

INVESTMENT EXECUTIVE SUMMARY
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ARIZONA FIRST PARTNERS 2 LLC
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21ST & THOMAS MEDICAL PLAZA



12,600 SF of Medical & Professional Office Space to be built on the southwest corner of 21st & Thomas Rd (51 Freeway, Thomas Off-ramp), close to the Phoenix Children's Hospital and Arizona Heart Hospital in Phoenix, Arizona

This is the Investment Executive Summary for the purchase of membership interest in Arizona First Partners 2 LLC, a limited liability company developing 12,600 square foot of medical & professional office space located close to the Arizona Heart Hospital and Phoenix Children's Hospital currently undergoing \$580 Million expansion.

(See Private Placement Memorandum for Official Offering)

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INTRODUCTION

This document summarizes an investment for accredited investors. The investment is direct ownership in a limited liability company formed for the purpose of acquiring land, and developing, building, leasing and selling approximately 12,600 square feet of commercial office condominium space. The building complex is in close proximity to the Phoenix Children's Hospital, and the Arizona Heart Hospital.

DISCLAIMER

This Investment/Executive Summary is not an offering. The Private Placement Memorandum with the operating agreement and subscription agreement of the limited liability company, constitute an offer. Real estate values, income and expenses are affected by a multitude of forces outside the developer's control. The developer does not guarantee the financial projections contained herein. This investment is not liquid and only investors willing to risk their investment should participate. Consult your attorney and accountant regarding the suitability of this investment for you.

EXECUTIVE SUMMARY

Location:	Southwest corner of 21st St & Thomas Rd, next to 51 Freeway and Thomas Rd off-ramp, in close proximity to the Phoenix Children's Hospital and the Arizona Heart Hospital.
Project:	Development of approximately 12,600 square feet of commercial medical office condominium space.
Total Investment:	\$700,000
Length:	1 to 2 years
Ownership:	Membership Interest in a limited liability company that owns the property. The investing members hold 50% ownership and the developer as managing member, holds 50% ownership.
Funding:	Equity: 700,000 Debt: <u>2,400,000</u> Total: 3,100,000

FINANCIAL PROJECTIONS

Phase I Acquisition & Construction

The purchase of the land, along with completed plans, permits and approvals is under contract. Several construction bids have been obtained and examined, and the job has been awarded to a qualified general contractor on a guaranteed maximum price not to exceed \$1,550,000.

Project Development Funds:	
Cash from Equity Investors	700,000
Cash from Construction Loan	<u>2,400,000</u>
Total Capital	3,100,000
Use of Funds:	
Land, Plans/, Permits & Approvals	1,075,000
Shell Building Construction	1,550,000
LLC Administration	70,000
Interest Reserve for Construction Loan ¹	130,000
Contingency Reserve	<u>275,000</u>
Total Use of Funds	3,100,000

Phase II Lease Up

Marketing of space for lease, lease term negotiations, and lease executions will take place during the construction phase. Leases values are estimated at 24 NNN for 7 years with annual increases.

Lease of Units: ²

Unit	Size (SF)	Deposit ³	Monthly Rent	Annual Rent
101	2,465	4,930	4,930	59,160
102	2,339	4,680	4,680	56,160
201	2,339	4,680	4,680	56,160
202	2,668	5,340	5,340	64,080
301	2,762	5,530	5,530	66,360
	12,573	25,260	25,260	301,920

Income from Lease Up:

Lease Deposits	25,260
Initial Month's Rent	25,260
Tenant Improvement Sales ⁴	<u>1,260,000</u>
Total Income	1,310,520

Costs of Lease Up:

Tenant Improvement Allowance ⁴	630,000
Tenant Improvement Construction ⁴	630,000
Lease Commissions ⁵	<u>150,000</u>
Total Cost	1,410,000

Lease Up Summary:

Contingency Reserve from Phase I	275,000
Income from Lease Up	1,310,520
Less Cost of Lease Up	<u>(1,410,000)</u>
Available funds After Lease Up	175,520

Phase III Take-Out Financing

Once commitments for lease of 2 or more units is attained, LLC will acquire permanent "take-out" financing.

Amount of Take-Out Financing	3,100,000
Distribution of funds:	
Repay Construction Loan	2,400,000
Repay Equity investment to Investors ⁶	<u>700,000</u>
Total Distribution	3,100,000

Phase IV Sale of Entire Property

With leases in place the entire property would be marketed to investors at an attractive CAP rate of 7%. With a Net Operating Income of \$301,920, this translating into a sales price of \$4,313,142.

