

Private Placement Memorandum

Healthcare Portfolio III DST

The Date of this Private Placement Memorandum is September 7, 2017

CONFIDENTIAL

Investing in DST Interests involves a high degree of risk. Before investing you should review the entire Private Placement Memorandum including the "Risk Factors" beginning on page 17.



Illinois Property

> Healthcare Portfolio III DST

Healthcare Portfolio III DST, also known as the Trust, a newly formed Delaware statutory trust and an affiliate of Inland Private Capital Corporation (IPC), is hereby offering (the Offering) to sell to certain qualified, accredited investors (Investors), pursuant to this Private Placement Memorandum (the Memorandum), 100 percent of the beneficial interests (Interests) in the Trust. **You should read this Memorandum in its entirety before making an investment decision.**

The Trust owns a portfolio of three medical office facilities, each of which is home to a leading healthcare provider.

1. Two Starling Physicians facilities in New Britain, Connecticut (together, the Connecticut Properties).
2. Fresenius Medical Care facility in Chicago, Illinois (the Illinois Property).

Located in two distinct metropolitan areas, the Connecticut Properties and the Illinois Property are together referred to herein as the Properties, and each as a Property.

Capitalized terms used in pages i through xi but not defined herein shall have the meanings set forth in the Memorandum.

> Medical Office Sector

The aging U.S. population is contributing to a rise in healthcare needs, creating demand for the medical office sector. In fact, the 65 and older age group is projected to rise by nearly 42 percent over the next 10 years as more than 20 million people join this segment.¹ The 65-plus age cohort is expected to account for 20 percent of the total population. Expansion in healthcare and related industries is expected to increase 17 percent to meet the growing demands of an older demographic.² Healthcare spending is estimated to be \$5.5 trillion in 2024.³

Millennials are also expected to contribute significantly to the \$3 trillion a year healthcare market. With nearly 30 percent of millennials now parents, they are becoming responsible for their health and the health of their children.⁴ As the first generation to grow up with the Internet, millennials possess similar expectations for healthcare delivery as other aspects of their lives, including convenience and flexibility. Technological advances with online searches for doctors or researching treatment options are providing patients with hands-on information. The millennials will continue to drive this trend as they will prefer quick access to physicians and more transparency from providers and insurance companies.⁵ In addition, many millennials are expected to be involved with decisions regarding their aging parents' healthcare.

The demand for reduced waiting times, same-day scheduling and extended opening hours (including weekends) is increasing. Location of healthcare facilities plays an important role in satisfying this demand as the proximity to retail settings is favored, such as malls, neighborhood centers or street-level retail.⁶

¹ Medical Office Research Report – Marcus & Millichap, 2017 Outlook

² Medical Office Research Report – Marcus & Millichap, 2016 Outlook

³ Colliers International, 2016 Healthcare Marketplace research report

⁴ Fortune.com: What Healthcare Gets Wrong about Millennials, December 17, 2016

⁵ Medical Office Research National Report – Marcus & Millichap, 2017 Outlook

⁶ Colliers International: Retail Dimensions of Healthcare, May 2017

> Investment Highlights

IPC believes that an investment in the Trust offers the following benefits:

Diversified Medical Office Portfolio



- Three properties diversified among two tenants
- Located in two distinct metropolitan areas
- The Connecticut Properties operate as Starling Physicians facilities
- The Illinois Property features Fresenius Medical Care, which focuses on chronic kidney failure

Established Commercial Tenants



- The Connecticut Tenant is one of the largest physician-owned multi-specialty groups in the state
- An affiliate of the Illinois Property tenant is globally recognized and publicly traded on the New York Stock Exchange (FMS), with an investment-grade credit rating of Baa3, updated as of May 11, 2017, by Moody's Investors Service, Inc.

