



Inland
Private Capital Corporation


KLEIMAN | EVANGELISTA
EYE CENTER

Private Placement Memorandum

Texas Healthcare Portfolio II DST

The Date of this Private Placement Memorandum is July 26, 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 15.



Houston Hospital Property

> Texas Healthcare Portfolio II DST

Texas Healthcare Portfolio II 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% 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 comprised of the following three medical office facilities, each of which is home to a leading healthcare provider and located in a growing metropolitan area.

1. The Kleiman | Evangelista Eye Center, located in Arlington, Texas (the Arlington Property).
2. The USPS Surgical Institute, located in Houston, Texas (the Houston ASC Property).
3. The Houston Hospital for Specialized Surgery, located in Houston, Texas (the Houston Hospital Property).

The Houston ASC Property and the Houston Hospital Property are together referred to as the Houston Properties, and the Arlington Property and the Houston Properties are collectively referred to herein as the Properties, and each as a Property.

Capitalized terms used in pages i through page xii 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 providing distinct services in growing metropolitan areas
- The Arlington Property is an outpatient surgical center and a premier ophthalmology practice
- The Houston ASC Property is a surgery center
- The Houston Hospital Property is a medical office and hospital building, with doctors providing a selection of minimally invasive surgical procedures, focused on spinal surgeries

Established Medical Tenants



- The Arlington Tenants, operating under Kleiman | Evangelista Eye Center, have had an established presence in the market for over 30 years
- Kleiman | Evangelista Eye Center has Better Business Bureau's accredited support
- The tenants of the Houston Properties are affiliates of US Pain & Spine Institute, LLC (USPSI), an integrated healthcare delivery system focused on the specialty of interventional pain and spine

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 15 years, with two 10-year renewal options
- Each Commercial Lease provides for annual increases in base rent
- See "*Summary of the Leases*" in the Memorandum

Master Lease Structure



- Master lease structure allows the master tenant to operate Properties on behalf of the Trust
- Enables actions to be taken that the Trust would be unable to take, such as a restriction against re-leasing

> The Financing

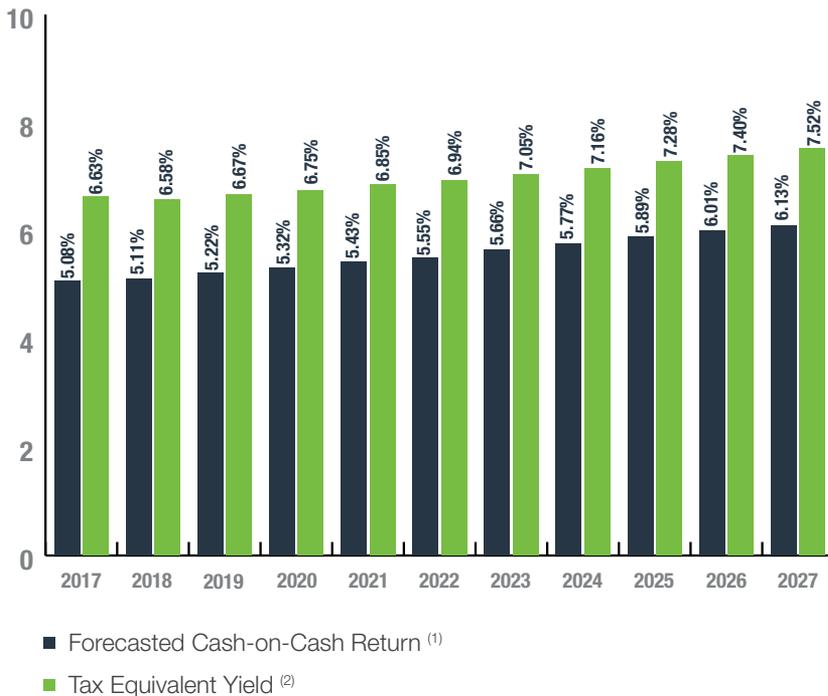
The Properties are being offered to Investors without the encumbrance of permanent debt. The absence of permanent debt provides the Trust the flexibility to hold or sell the Properties, without any lender restrictions, and sell at a time that maximizes value.

