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James A. Schmid III

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**CNL Healthcare Properties** is a non-traded real estate investment trust (REIT) managed by a team of experienced and dedicated individuals with one goal in mind — providing value to shareholders.

## *Experience Behind the REIT*

Through its advisor's skilled management team, CNL Healthcare Properties is able to strategically identify and analyze potential investment opportunities. This group of industry veterans has a broad range of experience within the senior housing and healthcare sectors, which will serve the REIT well in this dynamic and competitive sector of the market. The team's wealth of knowledge enables them to offer deep industry insight and apply hands-on experience in acquiring, managing and operating senior housing and healthcare assets.

Throughout their careers, this team has built close relationships with prominent industry operators and developers. This not only fosters powerful working relationships, but has also provided the REIT access to exclusive, off-market investment opportunities.

Established in 2010, CNL Healthcare Properties focuses on acquiring and developing a portfolio of income-producing real estate which aligns with its income and growth investment strategy.<sup>1</sup> The REIT intends to continue building a nationwide portfolio that seeks to take advantage of compelling trends in the senior housing and healthcare markets.

*Striving to preserve and protect the portfolio through a proactive management approach.*

<sup>1</sup> There is no assurance these objectives will be met.

No offering is made to residents of New York, Maryland or any other state, except by a prospectus filed with the Department of Law of the state of New York, the Maryland Division of Securities or the respective state securities administrator. Neither the U.S. Securities and Exchange Commission, the attorney general of the state of New York, the Maryland Division of Securities, nor any other state securities administrator has passed on or endorsed the merits of the REIT's offering or the adequacy or accuracy of this piece or the REIT's prospectus. Any representation to the contrary is unlawful.

CNL Financial Group, LLC is CNL Healthcare Properties' sponsor and an affiliate of CNL Financial Group, Inc. (CNL). CNL Healthcare Properties is advised by CNL Healthcare Corp., an affiliate of CNL Financial Group, LLC. CNL Healthcare Properties' asset management team is employed by CNL Healthcare Corp.

# Built on Experience

Established in 2010, CNL Healthcare Properties draws upon the extensive experience of its management team and their long-standing relationships with leading operators.

## Sharon A. Yester – *Chief Healthcare Strategist*



### Experience:

- 27 years in senior housing and healthcare operations and management.

### Areas of Focus:

- Cultivates healthcare strategy formation and industry relationships.
- Supports capital markets efforts to broaden knowledge and exposure in the healthcare sector.

### Career Highlights:

- Previously served as senior vice president of asset management for CNL Retirement Properties, Inc. and subsequently as senior vice president of asset management for HCP Inc., which acquired CNL Retirement Properties in 2006.
- Prior to joining CNL in 2002, served as president and chief operating officer of EdenCare Senior Living.
- Has held various roles in the operations of senior housing facilities across the country, including president and chief operating officer of Resources for Senior Living and senior vice president of the assisted living division of Horizon Healthcare.

### Industry Contributions:

- American Seniors Housing Association, board member.
- California Assisted Living Association, active member.

## Kevin R. Maddron – *Senior Managing Director*



### Experience:

- 22 years in finance and investment in the senior housing and healthcare sectors.

### Area of Focus:

- Leads investment and asset management activities of senior housing and healthcare properties owned by CNL-sponsored real estate companies.

### Career Highlights:

- Previously served as vice president of asset management for CNL Retirement Properties, Inc., where he was responsible for the asset growth and maintenance of 273 senior housing and medical office properties.
- Prior to rejoining CNL in 2011, served as chief financial officer and chief operating officer of Servant Healthcare Investments LLC where he was responsible for managing the company's treasury and finance activities as well as the planning and implementation of healthcare and senior housing investments, including acquisitions, development, project analysis and due diligence.

### Industry Contributions:

- American Seniors Housing Association, executive board member.
- National Investment Center for the Senior Housing and Care Industry, Regional Conference Planning Committee.

## James A. Schmid III – *Senior Vice President*



### Experience:

- 11 years in healthcare acquisitions, portfolio management and finance.

### Area of Focus:

- Focuses on medical facility investment, strategic asset management and capital markets efforts.

### Career Highlights:

- Prior to joining CNL in 2011, served as vice president of investments at Servant Healthcare Investments LLC, where he was responsible for new acquisitions, portfolio management and capital markets initiatives.
- Has also served as vice president of investment management for HCP Inc., where his responsibilities included management of senior housing and medical office investments, evaluation of investment opportunities and acquisition efforts.
- Served as an associate director of real estate investment management for UBS Wealth Management, where he developed business strategies and negotiated platform ventures and investment vehicles.

### Industry Contributions:

- Urban Land Institute Healthcare & Life Sciences Product Council, founding vice chair.
- Building Owners & Managers Association, active member.

### Rebecca M. Monroe – Vice President



#### Experience:

- 21 years in the senior housing sector, including experience in finance, operations and investing.