Absence of Leverage



- The Properties are not encumbered by permanent financing, which will allow the Trust the flexibility to hold or sell the Properties without any lender restrictions and sell at a time that maximizes value

Long-Term Net Leases with Rent Growth Potential



- The Commercial Leases are net leases, with the Tenants responsible for real estate taxes, insurance and other operating expenses
- Each Commercial Lease provides for an initial term of at least 15 years, with multiple renewal options
- The Connecticut Tenant has two 10-year renewal options; the Illinois Tenant has three 5-year renewal options
- Each Commercial Lease provides for regular increases in base rent

Master Lease Structure



- Master lease structure allows Master Tenant to operate the Properties on behalf of the Trust
- Enables actions to be taken that Trust would be unable to take, such as a restriction against renegotiating the Commercial Leases

> No Financing

The Properties are being offered to Investors without the encumbrance of permanent debt. The absence of permanent debt provides the Trust the flexibility to hold or sell the Properties, without any lender restrictions, and sell at a time that maximizes value.

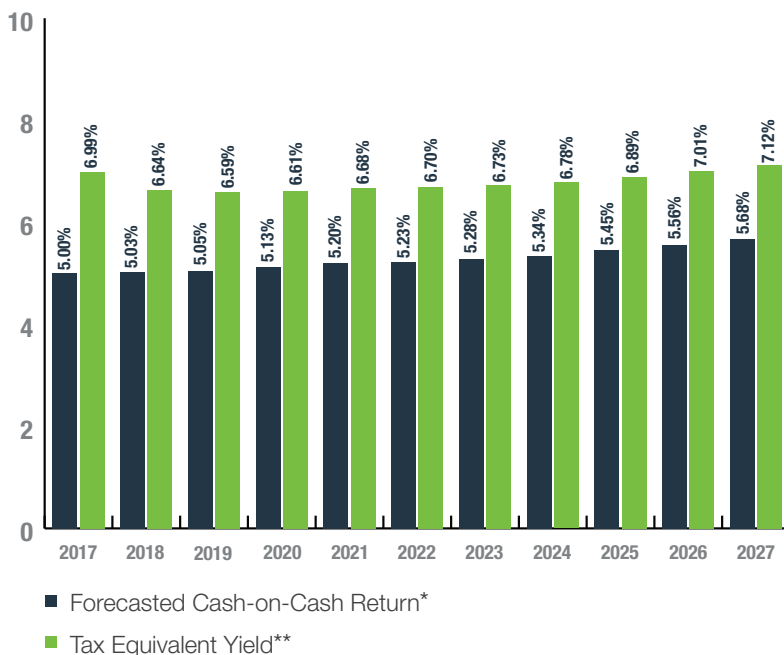
> The Offering

The Offering is available to accredited investors seeking to participate in a tax-deferred exchange as well as those seeking a quality, multiple-owner real estate investment. Only accredited investors may purchase interests in this Offering. For more information, see “*Summary of the Offering*” and “*The Offering*” in the Memorandum.

Beneficial Interests:	\$29,121,408
Offering Price:	\$29,121,408
Offering Reserve:	\$1,422,627
Minimum Purchase (1031):	\$100,000
Minimum Purchase (cash):	\$25,000
Current Cash Flow:	5.00%

Forecasted Cash-on-Cash Returns*

(Paid Monthly)



* These forecasts are estimates which are based on certain assumptions and may vary. Please consult the “Risk Factors” section of the Memorandum for events that may cause the actual results to differ.

** “Tax Equivalent Yield” represents the yield required to achieve an equivalent after tax cash flow on an interest-bearing investment, which has no shelter from depreciation and would be taxed at the effective tax rate. The calculations are based on an assumed effective tax rate of 40% of taxable income. Each prospective Investor should consult with his or her own legal, tax, accounting and financial advisors.

➤ Location and Description of the Properties

General information regarding each Property is summarized in the table below.

Property	Property Address	Commercial Tenant	Year Built	2016 Median Household Income (within 5 miles) ⁷	2016 Population (within 5 miles) ⁷
Connecticut Properties	Connecticut Kensington Property 300 Kensington Avenue New Britain, CT 06051 and O High Road Berlin, CT 06037	Starling Physicians, P.C.	1966	\$55,411	152,924
	Connecticut Lake Property One Lake Street New Britain, CT 06052	Starling Physicians, P.C.	1950	\$56,110	160,874
Illinois Property	3520 W. Grand Avenue Chicago, IL 60651	Fresenius Medical Care of Illinois, LLC	2016-2017	\$59,531 ⁸	1,333,043 ⁸



⁷ CBRE Appraisal Reports.

⁸ Claritas report 2017 estimate.