> The Offering

The Offering is designated for 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:	\$55,020,466
Offering Price:	\$55,020,466
Offering Reserve:	\$188,054
Minimum Purchase (1031):	\$100,000
Minimum Purchase (cash):	\$25,000
Current Cash Flow:	5.08%

Forecasted Cash-on-Cash Returns ⁽¹⁾ (Paid Monthly)



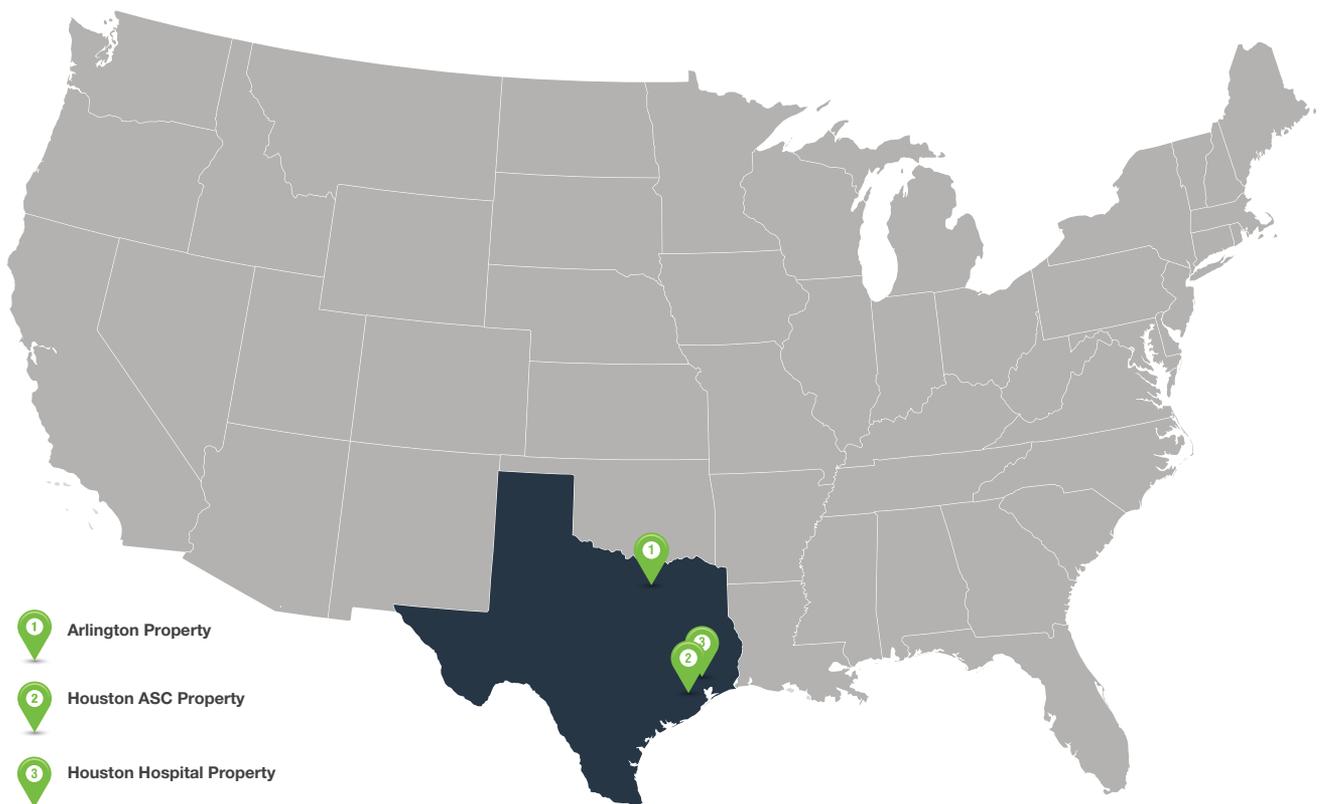
(1) These forecasts are estimates, which are based on certain assumptions and may vary. Please consult the “*Risk Factors*” section of the Memorandum for events that may cause the actual results to differ.

(2) “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 percent 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	Tenant	Year Built	2016 Median Household Income (within 5 miles) ⁷	2016 Population (within 5 miles) ⁷
Arlington Property	350 E. Interstate 20 Arlington, TX 76018	Arlington Ophthalmology Association, PLLC South Arlington Surgical Providers, Inc.	2015	\$56,561	342,691
Houston ASC Property	8111 Southwest Freeway Houston, TX 77074	US Pain & Spine Surgical Institute, LLC	1994; additions in 2002	\$43,394	564,564
Houston Hospital Property	5445 La Branch Street Houston, TX 77004	US Pain & Spine Hospital, LP	1993; additions in 1997	\$59,658	429,609



⁷ Appraisal Reports from CBRE, Inc.



