

KINGPENGUIN P R O P E R T I E S

KPP Newsletter

January 2010



Investors that wish to invest their 401K retirement dollars in KPP Distressed Fund, LLC may do so through TD AMERITRADE.

KPP Distressed Fund has been approved by TD Ameritrade as a Non- Standard Asset (NSA). For more information please call us.



KPP's Affiliate Under Contract To Sell NYC Self- Storage Space

KPP owns most of the storage in the basement of the Trump Place building at 120 Riverside Blvd in New York City. These units were purchased from the building sponsor at the end of 2006. KPP was able to leverage their good relationship with the developer to purchase these units at a large bulk discount to asking market rates. KPP now is in agreement to sell all these units for \$739,500 and realize over a 12% IRR. KPP used no leverage on this transaction and plans to invest most of the proceeds into KPP Distressed Fund, LLC

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KPP Distressed Fund in the process of opening a new entity that will only invest in Non-Performing Debt on behalf of KPP Distressed Fund, LLC. KPP Distressed Fund will control all aspects of this new entity and have 100% ownership. Any non-performing debt that the fund acquires will be with the sole intention to eventually foreclose on the property and retain ownership (loan-to-own).

KPP Distressed Fund is in the process of updating our offering memorandum. We plan to open up our investment mandate to invest in other areas besides the 5 boroughs of NYC. If the fund does buy assets outside of the NYC area we will focus on real estate assets that meet the following criteria:

- **Real Estate bought below replacement cost**
- **Focus on Multi-Family real estate that will have lower vacancy rates in a distressed market**
- **Investment opportunities that we project will well exceed our 20% IRR target over a 5 to 6 year holding period.**



Monitored Transaction - Morningside Heights, NYC

KPP looking at a 31 unit, 26,000 square foot multi-family building for potential acquisition for KPP Distressed Fund. Almost all of the units in this building are rent-stabilized units, providing the fund with potential future upside in revenue generation.

KPP would seek to acquire this investment at a 7% cap rate and under a 7.5x GRM. There also is another similar 31 unit multi-family building around the corner owned by the same entity that may be willing to sell both investment properties at a greater discount.



Monitored Transaction - Upper East Side, NYC

This 10,000 square foot mixed-use building is located in a highly desirable area of NYC and is just steps away from where the new 2nd Avenue subway line will be located. If KPP were to acquire this building we would likely convert the ground floor office space that is currently vacant into additional free market unit rentals. In a distressed real estate market residential units are much easier to rent out than is office space.

KPP is seeking to acquire this building at a 6% cap rate with upside once these alterations would be made.

Sincerely,

From The Management Team

King Penguin Properties