Connecticut Kensington Property
Built in 1966
50,584 Square Feet

> The Connecticut Properties

The Connecticut Properties are comprised of two healthcare facilities located in New Britain, Connecticut, approximately 13 miles from downtown Hartford, and roughly three miles apart. Both Connecticut Properties are 100 percent leased to Starling Physicians, P.C. (the Connecticut Tenant).

The Connecticut Kensington Property, located at 300 Kensington Avenue, is a two-story medical office building that operates as a Starling Physicians facility. The Property has good visibility from Highways 571 and 372 and benefits from close proximity to the Hospital of Central Connecticut.

The Connecticut Lake Property at One Lake Street, features a medical building encompassing four wings, each wing comprised of one to three stories and also operating as Starling Physicians. The Property benefits from clear visibility from Route 72 traveling east and west and is also positioned in close proximity to the Hospital of Central Connecticut.

Starling Physicians is one of Connecticut's largest physician-owned multi-specialty groups, providing a wide range of services with a strong focus on building enduring patient relationships. This group operates 32 total locations across 21 towns throughout Central Connecticut and one city in Southern Massachusetts. There are over 40 primary care physicians and more than 150 specialists included in the Starling Physicians network, with laboratory testing, physical therapy and radiology performed onsite.⁹ Starling Physicians was formed as a result of the merger of two leading providers, Grove Hill Medical Center, P.C. and Connecticut Multispecialty Group, P.C.

Starling Physicians Specialty Services

- Dermatology
- Cardiology
- Gastroenterology
- Endocrinology
- Internal medicine
- Infectious disease
- Neurology
- OB/GYN
- Surgery
- Sleep medicine

⁹ Starlingphysicians.com

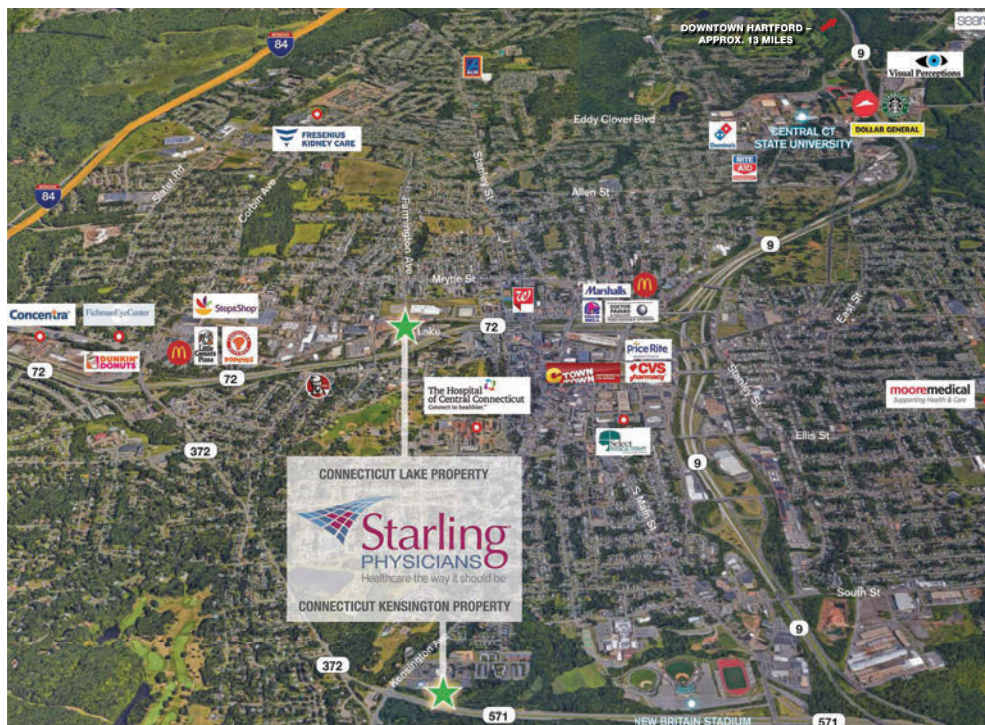
> The New Britain, CT Market

The Connecticut Properties are located in New Britain, Connecticut, in southwest Hartford County, and are included in the Hartford-West Hartford-East metropolitan area. New Britain's business community offers a mix of manufacturing, medical and high-tech industries as well as small to mid-sized businesses which fuel the regional economy.¹⁰ The Connecticut Properties are located approximately nine miles southwest of Hartford and have unrestricted visibility from Highways 571 and 372. New Britain offers in-town connections to major interstates and routes leading to Boston and Canada, as well as New York City to the south.

