on this resource and using a reverse IRS Section 1031 Exchange, a joint venture was formed and the former Kmart was purchased on July 13, 2004 for \$4.5 million. Within 18 months, the entire building was leased out to Tractor Supply Company, a publicly traded company on the NASDAQ, Body Xchange, a local chain of fitness facilities, and Smart and Final. The owners are currently in the process of arranging permanent financing for the property and will likely receive proceeds in an amount substantially higher than the original purchase price.

Pacific Flamingo

The Las Vegas market has been experiencing a condominium conversion craze, resulting in substantial premiums being paid for suitable buildings. Pacific Harbors at Flamingo fit these criteria and taking into account the opportunity in the market as well as the performance of the property, the building was sold on March 31, 2005 for \$10,283,520. Pacific Harbors was purchased less than 8 years earlier for \$6,350,000, providing investors with an unleveraged IRR of 8.4% and a leveraged IRR of 11.1% per annum.

Condo Maps

Standard Management Company has always been aware of the potential to convert apartment buildings into condominiums and

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as a result purchased many properties that either already had a subdivision map attached to it prior to acquisition or had one placed on it at the time of acquisition. ■

404 N. Maple Drive, Beverly Hills, CA.

On January 19, 2006, Standard purchased a 26 unit building on Maple Drive in Beverly Hills. The property was not listed and was purchased directly from the seller due to a long-standing relationship between the seller and Standard. The acquisition cap rate was at market although the rents were below market; however the rents are being raised on an annual renewal as allowed by Beverly Hills Rent Control.

Samuel Freshman Speaking Engagements

Samuel Freshman spoke at the following events during the last 12 months

- At Kirkpatrick and Lockhart’s monthly breakfast.
- An in-house hosting of USC Marshall MBA students regarding business ethics and a similar program for the Anderson School of Management at UCLA.
- At a breakfast held by the Real Estate and Construction Division of the Jewish Federation of Greater Los Angeles.
- A panel entitled “Beyond the Bubble” sponsored by the Anderson School at UCLA Real Estate Club and the Dartmouth Club of Los Angeles.
- A talk about effective networking given to the Real Estate Cabinet of the Jewish Federation.

Creative Lending Programs

Recently, Standard arranged financing for the following third party loans:

1. First mortgage on the largest and most successful gentleman’s club in Las Vegas.
2. A \$2 million plus letter of credit to a major developer so that he could increase a construction loan commitment on an apartment building in Northern California.
3. Several bridge loans to Spec Builders acquiring and rebuilding single family residences in high income areas, such as Beverly Hills, Santa Monica, etc.
4. Second mortgages on various vineyards being acquired by a real estate developer, secured by a collateral pledge of the developer’s 50% partnership interest in a shopping center.
5. A \$500,000 loan arranged on a pledge of a songwriter’s royalties.
6. A warehouse line of credit of \$10 million, secured by real property loans made by a hard money lender.
7. Several commitments for a major public REIT for non-recourse equity loans on various affordable housing projects owned by subsidiaries of the REIT.

The capital markets division of Standard has been active for over 45 years, both as a direct lender and in arranging creative real estate financing.

BRZESKI FORMS NEW FIRM. In April of 2006 Jan B. Brzeski left his position as Vice President of Acquisitions at Standard Management to form his own firm, Standard Capital, LLC. While at Standard he executed and co-invested in many of the projects discussed in this newsletter. SMC will continue to benefit from his investment expertise, particularly in our focus areas of California and Nevada, through ongoing joint acquisition efforts and ventures. Jan joins a host of other former Standard executives who have used their affiliation with Standard to successfully start their own acquisitions and management firms including Brian Shirken and Richard Margolis (Columbus Pacific), Pat Nesbitt (Windsor Capital), Michael Kamen (Mika Company), Joe Ebin (Turnkey Property Management Systems), David Bailey (Keller Williams Beverly Hills), Robert Warren Sr. (Investors Property Services) and Scott Wallace (Wallace Theatres).

Selected Affiliations of Standard

- Institute of Real Estate Management
- International Council of Shopping Center
- National Association of Realtors
- Urban Land Institute
- Local Boards of Realtors and Apartment Owners’ Associations

See details on Sam Freshman’s new book.>



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Principles of Real Estate Syndication

With Entertainment and Oil-Gas Syndication Glossaries Included

By: Samuel K. Freshman, A.B., J.D.

50,000 copies have been sold of earlier editions of this book. This work is a “how to do it” book with definitive and up to the minute easy to understand thinking on real estate syndication theory and practice. The book contains excellent examples and illustrations. Within the many pages the ideas and illustrations can be applied to any type of business enterprise including Entertainment, Oil and Gas, Timber, Agricultural, Manufacturing, Restaurant, Venture Capital, Import and Export, and all other kinds of industries.

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