#### Areas of Focus:

- Responsible for the day-to-day management of healthcare real estate investments.
- Manages partner relationships and oversees operations to maximize performance and value of the portfolios.

#### Career Highlights:

- Previously served as the manager of underwriting and director of asset management for CNL Retirement Corp., and continued in that role after it was acquired by HCP Inc. in 2006.
- Has held various roles in the underwriting and asset management of skilled nursing facilities for a division of GMAC Commercial Mortgage, a large regional lender focused solely on the finance of senior housing assets.
- Served as the director of finance for Freedom Pointe at The Villages, a continuing care retirement community located outside of the Orlando, Fla. area, overseeing all financial aspects of community operations.

#### Industry Contributions:

- American Institute of Certified Public Accountants, active member.
- Institute of Real Estate Management, CPM® Candidate.

### Sarah W. Nixon – Vice President



#### Experience:

- 12 years in portfolio management.

#### Areas of Focus:

- Responsible for the day-to-day management of healthcare real estate investments.
- Manages partner relationships and oversees operations to maximize performance and value of the portfolio.

#### Career Highlights:

- Previously served as director of asset management and director of investments for CNL Real Estate Advisors, Inc.
- Has also served in a variety of capacities at CNL, including director of portfolio management for CNL Capital Management, Inc. and as director of strategy and planning for CNL Restaurant Properties, Inc.

#### Industry Contribution:

- Urban Land Institute, active member.

### Cetin Aygen – Vice President



#### Experience:

- 11 years in finance and reporting issues unique to the senior housing and healthcare sectors.

#### Area of Focus:

- Responsible for financial analysis and strategic planning, specializing in the healthcare sector.

#### Career Highlights:

- Previously served as director of financial analysis at CNL Retirement Properties, Inc., where he managed financial analysis and asset reporting for the portfolio.
- Prior to rejoining CNL in 2011, served as director of financial planning and analysis at Servant Healthcare Investments LLC, where he was responsible for corporate financial planning and analysis, asset management reporting and investment/portfolio analysis.

#### Industry Contribution:

- Urban Land Institute, active member.



## Offering Details

MAXIMUM OFFERING SIZE	\$1 billion in common stock
OFFERING PRICE PER SHARE	\$10.58
MINIMUM INVESTMENT	\$5,000 for individuals, \$4,000 for qualified plans
ASSET FOCUS	Senior housing, medical office, acute care, post-acute care & other income-producing real estate
GEOGRAPHIC DIVERSIFICATION	United States, with the opportunity for limited international acquisitions
RETURN OBJECTIVE	Income & growth <sup>2</sup>
DISTRIBUTIONS	Cash, stock or a combination of the two <sup>3</sup>
DISTRIBUTION PAYMENT SCHEDULE	Declared monthly and paid quarterly <sup>3</sup>
DISTRIBUTION REINVESTMENT PRICE	\$10.06
REDEMPTION PRICE	The lesser of the estimated net asset value at redemption or the stockholder's purchase price. <sup>8</sup>
EXIT STRATEGY	No later than 2018, the board of directors will consider liquidity event options. <sup>5</sup>
SUITABILITY STANDARDS	\$250,000 net worth or \$70,000 net worth and \$70,000 annual gross income (excluding home, furnishings and personal automobiles). Some states may have additional standards. These states include, but are not limited to, AL, CA, IA, KS, KY, MA, ME, MI, MO, ND, NE, NJ, NM, NV, OH, OR, PA, TN and VT. See the Suitability Standards section of the prospectus.

<sup>2</sup> There is no assurance this objective will be met. <sup>3</sup> The REIT cannot guarantee the amount of future cash or stock distributions, or if distributions will be paid at all. For the nine months ended Sept. 30, 2014, approximately 14 percent of cash distributions were funded by offering proceeds and 86 percent were covered by operating cash flow. Stock distributions will cause the interest of later investors to be diluted as a result of the distributions made to earlier investors. See the Risk Factors section of this piece and in the prospectus for additional information about the distribution policy. <sup>4</sup> In no event will more than 5 percent of the outstanding shares be redeemed in any 12-month period. The REIT may suspend, terminate or reduce the redemption plan at any time. See the prospectus for details. <sup>5</sup> There is no assurance regarding the timing of a liquidity event.

To learn more, contact a financial advisor. Financial advisors should contact the managing dealer, CNL Securities Corp., member FINRA/SIPC, at 866-650-0650.

**CNLHealthcareProperties.com**

## General Notices

This is not an offer to sell nor a solicitation of an offer to buy shares of the REIT. Only the prospectus makes such an offer. This piece must be read in conjunction with the prospectus in order to understand fully all the objectives, risks, charges and expenses associated with an investment and must not be relied upon to make an investment decision. The information herein does not supplement or revise any information in the REIT's public filings. To the extent information herein conflicts with the prospectus, the information in the prospectus shall govern.