The city of New Britain has approximately 73,000 residents and, with its close proximity to Hartford's business district, the city benefits from all Hartford metro's amenities. Hartford-West Hartford-East metro area is the 48th largest metropolitan statistical area in the nation with a combined population of 1.21 million people.¹¹ The unemployment rate has dropped to 4.2 percent, its lowest since 2002, and the area's high-paying jobs are expected to keep the Hartford-West Hartford-East metro area a core financial region.¹²

Market Highlights:

- Hartford-West Hartford-East area shows **economic improvement with exports up by 28%**¹³
- Hartford Hospital was named a **best regional hospital by U.S. News & World Report**
- Hospital of Central Connecticut named a **2017 Most Wired Hospital**, signifying commitment to technology and spotlights its role in improving patient care by American Hospital Association
- Proposed Hartford Casino to open in 2018 may **bring 6,500 jobs to the area**¹²



¹⁰ New Britain, CT website. About New Britain.

¹¹ Data USA website. Hartford-West Hartford-East Hartford CT metro area.

¹² CBRE appraisal.

¹³ Innovation Destination Hartford website. Hartford Metro shows Economic Improvements. March 6, 2017.



> The Illinois Property

The Illinois Property is a newly constructed, single-story medical office building located at 3520 W. Grand Avenue in Chicago, Illinois with approximately 16,000 square feet of space. This facility specializes in kidney care dialysis and offers both in-home and in-center treatment options.¹⁴ The Property is surrounded by national pharmacies and retailers including CVS Pharmacy, Dunkin Donuts and Auto Zone.

The tenant at the property is Fresenius Medical Care of Illinois, LLC, d/b/a Fresenius Medical Care Humboldt Park (the Illinois Tenant and together with the Connecticut Tenant, The Commercial Tenants). The Illinois Tenant's lease obligations are guaranteed by Fresenius Medical Care Holdings, Inc., d/b/a Fresenius Medical Care North America (Fresenius Holdings). Fresenius Holdings owns and operates dialysis facilities, outpatient cardiac and vascular labs and urgent care centers in North America.

Fresenius Holdings is the holding company for the North American operations of Fresenius Medical Care AG & Co. KGaA, a German company, and the world's leading provider of products and services for people with chronic kidney failure (Fresenius Co.). Fresenius Co. is listed on the Frankfurt Stock Exchange (FME) and the New York Stock Exchange (FMS). Its North American headquarters are located in Waltham, Massachusetts. As of May 11, 2017, Fresenius Co. had an investment-grade rating of Baa3 by Moody's Investor Service.¹⁵

Fresenius Co. provides care for more than 310,000 patients globally at over 3,600 dialysis clinics. Fresenius Co. also operates 37 production sites on all continents to provide dialysis products such as dialysis machines, dialyzers and related disposables. Fresenius Co. employs over 110,000 people in more than 50 countries.¹⁶

Fresenius Medical Care Services¹⁶

- Pharmacy and laboratory
- Manufactures and distributes dialysis equipment
- Disposable products
- Renal pharmaceuticals
- Treatment option programs
- Patient travel services

¹⁴ Freseniuskidneycare.com

¹⁵ Moodys.com. Moody's upgrades Fresenius Co. to Baa3; stable outlook. May 11, 2017.

¹⁶ Freseniusmedicalcare.com.

