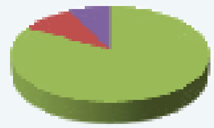
CLOSED REIT

Nontraded REIT Industry Review: Second Quarter 2014

Summit Healthcare REIT, Inc.

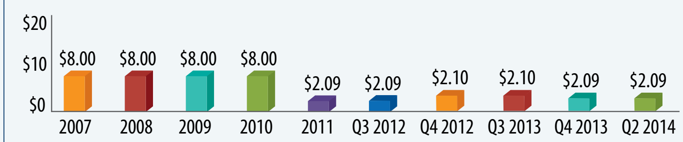
Total Assets...............................$93.5 Million
Real Estate Assets ....$77.6 Million
Cash ....$9.0 Million
Securities ....$0.0 Million
Other ....$7.0 Million



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

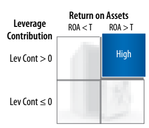
Cash to Total Assets Ratio: 9.6%
Asset Type: ....Healthcare
Number of Properties: 11
Square Feet / Units / Rooms / Acres: .... 331,349 Sq. Ft.
Percent Leased: 100.0%
Weighted Average Lease Term Remaining:..................Not Available
LifeStage:...Maturing
Investment Style: .... Core
Weighted Average Shares Outstanding: 23,028,014

Historical Price



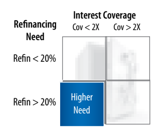
Performance Profiles

Operating Performance



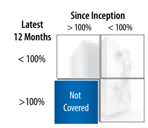
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

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 7.12% for the last four quarters, above the yield on 10-Year Treasuries. With its weighted average cost of debt of 5.4% and 57.8% debt ratio, the leverage contribution was positive. The interest coverage ratio was a very low 0.8X for the last four quarters with only 2.9% of debt maturing in the next two years. All of the REIT's 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 352% as of 2Q 2014, and the REIT suspended distributions in 2010.

Contact Information

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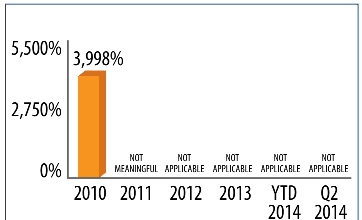
Historical Distribution

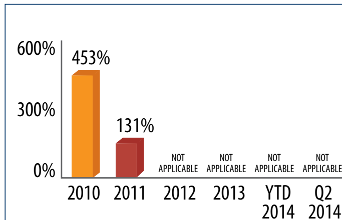
See Notes

Historical FFO Payout Ratio



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

Historical MFFO Payout Ratio



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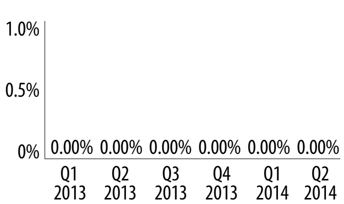
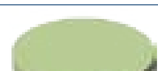
Redemptions

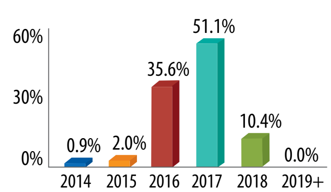


Debt Breakdown

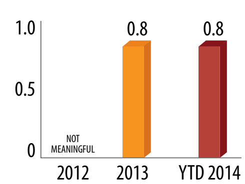


Debt to Total Assets Ratio:...............57.8%
Total: .... $54.1 Million
Fixed: .... $0.0 Million
Variable .... $52.6 Million
Avg. Wtd. Rate: 5.40%
Loan Term: .... 2 – 4 yrs

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 2Q 2014 the Company made no acquisitions or dispositions of properties.
- 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 9.6% as of 2Q 2014 compared to 4.1% as of 2Q 2013.
- The REIT's Debt to Total Assets ratio increased to 57.8% as of 2Q 2014 compared to 54.5% as of 2Q 2013.
- The Company did not pay any distributions to stockholders during the second quarter, 2014 and the distribution reinvestment plan was suspended indefinitely in December 2010. Because the REIT does not pay cash distributions, the FFO and MFFO metrics are not applicable.