Arlington Property
Built in 2015
27,500 Leaseable Square Feet

> The Arlington Property

The Arlington Property, located at 350 E. Interstate 20 in Arlington, Texas, is a 27,500 square-foot, state-of-the-art outpatient surgical center and is the newest addition to the Kleiman | Evangelista Eye Center practice. The Arlington Property comprises four surgical suites, 18 exam rooms and six EPIC rooms, which provide management of patient records electronically rather than in paper format.

Constructed in 2015, the Arlington Property incorporates unique design elements to support efficient patient and healthcare provider flow while offering high-quality care and comfort to patients, visitors and staff. The Arlington Property is situated on the highway frontage of Interstate 20, one of the biggest interstate freeway systems in the United States.⁸

The Arlington Property is occupied by two tenants: Arlington Ophthalmology Association, PLLC, (Kleiman Clinic Tenant), focusing primarily on ophthalmology pertaining to diseases of the eye, anatomy and physiology; and South Arlington Surgical Providers, Inc., specializing in ambulatory surgical services. An additional entity, Lasik Management, LLC, merged with the Kleiman Clinic Tenant in 2016, and completes LASIK surgeries at the Property. The tenants are members of the Kleiman | Evangelista Eye Center (Kleiman), an established physician-owned operator with affiliated specialists, and the premier ophthalmology practice in the Arlington area for over 30 years. Kleiman maintains three locations, 10 physician providers, 11 Refractive Surgery Specialists, a LASIK coordinator and the practice served over 17,000 patients in 2015 alone.⁹

The tenants' payment obligations are guaranteed by Eye Academy Holdings, Inc., a private Delaware Corporation.

Arlington Property Services

- Blade-Free LASIK
- LifeStyle Lens procedures
- Corneal Inlay procedure
- "No-Drop" Cataract Surgery with the LenSx Laser
- Comprehensive eye care
- Dry eye treatment
- Visian ICL
- iStent glaucoma treatment
- Astigmatism Management Package
- Blepharoplasty

⁸ <https://www.mapsofworld.com/usa/highways/interstate20-map.html>

⁹ Appraisal Reports from CBRE, Inc.

> The Arlington, Texas Market

The Arlington Property is located in Arlington, Texas in the southeastern portion of Tarrant County, within the Dallas-Fort Worth-Arlington metropolitan area. The Arlington Property is located approximately 12 miles east of downtown Fort Worth and 20 miles west of downtown Dallas. The Property's prime location within the Interstate 20 corridor has been the strongest growth area in Arlington for the last 15 years and Arlington Highlands, a premier retail development, is located directly across from the Arlington Property.¹⁰

The city of Arlington boasts a population of 395,044 with an expected 1.6 percent increase over the next five years. Arlington's unemployment rate remains at 3.1 percent.¹¹ The Arlington economy gets a boost from major local attractions including the AT&T Stadium (home of the Dallas Cowboys NFL team), Globe Life Park (home of the Texas Rangers Major League Baseball team) and the University of Texas at Arlington, with a student enrollment of 39,714.¹²

Top Arlington Employers¹¹

- Arlington ISD
- University of Texas at Arlington
- General Motors Co.
- Texas Healthcare Resources.

The Dallas-Fort Worth-Arlington metropolitan area is commonly referred to as the Metroplex, and is the largest metropolitan area in Texas and the eighth largest in the United States.¹³ Unemployment rates in the Metroplex have stabilized at about 4 percent and high-wage job growth has exceeded the national average over the past year.¹⁴

Market Highlights:

- Dallas-Fort Worth is the **#3 Metro Area** in the U.S.¹⁵
- Fort Worth **2017's Most Recession-Recovered** Large City¹⁶
- Dallas-Fort Worth-Arlington is the **#2 Metro Area for Economic Growth** in the U.S. with 231 projects in 2016¹⁷
- Dallas-Fort Worth is the **second-largest data center market** in the country¹⁸
- Dallas-Fort Worth area is expected to see **an increase of 23.9% in its retirees** by 2019¹⁹



¹⁰ Colliers.com. Arlington, Texas demographics

¹¹ <http://www.arlington-tx.gov>

¹² Appraisal Reports from CBRE, Inc.