Sales Proceeds:

Condominium Units	4,313,142
Available funds after Lease Up	<u>175,520</u>
Gross Proceeds	4,488,662

Cost of Sales:

Lease Deposits	25,260
Escrows & Titles	30,000
Sales Commissions	<u>258,788</u>
Total Cost of Sales	314,048

Sales Summary:	
Gross Proceeds	4,488,520
Less Cost of Sales	<u>(314,048)</u>
Net Proceeds	4,174,472
Distribution of Proceeds:	
Re-payment of Take-Out Loan	3,100,000
Interest Reserve for Take-Out Loan ⁸	<u>128,000</u>
Subtotal	3,228,000
Net Proceeds	4,174,472
Less Debt Service	<u>(3,228,000)</u>
Total LLC Net Profit	946,472
Distribution of Profits to Partners:	
Manager LLC Member Profit	473,236
Investors LLC Member Profit ⁹	473,236

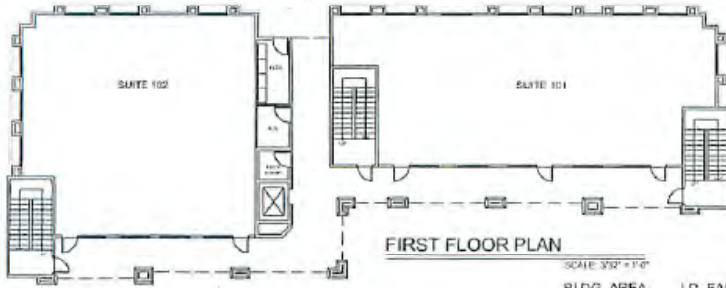
Phase V Addition Distributions

In addition to the \$946,472 cash distribution estimated above, any unused portion of the construction loan interest reserve or take-out loan interest reserve, along with any positive cash flow from rents collected less debt servicing, will be distributed to the LLC members in accordance with their percentage ownership.

Notes to the Projections

- 1 The Interest Reserve amount, as suggested by lenders providing construction financing, is based on a formula of 1 plus prime, currently 6 ½%, times 65% of the total loan amount, which in this case equals \$90,838. Manager is reserving \$130,000 to provide a reasonable fund over and above the lender's suggestion.
- 2 Leases will be Triple Net Leases. Initial rental rate will \$24.00/SF annually + Tenant's share of Real Estate taxes, Fire & Casualty Insurance, and building operating and maintenance expenses.
- 3 Security Deposits and first month's rent to be collected at Lease Executions equal to \$50,520.
- 4 Based on tenant improvement sales at \$100 SF, developer allowance at \$50 SF, general contractor cost at \$50 SF.
- 5 Based on 7 year leases with regular CPI increases
- 6 At this point, all cash from investors has been returned to Investors
- 7 2nd half of lease commission payable upon sale of property or when tenant begins paying rent, whichever is earlier
- 8 Assuming 8% interest only note in the event the property needs to be carried longer than the construction period.
- 9 This represents close to a 67.6% ROI (Return on Investment). The project is estimated to take 1 year or less, however if project is completed in 2 years, this represents an annual 33.8% ROI. The original capital is estimated to be returned to investors at end of construction verses the end of the project, therefore the actual ROI should take into consideration that a portion of the ROI includes 100% return of the capital prior to the full term of the project.

Floor Plan Overview



FIRST FLOOR PLAN

SCALE: 3/32" = 1'-0"

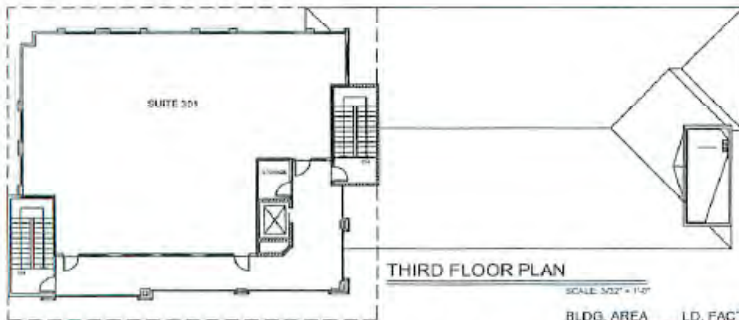
	BLDG. AREA	LD. FACTOR	RENTABLE AREA
SUITE 101 -	2130 SQ. FT	209 SQ. FT	2339 SQ. FT
SUITE 102 -	2248 SQ. FT	217 SQ. FT	2465 SQ. FT



SECOND FLOOR PLAN

SCALE: 3/32" = 1'-0"

	BLDG. AREA	LD. FACTOR	RENTABLE AREA
SUITE 201 -	2130 SQ. FT	209 SQ. FT	2339 SQ. FT
SUITE 202 -	2430 SQ. FT	238 SQ. FT	2668 SQ. FT



THIRD FLOOR PLAN

SCALE: 3/32" = 1'-0"

	BLDG. AREA	LD. FACTOR	RENTABLE AREA
SUITE 301 -	2516 SQ. FT	249 SQ. FT	2762 SQ. FT
TOTAL:	11,390 SQ. FT	1119 SQ. FT	12,573 SQ. FT

