



# Nontraded REIT Industry Review: First Quarter 2014

## Summit Healthcare REIT, Inc.

Total Assets.....	\$94.4 Million
Real Estate Assets .....	\$78.4 Million
Cash .....	\$10.5 Million
Securities .....	\$0.0 Million
Other .....	\$5.5 Million



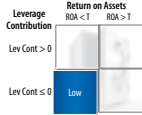
Initial Offering Date: ..... January 6, 2006  
 Offering Close Date: ..... June 10, 2011  
 Current Price per Share: ..... \$2.09  
 Reinvestment Price per Share: ..... See Notes  
 Cumulative Capital Raised during Offering (including DRP).....\$172.7 Million

Cash to Total Assets Ratio: ..... 11.2%  
 Asset Type: ..... Healthcare  
 Number of Properties:..... 11  
 Square Feet / Units / Rooms / Acres:..... 331,349 Sq. Ft.  
 Percent Leased: ..... 100.0%  
 Weighted Average Lease Term Remaining:.....Not Available  
 LifeStage:..... Maturing  
 Investment Style: ..... Core  
 Weighted Average Shares Outstanding: ..... 23,028,285



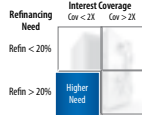
### Performance Profiles

#### Operating Performance



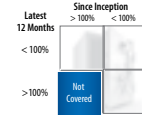
The REIT's recent 12-month average return on assets is less than yields on 10-year Treasuries, indicating negative risk adjusted returns. At its current cost of debt and level of borrowing, the use of debt is not increasing returns to shareholders. Earnings must improve to cover costs of debt.

#### Financing Outlook



More than 20% of REIT's debt must be repaid within two years or is at unhedged variable rates, and interest coverage is below the 2.0X benchmark. The REIT may face difficulties in refinancing its borrowings, interest rate risks from increasing rates, and need to increase earnings to reassure lenders.

#### Cumulative MFFO Payout



The REIT has not achieved a level of MFFO in excess of cash distributions since inception and the latest 12-month results indicate cash distributions exceed MFFO, a trend which must be eventually reversed for distribution sustainability.

#### Summary

The REIT's return on assets was negative 0.41% for the last four quarters due to negative MFFO. With its weighted average cost of debt of 5.05% and 57.5% debt ratio, the leverage contribution was also negative. The interest coverage ratio was a very low 0.7X for the last four quarters with only 3.4% of debt maturing in the next two years. All debt was at unhedged variable rates, which means significant interest rate risk exists. The REIT's cumulative cash payout of MFFO since inception was at 340% as of 1Q 2014, and the REIT suspended distributions in 2010.

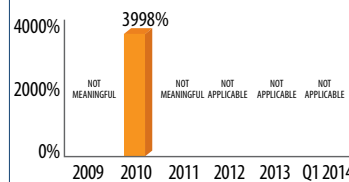
### Contact Information

[www.CRE Funds.com](http://www.CRE Funds.com)  
**Pacific Cornerstone Capital**  
 1920 Main Street, Suite 400  
 Irvine, CA 92614  
 877-805-3333

### Historical Distribution

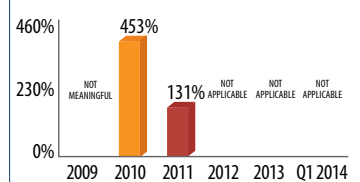
See Notes

### Historical FFO Payout Ratio



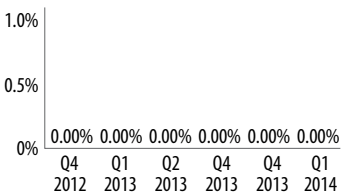
Ratio is not applicable, because REIT does not pay distributions.

### Historical MFFO Payout Ratio

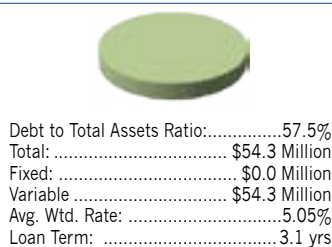


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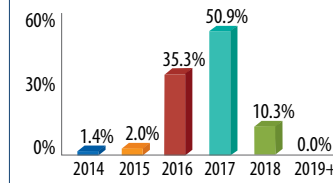
### Redemptions



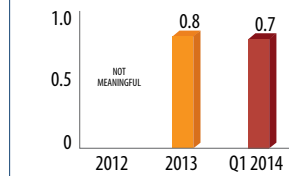
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



### Source of Distributions, Trends and Items of Note

- As of December 31, 2013, the REIT's board has approved the revised estimated per-share value for the REIT's common stock at \$2.09 per share
- During 1Q 2014 the Company made no acquisitions or dispositions of properties.
- On April 4, 2014, the Company entered into a lease agreement for a 4,100 sq. ft. office space in Lake Forest, CA, to serve as its corporate offices.
- The Company amended its charter to change the Company's corporate name from "Cornerstone Core Properties REIT, Inc." to "Summit Healthcare REIT, Inc." as of October 16, 2013.
- For 2014, the board of directors has requested that the Advisor raise new joint venture equity and attract new capital partners, including international and/or institutional partners, while management continues to evaluate opportunities for growth and secures long term debt for recent and future acquisitions and/or development opportunities. Selling portions of the properties the Company owns through joint venture partners, and using the proceeds for acquisitions of additional healthcare assets, allows diversification of the property holdings and, lowers the overall risk profile of the healthcare portfolio.
- The REIT's Cash to Total Assets ratio increased to 11.2% as of 1Q 2014 compared to 6.8% as of 1Q 2013.
- The REIT's Debt to Total Assets ratio increased to 57.5% as of 1Q 2014 compared to 52.2% as of 1Q 2013.
- The Company did not pay any distributions to stockholders during the first quarter, 2014 and the distribution reinvestment plan was suspended indefinitely in December 2010. Because the REIT has not paid cash distributions since June 2011, the FFO and MFFO metrics are not applicable.