¹³ <http://www.thoughtco.com/largest-metropolitan-areas-1435135>

¹⁴ bls.gov, Dallas-Fort Worth-Arlington, TX

¹⁵ Site Selection magazine, March 2016

¹⁶ WalletHub, January 2017

¹⁷ Site Selection magazine, March 2017

¹⁸ CBRE, March 2017

¹⁹ National Real Estate Investor, 25 Best Market for Investment in Healthcare Properties, February 2015



> The Houston Properties

The Houston Properties are comprised of two healthcare facilities located in Houston, Texas.

The Houston ASC Property

The Houston ASC Property is a two-story, state-of-the-art ambulatory surgery center, operating as US Pain & Spine Surgical Institute. The Houston ASC Property offers surgical services and a wide range of interventional pain procedures, including minimally invasive spine procedures. The surgical cases performed at the Property range from simple spinal cord injections to complex spine fusions. On average, more than 100 surgeries are performed each month at the Houston ASC Property.

The Houston ASC Property was originally constructed in 1994. This Property was fully renovated in 2014 in order to provide additional outpatient surgeries.

The Houston ASC Property is accredited by Accreditation Association for Ambulatory Healthcare, a leader in developing benchmarks to advance and promote patient safety, quality care, and value for ambulatory healthcare through peer-based accreditation processes, education, and research.



The Houston Hospital Property

The Houston Hospital Property, known as the Houston Hospital for Specialized Surgery, is Houston's first hospital focusing on minimally invasive spine surgery and interventional pain practices.²⁰

The Houston Hospital Property offers seven surgical beds with three operating rooms and supportive preoperation and post-operation areas. The Houston Hospital Property's tenant, US Pain & Spine Hospital, LP, prides itself on employing experienced physicians, nurses, and technicians that use the latest technology and equipment and provide the highest quality care and services to its patients.

The Houston Hospital Property was originally constructed in 1993 and renovated in 2015.

Houston Hospital Property Inpatient and Outpatient Surgical Solutions

- Orthopedic surgery
- Spine surgery
- Interventional pain practices
- General surgery
- Gynecology
- Ophthalmology
- Oral and maxillofacial surgery
- Gastroenterology
- Otorhinolaryngology (ENT)

The Guarantor

The leases at both the Houston ASC Property and the Houston Hospital Property are guaranteed by US Pain & Spine Institute, LLC (USPSI). USPSI operates through the ownership of a hospital (the Houston Hospital Property), an ambulatory surgery center (the Houston ASC Property), compounding pharmacies, toxicology and genetic laboratories. USPSI manages over 20 physicians and mid-level providers and has a patient base of over 27,000.²¹

²⁰ Appraisal Reports from CBRE, Inc.