COMMON AREAS

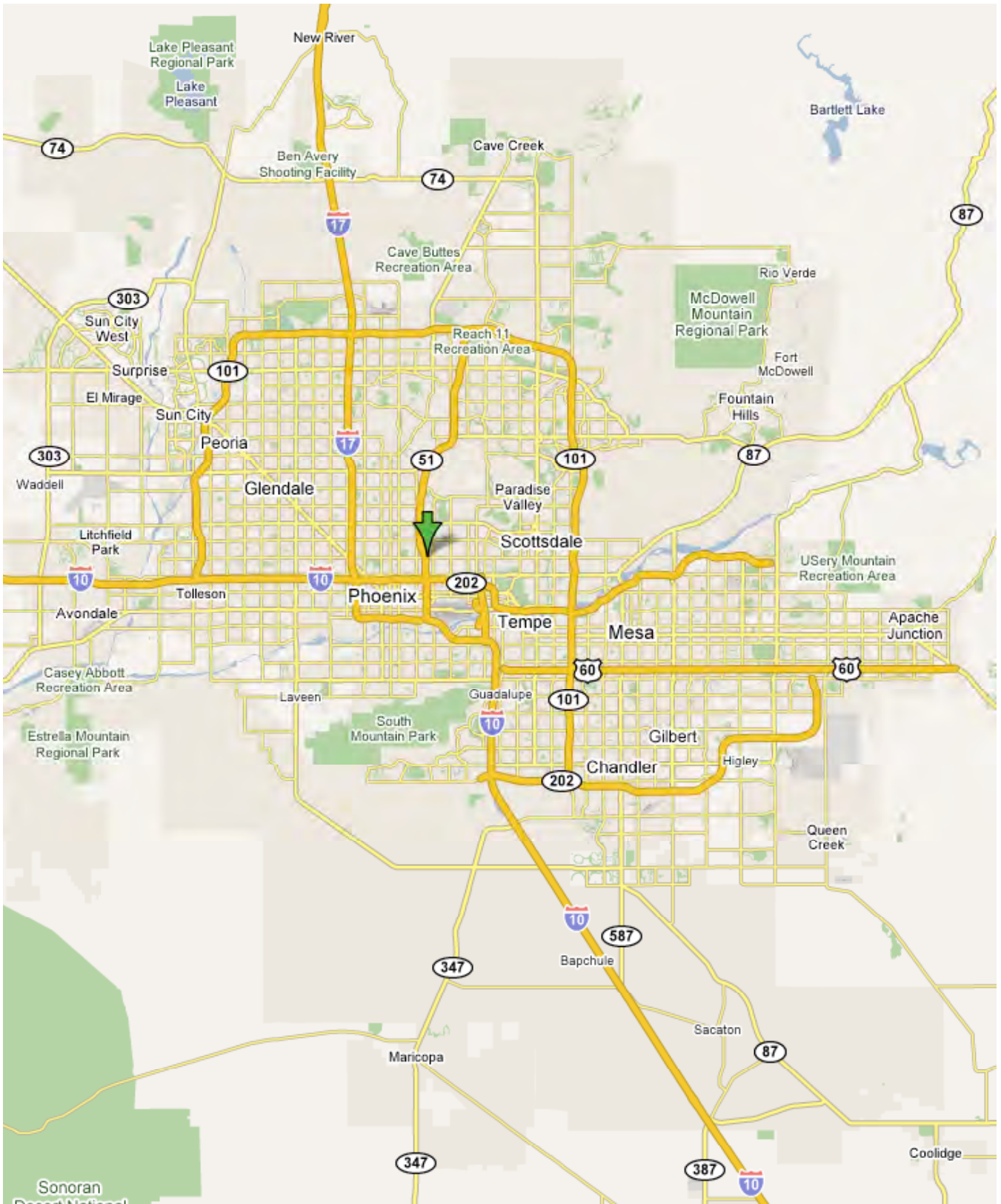
STOR. -	59 SQ. FT
ELEV. -	77 SQ. FT
WALKWAY -	624 SQ. FT*

STOR. -	48 SQ. FT
ELEV. -	77 SQ. FT
WALKWAY -	1126 SQ. FT*

STAIR 1 -	192 SQ. FT
STAIR 2 -	192 SQ. FT
STAIR 3 -	192 SQ. FT
ELEC. EQUIP. -	97 SQ. FT
FIRE RISER -	63 SQ. FT
ELEV. -	77 SQ. FT
ELEV. EQUIP. -	45 SQ. FT
WALKWAY -	1304 SQ. FT*

TOTAL:	1119 SQ. FT
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AREA MAP
(Phoenix, Arizona)



AERIAL MAP
(Close Proximity to Phoenix Children's Hospital)