> The Chicago, IL Market

The Illinois Property is located just four miles northwest of downtown Chicago, the most populous city in the Midwestern United States with nearly 10 million residents in the Chicagoland area.¹⁷ The Property is conveniently positioned just off the highly traveled intersection of Grand Avenue and Division Street, on the Northwest side of Chicago in the Humboldt Park neighborhood. Grand Avenue is a popular thoroughfare and provides abundant visibility for the Property. Additionally, there are over 56,000 people living within a one-mile radius of the Property.¹⁸

The Chicago metropolitan area, often referred to as Chicagoland, extends into its suburbs and covers 14 counties of the region.¹⁹ Chicago is one of the most important business centers in the world and an economic powerhouse, being home to over 400 corporate headquarters, specifically 34 Fortune 500 corporate headquarters, including Boeing Company, Exelon Corporation, Kraft Heinz, McDonald's Corporation, ConAgra Brands and Motorola Solutions, Inc.²⁰ Chicago is also home to O'Hare International Airport, one of the busiest airports in the world and the fourth busiest airport in the United States.²¹

Chicago is a major financial center and is home to the largest futures exchange in the United States, the CME Group.²² The unemployment rate for Chicago is currently at 4.7 percent, slightly higher than the national average of 4.3 percent. Job growth in Chicago over the next 10 years is projected to be more than 35 percent.²³

Healthcare Highlights:

- Cook County is the **2nd most populous U.S. county**²⁴
- 17% of the Chicago population is over the age of 60²⁵
- Illinois residents spend approximately \$8,262 on healthcare each year, one of the highest in the country²⁶
- Northwestern Memorial Hospital is ranked as Illinois' #1 hospital by US News and World Report; Rush University Medical Center #2; University of Chicago Medical Center #3
- Lurie Children's Hospital of Chicago – **2016 6th best children's hospital in the country**



¹⁷ City of Chicago website.

¹⁸ Claritas reports. 2017 Estimates.

¹⁹ U.S. Census Bureau. Population Division. May 29, 016.

²⁰ Worldbusinesschicago.com/2017-fortune-500

²¹ Ohareairport.net. June 20, 2017.

²² Investopedia website. The World's Top Financial Cities.

²³ Sterling's Best Places. Chicago, Illinois. Economy Overview.

²⁴ U.S. Census Bureau.

²⁵ Census Reporter website. Chicago, IL. Profile.

²⁶ The Kaiser Family Foundation website. Healthcare expenditures by state.



> The Commercial Leases

The material terms of the leases with the Commercial Tenants are summarized below. Such leases are collectively referred to as the Commercial Leases.

Property	Commercial Tenant	Approx. Leased SF	Current Term	Renewal Options	Current Annual Base Rent	Base Rent Per SF
Connecticut Kensington Property	Starling Physicians, P.C.	50,584 sq. ft.	08/31/17-08/31/32	Two 10-year terms	\$505,840	\$10.00
Connecticut Lake Property	Starling Physicians, P.C.	61,785 sq. ft.	08/31/17-08/31/32	Two 10-year terms	\$617,850	\$10.00
Illinois Property	Fresenius Medical Care of Illinois, LLC	15,680 sq. ft.	05/08/15 - 02/28/32	Three 5-year terms	\$486,080	\$31.00

> About Inland Private Capital Corporation

The Inland Real Estate Group of Companies, Inc. (Inland) is one of the nation's largest commercial real estate and finance groups, representing nearly 50 years of expertise and integrity in the industry. As a business incubator, Inland specializes in creating, developing and supporting member companies that provide real estate-related investment funds – including limited partnerships, institutional funds and nonlisted real estate investment trusts (REITs) – and real estate services for both third parties and Inland-member companies.

In March 2001, Inland Private Capital Corporation was formed to provide replacement properties for investors wishing to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended, as well as investors seeking a quality, multiple-owner real estate investment. The programs sponsored by IPCC offer securities to accredited investors on a private placement basis.

Track Record Since Inception

(THROUGH DECEMBER 31, 2016)

<p>Sponsored 197 private placement programs</p>	<p>527 properties in 43 states</p>	<p>Offered more than \$3 billion in equity</p>	<p>More than \$6.3 billion of assets based on offering price</p>
<p>More than 31.80 million square feet of gross leaseable area</p>	<p>\$1,232,937,239 cumulative distributions to investors</p>		<p>70 assets sold</p>

Program Dispositions

(AS OF DECEMBER 31, 2016)

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL
Cumulative Sales Price	\$435,738,911	\$204,909,165	\$49,266,108	\$96,270,041
Weighted Avg. Total Return*	138.49%	119.43%	140.19%	133.26%
Weighted Avg. ARR**	8.11%	4.13%	22.68%	7.25%
Number of Programs	33	7	2	5



The Inland Real Estate Group of Companies, Inc.
2X RECIPIENT
of the Torch Award for Ethics in the Marketplace



Inland Private Capital Corporation
2X RECIPIENT

Metrics for Program Dispositions

* **Weighted Average Total Return** is calculated by dividing the sum of amounts distributed to investors over the hold period of the investment plus the sale proceeds returned to the investors, by such investors' capital invested in the program inclusive of all fees and expenses. To determine the weighted average, the total return for each program is multiplied by the capital invested in that program, divided by total capital invested in all programs represented in the analysis.