²¹ <http://www.uspshealthcare.com>

> The Houston, Texas Market

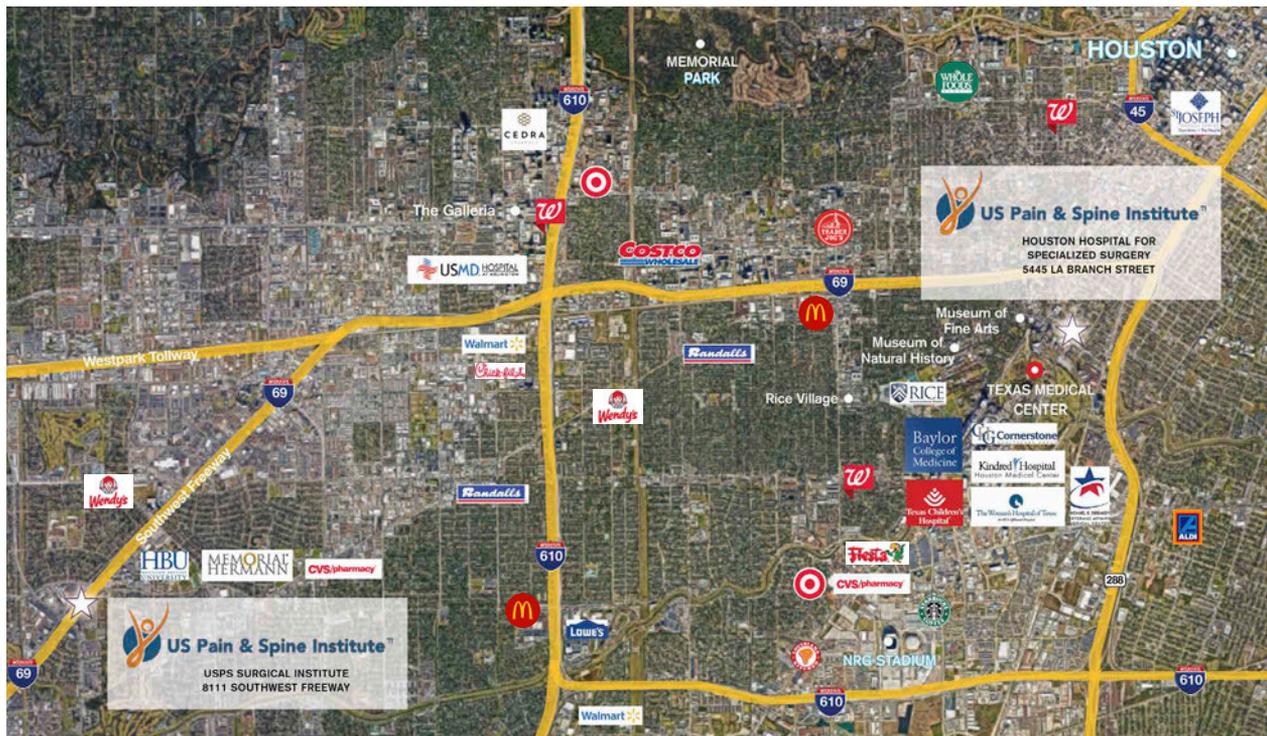
The Houston Properties are located within the Houston metropolitan area, with the Houston ASC Property located about eight miles west of the downtown area and the Houston Hospital Property located just two miles southwest of the Houston central business district. Both properties are located along large interstates, Southwest Freeway (I-69) and South Freeway/Highway 288, benefiting from excellent visibility and highly traveled thoroughways. Both Properties gain advantage from abundant retail developments within minutes of each of the locations.

Houston is the fourth most populous city in the nation with more than 2.35 million residents.²² The healthcare industry remains strong in Houston and is a major driver in development and employment in the area. As a matter of fact, more than 325,000 people work in the healthcare industry in Houston, and this industry remains the city's second largest employment sector.²³

The city of Houston is home to 20 Fortune 500 companies, including Phillips 66, Sysco, Conoco Phillips and Enterprise Products Partners.²⁴ Additionally, Texas Medical Center (TMC), based in Houston, is an internationally renowned medical complex employing over 106,000 people. TMC spends billions of dollars annually on research and charity care, providing a local economic impact of \$10 billion.²³ This type of healthcare spending trend is expected to aid in a larger patient-base to the Houston area.

Market Highlights:

- **Ranked #1** for Fastest Growing Cities²⁵
- **8,300 jobs created** in Healthcare this year through February 2017²⁶
- **Ranks #4** among metro areas in Fortune 500 headquarters²³
- **No. 2 Best City in the World to live** according to expats by Business Insider (2017)



²² <http://uspopulation2017.com/population-houston-2017.html>

²³ http://www.colliers.com/en-us/texas/houston/marketreports/medical_office_report/2016q4

²⁴ Houston.org, Greater Houston Partnership Research, June 22, 2017

²⁵ Forbes 2016

²⁶ Real Estate Outlook, Houston Healthcare Market, Q1 2017



> The Leases

The Commercial Leases

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

Property	Commercial Tenant	Approx. Leased SF	Current Term	Renewal Options	Current Annual Base Rent	Base Rent Per SF
Arlington Property	Arlington Ophthalmology Association, PLLC	18,000 sq. ft.	6/28/17 -6/30/32	Two 10-year terms	\$555,300	\$30.85
	South Arlington Surgical Providers, Inc.	9,500 sq. ft.	6/28/17 -6/30/32	Two 10-year terms	\$293,075	\$30.85
Houston ASC Property	USPS Surgical Institute, LLC	37,357 sq. ft.	7/21/17 -7/31/32	Two 10-year terms	\$1,128,090	\$30.20
Houston Hospital Property	US Pain & Spine Hospital, LP	34,617 sq. ft.	7/21/17 -7/31/32	Two 10-year terms	\$1,203,825	\$34.78

The Master Lease

The Trust has leased the Properties to an affiliate of IPC, Texas Healthcare Portfolio II LeaseCo, L.L.C. (the Master Tenant), under a master lease agreement (the Master Lease), and assigned the Commercial Leases to the Master Tenant.

> 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.