

REPORT OF THE INDEPENDENT DIRECTORS COMMITTEE

Review of our Policies

The independent directors committee of our board of directors has reviewed our policies and determined that they are in the best interest of our stockholders. Set forth below is a discussion of the basis for that determination.

Offering Policy

On April 29, 2011, we ceased offering shares of common stock in our follow-on primary offering, at which time we had sold 725,712 shares of common stock in the primary offering for aggregate gross proceeds of \$7,255,365. The decision to cease the follow-on offering was prompted by uncertainty associated with our consideration of various strategic alternatives to enhance value for stockholders. On October 18, 2011, our independent directors committee concluded its analysis of strategic alternatives and determined that the Company was well positioned as an investment program with a continued focus on healthcare real estate. We identified strategies in this evaluation process that we believe will enhance this position. Since then we have implemented operating changes designed to increase portfolio cash flow and increase shareholder value. In particular, the Company has focused on portfolio performance, identifying investment and financing opportunities, implementing operational efficiencies and identifying opportunities for capital growth. Our efforts to identify and implement capital growth strategies culminated in the execution in 2013 of the KKR Equity Commitment transaction discussed in further detail in our Annual Report on Form 10-K under Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence” under the heading “KKR Equity Commitment.”

Given our strategic focus on operational efficiency, the availability of investment capital under the KKR Equity Commitment, and the significant costs associated with conducting a continuous public offering, we believe that it is currently in the best interests of the Company not to raise new capital in a primary offering of our common stock. However, we are offering up an aggregate of \$99,000,000 of our common stock to our existing stockholders pursuant to our distribution reinvestment plan. We expect to use substantially all of the net proceeds from the sale of shares under our distribution reinvestment plan for general corporate purposes, including, but not limited to, reserves required by any financings of our investments; future funding obligations under any real estate loans receivable we acquire; the acquisition of assets; the repayment of debt; and other cash uses related to our investments, such as making capital and tenant improvements or paying leasing costs and commissions related to real property. We cannot predict with any certainty how much, if any, distribution reinvestment plan proceeds will be available for specific purposes.

Acquisition and Investment Policies

Our objective is to acquire a long-term stabilized portfolio of real estate properties that consists of at least 50% core plus properties (fully stabilized properties). We may acquire value-added (properties that are not fully stabilized) and opportunistic properties (properties that require development or redevelopment to achieve stabilization). Initially, we may acquire more value-added and opportunistic properties than core plus properties, with a view to achieving a more balanced portfolio of properties through a combination of development efforts, refinancing and subsequent acquisitions.

We intend to focus on acquiring and developing a portfolio of healthcare properties. Healthcare real estate includes a variety of products, including senior housing facilities, medical office buildings, hospital facilities, skilled nursing facilities and outpatient centers.

In 2009, 17.9% of the GDP of the United States, was spent on healthcare needs, according to the National Coalition on Healthcare, and the aging U.S. population is expected to continue to fuel the need for healthcare services. The over age 65 population of the United States is projected to grow from 13% to 19% of the US population between 2010 and 2030, with one in five US residents expected to be over 65 years old by 2030.

Presently, the healthcare real estate market is fragmented, with a local or regional focus, offering opportunities for consolidation and market dominance. A diversified portfolio of healthcare property types minimizes risks associated with third-party payors, such as Medicare and Medicaid.

Our advisor believes that investment opportunities in healthcare properties are ordinarily not readily available to investors other than large institutional investors and experienced real estate operators with specialized knowledge, experience in specific geographic areas, industry expertise and established relationships with operators of these property types.

Although we intend to focus on acquiring and developing a portfolio of healthcare properties, we may also invest in other real estate-related assets that we believe may assist us meet our investment objectives. Our charter limits our investments in unimproved real property or mortgage loans on unimproved real property to 10% of our total assets, but we are not otherwise restricted in the proportion of net proceeds from this offering that we must allocate to investment in any specific type of property. We do not expect to engage in the underwriting of securities of other issuers.

We believe that there are sufficient acquisition opportunities that meet our investment focus and that our current acquisition and investment policies continue to be in the best interests of our stockholders.

Borrowing Policy

Debt Financing. When we refer to debt financing, we are referring to all types of debt financing at fixed or variable interest rates or some combination of both. For our stabilized core plus properties, our long-term goal will be to use low to moderate levels of debt financing with leverage ranging from 50% to 65% of the value of the asset. For the value-added and opportunistic properties, our goal will be to acquire and develop or redevelop these properties using moderate to high levels of debt financing with leverage ranging from 65% to 75% of the cost of the asset. We may exceed these debt levels on an individual property basis. Once these value-added and opportunistic properties are developed, redeveloped and stabilized with tenants, we plan to reduce the levels of debt to fall within target debt ranges appropriate for core plus properties. While we seek to fall within the outlined targets on a portfolio basis, for any specific property we may exceed these estimates. While we do not expect to utilize debt financing in excess of 300% of our net assets (equivalent to 75% of the cost of our tangible assets), upon the vote of a majority of our independent directors, we will be able to temporarily exceed this debt limitation. It is likely that our debt financing will be secured by the underlying property, but it will not necessarily be the case each time. We may enter into interest rate protection agreements to mitigate interest rate fluctuation exposure if we believe the benefit of such contracts outweigh the costs of purchasing these instruments.

Other Indebtedness. We may also incur indebtedness for working capital requirements, tenant improvements, capital improvements, leasing commissions and, if necessary, to make distributions, including those necessary to maintain our qualification as a REIT for federal income tax purposes. We will endeavor to borrow such funds on an unsecured basis but we may secure indebtedness with properties if our independent directors committee determines that it is in our best interests.

