

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name CNL GROWTH PROPERTIES, INC.		2 Issuer's employer identification number (EIN) 26-3859644	
3 Name of contact for additional information CLIENT SERVICES	4 Telephone No. of contact 866-650-0650	5 Email address of contact clientservicesinquiries@cnl.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 450 SOUTH ORANGE AVENUE		7 City, town, or post office, state, and Zip code of contact ORLANDO, FL 32801	
8 Date of action 3/14/2014		9 Classification and description COMMON STOCK	
10 CUSIP number 12625D 101	11 Serial number(s)	12 Ticker symbol	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On the date of action indicated above, CNL Growth Properties (Taxpayer) paid a quarterly stock distribution.
The stock distribution equates to an annualized distribution rate of 8 percent or 0.08 of a share for each share held, payable to all common stockholders of record at the close of business on January 1, 2014, February 1, 2014 and March 1, 2014.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ The stock distribution is not currently included as a component of gross income (e.g. it is not taxable when received) but will represent a per share basis adjustment.

Upon receiving a distribution of stock exempt from tax (new stock), the stockholder must allocate their basis of the stock with respect to which the new stock was distributed (the "old stock") between the old stock and the new stock. This allocation of basis is based on the relative fair market value of the old and new stock on the date of action.

Please consult your tax advisor for additional guidance.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ On the date of action, the public offering price of the stock was \$11.00 per share.

The holding period of the new stock, used to determine whether capital gain or loss on any sale or exchange is long-term or short-term, includes the period the stockholder held the old stock prior to receiving the new stock.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC section 305(a); 307(a); Treasury Regulation 1.307-1

18 Can any resulting loss be recognized? ▶ NO

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ These adjustments are effective on the date of action indicated above.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Kent Crittenden* Date ▶ 04/14/14

Print your name ▶ Kent Crittenden Title ▶ Vice President of Tax

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>Ashley H. Peeper</u>	<u><i>[Signature]</i></u>	<u>04/14/14</u>		<u>P01465930</u>
	Firm's name ▶ <u>CNL FINANCIAL GROUP</u>	Firm's EIN ▶ <u>27-4169415</u>		Phone no. <u>407-650-1000</u>	
	Firm's address ▶ <u>P.O. BOX 4920, ORLANDO, FL 32802-4920</u>				