Forward-looking statements are based on current expectations and may be identified by words such as *believes*, *expects*, *may*, *could* and terms of similar substance and speak only as of the date made. Actual results could differ materially due to risks and uncertainties that are beyond the REIT's ability to control or accurately predict. Investors should not place undue reliance on forward-looking statements.

CNL Securities, member FINRA/SIPC, is the REIT's managing dealer, and shares are offered to the public through other broker-dealers or with the assistance of registered investment advisors. Broker-dealers are reminded that CNL Healthcare Properties' communications must be accompanied or preceded by a prospectus.

An investment in the REIT is subject to significant risks, some of which are summarized in the Risk Factors section of this piece and are fully detailed under the Risk Factors section in the REIT's prospectus. Investors should read and understand all of the risks and the entire prospectus, as supplemented, before making a decision to invest. The prospectus and supplements are available on SEC.gov or CNLHealthcareProperties.com.

## Risk Factors

Investing in a non-traded REIT is a higher risk, longer term investment than many listed securities and is not suitable for all investors. Shares may lose value, or investors could lose their entire investment.

The REIT and its advisor have limited operating histories on which investors may evaluate operations and prospects for the future.

Non-traded REITs are illiquid. There is no public trading market for the shares. The REIT does not

expect to offer a liquidity event in the near future. If investors are able to sell their shares, it would likely be at a substantial discount.

There are significant limitations on the redemption of investors' shares under the REIT's redemption plan. The REIT can determine not to redeem any shares or to redeem only a portion of the shares for which redemption is requested. In no event will more than 5 percent of the outstanding shares be redeemed in any 12-month period. The REIT may suspend, terminate or modify the redemption plan at any time. Holding periods may be waived and redemptions paid at the purchase price in the event of death, qualifying disability, confinement to a long-term care facility or bankruptcy. For more specific information, including redemptions for special circumstances, please refer to the prospectus.

The REIT has not identified all investments it will make in the future, and investors will not have the opportunity to evaluate future investments before they are made.

The REIT is obligated to pay substantial fees to its advisor, managing dealer, property manager and their respective affiliates for their services in managing the day-to-day operations of the REIT based upon agreements that have not been negotiated at arm's length, and some of which are payable based upon factors other than the quality of services. These fees could influence their advice and judgment in performing services. In addition, certain officers and directors of the advisor also serve as the REIT's officers and directors, as well as officers and directors of competing programs, resulting in conflicts of interest.

There is no guarantee of the amount of future distributions or that distributions can be sustained at all. The REIT may continue to pay distributions from other sources, including offering proceeds or borrowings and/or in stock. This will reduce cash available for investment, lower investors' overall return, and is not sustainable over a long period of time. Stock distributions paid to earlier investors will be dilutive to later investors. The REIT has not established a limit on the extent to which it may use borrowings, offering proceeds or stock to pay distributions.

For the nine months ended Sept. 30, 2014, approximately 14 percent of cash distributions were funded by offering proceeds and 86 percent were covered by operating cash flow. For the year

ended Dec. 31, 2013, approximately 87 percent of distributions were funded by offering proceeds and 13 percent were covered by operating cash flow. For the years ended Dec. 31, 2011 and 2012, the REIT's first two years of operations, distributions were not covered by operating cash flow and were 100 percent funded by offering proceeds. Cash flows from operating activities have been impacted by high levels of acquisition costs and fees during the REIT's growth phase, as well as its strategy to develop new properties and acquire newer existing properties prior to being fully leased and stabilized. The REIT's long-term strategy is to fully invest its capital, complete its development/value add properties and work toward the goal of being leased up to a stabilized level of occupancy. The REIT believes that this will potentially generate higher levels of cash flows from operating activities to support its distribution.

Commencing in 2013, the REIT's advisor and its affiliated property manager provided expense support to the REIT, forgoing the payment of fees in cash and the acceptance of restricted stock for services as provided in the Expense Support Agreement and described in the prospectus. The expense support amount will be determined for each calendar quarter on a noncumulative basis and may be terminated at any time by the advisor. Decreases in the support amount from the advisor will reduce cash flow available for distributions.

If the REIT fails to maintain its qualification as a REIT for any taxable year, it will be subject to federal income tax on taxable income at regular corporate rates. In such an event, net earnings available for investment or distributions would be reduced. The use of leverage to acquire assets may hinder the REIT's ability to pay distributions and/or decrease the value of stockholders' investment in the event income from or the value of the property securing the debt declines.

There are significant risks associated with the senior housing and healthcare sectors, including market risk impacting demand, litigation risk and the cost of being responsive to changing government regulations. The REIT's success in these sectors is dependent, in part, upon the ability to evaluate local conditions, identify appropriate opportunities and find qualified tenants or, where properties are acquired through a taxable REIT subsidiary, to engage and retain qualified independent managers.