Our advisor may also create an affiliated entity that will purchase properties using debt financing and hold them for us pending our ability to acquire the properties at a low to moderate level of indebtedness. Any properties that we purchase from the affiliated acquisition holding company will meet our core plus investment criteria and be approved by our independent directors committee. Our purchase price for the property would reflect the costs associated with holding the property. In no event will we acquire the property at an amount in excess of its current appraised value as determined by an independent expert selected by our independent directors not otherwise interested in the transaction.

Generally accepted accounting principles may require that the financial statements of the acquisition holding company be consolidated with our financial statements. If this is the case, assets and liabilities of the acquisition holding company will be reflected on our balance sheet. If there is no requirement that the acquisition holding company's financial statements be consolidated with our financial statements, we may nevertheless be required to disclose information about the transactions of the acquisition holding company as off-balance sheet arrangements under the rules of the Securities and Exchange Commission.

Our charter limits our borrowings to 300% of our net assets (equivalent to 75% of the cost of our tangible assets) unless the excess borrowing is approved by a majority of our independent directors and is disclosed to our stockholders in our next quarterly report with an explanation from our independent directors of the justification for the excess borrowing. There is no limitation on the amount we may borrow for the purchase of any single property; however, as noted above, we will not borrow in excess of 300% of our net assets (equivalent to 75% of the cost of the asset) without the approval of our independent directors committee.

Disposition Policy

Our goal in selling properties is to achieve maximum capital appreciation, although we cannot guarantee that this objective will be realized. Our general policy is to sell our properties for all cash. When we sell a property, we may, under limited circumstances, lend the purchaser a portion of the purchase price, provided that the aggregate amount of all mortgage loans outstanding on the property, including the loan we may make to the purchaser, may not exceed 85% of the appraised value of the property as determined by an independent appraiser, unless substantial justification exists. Our disposition policy provides us with the flexibility to time and structure property sales in a manner that optimizes our investment return. For this reason, we believe the current disposition policy is in the best interests of our stockholders.

Policy Regarding Operating Expenses

We are not required to reimburse our advisor or its affiliates for any of their costs or expenses that are not directly attributable to our business, including without limitation (i) any personnel costs incurred by our advisor related to its employees, and (ii) any costs related to our advisor's rent, utilities and general overhead. We are responsible for paying directly or reimbursing our advisor for costs that are directly attributable to our business. Under our advisory agreement, our advisor must restrict total operating expenses for the preceding four consecutive fiscal quarters, as determined at the end of each fiscal quarter, to the greater of 2% of the Company's Average Invested Assets or 25% of the Company's net income for such period (the "2%/25% Guidelines"), unless the independent directors committee determines that a higher level of expenses is justified, based on unusual and non-recurring factors. The independent directors committee will not approve any operating expenses (other than those determined to be justified based on unusual and non-recurring factors) if, in its reasonable discretion, the independent directors committee determines that such operating expenses, considered together with operating expenses previously approved for the relevant period, as well as estimated operating expenses for the remainder of the relevant period, would exceed the 2%/25% Guidelines.

Liquidation or Listing Policy

We believe it is in the best interest of our stockholders not to list our common shares on a national exchange at this time. First, we remain in the property-acquisition stage of our life cycle, and remaining unlisted improves our ability to continue to raise new equity and purchase additional properties so that the real estate portfolio can achieve greater size and diversification. Second, we believe it is currently more cost effective to remain unlisted and utilize our external advisor at the present time than it would be to internalize all the resources necessary to operate a listed company. Third, our shares are offered as a long-term investment. We believe that the ability to provide our stockholders with liquidity in the near-term is outweighed by the long-term benefits of allowing the portfolio to mature. In making the decision of whether to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for stockholders.

Policy regarding Transactions with Affiliates

Our charter requires our independent directors committee to review and approve all transactions involving our affiliates and us. Prior to entering into a transaction with an affiliate that is not covered by our advisory agreement with our advisor, a majority of the independent directors committee must conclude that the transaction is fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties. Furthermore, our independent directors committee must review at least annually our fees and expenses to determine that the expenses incurred are reasonable in light of our investment performance, our net asset value, our net income and the fees and expenses of other comparable unaffiliated REITs. In addition, our Code of Business

Conduct and Ethics sets forth examples of types of transactions with related parties that would create conflicts of interest between the interests of our stockholders and the private interests of the parties involved in such transactions. Our directors and officers are required to take all reasonable action to avoid such conflicts of interest or the appearance of conflicts of interest. If a conflict of interest becomes unavoidable, our directors and officers are required to report the conflict to a designated ethics contact, which, depending on the circumstances of the transaction, would be either our chief executive officer, chief financial officer, or the chairman of our audit committee. The appropriate ethics contact is then responsible for working with the reporting director or officer to monitor and resolve the conflict of interest in accordance with our Code of Business Conduct and Ethics.

Certain Transactions with Related Persons

The independent directors committee has reviewed the material transactions between our affiliates and us since the beginning of 2013, all of which were approved in advance in accordance with our policy described above, and the terms of which are disclosed herein under the heading “*Certain Transactions with Related Persons.*” Based upon our review of these transactions and of the fees paid to affiliates of the Company since the beginning of 2013, we believe that all of the transactions have been fair and reasonable to the Company and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

March 12, 2015

The Independent Directors Committee of the Board of Directors

*Romeo Cefalo (Chairman), Barry Chase, Steven Pearson,
Ronald Shuck and James Skorhiem*