** **Weighted Average Annualized Rate of Return (ARR)** is calculated as the sum of total cash flows distributed during the term of the investment plus any profit or loss on the initial offering price, divided by the investment period. To determine the weighted average, the ARR for each program is multiplied by the capital invested in that program, divided by the total capital invested in all programs represented in this analysis.

The Weighted Average Total Return and Weighted Average ARR metrics presented above apply to those programs in which the property owned by such program was sold. Please note that this analysis does not include programs in which the subject property was in foreclosure. In such situations, IPCC has negotiated with the applicable lender and advanced funds to the investors to allow the investors to exchange their beneficial interests in the original program for a proportional beneficial interest in a new program, in order to continue their Section 1031 exchanges and avoid potential capital gains and/or forgiveness of debt tax liabilities.

Summary Risk Factors

An investment in the Interests of the Trust involves significant risk and is suitable only for Investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment. Investors must read and carefully consider the discussion set forth in the section of the Memorandum captioned "*Risk Factors*." The risks involved with an investment in Healthcare Portfolio III DST include, but are not limited to:

- The Interests may be sold only to accredited investors, which, for natural persons, are investors who meet certain minimum annual income or net worth thresholds.
- The Interests are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act of 1933, as amended.
- The Securities and Exchange Commission has not passed upon the merits of or given its approval to the Interests, the terms of the offering, or the accuracy or completeness of any offering materials.
- The Interests are subject to legal restrictions on transfer and resale and Investors should not assume they will be able to resell their Interests.
- Investing in Interests involves risk, and Investors should be able to bear the loss of their investment.
- Investors have limited control over the Trust.
- The Trustees have limited duties to Investors and limited authority.
- There are inherent risks with real estate investments.
- An investment in Interests will not be diversified as to the type of asset.
- The Trust depends on the Master Tenant for revenue, and the Master Tenant depends on the Commercial Tenants under the Commercial Leases, and any default by the Master Tenant or the Commercial Tenants will adversely affect the Trust's operations.
- The Properties have been designed for their particular uses, which could result in substantial re-leasing costs or a lower sale price.
- The Trust may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of any of the Commercial Tenants, any subtenants or guarantor.
- Adverse trends in the healthcare service industry may negatively affect the Trust's revenues.
- The Investors could suffer adverse consequences from the exercise of rights of the bridge lender in respect of the bridge loan made, or expected to be made, to IPC in connection with the acquisition of each of the Properties.
- The costs of complying with environmental laws and other governmental laws and regulations may adversely affect the Trust.
- There is no public market for the Interests.
- The Interests are not registered with the Securities and Exchange Commission or any state securities commissions.
- Investors may not realize a return on their investment for years, if at all.
- The Trust is not providing any prospective Investor with separate legal, accounting or business advice or representation.
- Various tax risks, including the risk that an acquisition of an Interest may not qualify as a Section 1031 Exchange.

IMPORTANT NOTES

The Inland name and logo are registered trademarks being used under license. "Inland" refers to some or all of the entities that are part of The Inland Real Estate Group of Companies, Inc. which is comprised of a group of independent legal entities some of which may be affiliates, share some common ownership or have been sponsored and managed by subsidiaries of Inland Real Estate Investment Corporation.

Each prospective Investor should consult with his, her or its own tax advisor regarding an investment in the Interests and the qualification of his, her or its transaction under Internal Revenue Code Section 1031 for his, her or its specific circumstances.

The companies depicted in the photographs herein may have proprietary interests in their trade names and trademarks. Nothing herein shall be considered to be an endorsement, authorization or approval of IPC or the Trust. Further, none of these companies is affiliated with IPC or the Trust in any manner.



2901 Butterfield Road
Oak Brook, IL 60523
888.671.1031

www.inlandprivatecapital.com